

Community Budget Priorities

FY 2014-15



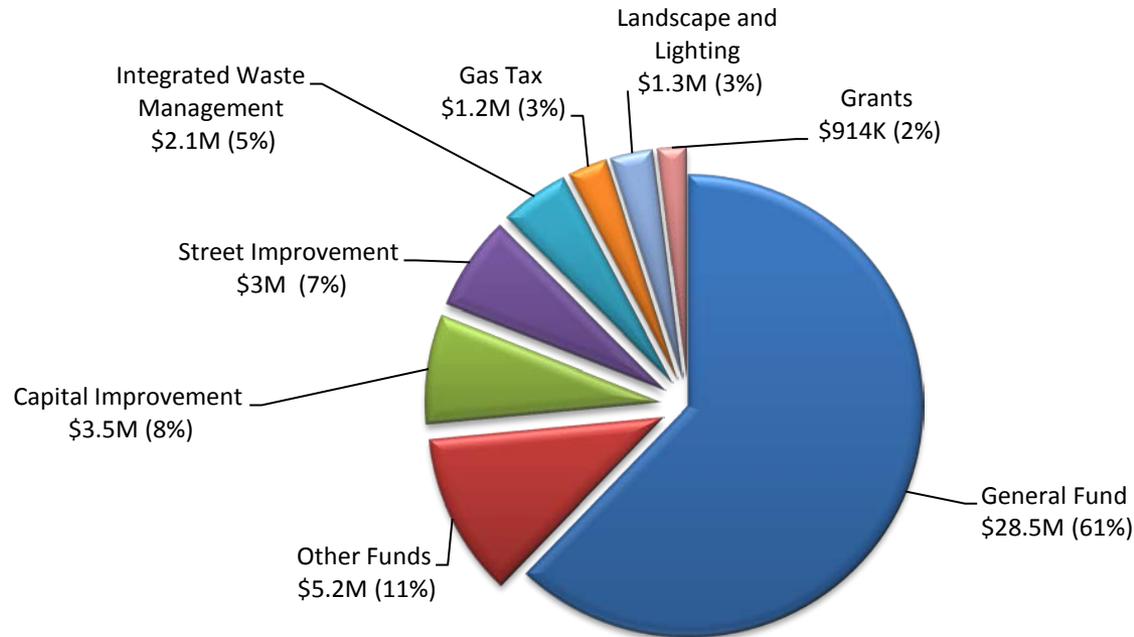
The City is seeking the community's input on priorities for the upcoming Fiscal Year. This presentation gives an overview of the City's budget, as well as the financial challenges that the City faces. The Strategic Plan is then discussed as a guide to helping craft the budget priorities based on the goals developed by the community.

This presentation was given at the Community Budget Meetings held in March 2014 in various neighborhoods throughout the City. For more information, please see the City's Budget Priorities page at www.el-cerrito.org/budgetpriorities.



FY 2013-14 Operating Budget Budgeted Expenditures by Fund

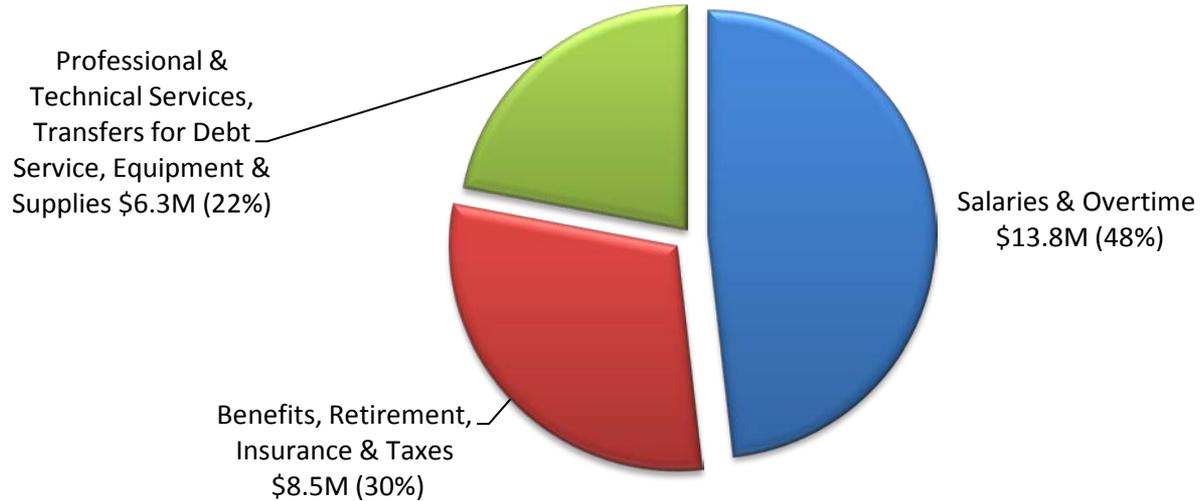
\$45.8M total (61% General Fund / 39% Special Purpose Funds)



The City and its Funds: One of the key principles to understand budgeting in local government is the concept of a fund. For most of us, all the money in our household is pooled together to cover expenses. Governments operate a bit differently. Public money is separated into funds, which can be thought of as separate checking accounts. The City’s main checking account is the General Fund. This fund is the City’s general operating fund, and can be used for any purpose. The General Fund is where the majority of the City’s operating budget is paid from.

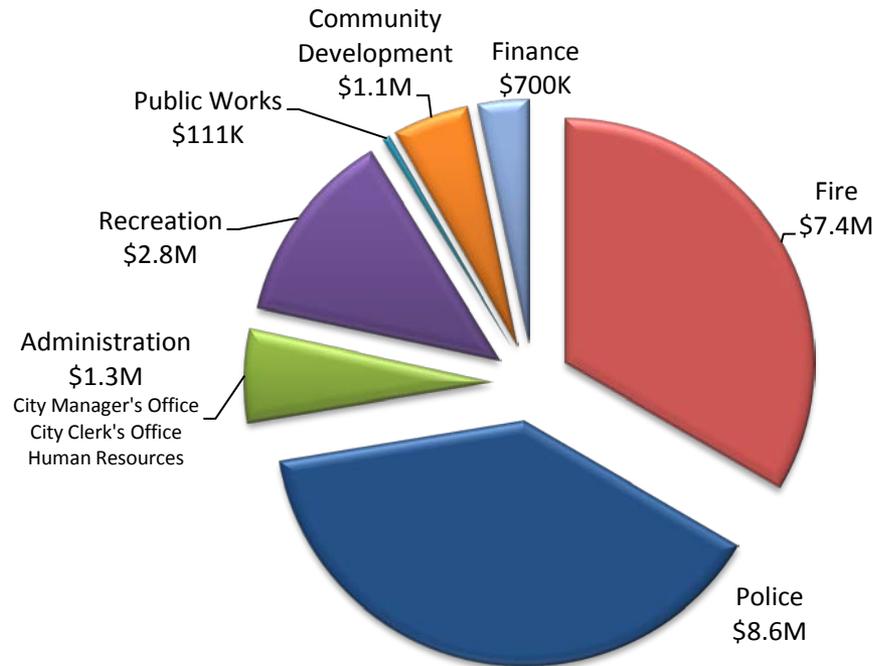
The City also has several additional checking accounts that are known as Special Purpose Funds. These funds are created for specific purposes and the money in those funds can only be spent on what the fund is created for: for example, the money that is collected for Measure A Street Improvements are deposited into that special account and the money in that account can only be spent on ongoing maintenance and improvement of our local roadways per Measure A, and cannot be used for other purposes.

FY 2013-14 Budgeted General Fund Expenditures \$28.5M



How the General Fund is spent: The chart above shows that the majority of the costs in the General Fund are for personnel. This is because the City is a service organization, and personnel are required to provide those services. The City continues to struggle to provide its employees with competitive wages in an effort to recruit and retain excellent staff to provide the services that our residents and businesses expect. Of the City's General Fund, 78% of expenses in FY 2013-14 are budgeted to go towards employee compensation. This is primarily due to increasing pension and medical costs (shown in red in the chart above). Data from the State Controller's Office shows that El Cerrito ranks 20th out of the 33 cities in Contra Costa and Alameda Counties for average employee wages. This means that the City risks losing or attracting talented employees, particularly as other cities begin hiring when the economy improves.

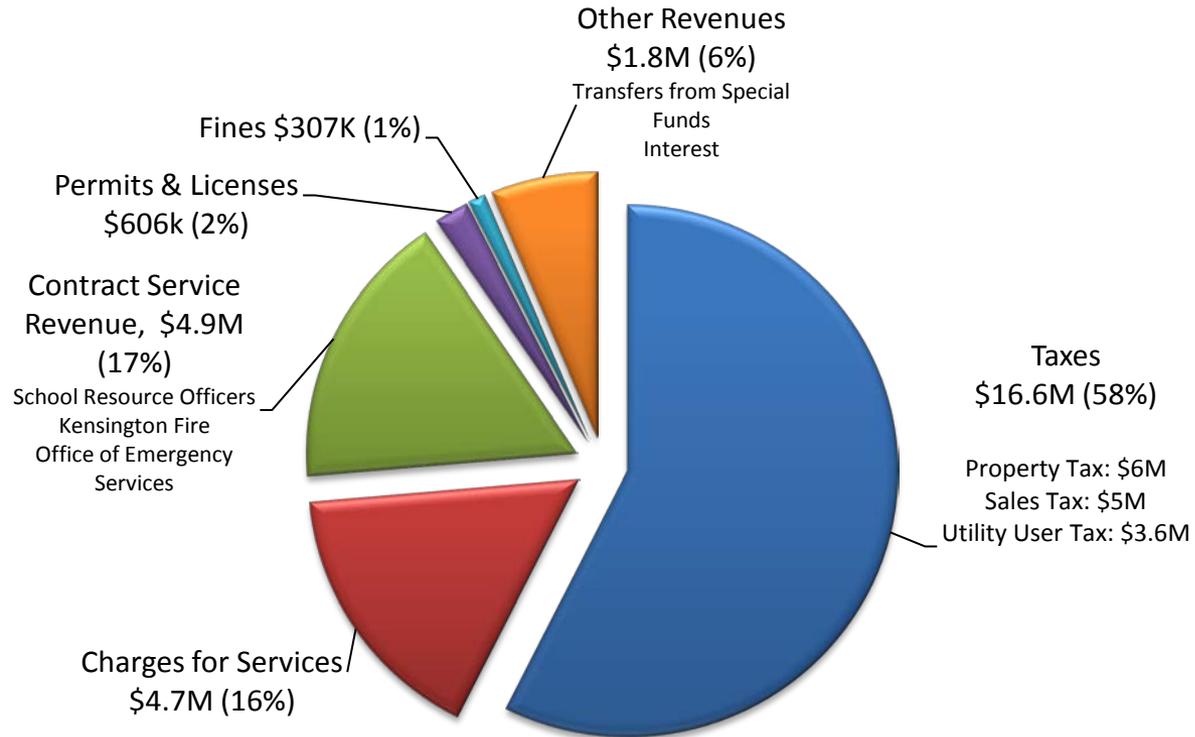
FY 2013-14 Budgeted General Fund Personnel Costs by Department



People Provide Services: Unlike a business that creates or manufactures items for sale, the City provides the community with police, fire, economic development, public works, recreation, building, planning, environmental and administrative services that aren't offered by the private sector. The City has around 180 permanent positions, including life guards, pre-school teachers, engineers, planners, recycling truck drivers, analysts, police officers and firefighters plus a number of seasonal, part-time positions.

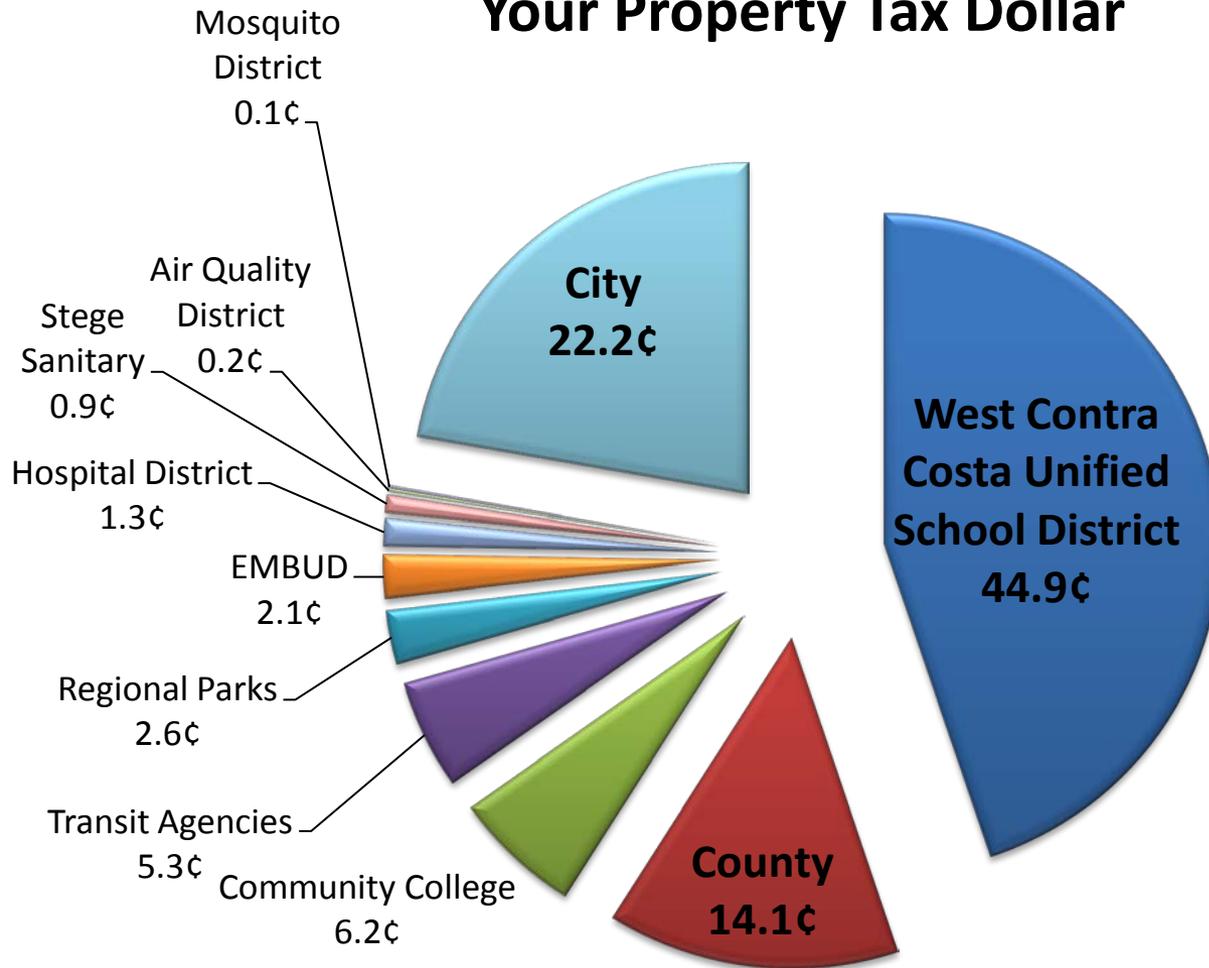
As in most cities, Public Safety (Police and Fire) make up the majority of the personnel costs in the General Fund. It should be noted that the Public Works Department has a small portion of the General Fund personnel expenditures because they are supported by many of the Special Purpose Funds, that pay for the specific projects and programs that Public Works is responsible for implementing, including capital projects, infrastructure, clean water, and recycling services.

FY 2013-14 General Fund Revenue



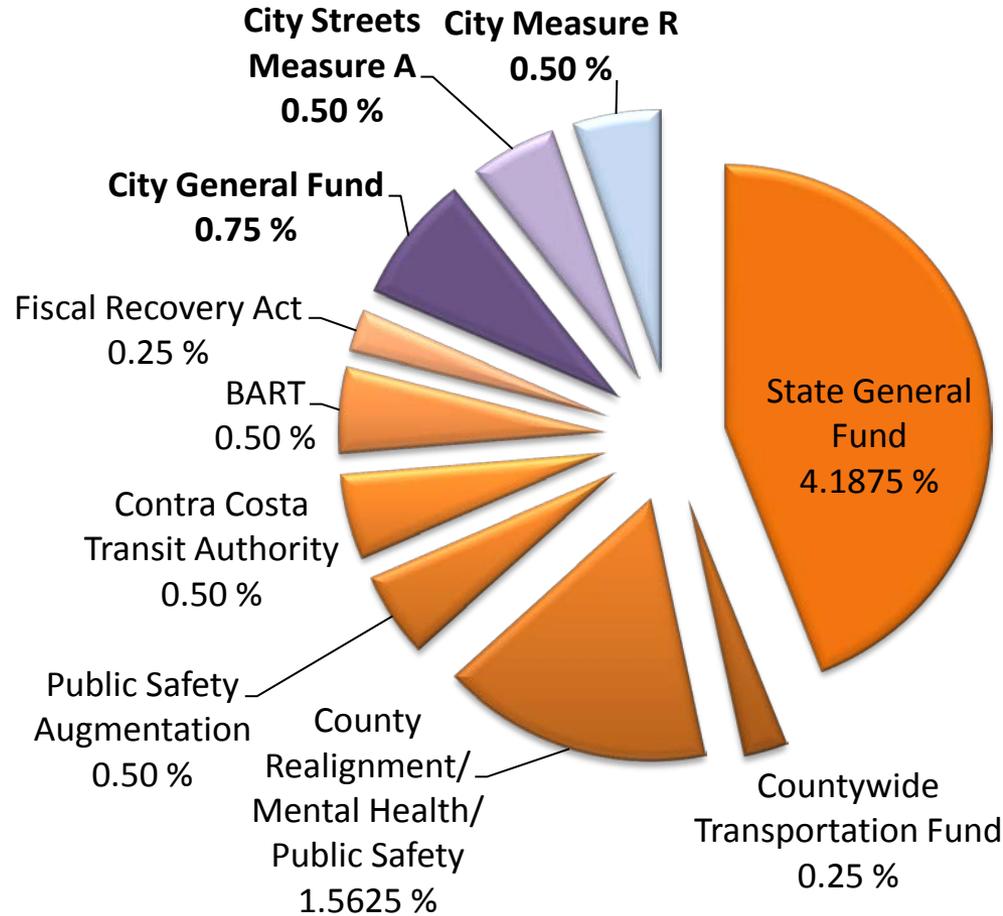
Where the funds come from: This chart shows what is collected to make up the City’s General Fund revenues. The majority of the City’s General Fund revenue comes from taxes, including property taxes, sales taxes, and utility user taxes. Other revenues come from fees, permits and licenses, fines, and contract revenue for the services that the City provides to other agencies, including Kensington Fire for fire protection services and the West Contra Costa Unified School District for School Resource Officers at El Cerrito High School and Portola Middle School.

Your Property Tax Dollar



Where your Property Taxes go: This chart shows how one of your property tax dollars are allocated among various agencies. For every property tax dollar collected, the City of El Cerrito receives about \$0.22.

Sales Tax Distribution



Local Sales Tax Measures

Streets Measure A: Half-cent sales tax dedicated to street and street-related improvements and maintenance.

Estimated annual revenue: \$1.5M

Measure R: Half-cent sales tax for seven years to general use. Sunsets in 2018.

Estimated annual revenue: \$1.5M

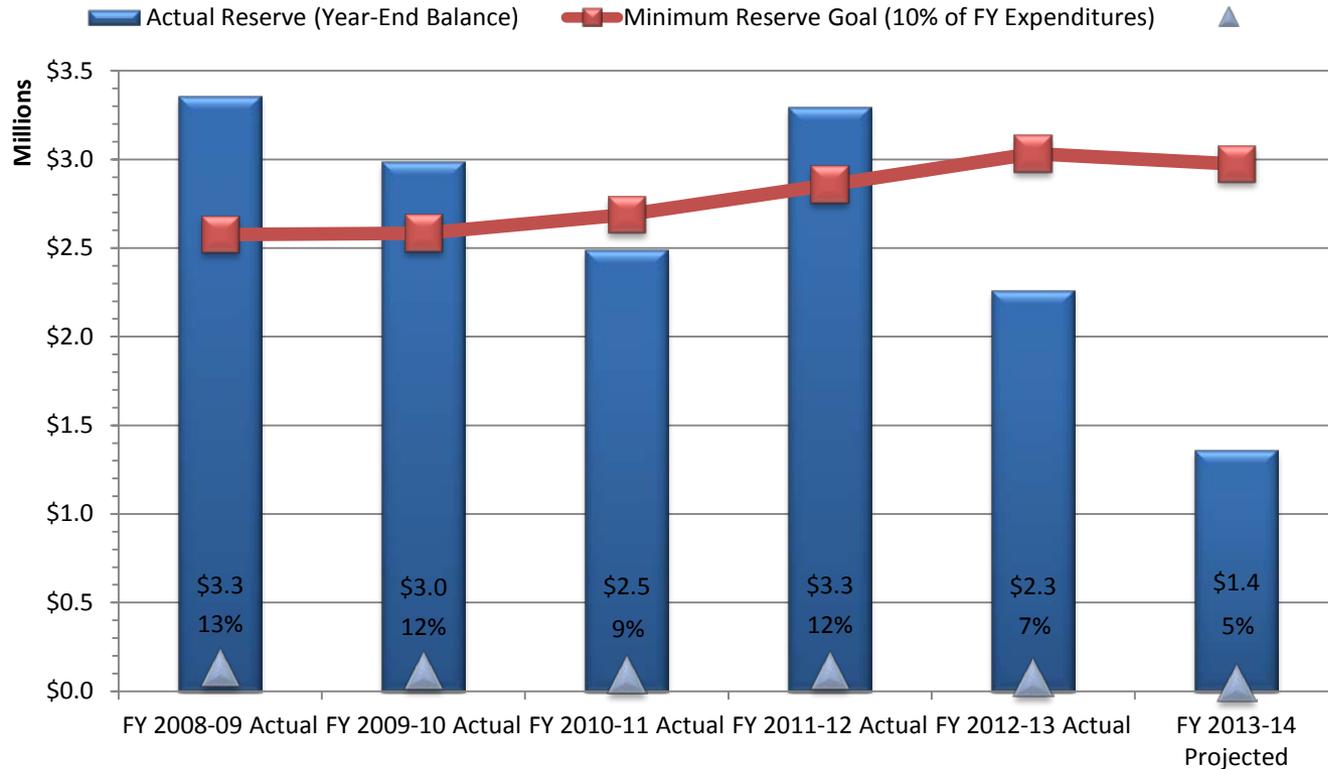
Public Safety Augmentation:

Collected per Prop 172, allocated to cities to be used for Public Safety services.

Estimated annual revenue: \$250K

Where your Sales Tax goes: This chart shows how the sales tax paid in El Cerrito is distributed. As shown above, the City receives 1.75% of the 9.5% sales tax, in addition to an allocation of Public Safety Augmentation (Proposition 172) funds.

General Fund Reserve Versus 10% Reserve Goal FY 2008-09 to FY 2013-14



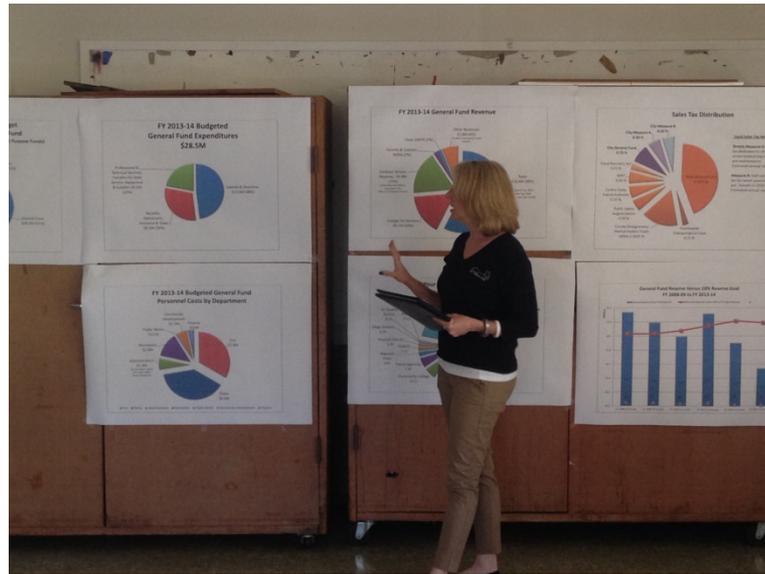
What's in Reserve: Another important factor in the City's budget is the General Fund Reserve. The Reserve is the difference between how much money comes into the City and how much we spend. The Reserve is essentially the City's savings account, meaning it is money set aside to protect the City from any events that could impact the financial condition of the City, and provide a safety net especially in case of emergencies.

The City's adopted Financial Policies state that the City's goal is to maintain a 15% Reserve, with a minimum of 10%. Any use of the Reserve must be approved by the City Council. As shown in the chart above, the City has had to use the General Fund Reserve to balance the budget in recent years, dropping below the minimum. Using the Reserve in this way is not sustainable, and the City must use balancing measures to build the reserves back above the minimum amount.

Current Budget Challenges:

- Overall financial outlook seems to have stabilized; however, revenue has not and is not predicted to return to the levels experienced before the great recession. The overall sluggish economy, while improving for the private sector, is still impacting the City's finances. In 2013, property tax revenues to the City had dropped about \$300,000 annually since 2011. This was largely a result of reductions in property values by the County Assessor that are not consistent with the current market values. The City's sales tax revenues overall have remained relatively level.
- The impact of redevelopment dissolution has resulted in an annual loss of approximately \$1 million per year. This money had previously supported many programs related to economic development, support of the business community and our commercial areas, funding capital improvements and helping to facilitate development.
- Personnel costs, particularly medical and benefits costs, are increasing. Salaries have remained relatively steady; it should be noted that the total compensation for El Cerrito's employees is in the 50th percentile of similar cities. Additionally, the City does not provide medical benefits to retirees, unlike many other of our neighboring cities.





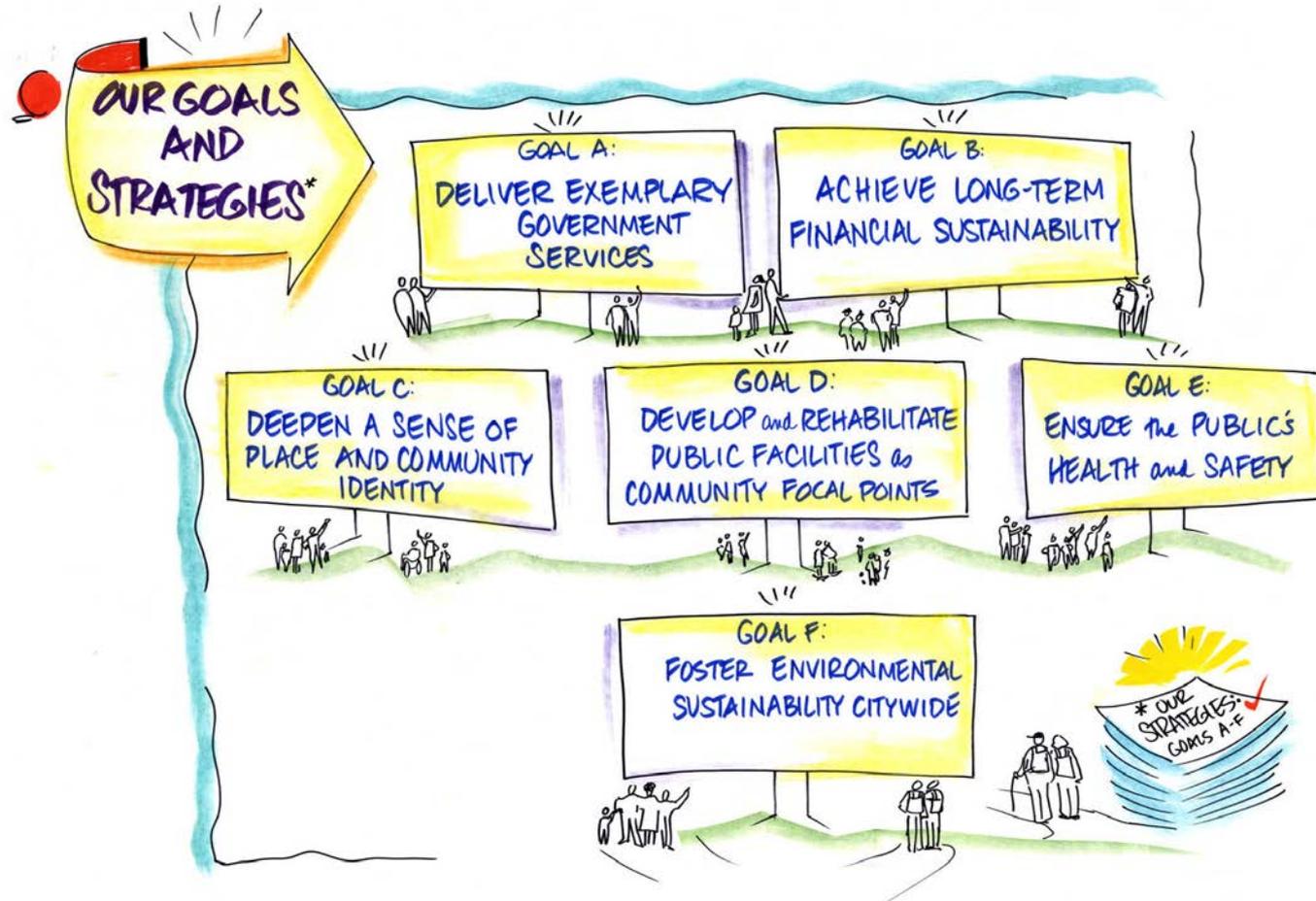
What the City has done so far to deal with its budget challenges:

- Vacant positions have been eliminated (~\$1.5 million), others have remained unfilled, staff has made a number of wage concessions (increased pension contributions, forego COLA, furloughs), departments have been reorganized to achieve better efficiencies, funding from grants and other funding sources have been secured in addition to implementing other innovative solutions to save money and maintain programs and services to the community.
- For the past two years, the City has relied on one-time restricted funds to offset the loss of these revenues to the General Fund.
- Deferred Maintenance of some City buildings and parks.
- Measure A, for Pothole and Street Repair, was passed by the voters in 2008. Measure R, a general sales tax, was passed in 2010 and sunsets in 2018.



Challenges for the next Fiscal Year

- Projections are very preliminary, but based on current cost and revenue assumptions; staff estimates balancing measures of approximately \$1-\$1.5 million in the General Fund will be required to align expenditures with available revenue and to increase reserves.
- Increasing costs and limited revenue growth remain an issue.
- Agreements for three of the City's unions and labor groups have expired or are expiring, contractual cost of living increases are due for Public Safety employees, expected cost increases in employee health rates, and the elimination of one-time money to fund economic development are some of the realities that must be addressed next year.
- Restoring reserves that have declined due to one-time uses also remains a priority for next year's budget.
- Staff anticipates that some Special Revenue Funds will also require measures to bring the funds into balance.



Where we go from here: The City adopted a Strategic Plan in 2013. This plan is a road map for the future, and gives the City Council, City staff, and the community a guide on how the City will concentrate its efforts to the programs and services it provides.

City staff has asked the community to give input on the City's budget priorities by using the Strategic Plan goals as a foundation for determining how best to allocate resources. The following pages show the goals in detail, including programs and services that fulfill the goal, the departments responsible, and the funding currently allocated.

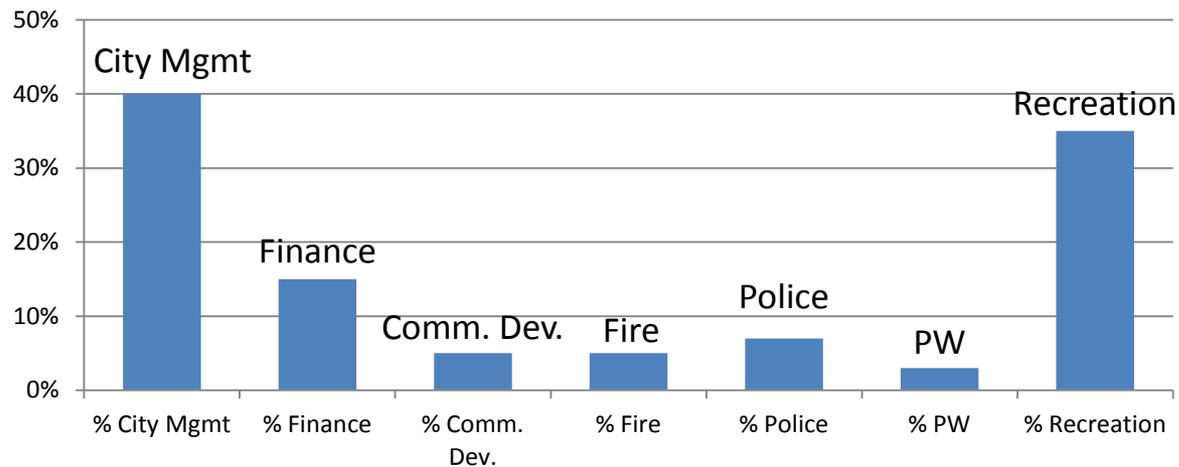
Goal A: Deliver Exemplary Government Services

FY 13-14 Budgeted Expenditures: \$5.4M



Example Programs and Services:

- Government Administration
- Administer open and public meetings
- Ensure compliance with State Law for elected and appointed officials, open meetings, etc
- Public Information: newsletter, website, live web streaming and radio broadcast of regular Council meetings
- Employee recruitment, training, payroll and benefits administration
- Risk Management



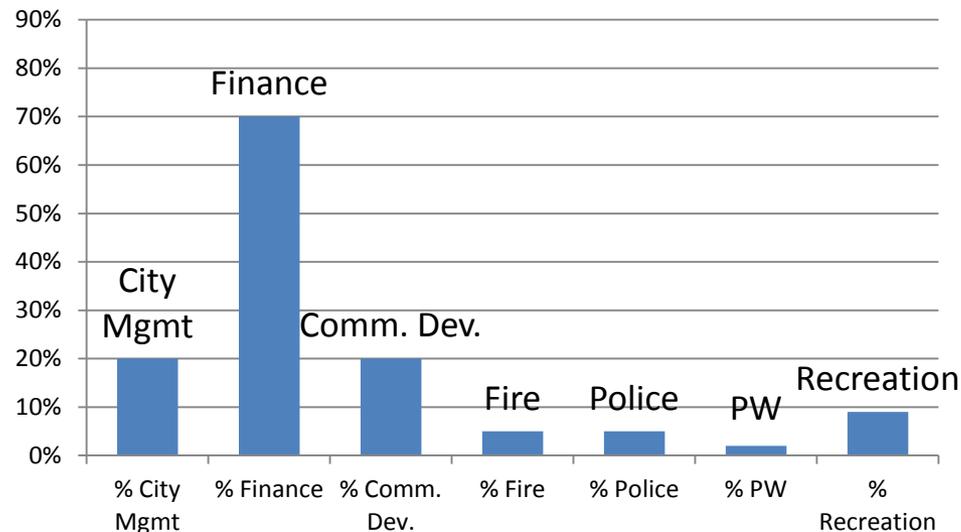
Goal B: Achieve Long-term Financial Sustainability



FY 13-14 Budgeted Expenditures: \$7.9M

Example Programs and Services:

- Business attraction and retention programs
- Administer financial affairs of the City
- Budgeting, analysis, forecasts, manage cash flow, fiscal controls, etc.
- Accounting, payroll, accounts payable and receivable, etc.
- Administer the business license program
- Manage or assist with purchasing, leasing, disposition of assets
- Pursue Grant funding
- Administer successful grants (including reporting)

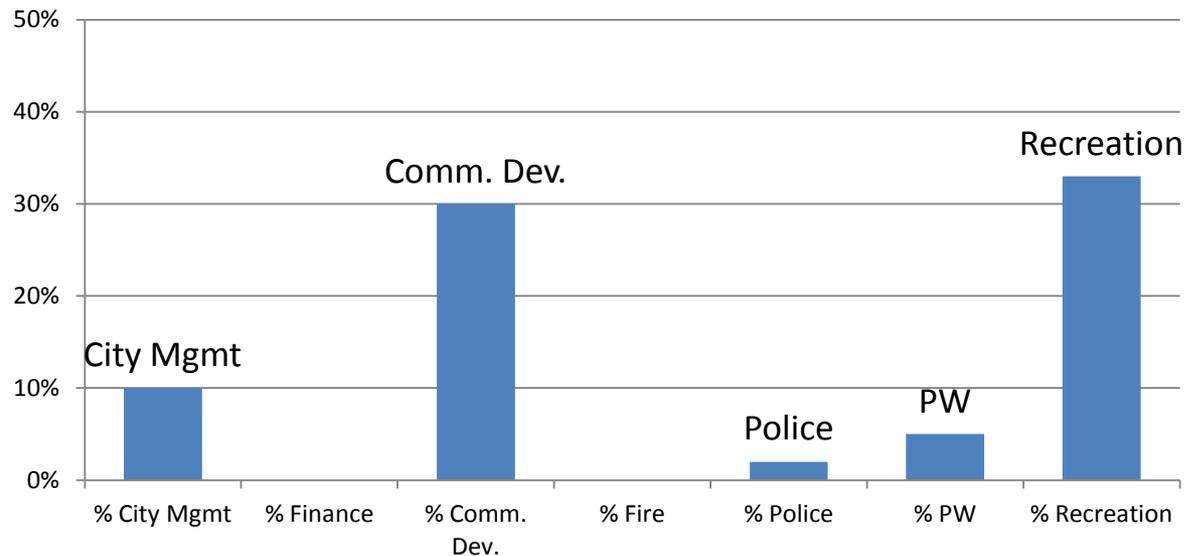


Goal C: Deepen Sense of Place & Community Identity

FY 13-14 Budgeted Expenditures: \$3.7M

Example Programs and Services:

- Board and Commission Administration & Support
- Conduct current and advanced (long-range) Planning
- Encourage economic development
- Manage the City's Affordable Housing program
- Promote and support local and green businesses
- Police public education and crime prevention strategies
- Neighborhood Traffic Management Program (NTMP)
- Hold Community Special Events
- Offer recreational and leisure activities including classes, youth camps, facility rentals, pre-school, afterschool and senior programs
- Run Community Center, Swim Center and Senior Center
- Clean-up trash, debris, graffiti, on public properties

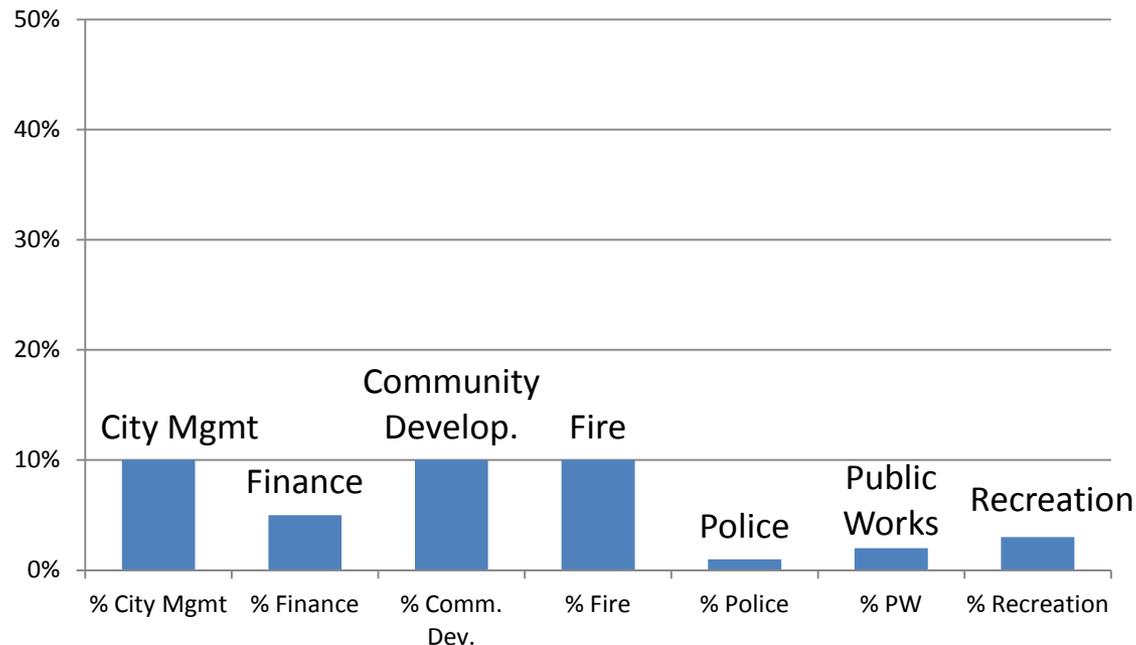


Goal D: Develop and Rehabilitate Public Facilities

FY 13-14 Budgeted Expenditures: \$2.3M

Example Programs and Services:

- Maintain city-owned facilities
- Invest in telecommunication systems upgrades as needed (hardware and software)
- Plan for future renovation or replacement of aging facilities



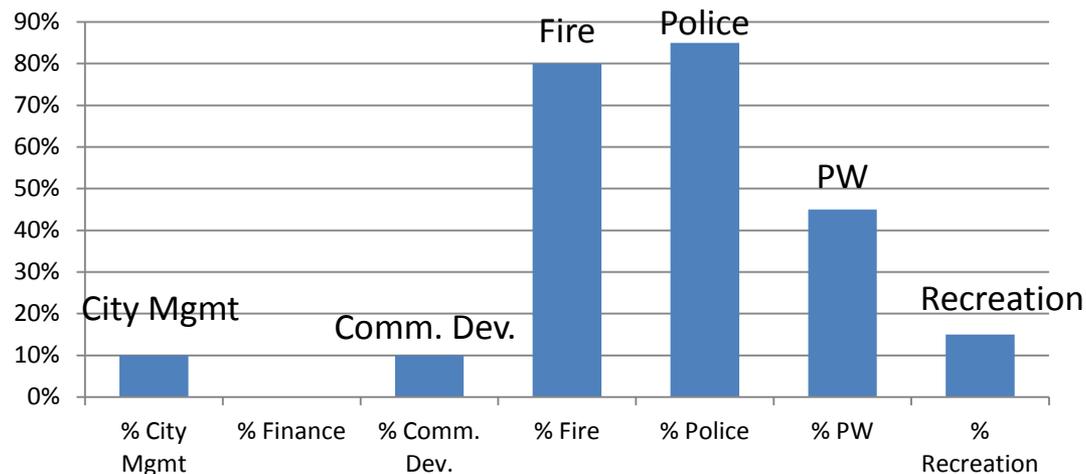
Goal E: Ensure the Public's Health and Safety

FY 13-14 Budgeted Expenditures: \$21M



Example Programs and Services:

- Assure all built projects satisfy health & safety regulations & California Building Code; Perform Code Enforcement
- CERT Program (Community Disaster Preparedness)
- Organizational Disaster Response Preparedness
- Police & Fire Emergency Response
- Fire Prevention through Code Enforcement, business inspections and weed abatement
- IT support for video surveillance systems
- Conduct Police Patrol Operations, Traffic Enforcement & Crime investigation
- Engineering Review for land use and traffic/transportation
- Manage and carry out CIP projects, Street Pavement & Clean Water Programs
- Maintain Streets & Storm Drains
- Maintain civic buildings, park facilities, parks, trails, creeks & median landscaping
- Manage Waste Management & Recycling including oversee contract with landfill & greenwaste waste hauler, provide curbside recycling and run drop-off Center
- Actively promote and facilitate active living and healthy eating in Recreation programs and services, when appropriate
- Offer swim lessons



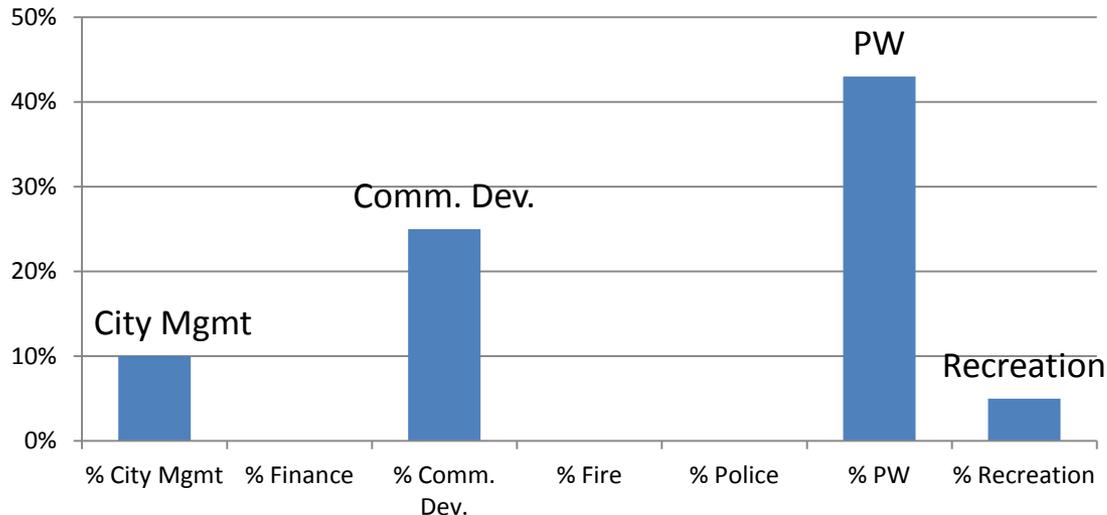
Goal F: Foster Environmental Sustainability Citywide

FY 13-14 Budgeted Expenditures: \$5.4M



Example Programs and Services:

- Assure all City and private projects are consistent with the California Environmental Quality Act
- Implement the City's Climate Action Plan
- Easy Ride Paratransit Service
- Encourage residential/commercial solar and other energy and water efficiency related improvements
- Develop trip reduction and parking demand management programs for community and employees
- Manage Clean Water Program
- Park Maintenance
- Education and policy development about Waste Management & Recycling



We want to hear from you!

- How would you prioritize or rank the goals of the Strategic Plan in terms of how to allocate funds for the next fiscal year?
- What ideas do you have for the City to cut costs, get new revenue, or other measures you can think of to help balance the budget?
- What City services are most important to you? What could you live without? Is there anything the City should stop doing?
- Tell us through Open El Cerrito!