

SECTION 1:

BUDGET OVERVIEW

The City of El Cerrito serves, leads, and supports our diverse community by providing exemplary and innovative services, public places and infrastructure, ensuring public safety and creating an economically and environmentally sustainable future.

EL CERRITO PROFILE

The City of El Cerrito is a general law city that was incorporated in 1917. El Cerrito is located in western Contra Costa County and forms part of the highly urbanized area along the eastern shore of San Francisco Bay. El Cerrito has a population of 24,087 and covers an area of 3.9 square miles. It is a community of highly educated residents due primarily to the proximity to UC Berkeley and the San Francisco Bay Area high-tech economy. It is known for its temperate climate and breathtaking views of San Francisco Bay and the Golden Gate Bridge from the hillside areas.

Interstate Highway 80 passes near the western boundary of the community, while the crest of the Berkeley Hills and Wildcat Canyon Regional Park define the eastern boundary. The community is served by AC Transit and the Bay Area Rapid Transit (BART) system, with stations near both the northern (El Cerrito Del Norte station) and southern (El Cerrito Plaza station) boundaries of the city. In addition, several transit agencies including Golden Gate Transit, Fairfield-Suisun Transit, Vallejo Transit, and WestCAT also serve the El Cerrito Del Norte BART station. The combination of services from these agencies provides excellent public transportation to the entire Bay Area.

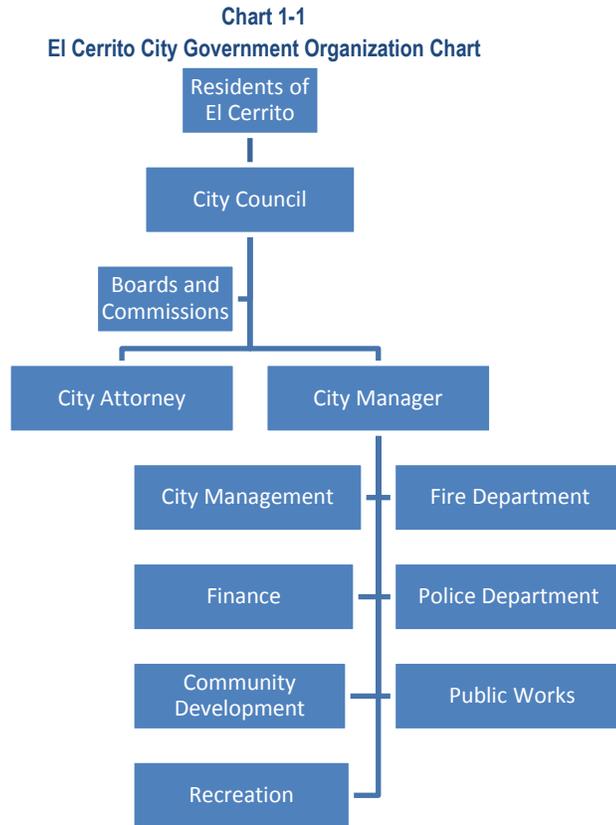
The City is organized as a Council-Manager form of local municipal government. The City Council consists of five members elected at large for four-year, overlapping terms. The Council selects the Mayor for a one-year term from among its members. The Mayor and City Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen understanding and involvement. The Council Members also serve as the governing body of the El Cerrito Employees' Pension Board (PB), and the El Cerrito Public Financing Authority (PFA).

The City Manager is appointed by the City Council and is responsible for administration of municipal affairs. All municipal departments operate under the supervision of the City Manager. Through the City Manager, City staff uses the resources appropriated by the Council in the budget to achieve desired service results in the community and carries out the policies of the Council. The City Council also appoints the City Attorney to advise them and City staff on legal affairs, to see that all laws are effectively enforced and, when necessary, to defend the City in litigation.

The City provides police and fire services as well as recreation, streets and roads, recycling, economic development, public improvements, building, planning and zoning, and general administrative services. Residents are provided water by East Bay Municipal Utility District and sewer services through Stege Sanitary District. Garbage collection service is provided by East Bay Sanitary, and both Comcast and AT&T provide video, internet and telecommunication services.

ORGANIZATIONAL OVERVIEW

Chart 1-1 provides a graphical overview of the structure of City Government:



Overall Position Listing

Table 1-1 shows the authorized Citywide position listing for permanent positions. The listing reflects interdepartmental transfers. The listing does not include hourly or non-permanent part-time positions.

Table 1-1
Citywide Position Listing

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
City Council	5.00	5.00	5.00	5.00	5.00
City Management	9.80	9.80	9.00	9.00	9.00
Finance Department	6.00	6.00	6.00	6.00	6.00
Community Development*	15.00	15.00	13.50	13.50	13.50
Police Department	56.55	56.55	56.40	56.40	56.40
Fire Department	37.00	37.00	37.00	37.00	37.00
Public Works Department	23.25	23.25	23.80	22.80	22.80
Recreation Department	24.00	24.00	23.00	23.00	23.00
Total	176.6	176.6	173.7	172.7	172.7

*Formerly Environmental and Development Services

STRATEGIC PLAN

Successful organizations need to have a clear vision of where they are going and how they intend to achieve their mission. The City’s vision was crafted by the community during the City of El Cerrito 2013-2017 Strategic Plan process. This Plan provides a framework for linking identified priorities to the budget process, capital improvement program, important policy considerations, economic development initiatives, and the organization’s desire for continuous improvement.

OUR VISION

The City of El Cerrito is a safe, connected, and environmentally focused Bay Area destination with vibrant neighborhoods, businesses and public places, and diverse cultural, educational and recreational opportunities for people of all ages.

OUR MISSION

The City of El Cerrito serves, leads and supports our diverse community by providing exemplary and innovative services, public places and infrastructure, ensuring public safety, and creating an economically and environmentally sustainable future.

OUR VALUES

Our values drive behavior and support effective implementation of the mission, vision, and goals. The City’s values include:

- Ethics and Integrity
- Fiscal Responsibility
- Inclusiveness
- Innovation and Creativity
- Professional Excellence
- Responsiveness
- Transparency and Open Communication

In 2012, the City kicked off the process to create the Strategic Plan. Approximately 500 citizens participated in focus group discussions, community workshops, study sessions and online surveys and forums. Together, participants offered ideas and comments about issues currently facing El Cerrito and hopes and desires for the City’s future. The entire plan is available at www.el-cerrito.org. The Plan includes the City’s vision, mission statement and values, six goals and over forty strategies to achieve the goals. The goals are:

A. Deliver Exemplary Government Services
B. Achieve Long-term Financial Sustainability
C. Deepen a Sense of Place and Community Identity
D. Develop and Rehabilitate Public Facilities as Community Focal Points
E. Ensure the Public’s Health and Safety
F. Foster Environmental Sustainability Citywide

Community Engagement

To build upon the momentum achieved in the Strategic Plan process, and to allow staff and the City Council to gather feedback on the financial challenges the City faces in the upcoming fiscal years, the City held Community Budget Meetings in March 2014. For the first time, these meetings were held in neighborhoods throughout the City and allowed residents and neighbors to learn about the budget and provide input on allocating resources according to the priorities outlined in the Strategic Plan. The meetings were well attended and residents provided thoughtful and valuable feedback for City staff to consider for this budget. Additionally, the City provided a new online forum called **Open El Cerrito** (www.el-cerrito.org/openelcerrito) that mirrored the presentation and activities from the community meetings and allowed people to participate if they were not able to attend the meeting in person.

Participants were invited to engage in an activity that put a "value" on the Strategic Plan goals for the City to focus on by spending a 'theoretical' \$500. Participants could distribute the funds evenly to all of the choices or spend the money toward one area. The idea was that how participants allocated the \$500 would show what programs and services were most important and to assist in prioritizing the City's limited resources. 77 \$500 budgets were submitted in person and online, and **Chart 1-2** shows the average dollar amount allocated by participants to each Strategic Plan goal.

Chart 1-2
Average Dollar Amount per Strategic Plan Goal
(Total of \$500)



The allocations, as well as the comments provided in person and online, reflect the goal of **Ensure the Public's Health and Safety** as the top priority. Comments reflected the desire to maintain the current level of public safety, police, fire, and emergency services, and understood the challenges that the City has faced in recent years, especially the economic downturn and the the loss of Redevelopment and other State takeaways. Feedback also reflected the desire to **Develop and Rehabilitate Public Facilities as Community Focal Points**, and in particular residents noted the need for maintaining and improving infrastructure, parks, playfields, open space, and developing a new Library building.

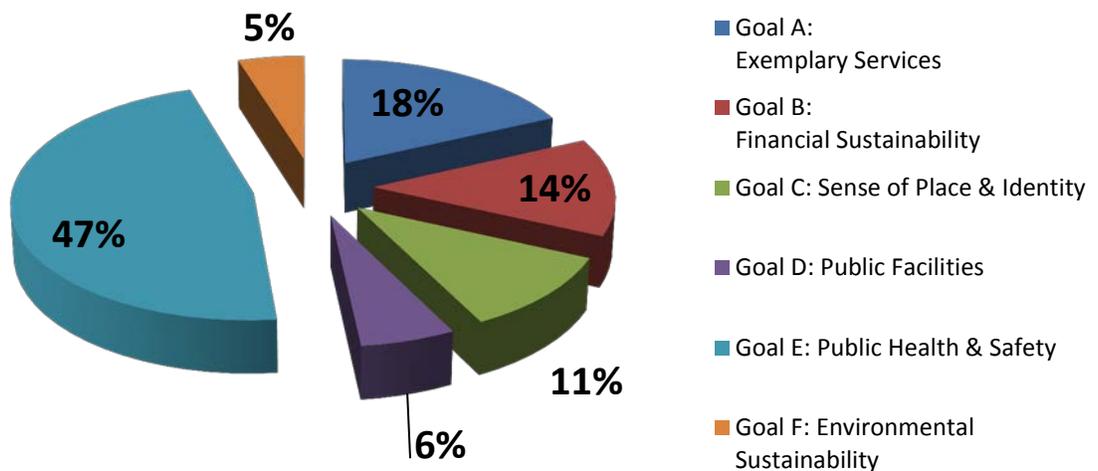
Budget Alignment

City staff used the goals outlined in the Strategic Plan as well as the data gained from the community meetings to inform the development of their departmental budgets for the next two fiscal years. In order to best determine the resources to allocate to the goals and strategies in the Plan, the departments submitted information tailored toward aligning programs and services to the Strategic Plan goals.

Each department evaluated their programs and services and analyzed related data to determine a baseline amount of resources to allocate to the goals of the Strategic Plan. The departments considered several data sets, including personnel necessary to provide the program or service, additional costs (such as consultants or contractors, supplies and equipment, and other purchased services), and whether the program or service is required by law or City policy. Departments were realistic about the objectives that could be achieved in the upcoming fiscal years, and set priorities to allocate resources accordingly.

Chart 1-3 depicts the percentages of the total departmental budget alignment of programs and services to each of the Strategic Plan goals. It shows that consistent with previous budgets, survey data, and the desires of the community, the highest priority has been placed on **Ensure the Public's Health and Safety**. The goal of **Deliver Exemplary Government Services** was given high priority as well, as many departments identified programs or services as directly related to strategies within this goal, such as ensuring City programs and services are inclusive of people of diverse backgrounds, utilizing data-driven analysis to allocate resources, and providing excellent customer service.

Chart 1-3
Departmental Budget Alignment
to Strategic Plan Goals (All Funds)



Further detail on the programs and services as aligned to the Strategic Plan goals and strategies are outlined in the department sections, beginning on page 59.

Additional information on the quality of services provided by the City is gauged through citizen surveys. The City conducted the National Citizen Survey in April 2012 to gauge citizens' satisfaction with the community and local government services. This was the City's fourth National Citizen Survey. The full report is posted, along with the results from previous surveys, on the City's website at www.el-cerrito.org.

BUDGET PROCESS

The annual budget is the City's service and financial plan for the fiscal year: a planning tool that matches the services desired by the community to the resources required in order to provide those services. The development, adoption, and implementation of the City budget compose a major decision-making process with several phases. This year, the budget process began with a series of community budget meetings in various neighborhoods throughout the City in March, as well as an online forum at www.el-cerrito.org/openelcerrito, in order to gather input and feedback on the budget. In April, the City Council held a budget study session to provide better direction to staff in preparing this document.

The City is presenting a biennial budget, which will encompass the next two fiscal years. A biennial budget provides a high emphasis on long-term planning and forecasting, gives more time than an annual budget to ensure the budget is being efficiently followed and properly funded, allows greater opportunity to focus on how well programs and services are working over time and complying with the Strategic Plan, and reduces resources associated with annual budgeting.

At the initial stage of the budget process, department heads and division managers propose to the City Manager those programs designed to provide essential services that meet the City Council's expression of community goals. Beginning this year, these proposals will cover FY 2014-15 and FY 2015-16. Staff also prepares estimates of available revenues for the same period. The City Manager and department directors balance the requested program expenditures with the anticipated resources, and develop a proposed budget and financial forecasts. The proposed document is reviewed by the Financial Advisory Board, and their recommendations and revisions are incorporated during the budget process, as appropriate.

After presentation of the staff-prepared, proposed budget, the City Council holds public meetings on the budget to review the staff recommendations and is anticipated to adopt the proposed document with whatever changes are required by the fiscal year end. The City's fiscal year is from July 1 through June 30. The City Council receives public testimony and reviews the service, expenditure, and revenue proposals contained in the proposed budget. After discussing and making amendments, if any, to the proposed budget, the City Council adopts the budget for the next fiscal year and establishes appropriations. The appropriations are the legal authority to spend money. Copies of the various resolutions adopting this budget are provided in the Appendix of the final adopted budget document. While the budget document incorporates two fiscal years, the City Council is required per the El Cerrito Municipal Code to adopt and appropriate an annual budget for each fiscal year. During the time period covered by this document, the City Council will do so prior to June 30, 2014 and June 30, 2015. The next proposed budget document will be prepared prior to FY 2015-16.

**Table 1-2
Budget Calendar**

DATE	DESCRIPTION
March, 2014	Community Budget Meetings <ul style="list-style-type: none"> • March 13: Harding School • March:15 Arlington Clubhouse • March 25: Senior Center • March 31: Canyon Trail Art Center
March 18, 2014	City Council Meeting <ul style="list-style-type: none"> • Mid-Year Budget Review
April, 2014	Budget Kickoff <ul style="list-style-type: none"> • Payroll budgets sent to Departments • New World System (NWS) baseline budget entered and ready for data entry (revenues and non-personnel expenses) by Departments • Word and Excel files ready for revision by Departments • Strategic Plan Alignment Worksheets to be completed by Departments
April 22, 2014	City Council Meeting – Budget Study Session <ul style="list-style-type: none"> • FY 2013-14 Update • Preview FY 2014-15 and future forecasts • Align Budget Goals with Strategic Plan • Discuss priorities, challenges, and potential balancing measures • Master Fee Schedule • First Reading on Measure A Parcel Tax Ordinance
May 1, 2014	Department Budgets completed and reviewed with City Manager <ul style="list-style-type: none"> • Revenue and Expenditures Changes • Personnel and vacant positions • Part Time and Overtime Requests • Capital Improvement Project Requests (if any) • Review completed Department Narratives • Alignment of goals and objectives with Strategic Plan
May 6, 2014	City Council Meeting to consider: <ul style="list-style-type: none"> • LLAD Resolution of Intent • Second Reading Measure A Parcel Tax Ordinance • Capital Improvement Program Study Session
May 20, 2014	City Council Public Hearings <ul style="list-style-type: none"> • LLAD Hearing & adoption of confirming resolution • Storm Drain Fees resolution
May 28, 2014	Park and Recreation Commission Capital Improvement Program Study Session
June 9, 2014	City Council Meeting Proposed Budget Introduction and Study Session
June 10, 2014	Financial Advisory Board meeting- <ul style="list-style-type: none"> • Discuss & provide comments on proposed budget
June 17, 24, and 30, 2014	City Council Budget Hearings/Adoption <ul style="list-style-type: none"> • Budgets and Budget Policies • Capital Improvement Program • Appropriations limit

Budget Authority Model

During each fiscal year, the adopted budget is implemented through the provision of City services and the City's daily fiscal operations. The budget provides legal spending limits and a planned allocation of resources, within which the City's managers are expected to provide services and make the best use of public resources. The City Council provides staff with the authority to raise and expend monies

within specific funds. The City Manager has the authority to shift resources within funds, but typically not across funds.

From time to time throughout the year, the City Council receives periodic progress reports on how well the actual service and financial experience are conforming to the adopted service and financial plan, as expressed in the budget. Under certain circumstances, the City Council may adjust the budgeted appropriations for reasons unforeseen at the time of the adoption of the original budget. Such amendments are made by Council resolutions.

Gann Limit

Proposition 4, known as the Gann Initiative, was approved by the voters in November, 1979. This measure requires that the City adopt an appropriations limitation each fiscal year. In June of 1990, the voters passed Proposition 111, which modified the previous appropriations limitation requirements of Proposition 4, as follows:

The total annual appropriations subject to limitation of the State and of each local government shall not exceed the appropriations limit of the entity of government for the prior year adjusted for the change in the cost of living and the change in population.

Now chaptered in Article XIII B of the California Constitution and Government Code §7900-7914, these two measures specify that the new limit be based on the prior year's appropriations limit, adjusted for cost of living and population. Each year, every city must select from two alternatives methods for each of these two adjustment factors, as follows:

Cost of Living

California Constitution Article XIII B §8(e)(2):

"Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction.

Population

Government Code §7901(b):

A city or special district may choose to use the change in population within its jurisdiction or within the county in which it is located.

These factors are applied to the established FY 1986-87 appropriations limit, as adjusted annually to determine subsequent year limits. Therefore, each year's limit becomes the base for computing the succeeding year's limit.

To assist with these computations, the California Department of Finance produces in May of each year the population changes of all cities and counties, as well as the Statewide change in per capita income. In 1991, the California State Board of Equalization asked all County Assessors to compute the annual change in nonresidential new construction. For Contra Costa County, the Auditor-Controller's Office provides cities with these figures.

Analysis

For FY 2014-15 the respective State and County offices have provided the City with the following optional factors to be used in the Gann limit computation:

Cost of Living:

California Per Capita Personal Income = -0.23%

Population:

Population Change, City of El Cerrito = 0.59%

Population Change, County of Contra Costa = 0.98%

Using the California Per Capita Personal Income factor (-.23%) and the percentage of Population Change in County of Contra Costa (0.98%), the City's appropriations limit will grow from to \$111,892,904 to \$112,294,200.

Appropriations limits apply only to tax revenues, not to revenues such as fees that cover the costs of operations. For FY 2014-15, only \$18,646,650 of the City's \$30,473,601 projected General Fund and Street Improvement Fund revenues, net of operating transfers, are subject to the Gann limit. Therefore, the City will be \$93,767,550 under the Gann limit.

Accounting and Evaluation

The City of El Cerrito manages its finances according to Generally Accepted Accounting Principles (GAAP). During the fiscal year, expenditures and revenues are carefully documented to ensure compliance with the adopted budget. After the close of the fiscal year, an independent, professional auditor performs an audit, and the City publishes General Purpose Financial Statements, which are included in the Comprehensive Annual Financial Report (CAFR). The CAFR documents the City's budgetary performance and the financial health of each fund, which offers managers and policy makers the opportunity to evaluate the City's financial condition and assess the degree to which the City's use of its resources has met the community's goals and policies. The insights gained from this evaluation then can be used in future financial planning and budget decisions.



SECTION 2: FINANCIAL OVERVIEW

FY 2014-15 and FY 2015-16 Financial Summaries

The following section provides additional details and discussion on the City's primary funding sources: the General Fund and many of the City's special operating funds. Each department has reviewed its budget and proposed how funds should be allocated, what new programs or activities should continue or begin, and what programs or activities should be changed. These changes are reflected in the financial summaries.

CITYWIDE REVENUES

City programs are supported by a variety of revenue sources. The process of projecting revenues in the various categories can be difficult, but is critical in developing an appropriate spending plan in the current year as well as planning for future years.

Table 2-1 provides a summary of the major revenue categories received by the City across all funds, including the General Fund. Proposed revenues over the next two fiscal years are projected to remain relatively flat. Projections represents an overall decline from prior years primarily due to one-time revenues received in previous years for specific purposes such as grants to purchase specialized equipment or other external funding sources for capital improvement projects such as the installation of solar panels on several City facilities.

**Table 2-1
Citywide Revenues**

Revenue Category	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Amended	FY 2014-15 Proposed	FY 2015-16 Proposed
Taxes					
Property Taxes	\$8,396,623	\$5,467,008	\$6,322,213	\$6,442,256	\$6,636,620
Sales Taxes	6,560,971	6,251,355	6,093,750	6,003,000	6,319,960
Utility User Tax	3,163,978	3,066,580	3,605,000	3,677,100	3,750,642
Local Parcel Taxes	1,908,237	1,908,470	1,908,000	1,908,000	1,908,000
Franchise Taxes	1,020,930	1,065,858	1,177,000	1,393,175	1,434,970
Business License Tax	691,948	660,931	750,000	770,495	785,905
Other Taxes	592,386	681,582	702,015	807,728	829,725
Total Taxes	\$22,335,073	\$19,101,784	\$20,557,978	\$21,001,754	\$21,665,822
Licenses & Permits	\$518,276	\$516,703	\$606,000	\$531,000	\$593,000
Fines and Forfeitures	215,336	288,781	306,500	341,500	341,500
Use of Money and Property	494,979	473,706	451,682	485,943	495,272
Intergovernmental Revenues	7,958,811	10,187,663	14,190,858	8,442,405	8,094,330
Charges for Services	6,274,008	6,842,104	6,839,538	6,819,370	7,163,061
Other Revenues	1,751,600	512,435	266,431	891,231	479,567
Total Revenues before Transfers	\$39,548,083	\$37,923,176	\$43,218,987	\$38,513,203	\$38,832,552
Interfund Transfers	\$11,271,935	\$9,517,061	\$5,486,390	\$2,852,533	\$2,815,683
Total	\$50,820,018	\$47,440,236	\$48,705,377	\$41,365,736	\$41,648,235

Taxes represent approximately \$21 million of the City's total budget with about \$17.5 million budgeted in the General Fund generated by property, sales, utility users tax and franchise fees. The remaining \$3.5 million in tax revenues are budgeted special operating funds and are used to support maintenance and improvements in landscape, lighting, streets, the storm water system and the City's swim center. Tax revenues are projected to increase by \$1.1 million in FY 2015-16 as a result of conservative increases in property and sales taxes. Some growth is also expected in other tax revenues.

Licenses and Permits revenues are generated by permits issued for improvements related to building, electrical, mechanical and plumbing. These revenues have fluctuated in the past, but have remained fairly consistent in the last few years. Some revenue growth is projected due to several large building projects anticipated by FY 2015-16.

Use of Money & Property is primarily related to rental of City facilities, mostly in the Recreation department. The use of rental facilities is expected to increase slightly in addition to an approved 4% fee increase in FY 2014-15.

Intergovernmental Revenues are revenues paid to the City by other agencies for providing services such as fire protection services for the Kensington Fire District and school resources officers at Portola Middle School and El Cerrito High. These also include in lieu fees by the state for various takeaways as well as different allocations for street maintenance, transportation and environmental programs. Many one-time allocations such as grants are also programmed in this revenue category and as such revenue can vary dramatically from year to year.

The last two fiscal years have included one-time allocations that have now been partially or completely spent and revenues are projected return to prior year levels with minimal increases in FY 2014-15 and FY 2015-16.

Charges for Services include fees for planning and inspections, weekly curbside collection of recyclables and fees for various recreation programs. A 4% increase was approved for some recreation and planning and inspection fees in FY 2014-15 and an 8% fee increase was approved for the integrated waste management fees for recycling.

Other Revenues include revenues from various sources including donations. As most of these revenues are not known in advance, actual revenues received can be different each year and it can be difficult to accurately project these revenues. The projected revenue in FY 2014-15 is slightly higher due to the anticipation of one-time revenue related to a capital improvement project.

Inter-fund Transfers reflects transfers planned between funds. These include the transfers from special funds to the General Fund for overhead charges, transfers from various funds for payments to be made from debt service funds, and one-time loans made between special funds in FY 2014-15 and FY 2015-16.

Charts 2-1 and 2-2 depict the projected percentage of Citywide revenues before transfers attributable to each category for FY 2014-15 and FY 2015-16, respectively (percentages may not total 100% due to rounding).

Chart 2-1
Citywide FY 2014-15 Revenues by Category

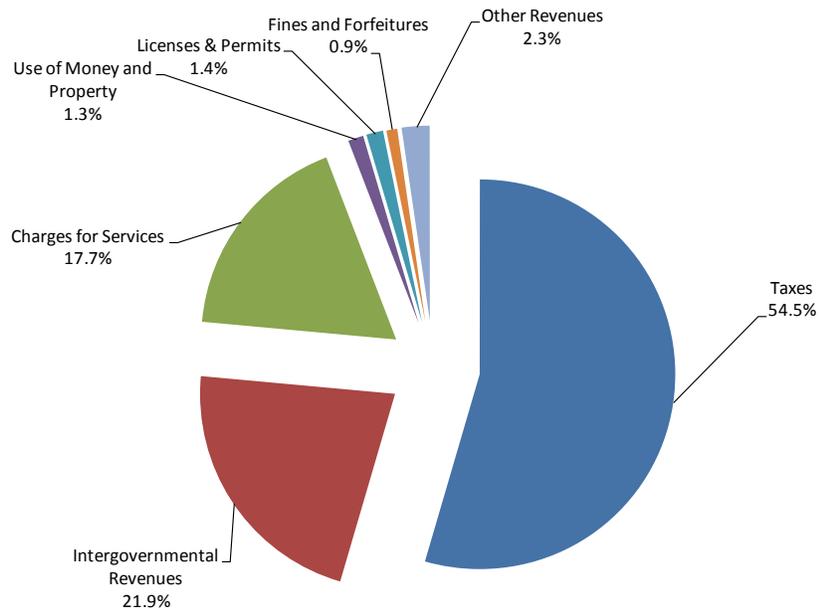


Chart 2-2
Citywide FY 2015-16 Revenues by Category

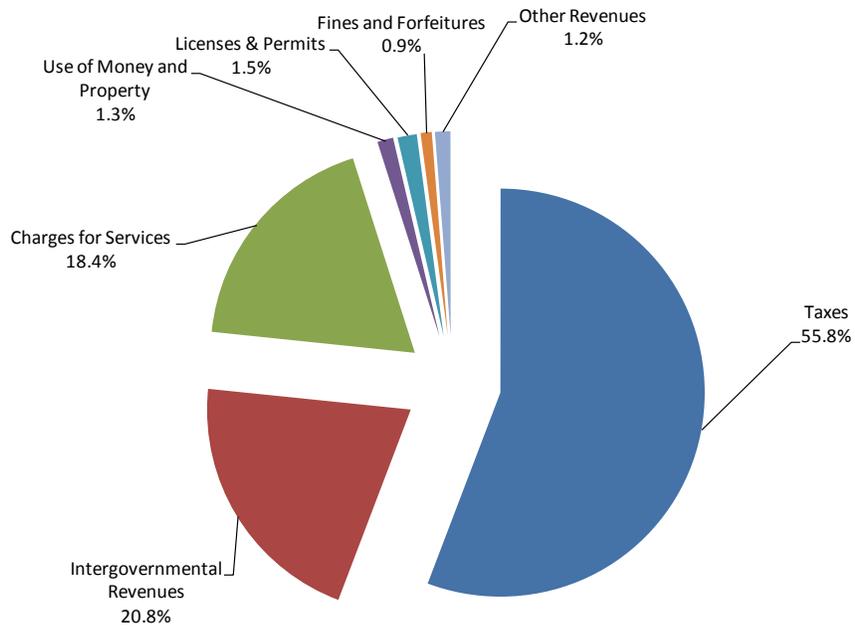


Table 2-2 presents the Citywide revenue summarized by Fund. It includes revenues for the past two fiscal years, the amended budget for FY 2013-14, and the proposed budgets for FY 2014-15 and FY 2015-16. Note that FY 2011-12 revenues appear overstated relative to subsequent years as it was the last year of tax revenues to the various funds of the former El Cerrito Redevelopment Agency. Any remaining funding is now reflected as revenue in the El Cerrito Redevelopment Agency Successor Agency's Redevelopment Obligation Retirement Fund (RORF), which is not a City fund subject to the City's budget authority, and therefore is not reflected on this table.

Table 2-2
Revenue Summary by Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actual	Actual	Amended	Proposed	Proposed
General Fund	\$29,298,213	\$29,366,108	\$28,809,734	\$29,341,458	\$30,304,024
Special Revenue Funds					
Street Improvements	1,607,920	1,170,832	2,517,000	2,033,000	1,431,000
Low & Moderate Income Housing	2,672,157				
City Low & Moderate Income Housing	306	1,149		75,284	250,000
City Housing Trust			2,860,000		
Gas Tax	949,256	1,137,288	1,150,336	605,712	617,826
National Pollution Discharge Elimination	356,515	419,202	454,625	372,000	315,000
Landscape and Lighting Assessment	1,165,763	1,311,289	1,316,000	859,000	781,000
Measure J Return to Source	430,370	494,038	519,615	406,052	414,173
Measure J Storm Drain	697,571	698,257	698,000	698,000	726,500
Measure A Parcel Tax	439,446	624,880	439,400	439,400	439,400
Federal, State and Local Grants	1,483,879	2,979,546	1,826,059	138,498	
C.O.P.S. Grant				100,000	100,000
Asset Seizure	32,564	26,647	2,000	2,000	2,000
Vehicle Abatement	47,307	26,125	21,000	21,000	21,000
Park in Lieu	21	10	50	10	50
Public Art	48,051	39	50	6,050	6,050
Paratransit				146,052	146,052
Total Special Revenue Funds	\$9,931,125	\$8,889,300	\$11,804,135	\$5,902,058	\$5,250,051
Capital Projects Funds					
RDA Capital	\$4,071,828				
Capital Improvements	1,735,759	2,874,698	3,617,046	2,008,233	1,790,813
Total Capital Projects Funds	\$5,807,586	\$2,874,698	\$3,617,046	\$2,008,233	\$1,790,813
Debt Service Funds					
Storm Drain Debt Service	\$1,543,350		\$495,100		
RDA Debt Service	107,419				
RDA A&B Debt Service	325,692				
Financing Authority Measure A	365,090	2,850,575	359,158	369,574	368,139
Financing Authority Civic Center	597,399	597,412	596,408	597,768	598,246
Financing Authority Street Improvement	737,659	739,058	740,100	737,408	738,228
Total Debt Service Funds	\$3,676,609	\$4,187,045	\$2,190,766	\$1,704,750	\$1,704,613
Internal Service Funds					
Vehicle/Equipment Replacement	\$95,994	\$128,169	\$128,832	\$128,533	\$128,832
Enterprise Fund					
Integrated Waste Management	\$1,868,721	\$1,882,659	\$2,042,364	\$2,166,728	\$2,355,926
Fiduciary Fund					
Employees' Pension Trust	\$141,769	\$112,257	\$112,500	\$113,976	\$113,976
Total Funds	\$50,820,018	\$47,440,236	\$48,705,377	\$41,365,736	\$41,648,235

CITYWIDE EXPENDITURES

The FY 2014-15 and FY 2015-16 Proposed Budget includes a reduction in recurring Citywide expenditures totaling approximately \$4 million. These changes, affecting all funds in both years, are the result of changes in resource needs as well as proposed balancing measures that close the projected deficits for FY 2014-15 in the General Fund and in some of the special operating funds. Even with significant reductions and restructuring in the special funds, deficits in the General Fund, National Pollutant Discharge Elimination System (NPDES) and the Landscape and Lighting Assessment District (LLAD) are projected in FY 2015-16 and will require additional balancing measures if additional revenue is not identified.

Table 2-3 provides a summary of Citywide expenditures across the major expense categories. It includes expenditures for the past two fiscal years, the adopted and amended budget for FY 2013-14, and the proposed budgets for FY 2014-15 and FY 2015-16. Note that FY 2011-12 expenditures appear overstated relative to subsequent years as it was the last year of expenditures in the various funds of the former El Cerrito Redevelopment Agency. Expenditures by the El Cerrito Redevelopment Agency Successor Agency are reflected in the Redevelopment Obligation Retirement Fund (RORF), which is not a City fund subject to the City’s budget authority, and therefore is not reflected on this table.

Table 2-3
Citywide Expenditures by Category

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16
	Actual	Actual	Adopted	Amended	Proposed	Proposed
Personnel	\$25,296,496	\$25,430,585	\$25,288,500	\$25,475,967	\$25,290,126	\$26,324,445
Professional Services	3,003,635	3,429,087	2,802,725	3,480,386	2,734,300	2,719,300
Purchased Property Services	2,831,692	4,126,128	7,580,457	8,654,877	5,663,153	4,749,523
Other Services	1,237,193	1,439,634	1,519,458	1,519,458	1,434,658	1,465,498
Supplies	892,887	865,537	849,850	842,646	854,250	871,050
Property & Capital	1,218,871	2,124,614	313,500	1,349,481	264,300	342,800
Financing Costs	6,240,162	5,138,635	3,092,992	3,092,992	2,608,937	2,604,722
Other Financing Uses	11,514,424	8,043,755	4,359,990	8,877,542	2,852,533	2,815,683
Total	\$52,235,359	\$50,597,975	\$45,807,472	\$53,293,349	\$41,702,257	\$41,893,021

Personnel costs for FY 2014-15 remain relatively flat in spite of increases in benefit costs. The proposed personnel costs assume several assumptions, some of which are still subject to negotiations that are currently in progress. Assumptions include the following:

- Fifteen vacancies will remain vacant for the year, saving a total of \$1.9 million.
- An increase by non-public safety management and unrepresented professional staff in their employee pension contributions from 4% to the full 8% employee share.
- Overall salary savings of approximately \$539,000 in Police based on current staffing levels and the need to maintain vacancies to balance the budget. The three sworn positions will be re-evaluated at mid-year and allowed to be filled should additional revenues be identified through a ballot initiative.
- The Fire Department, while fully staffed operationally with three recent hires, will rely on overtime rather than fill the three authorized “coverage” positions, similar to recent years (results in approximate \$150,000 in savings).

Personnel costs in FY 2015-16 increase by approximately \$1 million, the result of growth in the cost of medical benefits and pensions.

Professional Services decrease with the exception of contractual annual increases and the addition of \$50,000 for public information costs associated with a possible ballot initiative in November.

Purchased Property Services, which includes contract services for maintenance and construction, decrease by approximately \$2 million in FY 2014-15, the majority related to the completion of several capital projects. Capital projects being undertaken outside of the General Fund will progress as planned, but as in the previous fiscal year, no General Fund contributions are included for facility improvements or capital, except a small reimbursement for Recreation software. In addition, to construction services contracts, landscape and other maintenance services have been reduced to align expenses with the available revenue.

Other Services decrease in FY 2014-15 and FY 2015-16, as the costs for insurance and utilities decline.

Supplies, which is used for to account for costs such as fuel, uniforms, and other operating supplies, assumes minimal changes in FY 2014-15 and FY 2015-16.

Property & Capital expenses will return to the FY 2013-14 Adopted budget levels. There were increases in previous year due to one-time grants used to purchase specialized equipment in the Fire and Police departments.

Financing Costs are reduced in FY 2014-15 and going forward due to the payoff of the storm drain bonds in FY 2013-14.

Other Financing Uses includes transfers made between funds. This amount has been reduced in FY 2014-15 and FY 2015-16 due to the elimination of several transfers that occurred in the past between Public Works special revenue funds. Expenses that had been previously funded through inter-fund transfers are now being budgeted in and charged directly to the appropriate fund.

Table 2-3 displays the allocation of expenditures by departments over the last two fiscal years, current fiscal year and the Proposed FY 2014-15 and FY 2015-16 budgets, and shows that proposed expenditures have considerably decreased.

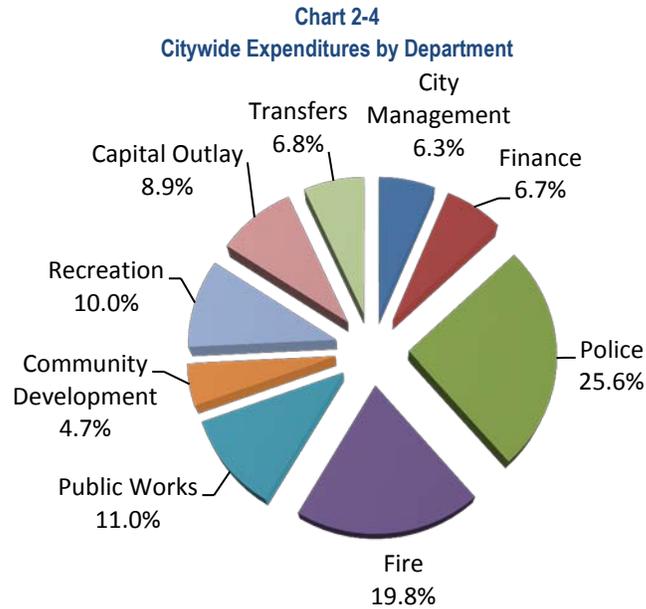
Table 2-3
Citywide Department Expenditures and Transfers

Department	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Amended	FY 2014-15 Proposed	FY 2015-16 Proposed
City Management	\$2,685,267	\$2,822,685	\$2,762,692	\$2,646,502	\$2,622,912
Finance	4,333,064	5,737,757	3,466,881	2,773,386	2,849,109
Police	10,106,417	10,546,965	10,519,445	10,690,226	11,292,173
Fire	10,708,768	11,037,456	9,350,128	8,270,229	8,563,769
Public Works	5,311,382	5,284,964	4,484,688	4,600,229	4,655,934
Community Development	2,983,548	2,673,464	6,178,746	1,964,298	1,946,516
Recreation	4,168,183	4,143,703	4,175,483	4,185,592	4,328,846
Capital Outlay	1,709,469	2,945,720	6,868,896	3,719,262	2,818,079
Total Before Transfers	\$42,006,098	\$45,192,714	\$47,806,959	\$38,849,724	\$39,077,338
Transfers	\$10,229,261	\$5,405,261	\$5,486,390	\$2,852,533	\$2,815,683
Total Expenditures	\$52,235,359	\$50,597,975	\$53,293,349	\$41,702,257	\$41,893,021

**Table 2-4
Expenditure Summary by Fund**

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Amended	FY 2014-15 Proposed	FY 2015-16 Proposed
General Fund	\$32,524,916	\$30,319,042	\$29,985,255	\$29,252,065	\$30,396,301
Special Revenue Funds					
Street Improvements	\$1,180,708	\$1,322,527	\$3,026,284	\$1,929,454	\$1,310,219
Low & Moderate Income Housing	4,432,142				
City Low & Moderate Income Housing	-5,411,570	995,342	671,990	111,538	147,072
City Housing Trust			2,860,000		
Gas Tax	960,014	1,137,186	1,253,937	540,792	593,483
National Pollution Discharge Elimination	402,333	414,807	454,725	390,934	424,063
Landscape and Lighting Assessment	1,185,858	1,311,295	1,314,327	901,542	899,610
Measure J Return to Source	434,702	493,245	518,741	407,178	413,637
Measure J Storm Drain	739,426	536,722	951,402	556,710	742,369
Measure A Parcel Tax	414,544	413,178	624,970	686,436	534,951
Federal, State and Local Grants	3,032,462	3,449,924	1,938,387	173,498	12,000
C.O.P.S. Grant				100,000	100,000
Asset Seizure	36,220		12,377		
Vehicle Abatement	59,276	38,844	11,000	11,000	11,000
Paratransit				127,316	129,075
Total Special Revenue Funds	\$7,466,115	\$10,113,071	\$13,638,140	\$5,936,398	\$5,317,479
Capital Projects Funds					
RDA Capital	\$2,762,120				
Capital Improvements	1,488,907	2,790,087	4,994,701	2,188,601	1,830,551
Total Capital Projects Funds	\$4,251,026	\$2,790,087	\$4,994,701	\$2,188,601	\$1,830,551
Debt Service Funds					
Storm Drain Debt Service	\$1,545,418	\$520,686	\$521,530		
RDA Debt Service	803,190				
RDA A&B Debt Service	1,137,546				
Financing Authority Measure A	367,453	3,009,062	365,308	369,574	368,089
Financing Authority Civic Center	599,988	600,088	596,308	597,768	598,246
Financing Authority Street Improvement	738,733	740,158	736,780	737,408	738,228
Total Debt Service Funds	\$5,192,326	\$4,869,993	\$2,219,926	\$1,704,750	\$1,704,563
Internal Service Funds					
Vehicle/Equipment Replacement	\$681,672	\$287,453	\$168,532	\$128,533	\$168,532
Enterprise Fund					
Integrated Waste Management	\$1,977,534	\$2,106,072	\$2,174,295	\$2,377,934	\$2,361,619
Fiduciary Fund					
Employees' Pension Trust	\$141,769	\$112,257	\$112,500	\$113,976	\$113,976
Total Funds	\$52,235,359	\$50,597,975	\$53,293,349	\$41,702,257	\$41,893,021

Chart 2-4 depicts the expenditures by department as a percentage of total expenditures (percentages may not total 100% due to rounding).



Inter-Fund Transfers

Table 2-5 shows transactions between all funds and the purpose for the City’s \$2.8 million inter-fund transfers. This schedule details the amount of transfers, the funds that are exchanging funds and the purpose for the transfer. Transfers are used to place appropriate revenues in the fund where the expense will be incurred. The cost recovery/overhead charges transfers have been adjusted for inflation at a rate of 4% over the previous year’s transfer and then reallocated between special funds. The debt service, pension funding, and subsidy amounts are set by various agreements.

Table 2-5
Transfers Summary

Fund Making Transfer	Fund Receiving Transfer	Purpose	FY 2014-15 Transfer	FY 2015-16 Transfer
Gas Tax	General Fund	Cost Recovery	\$94,778	\$97,621
NPDES	General Fund	Cost Recovery	\$68,866	\$70,932
LLAD	General Fund	Cost Recovery	\$150,445	\$154,958
Measure J-Return to Source	General Fund	Cost Recovery	\$58,931	\$60,699
Storm Drain	General Fund	Cost Recovery	\$70,120	\$72,224
Paratransit	General Fund	Cost Recovery	\$31,486	\$32,430
Integrated Waste Mgmt	General Fund	Cost Recovery	\$336,648	\$346,747
Integrated Waste Mgmt	LLAD	Advance to Fund	\$78,000	\$0
LLAD	Integrated Waste Mgmt	Repayment of Advance	\$0	\$39,000
Storm Drain	NPDES	Advance to Fund	\$57,000	\$0
NPDES	Storm Drain	Repayment of Advance	\$0	\$28,500
Gas Tax	CIP	Project Funding	\$0	\$41,500
Integrated Waste Mgmt	Public Art	Project Funding	\$6,000	\$6,000
Grants	General Fund	Project Funding	\$35,000	\$0
General Fund	Pension	Pension Funding	\$113,976	\$113,976
Measure A	General Fund	Solar Lease Debt Service	\$50,912	\$50,912
Integrated Waste Mgmt	General Fund	Solar Lease Debt Service	\$3,671	\$3,671
General Fund	Financing Authority-City Hall	City Hall Debt Service	\$593,768	\$594,246
Street Improvement	Financing Authority-Streets	Streets Debt Service	\$733,408	\$734,228
Measure A	Financing Authority-Swim	Measure A Debt Service	\$369,524	\$368,039
Total			\$2,852,533	\$2,815,683

FUND BALANCE

Table 2-6 summarizes the projected year-end balances by Fund and the effect of the FY 2014-15 Proposed Budgets on the year end balances by June 30, 2015. Estimating the year-end fund balance provides the amount available for appropriation at the start of the new fiscal year. It is the City's goal to fund ongoing operations with ongoing revenue. In general, fund balance should only be used for one-time expenditures when the annual costs exceed the revenue generated in a given fiscal year.

Projected ending fund balances for FY 2014-15 declines by \$337,000 across all funds. While the total of all balances decline, mainly the result of one-time use, most of the City's primary operating funds are projected to remain unchanged indicating annual expenditures are aligned annual revenue.

Table 2-6
Projected Fund Balance

Description	Projected at June 30, 2014	Revenues	Expenditures	Operating Transfers In	Operating Transfers Out	Net Change	Est. Balance at June 30, 2015
General Fund Balance	\$1,568,773	\$28,440,601	\$28,544,321	\$900,857	\$707,744	\$89,393	\$1,658,166
Gas Tax Fund	(\$58,100)	\$605,712	\$446,014		\$94,778	\$64,920	\$6,820
NPDES	19,209	315,000	322,068	57,000	68,866	(18,934)	275
Landscape and Lighting	42,687	781,000	751,097	78,000	150,445	(42,542)	145
Measure J Return to Source	70,561	406,052	348,247		58,931	(1,126)	69,435
Measure A Parcel Tax	456,254	439,400	266,000		420,436	(247,036)	209,218
Asset Seizure	154,747	2,000				2,000	156,747
Vehicle Abatement	184,537	21,000	11,000			10,000	194,537
Park In Lieu Fund	12,010	10				10	12,020
Street Improvement Fund	33,238	2,033,000	1,196,046		733,408	103,546	136,784
Art in Public Places	48,129	50		6,000		6,050	54,179
Paratransit	19,370	146,052	95,830		31,486	18,736	38,106
Federal, State and Local Grants	35,380	138,498	138,498		35,000	(35,000)	380
C.O.P.S. Grant	149,369	100,000	100,000				149,369
City Housing Trust							
City LMI Housing	25,286	75,284	111,538			(36,254)	(10,968)
Subtotal Special Revenue Funds	\$1,192,679	\$5,063,058	\$3,786,338	\$141,000	\$1,593,350	(\$175,630)	\$1,017,049
Capital Improvements	(\$616,700)	\$2,008,233	\$2,188,601			(\$180,368)	(\$797,068)
Measure J Storm Drain	(91,298)	698,000	429,590		127,120	141,290	49,992
Subtotal Capital Funds	(\$707,998)	\$2,706,233	\$2,618,191		\$127,120	(\$39,078)	(\$747,076)
Finance Authority- Measure A	\$209,436	\$50	\$369,574	\$369,524			\$209,436
Financing Authority-City Hall	598,054	4,000	597,768	593,768			598,054
Financing Authority-Street Imp	740,112	4,000	737,408	733,408			740,112
Subtotal Debt Service Funds	\$1,547,602	\$8,050	\$1,704,750	\$1,696,700			\$1,547,602
Integrated Waste Management	\$329,031	\$2,166,728	\$1,953,615		\$424,319	(\$211,206)	\$117,825
Vehicle/Equipment Replacement	36,860	128,533	128,533				36,860
Subtotal Enterprise Funds	\$365,891	\$2,295,261	\$2,082,148		\$424,319	(\$211,206)	\$154,685
Employees' Pension Trust Fund			\$113,976	\$113,976			
Subtotal Fiduciary Funds			\$113,976	\$113,976			
Total All Funds	\$3,966,946	\$38,513,203	\$38,849,724	\$2,852,533	\$2,852,533	(\$336,521)	\$3,630,425

GENERAL FUND OVERVIEW

The General Fund is the City's primary operating fund and represents approximately 71% of the total Citywide budget. The General Fund supports critical services such as public safety, community development, recreation and general city management. In addition to these services, due to the unrestricted nature of the fund, services not supported by special funds must be paid by the General Fund.

The City's ability to maintain City services relies heavily on tax revenue with property and sales taxes representing the largest percentage and both have slowed during the economic downturn. Like most cities, El Cerrito has struggled to balance increasing expenses due in large part to health and pension costs with sluggish revenues that have not kept pace with the increase in expenditures. In addition, some revenues have been permanently lost as in the case of redevelopment. Staff estimates that about a \$1 million annually has been lost as a result of redevelopment dissolution. Faced with rising costs, the loss of significant ongoing revenue and diminished reserves, the General Fund faced potential deficits in both fiscal years 2014-15 and 2015-16, approximately \$2 million between both fiscal years.

Table 2-7 provides a summary of the General Fund forecast that shows a balanced budget in FY 2014-15. This includes some increases in revenue, a reduction in expenditures and approximately \$1.4 million in salary savings due to unfilled positions vacant for the year. However, increases in health and pension costs that the City has little to no control over increase costs in FY 2015-16 in excess of available revenues and the fund is projected to have a \$92,000 deficit in FY 2015-16. Additional balancing measures will be required to bring the fund into balance. Discussions currently underway with labor groups and or a potential new revenue measure will have a significant impact and will change the projected deficit.

In previous budget documents, the City has included a 10-year forecast for the General Fund. Due to impact on the budget resulting from ongoing negotiations and discussions, this forecast only includes the addition of two additional fiscal years, FY 2014-15 and FY 2015-16. Once these have concluded, the forecast will include an additional two fiscal years and reflect a five year forecast for the General Fund rather than ten years.

Table 2-7
General Fund Forecast

General Fund Summary	FY 2012-13 Actual	FY 2013-14 Adopted	FY 2013-14 Amended	FY 2013-14 Projected	FY 2014-15 Proposed	FY 2015-16 Proposed
Beginning Restricted Fund Balance	\$598,957	\$0	\$1,059,976	\$1,059,976		
Beginning Unassigned Fund Balance	\$2,608,745	\$2,909,552	\$1,281,566	\$1,281,566	\$1,479,380	\$1,568,773
Total Revenues	\$29,366,108	\$28,479,079	\$28,809,734	\$29,054,141	\$29,341,458	\$30,304,024
Total Expenses	\$28,947,137	\$28,453,592	\$28,929,497	\$28,860,545	\$29,252,065	\$30,396,301
Personnel	\$22,728,201	\$23,649,427	\$23,836,894	\$22,180,815	\$24,151,835	\$25,161,615
Salary Savings	(\$28,480)	(\$1,467,048)	(\$1,467,048)	(\$22,858)	(\$1,532,693)	(\$1,608,952)
Non-Personnel	\$6,247,416	\$6,271,213	\$6,559,651	\$6,702,589	\$6,632,923	\$6,843,638
Annual Balance/Shortfall	\$418,970	\$25,487	(\$119,763)	\$193,596	\$89,393	(\$92,277)
Transfer Out Grant			\$598,957	\$598,957		
Transfer Out - Solar CIP	\$1,134,584		\$456,801	\$456,801		
Total Transfer out of Restricted Funds	\$1,134,584	\$0	\$1,055,758	\$1,055,758	\$0	\$0
Ending Fund Balance/Deficit	\$2,492,088	\$2,935,039	\$1,166,021	\$1,479,380	\$1,568,773	\$1,476,496
Unassigned Ending Fund Balance/Deficit	\$2,492,088	\$2,935,039	\$1,166,021	\$1,479,380	\$1,568,773	\$1,476,496
Ending Unassigned Reserve Percent	8.6%	10.3%	4.0%	5.1%	5.4%	4.9%

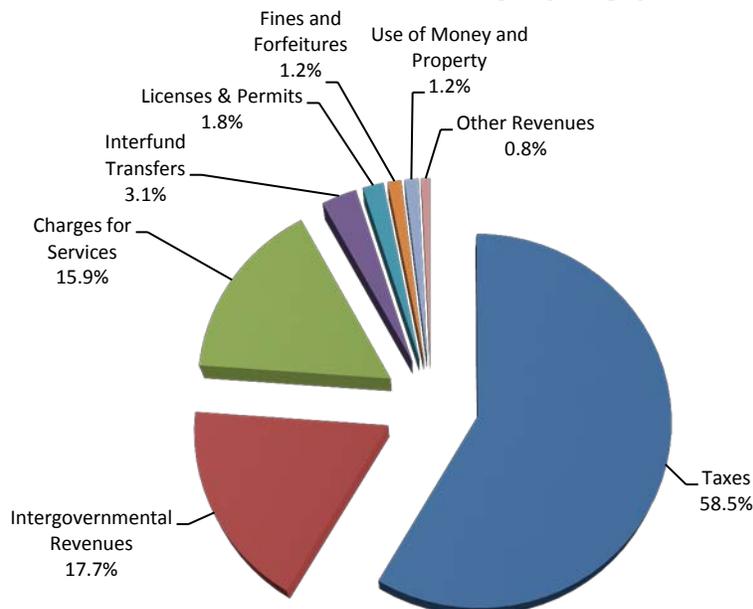
General Fund Revenues

Table 2-8 and **Chart 2-5** depict the revenue by category in the General Fund. While property and sales taxes are now expected to improve, franchise taxes, business license taxes, and others will experience minimal growth. Following is a more in-depth discussion on each of the major revenue categories and the issues addressed in the FY 2014-15 and FY 2015-16 Proposed Biennial Budget.

Table 2-8
General Fund Revenues

Revenue Category	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Amended	FY 2014-15 Proposed	FY 2015-16 Proposed
Taxes					
Property Taxes	\$5,685,841	\$5,467,008	\$6,322,213	\$6,442,256	\$6,636,620
Sales Taxes	5,014,429	5,109,397	4,593,750	4,605,000	4,893,960
Utility User Tax	3,163,978	3,066,580	3,605,000	3,677,100	3,750,642
Franchise Taxes	1,020,930	1,065,858	1,177,000	1,393,175	1,434,970
Business License Tax	691,948	660,931	750,000	770,495	785,905
Other Taxes	172,544	201,097	194,900	269,124	283,000
Total Taxes	\$15,749,670	\$15,570,870	\$16,642,863	\$17,157,150	\$17,785,097
Licenses & Permits	\$518,276	\$516,703	\$606,000	\$531,000	\$593,000
Fines and Forfeitures	215,336	288,781	306,500	341,500	341,500
Use of Money and Property	283,951	317,008	315,700	344,900	353,840
Intergovernmental Revenues	4,770,474	5,027,113	5,120,649	5,183,962	5,266,191
Charges for Services	4,432,452	5,008,433	4,811,496	4,660,442	4,853,935
Other Revenues	111,151	289,671	202,147	221,647	220,267
Interfund Transfers	3,216,904	2,347,528	804,379	900,857	890,194
Total	\$29,298,213	\$29,366,108	\$28,809,734	\$29,341,458	\$30,304,024

Chart 2-5
General Fund Revenue Percentages by Category



Discussion of Major Revenue Categories

Property Taxes are an ad valorem tax levied on real and personal property based on their assessed values as determined by the County Assessor. It is also levied on certain business properties that cross county boundaries (such as railroads), based on their assessed values as determined by the State Board of Equalization. They represent the single largest tax revenue to the City's General Fund, totally between \$5 million and \$6 million annually.

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

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

Proposition 8, passed by voters in November 1978, further changed the property assessment process to address real estate market declines. It requires county assessors to conduct "decline in value reviews" to ensure the assessed value of properties are set at a lower rate if the market value of the properties has declined. When a property is assigned a lower value, this is referred to as a "Prop 8 Reduction."

The real estate boom leading up to 2008 followed by the Great Recession resulted in a large number of Prop 8 Reductions in El Cerrito and significant decline in property tax revenues to the City. Starting in FY 2009-10, there were over 1,000 properties with Prop 8 Reductions. The City's overall assessed value increased that year, however, masking the \$139 million loss in assessed value from these initial Prop 8 Reductions. The impact reached its peak in FY 2011-12 when there were more than 2,000 properties with Prop 8 Reductions, reducing the City's assessed value by more than \$357 million, a loss that was not counterbalanced by increases in assessed value on other properties. As a result, the City's property tax revenues, which had been approaching \$6 million annually in FY 2008-09, dropped to about \$5.5 million in FY 2012-13.

The City's assessed values and property tax revenues for FY 2013-14 have increased, as the County Assessor has dropped the number of Prop 8 Reductions slightly. General Fund property tax revenues for FY 2013-14 are projected to total nearly \$5.9 million. This trend is expected to continue, as El Cerrito real estate sales are strong thus far in 2014. Therefore, the assessed value lost from Prop 8 Reductions is projected to be recaptured by the end of 2015, resulting in a return to prior levels in property tax revenues to the General Fund by FY 2015-16.

Sales Taxes are imposed on the total retail price of tangible personal property purchased in the City. The total sales tax rate in El Cerrito is 9.5%, which includes:

Rate	Purpose
6.00%	State Funds
0.50%	Contra Costa County Transportation Authority
0.50%	Bay Area Rapid Transit District
0.50%	County health and social services, public safety, and transportation
0.25%	Economic Recovery Fund
0.75%	City General Fund
0.50%	El Cerrito Measure A (Streets)
0.50%	El Cerrito Measure R (General Fund)

The City's General Fund receives about \$4.5 million in sales tax revenues annually, including the general sales and use tax; Measure R, a seven-year, half-cent sales tax approved by the voters to maintain City services; reimbursement from the State for local sales tax revenue borrowed in prior years through the Economic Recovery Fund portion of sales tax; and a share of the County sales tax designated for public safety.

Sales taxes are a significant revenue source to the City's General Fund, but are more cyclical and volatile than property tax revenues. The economic downturn between 2007 and 2011 resulted in a drop in retail sales statewide and a corresponding drop in sales tax revenues. The City was able to compensate somewhat for the downturn by passing Measure R in 2010. Unfortunately, the greater overall downturn in sales tax revenue was hidden by a misallocation of sales taxes collected by the Richmond Home Depot to El Cerrito for several years. This misallocation has been corrected for FY 2013-14 and going forward projections are based on accurate allocations and a projected increase in retail sales as the economy recovers. The City will generally see an increase in the sales tax revenues being allocated to El Cerrito, but there is an outstanding liability to the City of Richmond that will be addressed over the next few fiscal years, potentially impacting revenue.

Utility User Taxes were initially approved by the voters in 1991 and revised with voter approval of the ordinance in 2004. The tax generates between \$3 million and \$3.5 million in revenues annually for the General Fund. The ordinance calls for an 8% tax to be assessed by providers of gas, electricity, water, telephone and video services to all El Cerrito customers and then remitted to the City. These revenues are subject to changes in market conditions, weather, and/or pricing in the sectors subject to the utility user tax ordinance. Although use of these services is generally declining, prices and rates are generally increasing on these services. Therefore a slight increase in overall utility user revenues is projected for coming fiscal years.

Franchise Taxes are paid by utilities based on various methodologies and represent over \$1 million in General Fund revenue. They are projected to increase slightly over the next few years.

Business License Taxes are imposed on certain types of businesses in El Cerrito and reflect about \$750,000 of General Fund revenue annually. The tax is based on factors such as a business's number of employees or vehicles, its annual gross receipts, or a property owner's number of residential rental units. A slight increase is projected in the next few years.

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

General Fund Expenditures

The Proposed FY 2014-15 General Fund expenditure budget totals \$29.3 million, a decrease of approximately \$700,000 from the FY 2013-14 Amended budget. In FY 2015-16, the budget is projected to increase by about \$1.1 million, with costs in health and pension benefits representing about \$900,000 of that increase.

Non-personnel costs decrease by approximately \$1 million in FY 2014-15 in large part due to a one-time transfer related to capital expenditure for solar installation and a grant from the Municipal Services Corporation that will be completed in FY 2013-14. There is a slight increase, about \$210,000 in FY 2015-16 related to expected increases in contract services.

Approximately 77% of the General Fund expenditures are related to personnel costs. Within Personnel, salaries and benefits have traditionally been governed by the City Council's policy to provide median compensation, which is intended to act as a ceiling for salaries and benefits as agreed upon in the memorandums of understanding with the various benefit groups. Beginning two years ago, efforts to curb ongoing cost increases for salaries and retirement benefits were implemented through increased staff contributions to PERS and the give back of approved cost-of-living increases. The FY 2014-15 proposed budget includes an assumption of increased contributions by the management and unrepresented employees, as well as several of the bargaining units, some of which are still in negotiations. The result of these negotiations could change the assumptions in the proposed budget in FY 2014-15 and forward.

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

Table 2-9
General Fund Expenditures By Category

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actual	Actual	Amended	Proposed	Proposed
Personnel	\$22,619,755	\$22,699,729	\$22,369,846	\$22,619,142	\$23,552,663
Professional Svcs	2,185,665	2,339,754	2,464,700	2,446,700	2,501,700
Purchased Property Services	884,228	1,020,152	856,562	1,055,233	1,097,235
Other Services	1,130,385	1,316,895	1,346,820	1,306,825	1,362,495
Supplies	660,926	662,994	632,946	617,700	633,150
Property & Capital	229,826	232,649	238,500	262,800	301,300
Financing Costs	102,395	181,900	218,073	235,921	239,536
Other Financing Uses	4,711,737	1,864,968	1,857,808	707,744	708,222
Total	\$32,524,916	\$30,319,042	\$29,985,255	\$29,252,065	\$30,396,301

**Chart 2-6
Proposed General Fund Expenditures**

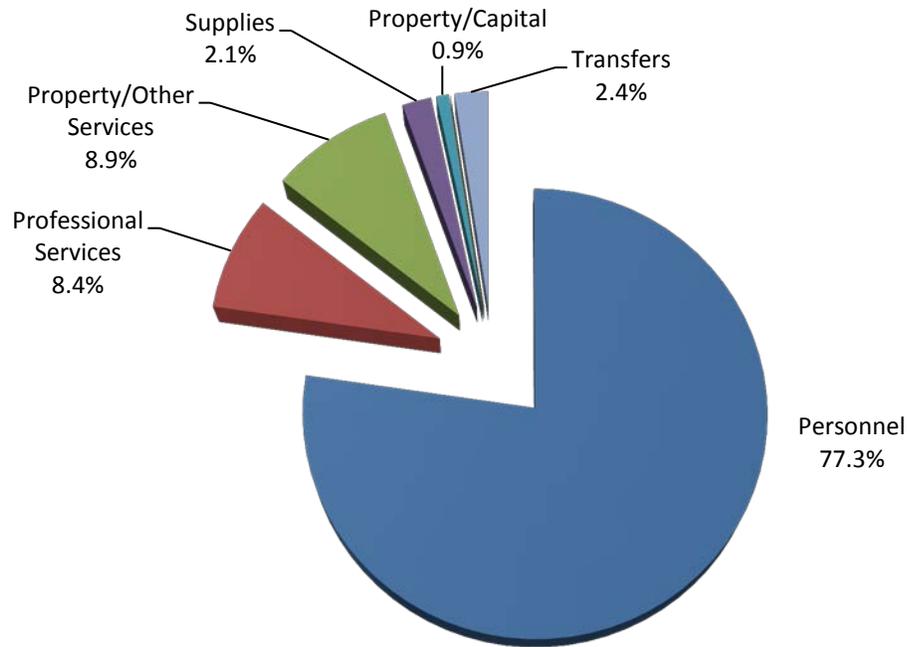


Table 2-10 provides a summary of the General Fund expenditure budget by Department. While some reorganization has occurred, Department budgets have remained fairly consistent over the last few years.

**Table 2-8
General Fund Expenditures By Department**

Department	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Amended	FY 2014-15 Proposed	FY 2015-16 Proposed
City Management	\$2,614,045	\$2,752,049	\$2,631,140	\$2,584,245	\$2,559,116
Finance	923,606	929,669	1,119,705	936,910	1,012,820
Police	9,910,485	9,982,363	10,384,068	10,567,226	11,169,173
Fire	7,935,101	8,323,854	8,157,992	8,141,696	8,395,237
Public Works	986,862	2,031,554	909,026	645,185	674,066
Community Development	1,432,331	1,604,559	1,491,688	1,726,262	1,799,444
Recreation	4,010,750	3,964,611	3,890,629	3,942,797	4,078,223
Transfers	4,711,737	730,384	1,401,007	707,744	708,222
Total	\$32,524,916	\$30,319,042	\$29,985,255	\$29,252,065	\$30,396,301

Chart 2-7
General Fund Expenditures – Percentage By Department

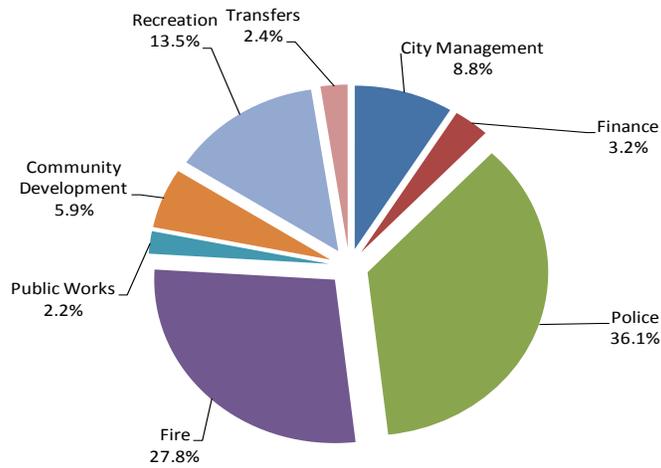
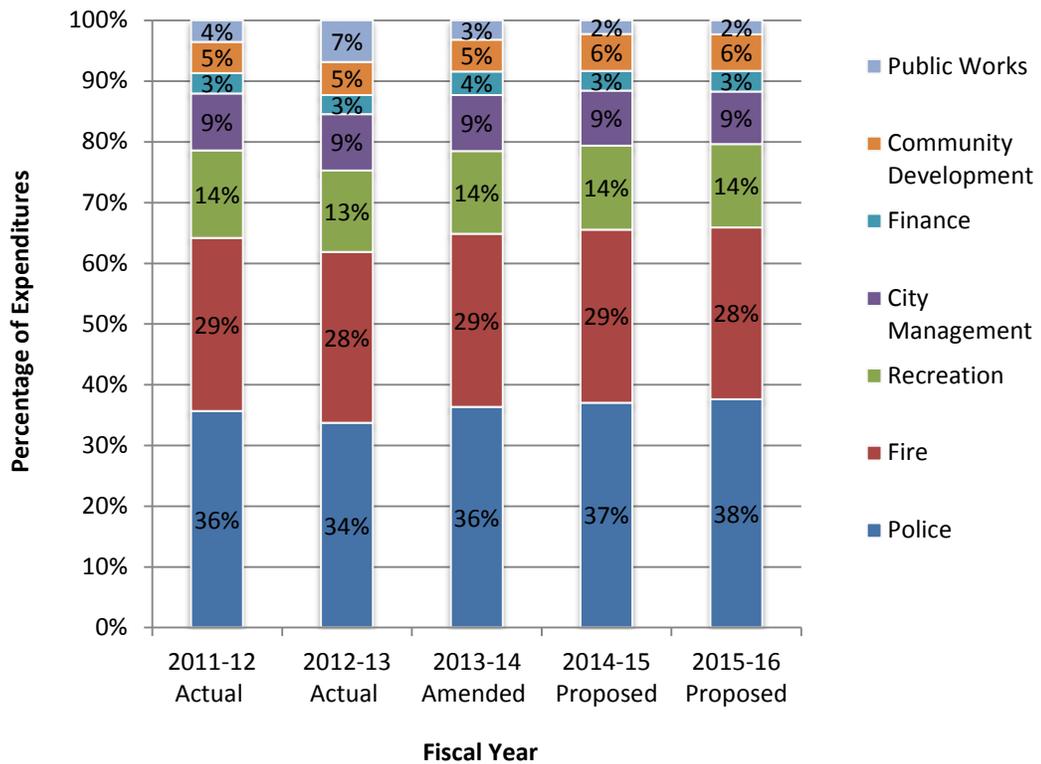


Chart 2-8 depicts a comparison in General Fund expenditures by Department over the past four fiscal years. The largest increase has occurred in the Police Department, reflecting the City’s continued commitment to Public Safety.

Chart 2-8
Variance of General Fund Expenditures (Before Transfers)



MAJOR OPERATING FUNDS

In addition to the General Fund, City operations rely on a variety of funding sources. Special Funds, typically restricted for specific uses, contribute \$10.1 million, or approximately 26%, of the total resources used to support the City's approximately \$38.8 million operating budget. These funds can be described in these broad categories:

Special Revenue Funds

Special revenues and grants are accounted for in separate funds and are legally restricted to a specific purpose, service, or program. Some special revenue funds receive tax-based revenues. Some account for revenues and expenditures related to the financing of public improvements or services funded by property assessments, fees or special taxes. Major special revenue funds, some of which are described in greater detail in the following section, are as follows:

- Gas Tax Fund (201)
- National Pollutant Discharge Elimination System (NPDES) Fund (202)
- Landscaping and Lighting Assessment District Fund (203)
- Measure J Return to Source Fund Transportation (204)
- Measure A Swim Center Fund (206)
- Street Improvement Fund (211)
- Grants Fund (221)
- C.O.P.S. Grant Fund (222)
- City Housing Trust Fund (231)
- Low & Moderate Income Housing Asset Fund (232)

Capital Funds

Funds are created to account for revenues and expenses related to capital projects, though sometimes include expenditures on operations. The major capital funds include:

- Capital Improvement Program Fund
- Measure J Storm Drain Fund (205)

Enterprise Funds

Enterprise funds are used to support the expenditures of a specific service or program and revenue is derived through the collection of the fees associated with providing the service/program. The major enterprise fund is Integrated Waste Management Fund (501).

FINANCIAL FORECASTS

This section contains five-year financial forecasts for eight of the City's major special revenue funds. The following five-year forecasts include a description of each fund, assumptions about revenues and expenditures, and analysis and projections of the revenue sources and uses. Any issues unique to a fund are also highlighted. While these key operating funds are summarized here, they are also integrated into the budgets of the departments responsible for managing the funds.

Several of these funds have legal limits on increases to their revenue, but have continued to experience increases in expenditures as a result of many of the same factors that impact the General Fund (e.g., salary cost-of-living increases, health benefit costs and retirement costs). Specifically, the Landscape and Lighting Assessment District (LLAD) Fund, National Pollutant Discharge Elimination System (NPDES) Fund, and the Measure J Storm Drain Fund have had their revenue growth limited by the passage of Proposition 218. The City can only increase revenues in these funds with voter approval. The Measure A Swim Center Fund is similar in that the maximum special tax cannot be increased without voter approval, but the City can increase revenues to the Fund with City Council approval, as the special tax rates have been set annually below the voter-approved maximum rate for several years. Property development also affects the revenue to these funds, as different tax, fee, or assessment rates may apply to a newly developed or redeveloped property, although changes would be nominal as minimal changes in development are expected.

Public Works staff has evaluated its expenditures from special revenue funds and made adjustments to bring the funds into balance over the next two years. These balancing measures include:

- reducing maintenance contract services in the LLAD Fund and NPDES Fund by a combined total of \$400,000
- eliminating transfers between funds
- shifting expenditures between eligible funding sources
- adjusting overhead cost allocations between funds to reflect these changes
- making short-term loans between funds
- repaying Gas Tax-eligible expenditures from the Capital Improvement Program Fund in prior years

Additionally, staff has been identifying those Special Revenue Funds that will continue to have deficits without the addition of new resources or reductions in service. In particular, current NPDES funding is insufficient to meet the ongoing requirements of clean water regulations. Also, the cost of landscape and lighting services has outstripped the revenues available from LLAD annual assessments for many years and will require additional new revenue, restored General Fund support, or service cuts.

Gas Tax Fund (201) Overview

The Gas Tax Fund supports transportation activities, such as the construction and maintenance of streets, roads and bridges. The State of California allocates Gas Tax monies to cities and counties each year by formula, based on population, vehicle registration, assessed valuation, and population. This revenue has increased only slightly over the past decade.

Expenditures in this Fund are based on the Gas Tax model of road-related activities, including roads, sidewalks, traffic controls, drainage, lighting and landscaping. Gas Tax monies can be used for any street or road purpose, with the exception of Section 2107.5 monies, which must be used for engineering and administrative costs only.

Revenues have previously been supplemented by transfers from the County Measure J Return-to-Source Fund for transportation activities, and from the City's Measure J Storm Drain Fund for drainage functions within the streets and road system, and transfers have previously been made to the Landscape and Lighting Assessment District Fund for medians, rights-of-way, street trees and street lighting. Proposed budgets and projections have been restructured to have revenues and expenses balance within the fund, and eliminate the need for transfers.

Fund Forecast

	2011-12	2012-13	2013-14	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Amended	Projected	Proposed	Proposed	Projected	Projected
Starting Balance	\$11,541	\$783	\$885	\$885	(\$58,100)	\$6,820	\$31,163	\$48,774
Revenues	\$949,256	\$1,137,288	\$1,150,336	\$1,131,735	\$605,712	\$617,826	\$630,183	\$642,786
Taxes	\$670,256	\$565,288	\$696,336	\$677,735	\$605,712	\$617,826	\$630,183	\$642,786
Transfer in (Measure C)	\$214,000	\$270,000	\$274,000	\$274,000	\$0	\$0	\$0	\$0
Transfer in (Storm Drain)	\$65,000	\$302,000	\$180,000	\$180,000	\$0	\$0	\$0	\$0
Expenses	\$960,014	\$1,137,186	\$1,253,937	\$1,190,720	\$540,792	\$593,483	\$612,572	\$632,425
Personnel	\$365,686	\$378,689	\$456,492	\$448,878	\$227,414	\$235,762	\$247,550	\$259,928
Non-Personnel	\$96,731	\$115,822	\$143,600	\$133,997	\$218,600	\$218,600	\$222,972	\$227,431
Transfer out (CIP)	\$0	\$0	\$0	\$0	\$0	\$41,500	\$41,500	\$41,500
Transfer out (LLAD)	\$395,000	\$537,000	\$545,000	\$499,000	\$0	\$0	\$0	\$0
Overhead Transfer	\$102,597	\$105,675	\$108,845	\$108,845	\$94,778	\$97,621	\$100,550	\$103,566
Annual Surplus/(Shortfall)	(\$10,758)	\$102	(\$103,601)	(\$58,985)	\$64,920	\$24,343	\$17,611	\$10,361
Ending Balance/(Deficit)	\$783	\$885	(\$102,716)	(\$58,100)	\$6,820	\$31,163	\$48,774	\$59,135

Assumptions

- Gas tax revenues are sensitive to the price and volume of motor fuel purchases and fluctuate from year to year. However, there is an assumed growth of 2% per year.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2015-16, expenses include transfers to the Capital Improvement Program Fund (301) to reimburse prior years' expenditures on streets and transportation projects.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.

NPDES Fund (202) Overview

National Pollutant Discharge Elimination System (NPDES) related activities as mandated by the 1975 Federal Clean Water Act are funded through an assessment collected by the County Flood Control District on all developed properties within the City. These funds are disbursed to the City annually to carry out Clean Water Program activities such as street sweeping, trash capture, storm drain and catch basin cleaning, illicit discharge and pollution prevention inspections of the City's storm drain system and creeks, public awareness and education about storm water pollution, and inspection of new development sites to ensure compliance with the City's Municipal Storm Water Permit (MRP). An assessment election by voters or property owners in El Cerrito could be considered to eliminate the need to subsidize clean water programs from other funds or to reduce future program activities.

Supplemental funding from the Storm Drain Fund (205) has previously been used for specialized maintenance of the storm drain facilities, key to the Clean Water Program. Future transfers from Fund 205 have been eliminated. However, in FY 2104-15, the Storm Drain Fund will make a one-time loan of \$57,000 to the NPDES Fund for eligible expenses related to storm drain maintenance; the NPDES Fund will pay back the full amount in the following two fiscal years. Additional funding sources will need to be identified starting in FY 2015-16 in order to meet regulatory requirements for Clean Water Program activities.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	(\$4,393)	(\$50,049)	(\$45,654)	(\$45,654)	\$19,209	\$275	(\$108,788)	(\$235,153)
Revenue	\$356,678	\$419,202	\$454,625	\$426,000	\$372,000	\$315,000	\$315,000	\$315,000
Assessment	\$320,678	\$315,202	\$343,625	\$315,000	\$315,000	\$315,000	\$315,000	\$315,000
Transfer In Loan (205)	\$0	\$0	\$0	\$0	\$57,000	\$0	\$0	\$0
Transfer in (205)	\$36,000	\$104,000	\$111,000	\$111,000	\$0	\$0	\$0	\$0
Expenses	\$402,333	\$414,807	\$454,725	\$361,137	\$390,934	\$424,063	\$441,365	\$430,968
Personnel	\$130,712	\$145,533	\$155,485	\$150,294	\$279,318	\$289,381	\$303,850	\$319,043
Non-Personnel	\$168,086	\$162,633	\$189,400	\$101,003	\$42,750	\$35,250	\$35,955	\$36,674
Loan Repayment (205)	\$0	\$0	\$0	\$0	\$0	\$28,500	\$28,500	\$0
Overhead Transfer	\$103,535	\$106,641	\$109,840	\$109,840	\$68,866	\$70,932	\$73,060	\$75,252
Annual Surplus/(Shortfall)	(\$45,656)	\$4,395	(\$100)	\$64,863	(\$18,934)	(\$109,063)	(\$126,365)	(\$115,968)
Ending Balance/(Deficit)	(\$50,049)	(\$45,654)	(\$45,754)	\$19,209	\$275	(\$108,788)	(\$235,153)	(\$351,121)

Assumptions

- Revenues from assessments projected to remain flat based on uncertainty about new development and County Clean Water Program cost withholdings.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.
- Annual shortfalls in future years demonstrate the amount of revenues from other sources that will be needed beginning in FY 2015-16 to meet Clean Water regulations.

Landscaping and Lighting Assessment District Fund (203) Overview

The proceeds from this Landscaping and Lighting Assessment District (LLAD) provide funding for such services as street lighting (which improves pedestrian and vehicle safety) and maintenance of parks, park buildings, and landscaping in public areas. The LLAD was created in 1988 and was affirmed by a majority vote of El Cerrito's citizens in November 1996. The assessment rates have not been increased since the LLAD's creation in 1988. A proposed Assessment District with increased rates was presented to the City's property owners during a ballot proceeding in March/April 2006, but a majority protest was filed and the increased assessment rates were not imposed. The current LLAD remains in place and will continue to be assessed. The basic rates remain \$72 per year per single-family dwelling unit, \$54 per year per apartment, condominium, or other multiple dwelling units, with various rates for commercial properties.

The Gas Tax Fund (201) had previously provided supplemental revenue to the LLAD Fund to perform maintenance of median and right-of-way landscapes, street trees, and street lighting. Future transfers from Fund 201 have been eliminated. In FY 2014-15, the LLAD Fund will receive a one-time loan of revenues from the City's sale of recyclables in the amount of \$78,000; the LLAD Fund will pay back the full amount to the IWM Fund (501) in the following two fiscal years. Additional funding sources will need to be identified starting in FY 2015-16 in order to maintain current levels of landscaping and lighting services.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	(\$36,871)	(\$56,966)	(\$56,971)	(\$56,971)	\$42,687	\$145	(\$118,465)	(\$263,986)
Revenue	\$1,165,763	\$1,311,289	\$1,316,000	\$1,340,000	\$859,000	\$781,000	\$781,000	\$781,000
Assessments	\$770,763	\$774,289	\$771,000	\$771,000	\$771,000	\$771,000	\$771,000	\$771,000
Maint. Reimbursement	\$0	\$0	\$0	\$70,000	\$10,000	\$10,000	\$10,000	\$10,000
Transfer In Loan (IWM Fund)	\$0	\$0	\$0	\$0	\$78,000	\$0	\$0	\$0
Transfer In (Gas Tax)	\$395,000	\$537,000	\$545,000	\$499,000	\$0	\$0	\$0	\$0
Expenses	\$1,185,858	\$1,311,295	\$1,314,327	\$1,240,342	\$901,542	\$899,610	\$926,521	\$915,425
Personnel	\$448,824	\$480,834	\$387,366	\$378,381	\$262,097	\$271,652	\$285,235	\$299,496
Non-Personnel	\$598,604	\$687,877	\$780,100	\$715,100	\$489,000	\$434,000	\$442,680	\$451,533
Loan Repayment (IWM Fund)	\$0	\$0	\$0	\$0	\$0	\$39,000	\$39,000	\$0
Overhead Transfer	\$138,431	\$142,584	\$146,861	\$146,861	\$150,445	\$154,958	\$159,607	\$164,395
Annual Surplus/(Shortfall)	(\$20,095)	(\$5)	\$1,673	\$99,658	(\$42,542)	(\$118,610)	(\$145,521)	(\$134,425)
Ending Balance/(Deficit)	(\$56,966)	(\$56,971)	(\$55,298)	\$42,687	\$145	(\$118,465)	(\$263,986)	(\$398,411)

Assumptions

- Revenues from assessments are projected to remain flat based on lack of anticipated new development in the near term.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.
- Annual shortfalls in future years demonstrate the amount of revenues from other sources that will be needed beginning in FY 2015-16 to maintain current levels of landscaping and lighting services.

Measure J Return to Source Fund (204) Overview

This Fund accounts for the revenue received by the Measure C and its extension, Measure J (2004), a half-cent sales tax approved by the voters to fund transportation projects as well the para-transit program. Sales tax is collected at the County level and paid to the City.

A portion of the Measure J Return to Source Fund is designated for street maintenance activities similar to those in the Gas Tax Fund (201), and the remaining portion is designated for para-transit operations. In prior years, expenses and revenues related to both street maintenance activities and para-transit operations were budgeted in Fund 204. Beginning FY 2014-15, a new fund has been created and all para-transit related revenues and expenditures are budgeted in the new Measure J Return to Source Fund Para-Transit Fund (214).

The Measure J Return to Source Fund has previously supplemented the Gas Tax Fund for transportation activities. Future supplements to the Gas Tax Fund have been eliminated.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	\$4,876	\$4,901	\$9,644	\$9,644	\$70,561	\$23,994	\$24,530	\$22,083
Maintenance Revenues	\$320,334	\$376,114	\$382,648	\$428,089	\$406,052	\$414,173	\$422,457	\$430,906
Taxes	\$320,334	\$376,114	\$382,648	\$382,648	\$406,052	\$414,173	\$422,457	\$430,906
Transfer In (CIP)	\$0	\$0	\$0	\$45,441	\$0	\$0	\$0	\$0
Maintenance Expenses	\$320,309	\$371,371	\$381,975	\$367,172	\$452,619	\$413,637	\$424,904	\$436,604
Personnel	\$0	\$303	\$0	\$0	\$121,547	\$126,238	\$132,550	\$139,177
Non-Personnel	\$42,772	\$36,675	\$42,700	\$27,897	\$156,700	\$156,700	\$159,834	\$163,031
Access Modification Program	\$35,000	\$35,000	\$35,000	\$35,000	\$115,441	\$70,000	\$70,000	\$70,000
Transfer out (Gas Tax)	\$214,000	\$270,000	\$274,000	\$274,000	\$0	\$0	\$0	\$0
Overhead Transfer	\$28,537	\$29,393	\$30,275	\$30,275	\$58,931	\$60,699	\$62,520	\$64,395
Annual Surplus/(Shortfall)	\$25	\$4,743	\$673	\$60,917	(\$46,567)	\$536	(\$2,447)	(\$5,698)
Ending Balance/(Deficit)	\$4,901	\$9,644	\$10,317	\$70,561	\$23,994	\$24,530	\$22,083	\$16,385

Assumptions

- Tax revenues are a flat 20.1% of Measure J sales taxes collected. Measure J Return to Source revenues are sensitive to economic changes and therefore difficult to predict. However, there is an assumed growth of 2% per year.
- Funds previously transferred to and held in the Capital Improvement Program Fund (301) for the Access Modification Program are being returned to the Measure J Return to Source Fund FY 2013-14 and will be expended directly from the Fund J Fund in future years. This is in keeping with the restructuring of various Special Funds to have revenues and expenses balance within the fund, and eliminate the need for transfers.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.

Measure J Storm Drain Fund (205) Overview

The Measure J Storm Drain Fund was created to account for funds associated with the passage of Measure J by the voters of El Cerrito in March 1993. The special revenue provides needed funds to maintain, repair, and reconstruct the City's storm drains. All properties in the City (residential and commercial) are assessed annually based on equivalent residential units (ERU). The ERU rate remains \$58 per year per single-family dwelling unit and \$43.50 per year per apartment, condominium, or other multiple dwelling units.

Fund 205 has historically provided supplemental funding to the Gas Tax Fund (201) and NPDES Fund (202) for drainage activities within the road system and contributing to Clean Water goals. With the exception of a one-time loan of \$57,000 to the NPDES Fund in FY 2014-15, all future transfers have been eliminated.

Future year's expenses in the Storm Drain Fund include capital outlays for major maintenance and improvements to the City's storm drain system, including sediment removal, storm pipe replacements, and a Storm Drain Master Plan. Additionally, with the final bond debt service payment in FY 2013-14, the Storm Drain Fund is now considered an operating fund, and is thus subject to administrative cost allocation through an overhead transfer to the General Fund.

Fund Forecast

	2011-12	2012-13	2013-14	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Amended	Projected	Proposed	Proposed	Projected	Projected
Starting Balance	\$41,887	\$32	\$161,567	\$161,567	(\$91,298)	\$49,992	\$34,123	\$80,770
Revenues	\$697,571	\$698,257	\$698,000	\$698,000	\$698,000	\$726,500	\$726,500	\$698,000
Fees	\$697,571	\$698,257	\$698,000	\$698,000	\$698,000	\$698,000	\$698,000	\$698,000
Loan Repayment	\$0	\$0	\$0	\$0	\$0	\$28,500	\$28,500	\$0
Expenses	\$739,426	\$536,722	\$951,402	\$950,865	\$556,710	\$742,369	\$679,854	\$698,136
Personnel	\$108,603	\$115,696	\$134,102	\$131,059	\$273,290	\$283,845	\$298,037	\$312,939
Non-Personnel	\$13,273	\$15,026	\$31,300	\$33,532	\$56,300	\$56,300	\$57,426	\$58,575
Debt Service Payments	\$516,550	\$0	\$495,000	\$465,000	\$0	\$0	\$0	\$0
Capital Outlay	\$0	\$0	\$0	\$0	\$100,000	\$330,000	\$250,000	\$250,000
1-Time Loan (NPDES)	\$0	\$0	\$0	\$0	\$57,000	\$0	\$0	\$0
Transfer out (Gas Tax)	\$65,000	\$302,000	\$180,000	\$180,000	\$0	\$0	\$0	\$0
Transfer out (NPDES)	\$36,000	\$104,000	\$111,000	\$111,000	\$0	\$0	\$0	\$0
Overhead Transfer	\$0	\$0	\$0	\$30,275	\$70,120	\$72,224	\$74,390	\$76,622
Annual Surplus/(Shortfall)	(\$41,855)	\$161,535	(\$253,402)	(\$252,865)	\$141,290	(\$15,869)	\$46,646	(\$136)
Ending Balance/(Deficit)	\$32	\$161,567	(\$91,835)	(\$91,298)	\$49,992	\$34,123	\$80,770	\$80,634

Assumptions

- Revenues from storm drain fees are projected to remain flat based on lack of anticipated new development in the near term.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.

Street Improvement Fund (211) Overview

This Fund is used to account for proceeds of the Measure A half-cent sales tax approved by El Cerrito voters on February 5, 2008. Expenditures from this Fund are to improve and maintain City streets and to pay debt service on the related 2008 bond issuance, for which the Measure A half-cent sales tax is a pledged revenue stream.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	(\$77,443)	\$349,769	\$198,074	\$198,074	\$33,238	\$149,784	\$290,303	\$447,310
Revenues	\$1,607,920	\$1,170,832	\$1,500,000	\$1,815,631	\$2,033,000	\$1,431,000	\$1,462,500	\$1,491,500
Taxes	\$1,546,542	\$1,141,958	\$1,500,000	\$1,454,000	\$1,398,000	\$1,426,000	\$1,455,000	\$1,484,000
Grants	\$18,730	(\$3,553)	\$0	\$354,000	\$630,000	\$0	\$0	\$0
Misc	\$42,648	\$32,427	\$0	\$7,631	\$5,000	\$5,000	\$7,500	\$7,500
Expenses	\$1,180,708	\$1,322,527	\$3,026,284	\$1,980,466	\$1,916,454	\$1,290,481	\$1,305,493	\$1,307,414
Personnel	\$0	\$0	\$54,539	\$53,246	\$51,215	\$53,253	\$55,916	\$58,711
Nonpersonnel	\$2,995	\$2,175	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Capital Outlay	\$440,131	\$323,630	\$2,143,600	\$1,099,075	\$1,128,831	\$500,000	\$509,500	\$509,500
Transfer Out 301	\$0	\$260,000	\$85,145	\$85,145	\$0	\$0	\$0	\$0
Debt Service	\$737,583	\$736,722	\$740,000	\$740,000	\$733,408	\$734,228	\$737,078	\$736,203
Annual Surplus/(Shortfall)	\$427,212	(\$151,695)	(\$1,526,284)	(\$164,835)	\$116,546	\$140,519	\$157,007	\$184,086
Ending Balance/(Deficit)	\$349,769	\$198,074	(\$1,328,210)	\$33,238	\$149,784	\$290,303	\$447,310	\$631,396

Assumptions

- Sales tax revenues have been subject to adjustments by the Board of Equalization in prior fiscal years for misallocation of revenues by Home Depot. Revenue for FY 2014-15 has been adjusted downward to reflect the corrected amount. Thereafter, sales tax revenues are projected to increase by 2% annually.
- Starting in FY 2013-14, personnel costs related to street improvement and maintenance expenditures not related to capital projects are being charged to the Street Improvement Fund.
- In prior years, capital projects were charged both directly to the Street Improvement Fund and funded through a transfer to the Capital Improvement Program Fund (301). Starting in FY 2014-15, projects funded with Measure A revenue will be tracked only in the Street Improvement Fund. Any previously transferred funds remaining in the Capital Improvement Program Fund will be expended from that fund. This is in keeping with the restructuring of various Special Funds to eliminate transfers.
- In FY 2016-17, personnel costs increase 5% per year.

Integrated Waste Management Fund (501) Overview

This enterprise fund is used to account for the activities related to the recycling and waste diversion management programs. The Integrated Waste Management (IWM) Fund provides for services including weekly residential and commercial curbside recycling collection operations, management of waste management contracts and services, and operation of the City's state-of-the-art LEED Platinum Recycling + Environmental Resource Center. Although the City historically included a ten-year plan in the annual budget, a short-term fund forecast format has been adopted to reflect a more suitable planning horizon. In the FY 2103-14 budget, the City Council approved annually designating a portion of the IWM Fund Balance as a reserve for future equipment purchases, in lieu of financing future equipment purchases via loans. Further analysis has indicated that reversing this assumption is less costly to ratepayers in the coming several years. Therefore, the current plan assumes the resumption of financing future equipment purchases as needed.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	\$814,405	\$705,591	\$478,678	\$478,678	\$329,031	\$117,825	\$112,132	\$127,632
Revenue	\$1,868,720	\$1,882,659	\$2,042,364	\$2,109,640	\$2,166,728	\$2,355,926	\$2,486,555	\$2,555,470
IWM Fees	\$1,554,293	\$1,607,766	\$1,742,292	\$1,742,292	\$1,877,478	\$2,027,676	\$2,158,305	\$2,266,220
Recycling	\$276,442	\$245,834	\$273,000	\$275,000	\$260,200	\$260,200	\$260,200	\$260,200
Grants	\$29,849	\$26,348	\$16,000	\$26,348	\$16,000	\$16,000	\$16,000	\$16,000
Other	\$8,136	\$2,711	\$11,072	\$66,000	\$13,050	\$13,050	\$13,050	\$13,050
Loan Repayment						\$39,000	\$39,000	
Expenses	\$1,977,534	\$2,109,572	\$2,324,295	\$2,259,287	\$2,377,934	\$2,361,619	\$2,471,055	\$2,531,169
Personnel	\$895,357	\$1,069,948	\$1,201,413	\$1,159,433	\$1,200,165	\$1,247,814	\$1,311,456	\$1,375,114
Non-Personnel	\$558,418	\$341,009	\$219,100	\$346,072	\$332,943	\$337,022	\$368,927	\$350,983
Debt Service & Leases	\$221,575	\$383,693	\$426,411	\$426,411	\$426,507	\$426,365	\$426,384	\$426,359
Overhead Transfer	\$302,184	\$313,086	\$323,700	\$323,700	\$336,648	\$346,747	\$360,617	\$375,042
Solar Debt service	\$0	\$1,836	\$3,671	\$3,671	\$3,671	\$3,671	\$3,671	\$3,671
Designated Reserve	\$0	\$0	\$150,000	\$0	\$0	\$0	\$0	\$0
Transfer Out - Loan (LLAD)	\$0	\$0	\$0	\$0	\$78,000	\$0	\$0	\$0
Annual Surplus/(Shortfall)	(\$108,814)	(\$226,913)	(\$281,931)	(\$149,647)	(\$211,206)	(\$5,693)	\$15,500	\$24,301
Ending Balance/(Deficit)	\$705,591	\$478,678	\$196,747	\$329,031	\$117,825	\$112,132	\$127,632	\$151,933

Assumptions

- Revenues from IWM Fees are projected to increase by 8% in FY 2014-15 and FY 2015-16, and 5% thereafter. Other revenues from fixed contracts, state payments, on-site sales and fees are relatively stable.
- The increase in non-personnel costs in FY 2013-14 is due to a new vehicle maintenance agreement that appropriately maintains the City's recycling fleet, as well as a previously unanticipated need for pollution insurance.
- In FY 2014-15, overhead transfers are increased by 4%, but reallocated between special revenue funds, increasing 3% per year thereafter.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.

Low & Moderate Income Housing Asset Fund (232) Overview

Pursuant to the Dissolution Act, the City elected to serve as the Successor Housing Entity to the dissolved El Cerrito Redevelopment Agency, responsible for affordable housing projects and activities. In FY 2012, the City placed housing assets, including real estate and encumbered cash in the Low & Moderate Income Housing Fund (LMIHF), into the new Low & Moderate Income Housing Asset Fund. California Redevelopment Law requires the Fund be used to increase, improve and preserve the housing supply affordable to very low, low, and moderate income households.

The Dissolution Act did not provide revenue for successor housing agencies, but allows them to collect payments on loans made from former agencies' LMIHF. Money had been borrowed from the LMIHF to pay into the Educational Revenue Augmentation Fund (ERAF) and Supplemental ERAF. Repayment of these loans is an obligation of the El Cerrito Redevelopment Agency Successor Agency (see Section 10) and the only anticipated near-term revenues.

Fund Forecast

	2011-12 Actual	2012-13 Actual	2013-14 Amended	2013-14 Projected	2014-15 Proposed	2015-16 Proposed	2016-17 Projected	2017-18 Projected
Starting Balance	\$0	\$214,864	\$110,671	\$110,671	\$25,286	(\$10,968)	\$91,960	\$189,197
Revenues	\$416,385	\$1,149	\$0	\$559,605	\$75,284	\$250,000	\$250,000	\$250,000
SERAF/ERAF Loan	\$416,079	\$0	\$0	\$24,803	\$75,284	\$250,000	\$250,000	\$250,000
Housing Obligations	\$0	\$0	\$0	\$531,152	\$0	\$0	\$0	\$0
Misc	\$306	\$1,149	\$0	\$3,650	\$0	\$0	\$0	\$0
Expenses	\$201,521	\$105,342	\$671,990	\$644,990	\$111,538	\$147,072	\$152,763	\$158,705
Personnel	\$43,294	\$89,602	\$89,838	\$89,838	\$87,208	\$91,652	\$96,235	\$101,046
Non-Personnel	\$8,577	\$15,740	\$51,000	\$24,000	\$24,330	\$55,420	\$56,528	\$57,659
Loans & Grants	\$0	\$0	\$531,152	\$531,152	\$0	\$0	\$0	\$0
Overhead Transfer	\$149,650	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Surplus/(Shortfall)	\$214,864	(\$104,193)	(\$671,990)	(\$85,385)	(\$36,254)	\$102,928	\$97,237	\$91,295
Ending Balance/(Deficit)	\$214,864	\$110,671	(\$561,319)	\$25,286	(\$10,968)	\$91,960	\$189,197	\$280,492

Assumptions

- SERAF/ERAF payments resume in FY 2013-14 and are based on one half of residual Redevelopment Property Tax (RPT) after Redevelopment Successor Agency obligations are paid.
- In FY 2013-14, the Successor Housing Entity received RPT, which is disbursed to fund loans for two affordable housing project pre-development loans.
- Non-personnel expenses are minimized until FY 2015-16, when larger SERAF/ERAF loan payment revenues are expected. Non-personnel expenses include carrying costs for housing real estate assets and project-related costs.
- In FY 2016-17, personnel costs increase 5% per year and non-personnel costs increase 2% per year.

OTHER FUNDS

The City has other funds, including minor operating funds, capital funds, other entities' funds, debt service funds, internal service funds, and trust funds. They are as follows:

Asset Seizure Fund (208)

The Police Department acquires assets in the course of arresting suspects and a portion of these assets become the property of the City when a guilty verdict is awarded. Pursuant to the State Health and Safety Code, these funds are to be used by the Police Department to supplant but not supplement its operating budget. To assure correct usage, funds have been broken out into a separate fund.

Vehicle Abatement Fund (209)

This Fund accounts for monies received from the County to support programs that remove abandoned vehicles from City streets.

Park In-Lieu Fund (210)

This Fund accounts for funds received through negotiations with developers to be used for park improvements.

Art in Public Places Fund (213)

This Fund was established to account for the public art in-lieu contributions and any and all other revenues appropriated or received for public art and/or public arts and cultural programs, including donations from the public.

Measure J Return to Source Paratransit (214)

This Fund was created in FY 2013-14 to account separately for the portion of Measure J Return to Source revenues that fund the paratransit program.

Grants Fund (221)

This Fund accounts for projects and programs in various departments that are funded by one-time grants.

Grants Fund (222)

This Fund was created in FY 2013-14 to account for the ongoing C.O.P.S. grants received by the Police Department. Previously the revenues and expenditures for this program were accounted for in Fund 221.

Municipal Services Corporation Fund (230)

The Municipal Services Corporation is a separate nonprofit, public benefit corporation. Although it is considered a component unit of the City for accounting purposes, its activities are controlled and its budget is adopted by a separate board of directors, and therefore not included in this document. Its revenues are primarily related to real estate transactions, including leases and potentially disposition of developable land. It also received revenue from the former Redevelopment Agency, prior to its dissolution, pursuant to a Cooperation Agreement in order to implement economic development and redevelopment programs, but has not received any payments related to the agreement since the dissolution in 2012. Its expenditures are for economic development programs, redevelopment projects, property management.

Capital Improvements Fund (301)

This Fund is utilized to account for capital activities with one-time and multiple funding sources. Within the Fund, each project is accounted for separately on a life-to-date basis for internal and external reporting purposes.

Storm Drain Debt Service Fund (401)

This Fund accounts for debt service payments on the Storm Drain Revenue Bonds using the proceeds of the Measure J Special Tax assessed for that purpose. No further expenditures are budgeted for this Fund, as the last debt service payment was made in FY 2013-14.

Vehicle and Equipment Replacement Fund (601)

The purpose of this Fund is to provide vehicles and equipment to the line departments and avoid financing costs associated with the acquisition of necessary capital assets. This Fund was originally created from a reserved portion of the City's General Fund. Departments may purchase necessary vehicles or equipment from this Fund and then repay the Fund from their operating budgets over time. An ongoing charge to the operating department will cover the cost of the equipment plus a contribution toward future replacement of the equipment when such a replacement can reasonably be anticipated. The Fund's primary objective is to provide financing for the purchase of equipment and vehicles with a cost of \$5,000 and over and a useful life of three or more years. Currently, only the Fire Department is utilizing this Fund.

Pension Fund Section 401A Trust Fund (701)

The purpose of this Fund is to account for payments on retiree pensions that are an obligation of the City.

Redevelopment Obligation Retirement Fund (780)

The purpose of this trust fund is to administer the enforceable obligations of the El Cerrito Redevelopment Agency Successor Agency. Moneys received in this Fund are for specific payments approved by an oversight board and the California Department of Finance and the City's authority is limited to making the approved payments. No budget is adopted for this Fund.

Measure A Debt Service Fund (834)

This Fund accounts for debt service payments on the Swim Center Bonds, which were used for the Swim Center Construction, using the proceeds of the Measure A Special Tax assessed for that purpose.

City Hall Debt Service Fund (835)

This Fund accounts for debt service payments on City Hall Lease Revenue Bonds using transfers from the City's General Fund.

Street Improvement Bond Debt Service Fund (836)

This Fund accounts for debt service payments on the Street Improvement Revenue Bonds using the proceeds of the Measure A half-cent sales tax collected for that purpose.