SECTION 1:
BUDGET OVERVIEW

The City of El Cerrito's Fiscal Year 2012-13 Budget presents accurately and clearly the City's projection of revenues and expenditures for the next fiscal year. It also describes in detail the mission and goals of the City, each of its departments and divisions, and the City's separate legal entities: the Employee Pension Board and the El Cerrito Public Financing Authority.

BUDGET STRUCTURE AND APPROACH

The budget document is intended to help the City Council, residents, businesses, and other interested parties understand the overall responsibilities and goals of the City and to enable the departments to present financial plans and workload data. Each year staff aims to improve the budget document in a significant way. As in previous years, this budget document includes Ten-Year Financial Plans for the General Fund and Integrated Waste Management Fund. The purpose of these long term plans is to allow the residents, City Council, and the public to evaluate the results of actions taken today by projecting out ten years into the future. Using this planning tool on an on-going basis will help the City refine projections and develop long-term stability.

CSMFO Award

City staff is very proud to include in this Budget Overview Section a copy of the award for Excellence in Operational Budgeting from the California Society of Municipal Finance Officers (CSMFO) for our FY 2011-12 operating budget. This is the City's seventh consecutive year of receipt of this award.

GFOA Award

This past year, the City of El Cerrito was honored with its second consecutive Government Finance Officers Association of USA/Canada (GFOA) Distinguished Budget Presentation award. This achievement was a goal of City Management, and staff is extremely proud to continue to receive this award that reflects a nationally recognized standard for budget documents prepared by local agencies. Over the past 11 years the City has been working steadily to improve this document. This award represents a culmination of those efforts and provides motivation to continue to improve this important document.

Reporting Entity

Throughout this budget document, reference is made to the City. As appropriate, such three separate entities covered under this budget: City of El Cerrito, El Cerrito Employees' Pension Board, and the El Cerrito Public Finance Authority. Per AB1x 26 the El Cerrito Redevelopment Agency (RDA) was dissolved as of February 1, 2012 along will all California Redevelopment Agencies, and in El Cerrito a Successor Agency was created to finalize the RDA's commitments. Historical budget and actual data for the former RDA is shown in this budget in the Successor Agency, Section 10, but since the

Successor Agency has no budget authority one is not being presented in this document. The events leading up to actions since the dissolution of the RDA are discussed in detail in Section 10.

The El Cerrito Municipal Services Corporation (MSC) is a non-profit organization whose purpose is to support the City in expanding economic opportunities, eliminating blight, as well as assisting and implementing programs and activities that will lessen neighborhood tensions and combat community deterioration. The FY 2012-13 budget for the MSC was adopted at the May 1, 2012 meeting of its Board of Directors and is therefore, not included in this document.

Report Structure

The Operating Budget for FY 2012-13 contains the City Manager's transmittal letter, which is intended to provide an executive summary of the city's priorities, major projects, general philosophy, and discussion on the citywide financial outlook and budget. The Budget Overview section provides information on the structure and policies of the City and detail of the budget on a Citywide basis. Following the Overview is a detailed look at the General Fund, including the Ten-Year Plan and major revenue and expenditure assumptions associated with this plan. The City departments each present reports including history and budget for line-item expenditures from all revenue sources, as well as descriptions of core responsibilities, service indicators, and goals and accomplishments. A section has been added this year for the Successor Agency to the Former Redevelopment Agency, and the City's other entities are presented separately after that discussion. The remainder of the Operating Budget includes sections discussing the Capital Improvement Program, Long Term Debt obligations, and other statistics.

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 23,440 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

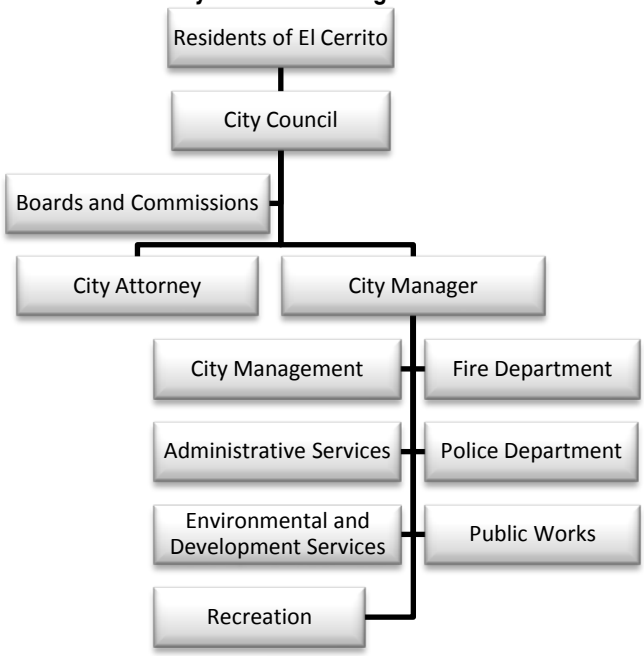
Council in the budget to achieve desired service results in the community and carries out the policies of the Council. The City Council also appoints the City Attorney to advise them and City staff on legal affairs, to see that all laws are effectively enforced and, when necessary, to defend the City 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. There are no changes to the structure from the prior year.

Chart 1-1
El Cerrito City Government Organization Chart



Overall Position Listing

Table 1-1 shows the authorized Citywide position listing. The listing shows there were one position change from the prior year that relates to the Environmental and Development Services Department.

Table 1-1
Citywide Position Listing

	FY 09-10	*FY 10-11*	*FY 11-12*	*FY12-13*
City Council	5.00	5.00	5.00	5.00
City Management	7.00	7.00	7.00	7.00
Administrative Services	7.80	7.80	7.80	7.80
Economic Development	5.00	4.00	4.00	4.00
Environmental and Development Svcs	22.00	20.00	20.00	21.00
Fire	37.00	37.00	37.00	37.00
Police	56.55	56.55	56.55	56.55
Public Works	14.25	14.25	14.25	14.25
Recreation	38.00	38.00	38.00	38.00
Total	**192.60**	**189.60**	**189.60**	**190.60**

FINANCIAL OVERVIEW

Fund Balance

Each department has reviewed its budget and made decisions proposing how funds should be allocated, what new programs or activities should continue or begin, and what programs or activities should be changed. The two schedules shown as **Tables 1-2** and **1-3** summarize the effects of current activity and its relation to the FY 2012-13 budget. **Table 1-2** projects current year activity through June 30, 2012. Actual data as of February 29, 2012 were annualized using the trend activity for the different categories of revenues and expenditures and the FY 2011-12 budget. Estimating the current year-end fund balance provides the amount of fund balance anticipated at the start of the new fiscal year, and **Table 1-3** applies that beginning fund balance to the adopted budget to determine the estimated fund balance at the end of FY 2012-13.

Table 1-2
Projected Fund Balance

CITY OF EL CERRITO								
Projected Fund Balance								
Fiscal Year Ending June 30, 2012								
		Act. Fund Balance	Revenues &	Expenditures	Operating Transfers		Net	Est. Balance
Fund	Description	at June 30, 2011	Contributions		Transfer In	Transfer Out	Change	at June 2012
	Nonspendable and Restricted Fund Balance	$3,950,000						$3,950,000
	Restricted MSC Pre-funding Contribution		1,007,000				1,007,000	$1,007,000
	Unassigned Fund Balance	2,549,487						2,798,705
101	Sub-total Total General Fund Balance	**6,499,487**	28,616,632	28,008,621	1,415,890	767,683	1,256,218	**7,755,705**
201	Gas Tax Fund	11,542	653,000	468,512	370,000	582,597	(28,109)	(16,567)
202	NPDES	(4,230)	340,994	291,605	60,000	103,535	5,854	1,624
203	Landscape and Lighting	(36,871)	771,000	1,087,739	420,000	138,431	(35,170)	(72,041)
204	Measure J Return to Source	4,014	484,950	124,012		362,966	(2,028)	1,986
206	Measure A Parcel Tax	289,232	438,100	115,000		365,053	(41,953)	247,279
208	Asset Seizure	133,752	31,789	24,800			6,989	140,741
209	Vehicle Abatement	180,894	40,965	59,276			(18,311)	162,583
210	Park In Lieu Fund	11,969						11,969
211	Street Improvement Fund	(77,440)	1,375,715	465,039		744,036	166,640	89,200
213	Public Art Fund	48,000						48,000
221	Federal, State and Local Grants	186,922	3,978,400	4,251,400	273,000			186,922
232	City LMI Housing Fund			55,000	1,839,252		1,784,252	1,784,252
		747,784	**8,114,913**	**6,942,383**	**2,962,252**	**2,296,618**	**1,838,164**	**2,585,948**
301	Capital Improvements	(835,846)	2,043,730	1,627,793	57,600		473,537	(362,309)
205	Measure J Storm Drain	41,887	698,000	119,321		617,183	(38,504)	3,383
		(793,959)	**2,741,730**	**1,747,114**	**57,600**	**617,183**	**435,033**	**(358,926)**
401	Storm Drain Debt Service	551,790	2,769	519,550	516,550		(231)	551,559
834	Finance Authority- Measure A	370,286	30	366,477	365,053		(1,394)	368,892
835	Financing Authority-City Hall	603,318	300	598,407	598,107			603,318
836	Financing Authority-Street Imp	741,205	118	744,152	744,036		2	741,207
		2,266,599	**3,217**	**2,228,586**	**2,223,746**		**(1,623)**	**2,264,976**
501	Integrated Waste Management	1,137,929	1,786,245	1,478,994		302,184	5,067	1,142,996
601	Vehicle/Equipment Replacement	846,464	148,600	48,017		273,000	(172,417)	674,047
		1,984,393	**1,934,845**	**1,527,011**		**575,184**	**(167,350)**	**1,817,043**
801	Redevelopment	(1,309,708)	4,516,280	2,415,070		791,502	1,309,708	
802	RDA-Low & Moderate Income	1,759,986	542,157	109,217		2,192,926	(1,759,986)	
804	RDA Debt Service	695,771		803,188	107,417		(695,771)	
814	RDA 2004 Series A&B Debt Service	811,854		1,137,545	325,691		(811,854)	
		1,957,903	**5,058,437**	**4,465,020**	**433,108**	**2,984,428**	**(1,957,903)**	
701	Employees' Pension Trust Fund			148,500	148,500			
	Total	**$12,662,207**	**$46,469,774**	**$45,067,235**	**$7,241,096**	**$7,241,096**	**$1,402,539**	**$14,064,746**

Table 1-2 indicates that Citywide there is projected to be a net increase in fund balance overall of $1,402,539. This increase is due primarily to the elimination of the fund

balance for the Redevelopment Agency funds, offset by the inclusion of fund 232, City Low and Moderate Income (both created as a result of dissolution of the Redevelopment Agency), the City's acceptance of the required housing functions, and the MSC's restricted contribution to the General Fund to backfill potential shortfalls of revenue from the Successor Agency.

Table 1-3 shows the anticipated fund balances as of June 30, 2013, based on the revenue, expenditure and inter-fund transfers appearing in this budget.

Table 1-3
Proposed Fund Balance

CITY OF EL CERRITO
Proposed Fund Balance
Fiscal Year Ending June 30, 2013

Fund	Description	Projected at June 30, 2012	Revenues & Contributions	Expenditures	Operating Transfers Transfer In	Operating Transfers Transfer Out	Net Change	Est. Balance at June 2013
	Nonspendable Restricted Fund Balance	$3,950,000						$3,950,000
	Restricted MSC Pre-Funding Contribution	1,007,000						1,007,000
	Unassigned Fund Balance	2,798,705						2,970,792
101	Sub-total Total General Fund Balance	**7,755,705**	**$28,467,174**	**$28,285,923**	**$724,936**	**$734,100**	**$172,087**	**7,927,792**
201	Gas Tax Fund	(16,567)	660,000	603,649	663,000	700,675	18,676	2,109
202	NPDES	1,624	334,715	334,292	107,000	106,641	782	2,406
203	Landscape and Lighting	(72,041)	771,000	1,149,695	595,000	142,584	73,721	1,680
204	Measure J Return to Source	1,986	495,421	128,028		371,786	(4,393)	(2,407)
206	Measure A Parcel Tax	247,279	439,400	115,000	185,000	362,305	147,095	394,374
208	Asset Seizure	140,741	2,000				2,000	142,741
209	Vehicle Abatement	162,583	21,000	10,000			11,000	173,583
210	Park In Lieu Fund	11,969	500				500	12,469
211	Street Improvement Fund	89,200	1,425,000	754,232		740,000	(69,232)	19,968
213	Art in Public Places	48,000						48,000
221	Federal, State and Local Grants	186,922	464,461	464,461				186,922
232	City LMI Housing	1,784,252	781,152	1,013,134			(231,982)	1,552,270
		2,585,948	**5,394,649**	**4,572,491**	**1,550,000**	**2,423,991**	**(51,833)**	**2,534,115**
301	Capital Improvements	(362,309)	4,262,016	4,421,690	57,600		(102,074)	(464,383)
205	Measure J Storm Drain	3,383	698,000	154,335		492,000	51,665	55,048
		(358,926)	**4,960,016**	**4,576,025**	**57,600**	**492,000**	**(50,409)**	**(409,335)**
401	Storm Drain Debt Service	551,559	100	523,974			(523,874)	27,685
834	Finance Authority- Measure A	368,892	300	372,050	362,305	185,000	(194,445)	174,447
835	Financing Authority-City Hall	603,318	300	600,000	599,000		(700)	602,618
836	Financing Authority-Street Imp	741,207	1,000	738,653	740,000		2,347	743,554
		2,264,976	**1,700**	**2,234,677**	**1,701,305**	**185,000**	**(716,672)**	**1,548,304**
501	Integrated Waste Management	1,142,996	1,931,078	1,712,083		311,250	(92,255)	1,050,741
601	Vehicle/Equipment Replacement	674,047	146,100	48,017			98,083	772,130
		1,817,043	**2,077,178**	**1,760,100**		**311,250**	**5,828**	**1,822,871**
701	Employees' Pension Trust Fund			112,500	112,500			
	Total	**$14,064,746**	**$40,900,717**	**$41,541,716**	**$4,146,341**	**$4,146,341**	**($640,999)**	**$13,423,747**

Overall fund balance is projected to decline in FY 2012-13 by $640,999. This decrease is primarily due to use of the fund balance reserve in the Storm Drain and Measure A debt service funds as a result of a proposed refinance of the bonds, and subsequent removal or reduction of the reserve requirement. For the Storm Drain Fund, the reserve will be eliminated; for the Measure A Fund the reserve will be reduced by half as a result of the proposed agreement.

Also material is the City Low and Moderate Income Housing Fund projecting to use reserves for the continuance of projects that are no longer funded by Tax Increment due to the dissolution of the Redevelopment Agency, and the use of advance funding on CIP and Streets projects.

The General Fund reserve shows a budgeted increase of $172,087 which brings reserves to 10.2%, just above the minimum allowed by City Council Policy.

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. Following is a discussion on the major revenue categories received by the City.

Taxes

Property taxes are an Ad Valorem Tax imposed on real property (which is defined as land and permanently attached improvements), as well as tangible personal property (which is movable property). Property tax is calculated on the assessed value of the property. Proposition 13, passed in 1978, created a cap on real property so that the tax would not exceed one percent of the full cash value of the property. The one percent is shared by the county, cities, school districts and special districts. Out of every $1.00 collected in property tax, El Cerrito receives only 22 cents. Assessed value of a property is determined by the purchase price and does not change until there is a change in title or major construction, except for an annual increase of 2% allowed for inflation, unless the assessor determines overall assessed values went down, as was the case last fiscal year in which the increase could be lower. If there is a significant drop in market value, the owner can request a reevaluation.

In FY 2011-12 the Contra Costa County Assessor's office continued to be very aggressive in its determination of the decline in property values. Many El Cerrito properties received a reduction in assessed valuation without requesting a reevaluation, even if they had owned the property for many years and El Cerrito received its first assessed valuation reduction of 1.41%. Current year sales prices, the volume of home sales and the low numbers of foreclosures continue to show a stable valuation but a very conservative approach was used in this budget because of the uncertainties in the County Assessors methodology.

Other complexities in the projections of property tax have grown with the implementation of the "Triple Flip". In 2004 the State of California needed a revenue stream to tie to the Economic Recovery Bonds and created a program where ¼ cent of the sales tax collected for a jurisdiction, along with the vehicle license fee backfill funds, was kept by the State. That amount was paid by the County to jurisdictions out of Educational Revenue Augmentation Funds (ERAF) as Property Tax and Motor Vehicle in Lieu funds but in June 2011 legislation was passed without any opportunity for hearings or discussions that terminated the allocation of the Motor Vehicle in Lieu fund funds to cities and counties. This legislation reduced revenue for El Cerrito by approximately $75,000 annually.

Additional problems have arisen from this program in that the County has traditionally used the total assessed valuation and related ad valorem taxes as the basis for their administrative fees. Adding the amount disbursed to the jurisdictions as ad valorem taxes has significantly increased the amount the County receives in administrative fees from every jurisdiction without adding much in the way of additional effort. This method was protested but cities were not successful in changing the method of calculating the fee.

Tax Increment funds were the primary source of funds for the El Cerrito Redevelopment Agency. With the dissolution of the Redevelopment Agency, Tax Increment will no longer be received. Property tax is budgeted to be allocated to the new City Low and Moderate Income (LMI) Housing Fund for commitments relating to its two existing projects. The Successor Agency to the Former Redevelopment Agency is classified as a Fiduciary Fund, and as such does not record a budget.

Sales Taxes are taxes imposed on the total retail price of any tangible personal property. In 1955 the State Legislature passed the Bradley-Burns Uniform Local Sales and Use Tax Law authorizing the State Board of Equalization to collect 1% to support the State General Fund. The current standard statewide Sales and Use Tax is 7.25%. In El Cerrito, the Sales and Use Tax is 9.25%, which includes a local jurisdiction component of .75% as well as .25% of funds for Countywide Measure J-Local Transportation funds as well as the two ½ cent local measures discussed below.

- On February 5, 2008 El Cerrito's voters approved the ½-cent Measure A-Street Improvement Sales Tax which resulted in the sale of $11,750,000 of Sales Tax Revenue Bonds on June 3, 2008 to be used for the Street Reconstruction and Repair Project. It is anticipated that collection next fiscal year will be approximately $1.5 million with $750,000 being used for debt service payments and the remainder for street maintenance. Collection of this tax began on July 1, 2008.
- In November 2010, El Cerrito voters approved Measure R, a seven-year ½-cent Sales Tax that will be used to maintain services, including police, fire, recreation, parks, facilities and other programs that were in jeopardy without these additional funds. Collection began in April 2011.

Utility User Taxes were initially approved by the voters in 1991 and when language changes in the ordinance were required, voters again approved the ordinance in 2004. The ordinance calls for an 8% tax to be assessed on gas, electric, cable, water and telephone utilities as a revenue measure necessary to pay the usual and current expenses of conducting the municipal government of the City.

Other Taxes include Business License Taxes, Transient Occupancy Taxes and Franchise Taxes. In El Cerrito the base for Business License Taxes is the number of employees. The revenue generated from Business Licenses has been between $600,000 and $670,000 for the last four years, with the biggest fluctuation factor being the number of contractors doing business in El Cerrito. The Transient Occupancy Tax rate is 10%; with only two fairly small hotels this revenue has stayed around $80,000.

Intergovernmental Revenues include Gas Taxes, Abandoned Vehicle Abatement and other revenues and grants that are distributed by the County, State and Federal Government.

Charges for Services are the revenues generated by providing specific services to individuals or businesses instead of services to the general population such as police and fire or public works. These specific services include, but are not limited to, child care fees, recreation class participation fees and encroachment permits. The Council policy directs that Charges for Services shall be established at a level related to the cost of providing such service except where the City Council has determined there is a public benefit to subsidize the service with tax based revenue. The Master Fee Schedule details all of the City's fees and is adopted each year in conjunction with the annual budget.

Other Revenues include Licenses & Permits, including parking permits that are issued to certain neighborhood residents that are near BART stations; Fines & Forfeitures such as a portion of traffic tickets; and Use of Money and Property which includes interest earnings and rental income on City facilities.

Major Revenue Assumptions

Revenue estimations were determined by evaluating past years' trends and receipts and applying that information to current year anticipated activity and economic conditions.

Following are the major assumptions related to projecting citywide revenues for FY 2012-13:

- Property Taxes citywide are projected to be essentially flat; however they are shown as an increase primarily due to the budgeted receipts in the new City LMI Fund. The prior Housing Fund had Tax Increment as its funding source but it is discontinued due to the elimination of the RDA.
- Sales Taxes are projected to increase slightly due to increased business activity and an improving economy.
- The budget amount for Fines and Forfeitures has decreased to come into line with actual collections.
- Use of Money & Property is projected to decline due to the reduction of interest rates and the availability of funds, and other revenue sources are projected to remain flat.
- The decline in Grant revenues is due to the completion of large infrastructure projects such as the San Pablo Avenue Streetscape Project and the Street Improvement Project in the prior fiscal year.
- Charges for services have increased as programs in the Recreation Department expand and all departments attempt to recover actual costs for services rendered as described in the City's Master Fee Schedule.

Table 1-5 presents the City's overall revenues and inter-fund transfers in.

Table 1-5
Citywide Revenues by Classification

Revenue Category	Actual FY 2009-10	Actual FY 2010-11	Amended FY 2011-12	Proposed FY 2012-13
Taxes				
Property Taxes	$ 5,616,124	$ 5,780,491	$ 6,025,000	$ 6,819,452
Sales Taxes	4,609,199	5,131,749	6,815,000	6,840,000
Utility User Tax	3,181,028	3,188,260	3,450,500	3,500,000
Local Parcel Taxes	1,896,445	1,908,127	1,907,000	1,908,000
Franchise Taxes	939,189	982,799	1,050,000	1,050,000
Business License Tax	625,461	673,257	675,000	675,000
Other Taxes	539,238	635,883	658,321	662,321
Total Taxes	17,406,684	18,300,566	20,580,821	21,454,773
Licenses & Permits	579,275	562,760	656,800	669,936
Fines and Forfeitures	352,866	267,673	341,000	265,000
Use of Money and Property	389,759	443,200	515,662	483,780
Intergovernmental Revenues	7,099,893	9,084,889	11,094,734	10,414,604
Charges for Services	5,387,839	6,069,034	6,693,281	7,113,224
Other Revenues	150,675	460,048	1,435,394	499,400
Total Revenues before Transfe	**31,366,992**	**35,188,171**	**41,317,692**	**40,900,717**
Interfund Transfers	7,326,894	8,615,766	5,041,205	4,146,341
Total	**$ 38,693,886**	**$ 43,803,937**	**$ 46,358,897**	**$ 45,047,058**

Chart 1-2 depicts the projected percentage of Citywide revenues before transfers attributable to each classification for FY 2012-13.

Chart 1-2
Citywide Revenues by Classification
FY 2012-13

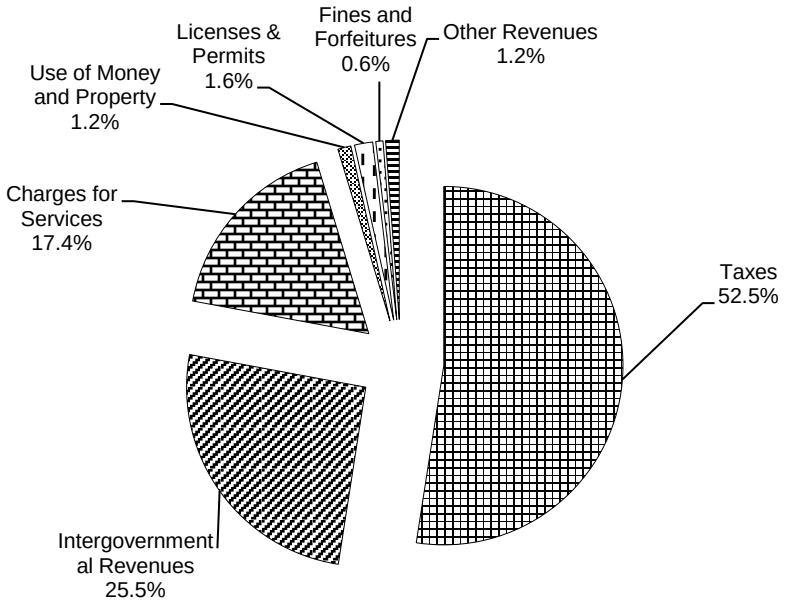


Table 1-6 presents the Citywide actual revenue summarized by fund, including transfers in, for the past two fiscal years, the budget for FY 2011-12, and the proposed budget for FY 2012-13.

Table 1-6
Revenue Summary by Fund

Fund Name	Actual FY2009-10	Actual FY2010-11	Budget FY2011-12	Proposed FY2012-13
General Fund	$25,474,799	$30,338,740	$30,235,309	$29,192,110
Special Revenue Funds				
Street Improvements	2,067,467	2,256,548	1,505,000	1,425,000
Low & Moderate Income Housing	1,139,093	998,750	1,021,500	
City Low & Moderate Income Housing				781,152
Gas Tax	1,200,637	721,846	1,000,000	1,323,000
National Pollution Discharge Elimination	432,526	332,826	440,994	441,715
Landscape and Lighting Assessment	1,263,164	1,181,050	1,226,000	1,366,000
Measure J Return to Source	409,214	477,974	496,421	495,421
Measure J Storm Drain	693,695	697,882	698,000	698,000
Measure A Parcel Tax	442,863	439,623	438,100	624,400
Federal, State and Local Grants	596,881	477,765	4,251,400	464,461
Asset Seizure	2,501	415	2,000	2,000
Vehicle Abatement	27,288	23,124	21,000	21,000
Park in Lieu	389	34	500	500
Total Special Revenue Funds	**8,275,718**	**7,607,836**	**11,100,915**	**7,642,649**
Capital Projects Funds				
RDA Capital	4,268,120	4,032,433	4,083,000	
RDA Bond-A Capital	2,333,804	1,973		
Capital Improvements	1,932,381	2,584,407	1,720,190	4,319,616
Civic Center Construction	276			
Senior Center Construction	4,010			
Library Construction	3,427			
Total Capital Projects Funds	**8,542,018**	**6,618,812**	**5,803,190**	**4,319,616**
Debt Service Funds				
Storm Drain Debt Service	512,704	515,613	519,550	100
RDA Debt Service	787,838	787,135	773,985	
RDA A&B Debt Service	1,102,978	1,151,070	1,191,883	
Municipal Services Corp.				
Financing Authority Measure A	362,157	363,604	371,305	362,605
Financing Authority Civic Center	599,098	596,165	598,407	599,300
Financing Authority Street Improvement	740,741	744,154	738,653	741,000
Total Debt Service Funds	**4,105,515**	**4,157,741**	**4,193,783**	**1,703,005**
Internal Service Funds				
Vehicle/Equipment Replacement	108,325	136,455	148,600	146,100
Enterprise Fund				
Integrated Waste Management	1,678,524	1,766,247	1,798,968	1,931,078
Fiduciary Fund				
Employees' Pension Trust	148,256	149,466	148,500	112,500
Total Funds	**$48,333,155**	**$50,775,297**	**$53,429,265**	**$45,047,058**

EXPENDITURES

Expenditure Assumptions

In preparing this budget, staff used a set of expenditure assumptions that include but are not limited to the following:

- Overall expenditures and activity of the City remains flat as large capital projects such the Street Improvement Project, the San Pablo Avenue Streetscape project, and the Recycling and Environmental Resource Center were completed; no new material programs or services are proposed.
- The Redevelopment Agency was dissolved and its financial history has been removed from current and prior year columns in all budget summary tables.
- Activity in the Economic Development Division and the new City Low and Moderate Income (LMI) Housing Fund is included in the City Management Department.
- The grant funding from FEMA acquired in FY 2011-12 by the Fire Department for the East Bay Regional Communication System increased the amended budget in that Department by over $3 million.
- PERS employer's costs continued to increase. The Public Safety rate increased from 29.928% in FY 2011-12 to 30.657% for the 3%-at-50 program and the Miscellaneous group changed from 19.013% to 20.012% for the 2.75%-at-55 program.
- Contractually obligated COLAs of 2.1% for Public Safety non-management are budgeted, as are the 3% increased contribution to PERS employee costs from non-sworn unrepresented employees and the deferral of a COLA by the Public Safety Managers bargaining unit. Other actions are anticipated but as of this writing, labor negotiations continue. These and other cost reductions are only reflected in the General Fund Ten-Year Plan.
- Health insurance rates are budgeted to increase by 9.35% and Dental rates by 4%.

Table 1-7 presents the Citywide expenditures and transfers by Department:

Table 1-7
Citywide Department Expenditures and Transfers

Department	Actual FY2009-10	Actual FY2010-11	Amended FY2011-12	Adopted FY2012-13
City Management	$ 1,903,743	$ 1,990,357	$ 1,924,867	$ 3,174,892
Administrative Services	3,941,686	4,055,414	4,004,272	3,752,068
Police	8,700,371	9,236,699	10,939,165	10,626,313
Fire	7,364,612	7,330,512	11,458,995	8,013,462
Public Works	3,392,138	3,485,183	3,251,314	3,427,980
Environmental & Developm	2,851,104	3,039,231	3,674,472	3,423,320
Recreation	4,056,059	4,099,377	3,979,360	4,162,180
Capital Outlay	12,945,489	8,950,897	5,504,798	4,961,501
Total Before Transfers	45,155,201	42,187,670	44,737,243	41,541,716
Transfers	4,431,716	3,878,400	4,329,136	4,146,341
Total Expenditures	**$ 49,586,917**	**$ 46,066,070**	**$ 49,066,379**	**$ 45,688,057**

Chart 1-3 depicts the percentage allocations of each activity based on the new departmental structure:

Chart 1-3
Citywide Expenditures by Department
FY 2012-13

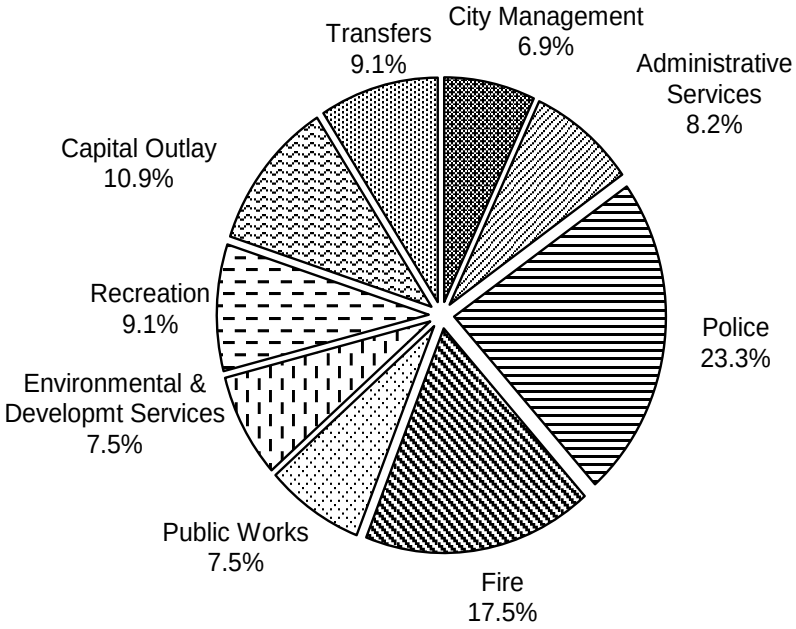


Table 1-8 presents the Citywide expenditure summary by fund, including transfers out for the past two fiscal years, the budget for FY 2011-12, and the adopted budget for FY 2012-13.

Table 1-8
Expenditure Summary by Fund

Fund Name	Actual FY2009-10	Actual FY2010-11	Budget FY2011-12	Adopted FY2012-13
General Fund	$25,841,051	$26,887,550	$28,962,996	$ 29,020,023
Special Revenue Funds				
Street Improvements	8,108,195	3,323,956	1,292,653	1,494,232
Low & Moderate Income Housing	1,021,740	3,125,976	1,480,311	
City Low & Moderate Income Housing				1,013,134
Gas Tax	1,045,733	930,353	1,167,937	1,304,324
National Pollution Discharge Elimination	359,134	346,819	442,477	440,933
Landscape and Lighting Assessment	1,178,675	1,281,248	1,255,797	1,292,279
Measure J Return to Source	831,957	564,566	565,958	499,814
Measure J Storm Drain	736,212	659,799	680,968	646,335
Measure A Parcel Tax	805,891	687,246	486,005	477,305
Federal, State and Local Grants	601,001	486,251	4,251,400	464,461
Asset Seizure		14,212		
Vehicle Abatement	4,887	19,908	70,000	10,000
Park in Lieu	25,000	5,000		
Total Special Revenue Funds	**14,718,423**	**11,445,334**	**11,693,506**	**7,642,817**
Capital Projects Funds				
RDA Capital	6,245,287	9,293,591	4,156,613	
RDA Bond-A Capital	1,669,574	2,220,243		
Capital Improvements	5,573,405	4,109,629	2,917,901	4,421,690
Civic Center Construction	75,648			
Senior Center Construction	1,194,131	61,000		
Library Construction	1,198,110			
Total Capital Projects Funds	**15,956,155**	**15,684,463**	**7,074,514**	**4,421,690**
Debt Service Funds				
Storm Drain Debt Service	515,700	518,263	519,550	523,974
RDA Debt Service	776,446	776,571	773,485	
RDA A&B Debt Service	1,054,900	1,093,343	1,191,383	
Financing Authority Measure A	372,815	370,233	371,305	557,050
Financing Authority Civic Center	599,108	596,158	598,407	600,000
Financing Authority Street Improvement	740,233	744,153	738,653	738,653
Total Debt Service Funds	**4,059,202**	**4,098,719**	**4,192,783**	**2,419,677**
Internal Service Funds				
Vehicle/Equipment Replacement	434,829	460,834	321,017	48,017
Enterprise Fund				
Integrated Waste Management	1,589,189	3,910,427	4,274,855	2,023,333
Fiduciary Fund				
Employees' Pension Trust	148,256	149,466	148,500	112,500
Total Funds	**$62,747,105**	**$62,636,794**	**$56,668,171**	**$45,688,057**

Inter-Fund Transfers

Table 1-9 shows transactions between all funds and the purpose for the City's $4.1 million in inter-fund transfers. This schedule details the amount of transfers, the funds that are exchanging funds and the purpose for the transfer. The cost recovery transfers have been adjusted for inflation at a rate of 3% over the previous year's transfer and the debt service, pension funding and subsidy amounts are to repay specific charges of the City. The amounts transferred to Capital Projects are to more clearly account for life-to-date activity within the Capital Improvements Fund.

Table 1-9
Transfers Summary
City of El Cerrito
Summary of Transfers
Fiscal Year 2012-2013

Fund Receiving Transfer	Fund Making Transfer	Purpose	Transfer Amount
General Fund	Gas Tax	Cost Recovery	105,675
General Fund	NPDES	Cost Recovery	106,641
General Fund	LLAD	Cost Recovery	142,584
General Fund	Measure J-Return to Source	Cost Recovery	58,786
General Fund	Integrated Waste Mgmt	Cost Recovery	311,250
Gas Tax	Measure J-Return to Source	Project Funding	278,000
Gas Tax	Storm Drain	Project Funding	385,000
NPDES	Storm Drain	Project Funding	107,000
LLAD	Gas Tax	Project Funding	595,000
Pension	General Fund	Pension Funding	112,500
Capital Improvement	Measure J-Return to Source	Various CIP Projects	35,000
Capital Improvement	General Fund	RecWare Project	22,600
Financing Authority-City Hall	General Fund	City Hall Debt Service	599,000
Street Improvement Debt Service	Street Improvement	Street Debt Service	740,000
Storm Drain D/S	Storm Drain	Storm Drain Debt Service	-
Financing Authority	Measure A	Measure A Debt Service	362,305
Measure A	Financing Authority	Reserve Reduction	185,000
Total			$4,146,341

BUDGET PROCESS

The annual budget is the City's service and financial plan for the next 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 is a major decision-making process with several phases. This year in April, the City Council held a budget related priority setting session to provide better direction to staff in preparing this document.

At the initial stage of the annual budget process, program managers propose to the City Manager those programs designed to provide essential services and which meet the City Council's expression of community goals during the next fiscal year. At the same time, staff 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 long range financial plan. The proposed document is reviewed by the Financial Advisory Board, and their recommendations and revisions are incorporated prior to the City Manager's presentation of the proposed budget to the City Council for consideration.

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 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 this budget document.

Table 1-10
FY 2012-13 Budget Calendar

DATE	DESCRIPTION
March 15, 2012	New World System (NWS) ready for departmental data entry. FY 2011-12 departmental narratives ready for updating.
March 23, 2012	Staff completes NWS entry of revenues and non-payroll expenditures.
April 20, 2012	City Manager review of overall financial position and departmental budget meetings held. Close budget input for departmental changes.
April 24, 2012	Departmental narratives complete. Finance completes budget summaries and prepares proposed budget document.
May – June	Financial Advisory Board meets May 22th and June 7th to discuss proposed budget.
June 5, 2012	Proposed Budget presentation to City Council.
June 11, 2012	City Council holds public hearings/adoption of: • City Budget • Capital Improvement Program • Appropriation Limit

Budget Authority Model

During the 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 111

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 XIIIB 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 XIIIB §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 2012-13 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

1. California Per Capita Personal Income = 3.77%
2. Nonresidential New Construction, El Cerrito = -5.2%

Population

1. Population Change, City of El Cerrito =.53%
2. Population Change, County of Contra Costa = .83%

In order for the City to achieve the highest possible appropriations limit, it would choose the larger of the two figures in each category, California Per Capita Personal Income (3.77%) and County Population (.83%). By choosing these two factors, the City's appropriations limit will grow from $101,104,599 to $105,629,673.

It should be noted that these appropriations limits apply only to tax revenues, not to revenues such as fees that recover operating costs. For FY 2012-13, only $18,286,259 of the City's $29,892,174 projected General and Street Improvement Fund revenues, net of operating transfers, are subject to the Gann limit. Therefore, the City will be $87,343,414 under the Gann limit and it is anticipated the City will never be close to the 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.

SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL POLICIES

Reporting Entity

The City is a municipal corporation governed by an elected five-member Council. As required by GAAP, the City's financial statements present the City and its component units (entities for which the City is considered to be financially accountable). Although they are legally separate entities, blended component units are, in substance, part of the City's operations; thus, data from these units are combined with data of the primary government.

The El Cerrito Pension Board, and the El Cerrito Public Financing Authority and the El Cerrito Municipal Services Corporation serve the residents of the City. The Authority, Pension Board, and Corporation are governed by boards composed of the City's elected Council. The City is acting in a fiduciary capacity to the Successor Agency of the former Redevelopment Agency it is not considered to be a component unit.

Basis of Accounting & Measurement Focus

The government-wide, proprietary funds and fiduciary funds financial statements and this budget are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceed of long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Comprehensive Financial Policy

The Comprehensive Financial Policy is reviewed annually and is intended to provide financial direction to staff and give assurance to the City Council on the processes and procedures taken to assure financial responsibility of the City. Fundamentals of the policy have been used in the development of the budget and references are made throughout to certain provisions, such as the fund balance requirements. The major categories include:

- Long-term financial planning
- Budget policies
- General Fund reserve policies
- Financial reporting policies
- Operational management policies
- Financial management policies
- Capital improvement project policies
- Debt management policies
- Equipment Replacement Fund policies
- Enterprise Fund policies

The annual policy review was conducted by the Financial Advisory Board at their October 25, 2011 and November 8, 2011 meetings and a final revision was made at the February 2, 2012 meeting. The revisions were approved by the City Council at the February 21, 2012 meeting. There were no major revisions proposed for this year. The complete policy is included in the Appendices and Statistics section of this budget.

FUND DESCRIPTIONS

In addition to the General Fund, the City operates with a wide variety of additional funding sources. Most of these funding sources are dedicated to specific purposes. This year's budget integrates these funding sources into the departmental budgets, as the departments are fully responsible for spending the fund balances.

Gas Tax Fund

The Gas Tax Fund supports street and road activities, such as the construction and maintenance of streets, roads and bridges. The revenue for this Fund is received from the State of California, which allocates monies to cities and counties through a formula based each year, in part, upon a per capita payment. This revenue source has increased only slightly for El Cerrito over the past decade.

Section 2105 monies are apportioned based on population. Section 2106 monies are apportioned based on vehicle registration, assessed valuation and population, and can be used for any street or road purpose. Section 2107 monies are apportioned based on population and also can be used for any street or road purpose. Section 2107.5 monies are apportioned based on population and must be used for engineering costs and administrative expenditures only.

NPDES Fund

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 activities such as street sweeping, 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 insure compliance with the City's Municipal Storm Water Permit.

Landscaping and Lighting Assessment District Fund

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.

Measure J Return to Source (Formerly Measure C Fund)

This Fund accounts for the revenue received by the Measure C and its extension, Measure J (2004), a ½ cent sales tax that is received from the County and is used to fund transportations projects as well the paratransit program.

Measure J Storm Drain Fund

The Measure J Storm Drain Fund was created to account separately for funds associated with the passage of Measure J by the voters of El Cerrito in March 1993. The special revenue bond election was necessary to provide 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.

Measure A Swim Center Fund

The Measure A Swim Center Fund was created to account separately for funds associated with the passage of Measure A by the voters of El Cerrito in November 1999. The special revenue bond election was necessary to provide needed funds to pay for the renovation and reconstruction of the Swim Center and various other City facilities. Expenditures for capital improvements at the Swim Center facility are allowed to be paid from this fund. The maximum amount of the special tax which shall be imposed each fiscal year is $58.46 per single family dwelling unit, $45.00 per year for each multifamily residential unit and $410.00 per acre for non-residential property. No tax shall be imposed on vacant property.

Asset Seizure
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. These funds are determined by State Health and Safety Code to be used by the Police Department to supplant but not supplement their budget. To assure correct usage, funds have been broken out into a separate fund.

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

Park In-Lieu Fund
This fund accounts for funds received through negotiations with developers to be used for park improvements.

Grants Fund
The grants fund accounts for all of the grant monies received from various regional, State and Federal agencies for various operational activities.

Capital Improvements Fund
This fund is utilized to account for all capital activities within the City regardless of funding source. Within the fund, each project is accounted for separately on a life-to-date basis for internal and external reporting purposes.

Street Improvement Fund
This fund is used to account for the collection of the Measure A ½ cent Sales Tax approved by the voters on February 5, 2008. Expenditures from this fund are to perform improvements of the City streets and transfer the required debt service to the debt service fund relating to the bond proceeds issued with a pledge on this revenue stream.

Art in Public Places
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.

Storm Drain Debt Service
This fund accounts for payments on the Measure J Storm Drain Revenue Bonds.

Public Financing Authority--Measure A
This fund accounts for the transfer of parcel tax revenue from Measure A Swim Center Bonds, which were used for the Swim Center Construction.

Public Financing Authority--City Hall
This fund accounts for the transfer of funds from the General Fund to make the debt service City Hall Lease Revenue Bonds.

Integrated Waste Management Fund
The Environmental Services Division (ESD) provides integrated waste management services for the entire City, including design and implementation of programs aimed at diverting waste from the landfill, compliance with State regulations, and participation in regional planning and waste reduction efforts.

The ESD provides several recycling collection services in the community: weekly residential curbside recycling collection; collection at schools, public offices, parks, and businesses; newspaper collection at El Cerrito's BART stations, and the City's Recycling Center. This Fund was created to account for the recycling portion of the Division's revenues and expenditures separately in an enterprise fund. A detailed description of the

Division's funds and activities can be found within the Environmental Services Division Section of this budget document.

Vehicle and Equipment Replacement Fund

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. Each Fiscal Year, most departments purchase necessary vehicles or equipment from this Fund and repay the Fund from their operating budgets. The 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.

Fiscal Year 2011-12 Budget Awards:

California Society of
Municipal Finance Officers

Certificate of Award

Excellence Award in Operating Budget
Fiscal Year 2011-2012

Presented to the

City of El Cerrito

For meeting the criteria established to achieve the Excellence Award in Operating Budget.

February 29, 2012

Scott Johnson
CSMFO President

Chu Thai, Chair
Professional Standards and
Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

In 2011-12 the City's Operating Budget was prepared using the criteria published by the California Society of Municipal Finance Officers (CSMFO) required to receive their award for Excellence in Operating Budgeting. This was done in an effort to continue to improve the clarity and content of the budget document, as well as provide the City Council and the public with financial peer review in order to assure them that the substance and accuracy of the document meets their high standards. This is the seventh year in a row that the City has received this award.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of El Cerrito

California

For the Fiscal Year Beginning

July 1, 2011

President Executive Director

This is the second year the City has won the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The GFOA established the Distinguished Budget Presentation Awards Program in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal. This award represents many years of refinements and clarification of the budget document and represents a commitment to presenting a complete and concise report of the City's overall mission and financial plan.

GENERAL FUND OVERVIEW

While the previous discussion focuses on financial data and assumptions on a Citywide basis, the ability to maintain the current level of services in the City actually depends on the financial health of the General Fund. By definition, the General Fund is where all funds that are not restricted for specific use are recorded, and where the City funds and accounts for all major services.

The City Council's policy for General Fund reserves requires that the amount of the reserves not fall below 10% of projected General Fund operating expenses, except in case of financial emergency or some other unanticipated event, and to continually develop a plan to increase reserves to 15%. In the event the City Council were to authorize reserves to dip below 10%, a ten-year financial plan must be developed to project when the amount will return to 10% and eventually 15% of overall expenditures. During FY 2010-11, the City Council authorized the use of approximately $530,000 of reserves to balance the budget and maintain service levels.

The General Fund Ten-Year Financial Plan projects a 10.2% reserve at the end of FY 2012-13 consistent with this policy.

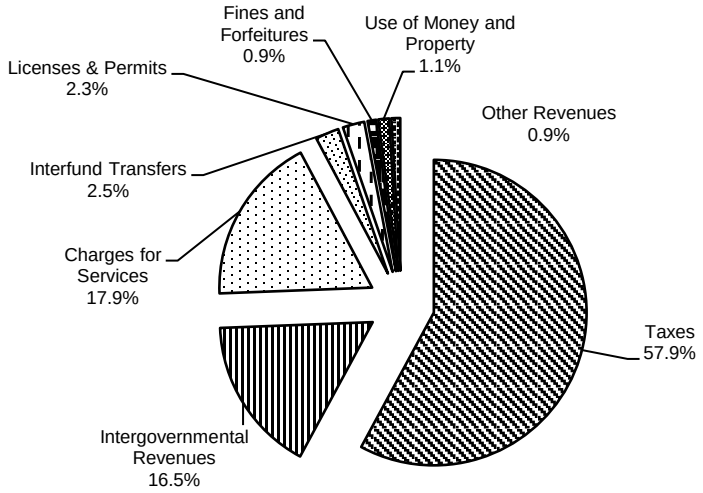
General Fund Revenues

Table 1-11 and **Chart 1-4** depict the revenue by category in the General Fund:

Table 1-11
General Fund Revenues

Revenue Category	Actual FY 2009-10	Actual FY2010-11	Amended FY 2011-12	Proposed FY 2012-13
Taxes				
Property Taxes	$ 5,616,124	$ 5,780,491	$ 6,025,000	$ 6,038,300
Sales Taxes	3,274,571	3,755,921	5,315,000	5,455,000
Utility User Tax	3,181,028	3,188,260	3,450,500	3,500,000
Franchise Taxes	939,189	982,799	1,050,000	1,050,000
Business License Tax	625,461	673,257	675,000	675,000
Other Taxes	148,993	169,373	174,900	179,900
Total Taxes	13,785,367	14,550,101	16,690,400	16,898,200
Licenses & Permits	579,275	562,760	656,800	669,936
Fines and Forfeitures	352,866	267,673	341,000	265,000
Use of Money and Property	267,607	301,328	339,500	331,080
Intergovernmental Revenues	4,675,711	4,592,543	4,731,000	4,818,362
Charges for Services	3,803,193	4,312,389	4,908,325	5,210,896
Other Revenues	66,427	331,258	145,394	273,700
Interfund Transfers	1,944,352	5,420,688	1,415,890	724,936
Total Revenues	**$ 25,474,799**	**$ 30,338,740**	**$ 29,228,309**	**$ 29,192,110**

Chart 1-4
General Fund FY 2012-13
Revenue Percentages by Category



General Fund revenue assumptions include the following:

- Property Taxes are projected to increase slightly in relation to the amount received in FY 2011-12.
- Sales taxes are projected to increase slightly and reflect a somewhat improving economy in the City.
- Utility user taxes also increase slightly as both EBMUD and PG&E have announced projected rate increases for next fiscal year.
- Licenses and Permits increase somewhat as overall activity remains constant.
- Fines and Forfeitures reflect a decrease to more closely reflect what was actually received in the last two prior fiscal years.
- Charges for services reflect increases in Recreation programs, as well as adjustments to fees in an effort to account for inflation and recover costs to provide the service.
- Interfund transfers decrease as a result of the elimination of the cost recovery transfer from the Redevelopment Agency.

GENERAL FUND EXPENDITURES

Table 1-12 and **Charts 1-5, 1-6** and **1-7** depict the expenditures in the General Fund.

Table 1-12 and **Chart 1-5** show the expenditures by department with $18,569,788 or 63.9% of the budget spent on Public Safety.

Table 1-12
General Fund Expenditures

Department	Actual FY2009-10	Actual FY2010-11	Amended FY2011-12	Adopted FY2012-13
City Management	$ 1,839,763	$ 1,923,414	$ 1,852,595	$ 2,092,123
Administrative Services	1,551,221	1,662,903	1,613,107	1,390,141
Police	8,474,787	9,075,229	10,502,165	10,604,313
Fire	7,033,543	7,134,729	7,907,978	7,965,445
Public Works	809,894	828,960	764,095	644,846
Environmental & Development Servi	1,458,832	1,548,241	1,744,242	1,580,914
Recreation	3,898,641	3,957,215	3,809,607	4,008,141
Transfers	774,371	756,858	769,207	734,100
Total	**$ 25,841,051**	**$ 26,887,550**	**$ 28,962,996**	**$ 29,020,023**

Chart 1-5
General Fund Expenditures by Department

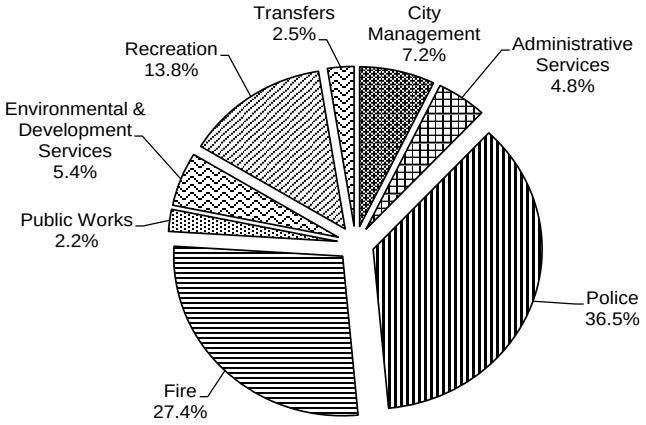
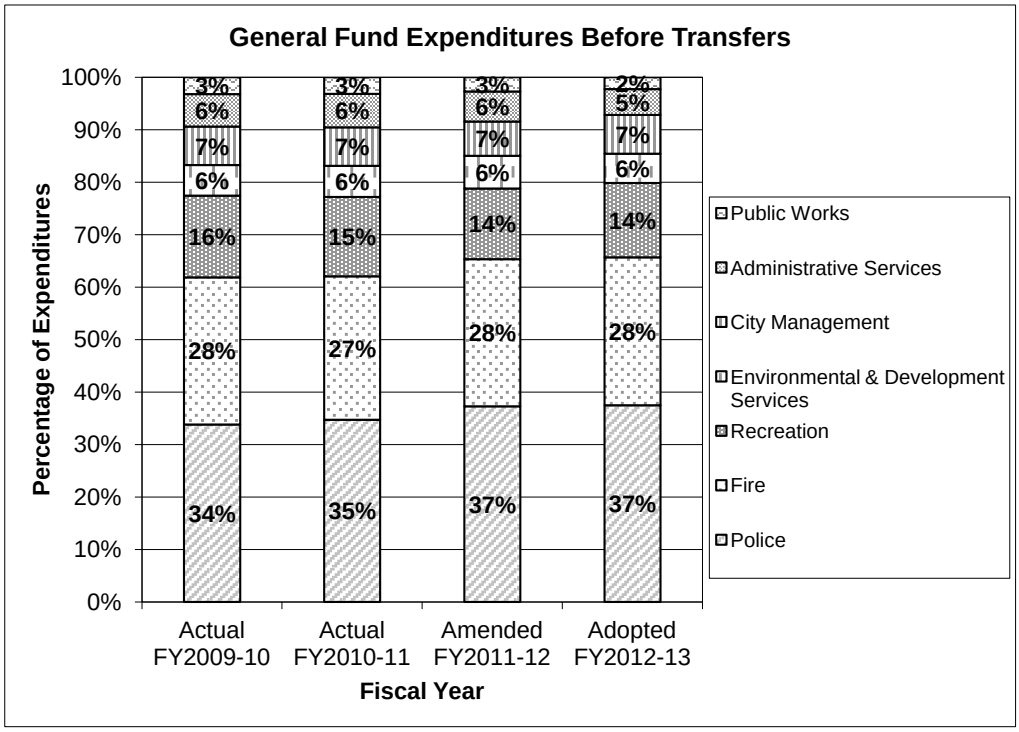


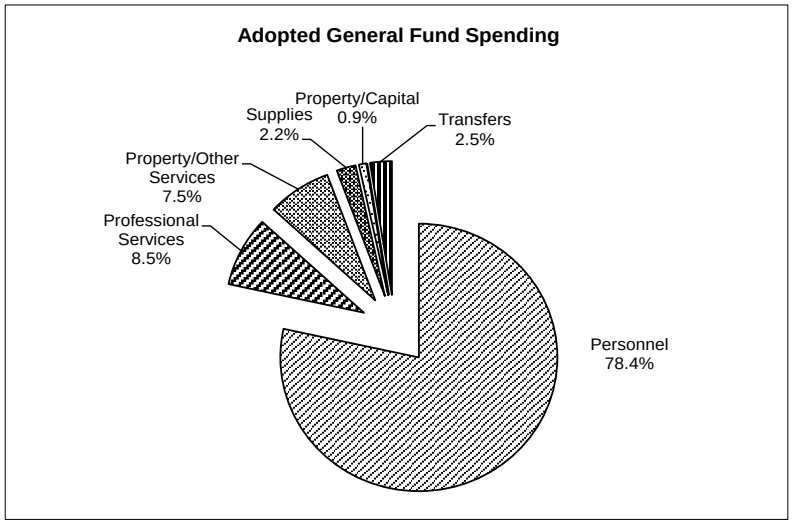
Chart 1-6 depicts a comparison in General Fund expenditures by Department over the past four fiscal years. The largest increase has occurred in the Police Department, reflecting the City's continued commitment to Public Safety.

Chart 1-6
Variance of General Fund Expenditures



As **Chart 1-7** shows, 78.4% of the expenditures are related to Personnel. 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. In the FY2012-13 budget efforts are being made to curb the costs of salaries and retirement benefits by having staff contribute more than in the past and forego COLA's.

Chart 1-7



Of the remaining General Fund expenses, very little are discretionary. For example, within Professional Services expenditures of approximately $2.45 million, over $1.3 million of those expenses are for contracted 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 our behalf.

When other non-discretionary items are factored in such as insurance, medical supplies, utilities, vehicles, and a minimal level of supplies, staff estimates that nearly 95% of the General Fund is non-discretionary (including staff at current levels).

TEN-YEAR PLANNING

Since FY 2006-07, the City has presented Ten-Year Financial Plans for the General Fund, Integrated Waste Management Fund and the Redevelopment Agency. The schedules and assumptions used to create the plans provide elected officials, staff and stakeholders with data to analyze the long range effects of current actions, plan for actions that are anticipated years from now, and measure the City's ability to comply with the City Council's policies on a long range basis. Presented in this section is the Ten-Year Plan for the General Fund. The Integrated Waste Management Fund Ten-Year Plan is shown in the Environmental and Development Services Department in Section 4. Ten-Year Plans will no longer be prepared for the Redevelopment Agency due to its dissolution.

General Fund Ten-Year Plan Assumptions

The following General Fund Ten-Year Plan includes assumptions in revenues and expenses necessary to bring this fiscal year's budget into balance and provide for the 10% reserve requirement. Included in the Salaries and Wages line item is over $300,000 relating to labor concessions currently being negotiated with bargaining units, as well as $130,000 of proposed additional cost reductions. Due to the confidential nature of negotiations these proposed actions are not reflected in other tables in this budget document. It is anticipated that these negotiations will be completed and the final actual changes will be brought back to the City Council for approval within the budget adoption process or soon thereafter.

Revenue assumptions for Property Tax include conservative growth of 2-3% for all ten years, and sales and other taxes are expected to increase by an inflation rate of 3% for the full ten years. As the economy recovers, staff hopes to adjust these assumptions as development opportunities occur and sales and property taxes improve. Expenditures in general are projected to increase in accordance with the current labor agreements and economic indicators at a rate of approximately 2% and 3%.

The assumptions presented in the Ten-Year Plan achieve the goal of a reserve of 15% by FY 2017-18 and maintain that percentage for the remainder of the Plan. In order to achieve these results, expenses related to employee benefits will need to be stabilized over time as employees pay a greater percentage of their pension costs and the City implements a second tier of pension benefits for new hires.

Table 1-12
General Fund Ten-Year Financial Plan

	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	Budget 2016-2017	Budget 2017-2018	Budget 2018-2019	Budget 2019-2020	Budget 2020-2021	Budget 2021-2022
Beginning Fund Balance	$2,798,705	$2,970,792	$3,285,328	$3,654,731	$4,142,044	$4,721,942	$4,915,126	$4,163,585	$3,786,073	$3,797,968
Estimated Revenue:										
Property Taxes	6,038,300	6,159,066	6,282,247	6,470,715	6,664,836	6,864,781	7,070,725	7,282,846	7,501,332	7,726,372
Sales Taxes	3,910,000	4,027,300	4,148,119	4,272,563	4,400,739	4,532,762	4,668,744	4,808,807	4,953,071	5,101,663
Utility Users Taxes	3,500,000	3,605,000	3,713,150	3,824,545	3,939,281	4,057,459	4,179,183	4,304,559	4,433,695	4,566,706
Other Taxes	1,904,900	1,962,047	2,020,908	2,081,536	2,143,982	2,208,301	2,274,550	2,342,787	2,413,070	2,485,462
Interim sales tax	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,304,183				
Total Taxes	16,898,200	17,344,763	17,803,515	18,337,621	18,887,749	18,967,487	18,193,202	18,738,999	19,301,168	19,880,204
Fees for Services	5,210,896	5,367,223	5,528,240	5,694,087	5,864,909	6,040,857	6,222,082	6,408,745	6,601,007	6,799,037
Interest, Transfers & Other Revenue	7,083,014	7,295,504	7,514,370	7,739,801	7,971,995	8,211,154	8,457,489	8,711,214	8,972,550	9,241,727
Total Other Revenues	12,293,910	12,662,727	13,042,609	13,433,887	13,836,904	14,252,011	14,679,571	15,119,959	15,573,557	16,040,764
Total Estimated Revenues	29,192,110	30,007,490	30,846,124	31,771,508	32,724,653	33,219,498	32,872,774	33,858,957	34,874,726	35,920,968
Appropriations:										
Salaries & Wages	14,236,371	14,521,098	14,811,520	15,107,751	15,485,445	15,872,581	16,269,395	16,676,130	17,093,033	17,520,359
Retirement Contributions	4,821,789	5,026,880	5,328,225	5,644,637	5,926,870	6,223,214	6,223,215	6,223,216	6,223,217	6,223,218
Insurance & Benefits	2,847,035	2,903,976	2,962,055	3,021,297	3,081,722	3,143,357	3,206,224	3,270,349	3,335,756	3,402,471
FICA/Medicare Taxes	470,325	479,731	489,326	499,113	509,095	516,731	524,482	532,349	540,335	548,440
Workers Compensation	384,385	392,072	399,914	407,912	416,070	422,311	428,646	435,076	441,602	448,226
Other Expenditures	5,638,518	5,751,288	5,866,314	5,983,640	6,103,313	6,225,379	6,349,887	6,476,885	6,606,423	6,738,551
Capital Outlay Transfer	22,600	22,600	22,600	22,600	25,000	25,000	25,000	25,000	25,000	25,000
Debt Service Transfer-City Hall	599,000	595,308	596,767	597,246	597,240	597,740	597,465	597,465	597,465	597,465
Total Appropriations *	29,020,023	29,692,954	30,476,721	31,284,195	32,144,755	33,026,314	33,624,315	34,236,470	34,862,830	35,503,730
Revenue Over(Under) Appropriations	172,087	314,536	369,403	487,313	579,898	193,184	(751,541)	(377,513)	11,896	417,238
Ending Fund Balance	2,970,792	3,285,328	3,654,731	4,142,044	4,721,942	4,915,126	4,163,585	3,786,073	3,797,968	4,215,206
10% Contingency Reserve	(2,902,002)	(2,969,295)	(3,047,672)	(3,128,420)	(3,214,476)	(3,302,631)	(3,362,431)	(3,423,647)	(3,486,283)	(3,550,373)
Fund Balance above/(below) 10%	$68,790	$316,033	$607,059	$1,013,625	$1,507,467	$1,612,495	$801,154	$362,426	$311,685	$664,833
FB as a % of Expenditures	10.2%	11.1%	12.0%	13.2%	14.7%	14.9%	12.4%	11.1%	10.9%	11.9%
Debt Service as a % of Expenditures	2.1%	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	1.7%	1.7%	1.7%

THE CITY OF
EL CERRITO