

SECTION 2: FINANCIAL OVERVIEW

FY 2013-14 Financial Summaries

The following section provides additional details and discussion on the City's primary funding sources: the General Fund and several of the City's key special funds. 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. Proposed expenditure changes were only included if supported by annual revenues and/or the availability of fund balance for special funds. 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. Following is a discussion on the major revenue categories received by the City; the assumptions included in the FY 2013-14 fiscal year as well as issues the City will have to consider in the future.

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 with the exception of an annual 2% increase allowed for inflation, does not change until there is a change in title, major construction or the Assessor determines overall assessed values have decreased, 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.

Improvement in the housing market in El Cerrito has continued in FY 2013-14. Sales prices continue to improve each month and while this improvement has been consistent, the County Assessor's Office continues to take a very conservative approach to the assessed value of properties that received a reduction in FY 2012-13. The assessment on these properties is not anticipated to change with the exception of the annual 2% increase. This represents a significant loss of revenue to the City from prior years.

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.

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. As of April 1, 2013, the current standard statewide Sales and Use Tax is 7.5%; in El Cerrito, the Sales and Use Tax is 9.5% and includes the following:

- Statewide Sales and Use Tax: 7.5%
- Local jurisdiction: 1% -- Measure J-Transportation (0.5%) & BART (0.5%)
- Local measures: 1% - Measure A (0.5%) & Measure R (0.5%)

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 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, 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 (TOT) and Franchise Taxes. In El Cerrito the base for Business License Taxes is the number of employees. The revenue from Business Licenses for the last four years has generated approximately \$600,000 - \$670,000 annually. The Transient Occupancy Tax rate is 10%. El Cerrito has two fairly small hotels and revenue from the TOT has stayed relatively flat in prior years. Over the last year, revenues from Business Licenses and the Transit Occupancy Tax have improved. This trend is projected to continue and this increase is included in the FY 2013-14 revenue budget.

Intergovernmental Revenues include, Gas Taxes, Abandoned Vehicle Abatement and other revenues and grants that are distributed by the County, State and Federal Government. Revenue projections received from the state indicate a slight increase in Gas Taxes and is included in the estimated revenue for FY 2013-14.

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. On May 7, 2013, the City Council approved a 3% increase for most fees effective FY 2013-14, to coincide with increased costs to provide these services.

Other Revenues include Licenses & Permits, including parking permits that are issued to certain neighborhood residence 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.

FY 2013-14 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. Some of the major assumptions related to projecting Citywide revenues for FY 2013-14 are:

- General Fund revenues decline by approximately \$900,000 from FY 2012-13 projected revenues
- Licenses & Permits decrease of \$63,936 is attributable to Building Fees
- The budget amount for Fines and Forfeitures has been adjusted to more closely match with actual collections
- Charges for services include an approved 3% fee increase for most fees

Table 2-1 presents the City’s overall revenues and inter-fund transfers in.

**Table 2-1
Citywide Revenues by Classification**

Revenue Category	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Amended	FY 2013-14 Proposed
Taxes				
Property Taxes	\$ 10,758,992	\$ 8,396,623	\$ 6,819,452	\$ 6,322,213
Sales Taxes	5,131,749	6,560,971	6,840,000	6,093,750
Utility User Tax	3,188,260	3,163,978	3,500,000	3,605,000
Local Parcel Taxes	1,908,127	1,908,237	1,908,000	1,908,000
Franchise Taxes	982,799	1,020,930	1,050,000	1,177,000
Business License Tax	673,257	691,948	675,000	750,000
Other Taxes	635,883	592,386	662,321	702,015
Total Taxes	23,279,067	22,335,073	21,454,773	20,557,978
Licenses & Permits	562,760	518,276	669,936	606,000
Fines and Forfeitures	267,673	215,336	265,000	306,500
Use of Money and Property	490,511	494,979	483,780	451,682
Intergovernmental Revenues	9,084,889	7,958,811	10,470,357	10,157,375
Charges for Services	6,069,034	6,274,008	7,113,224	6,729,404
Other Revenues	467,454	1,751,600	499,400	266,431
Total Revenues before Transfers	40,221,388	39,548,083	40,956,470	39,075,370
Interfund Transfers	10,553,909	11,271,935	4,424,926	4,359,990
Total	\$ 50,775,297	\$ 50,820,018	\$ 45,381,396	\$ 43,435,360

Chart 2-1 depicts the projected percentage of Citywide revenues before transfers attributable to each classification for FY 2013-14.

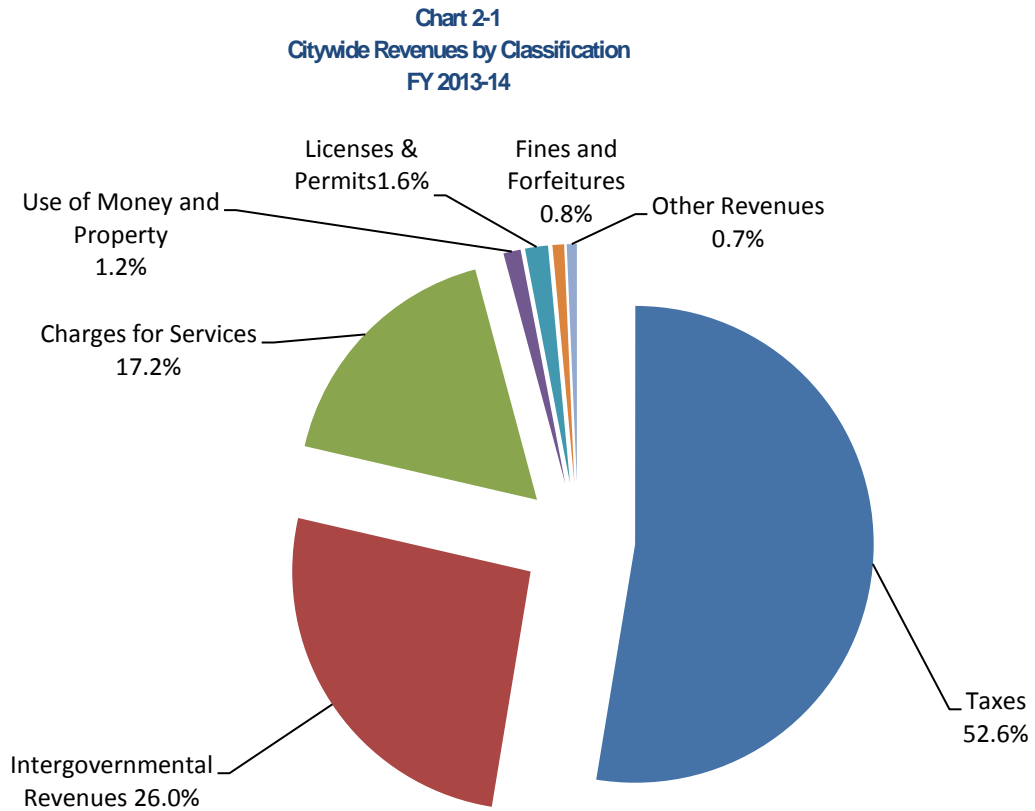


Table 2-2 presents the Citywide actual revenue summarized by fund, including transfers in, for the past two fiscal years, the budget for FY 2012-13, and the proposed budget for FY 2013-14.

Table 2-2
Revenue Summary by Fund

Fund Name	FY2010-11 Actual	FY2011-12 Actual	FY 2012-13 Amended	FY2013-14 Proposed
General Fund	\$30,338,740	\$29,298,213	\$29,192,110	\$28,479,079
Special Revenue Funds				
Street Improvements	2,256,548	1,607,920	1,425,000	2,517,000
Low & Moderate Income Housing	998,750	2,672,157		
City Low & Moderate Income Housing		306	781,152	
Gas Tax	721,846	949,256	1,323,000	1,150,336
National Pollution Discharge Elimination	332,826	356,515	441,715	454,625
Landscape and Lighting Assessment	1,181,050	1,165,763	1,366,000	1,316,000
Measure J Return to Source	477,974	430,370	495,421	519,615
Measure J Storm Drain	697,882	697,571	698,000	698,000
Measure A Parcel Tax	439,623	439,446	624,400	439,400
Federal, State and Local Grants	477,765	1,483,879	538,799	203,498
Asset Seizure	415	32,564	2,000	2,000
Vehicle Abatement	23,124	47,307	21,000	21,000
Park in Lieu	34	21	500	50
Public Art		48,051		50
Total Special Revenue Funds	7,607,836	9,931,125	7,716,987	7,321,574
Capital Projects Funds				
RDA Capital	4,032,433	4,071,828		
RDA Bond-A Capital	1,973			
Capital Improvements	2,584,407	1,735,759	4,579,616	3,160,245
Senior Center Construction				
Total Capital Projects Funds	6,618,812	5,807,586	4,579,616	3,160,245
Debt Service Funds				
Storm Drain Debt Service	515,613	1,543,350	100	495,100
RDA Debt Service	787,135	107,419		
RDA A&B Debt Service	1,151,070	325,692		
Financing Authority Measure A	363,604	365,090	362,605	359,158
Financing Authority Civic Center	596,165	597,399	599,300	596,408
Financing Authority Street Improvement	744,154	737,659	741,000	740,100
Total Debt Service Funds	4,157,741	3,676,609	1,703,005	2,190,766
Internal Service Funds				
Vehicle/Equipment Replacement	136,455	95,994	146,100	128,832
Enterprise Fund				
Integrated Waste Management	1,766,247	1,868,721	1,931,078	2,042,364
Fiduciary Fund				
Employees' Pension Trust	149,466	141,769	112,500	112,500
Total Funds	\$50,775,297	\$50,820,018	\$45,381,396	\$43,435,360

CITYWIDE EXPENDITURES

Overall expenditures and activity of the City remains fairly flat; no new material programs or services are proposed. However, the budget does include organizational changes in the Community Development and Public Works departments that are reflected in the proposed department budgets for FY 2013-14 as highlighted below:

- The Community Development department, formerly Environmental & Development Services Department, has been reorganized. The Economic Development & Housing Division has moved from City Management to the newly formed Community Sustainability division within the Community Development department.
- Recycling and solid waste management functions housed in the Environmental Services Division have moved to the Public Works department. The Operations and Environmental Services Division (OESD) is a new division of Public Works that includes maintenance as well as recycling and waste management services.
- Janitorial services previously housed in both the Public Works and Recreation departments have now been moved entirely to a newly created division within the Recreation department.

In addition to the organizational changes, development of the proposed budget includes a set of expenditure assumptions that include, but are not limited to the following:

Personnel Assumptions

- Increase in PERS rates by approximately 2%
- Increase in health rates by 13% & dental rates by 4%
- COLA increases per collective bargaining agreements; SEIU 3.25%, PEA 3% (average), IAFF 1% (average)
- 19 positions have been eliminated over time; 10 positions will remain vacant
- Significant salary savings of \$570,000 in the Police Department based on current and likely future vacancies. Should the Department recruit and retain more personnel than assumed in the projections, the budget may need to be modified to reflect the reduced salary savings and higher than anticipated headcount.
- 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)

Non-Personnel

- Approximately \$600,000 of economic development-related expenses are offset by a prior grant from the Municipal Services Corporation
- Liability and property insurance cost increase of approximately \$270,000
- Increase in debt service payments for solar project offset by like decrease in utility costs
- Capital projects funded outside of the General Fund will progress as planned and minimal General Fund contributions are included for capital
- Contracted services in certain areas will continue or increase until revenues stabilize at a sustainable level
- No use of unrestricted General Fund reserves

Table 2-3 presents the Citywide expenditures and transfers by Department:

Table 2-3
Citywide Department Expenditures and Transfers

Department	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Amended	FY 2013-14 Proposed
City Management	\$ 2,557,086	\$ 2,685,267	\$ 2,574,294	\$ 2,762,692
Finance	3,269,461	4,333,064	3,022,493	3,466,881
Police	9,236,699	10,106,417	10,981,313	10,507,068
Fire	7,330,512	10,708,768	10,041,459	8,146,261
Public Works	5,129,460	5,311,382	5,630,489	4,424,688
Community Development	5,523,711	2,983,548	2,789,943	2,200,594
Recreation	4,099,377	4,168,183	4,177,180	4,175,483
Capital Outlay	8,950,897	1,709,469	5,214,663	5,763,815
Total Before Transfers	46,097,203	42,006,098	44,431,834	41,447,482
Transfers	16,539,590	10,229,261	4,424,926	4,359,990
Total Expenditures	\$ 62,636,794	\$ 52,235,359	\$ 48,856,760	\$ 45,807,472

Chart 2-2 depicts the percentage allocations of each activity based on the new departmental structure:

Chart 2-2
Citywide Expenditures by Department
FY 2013-14

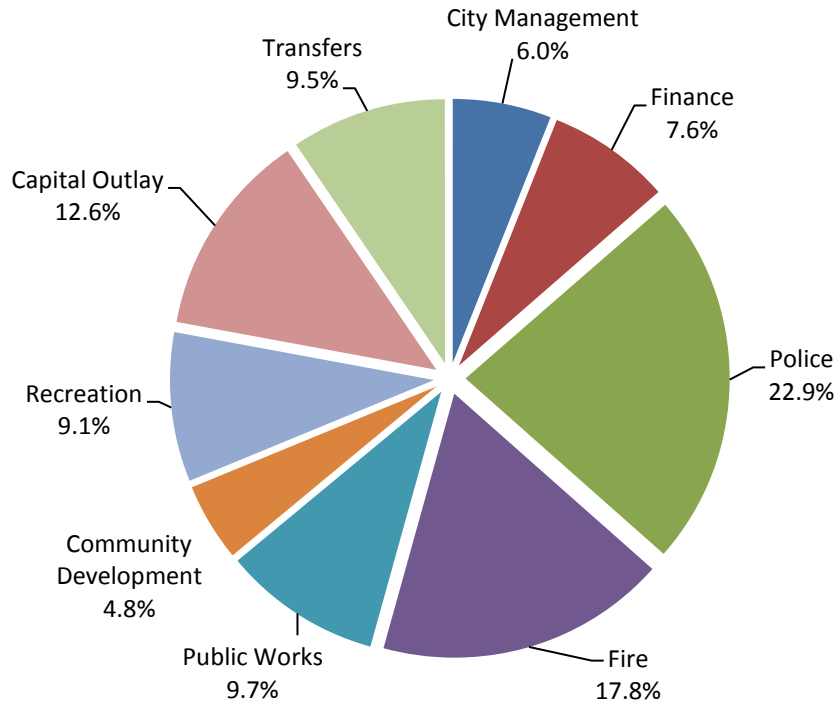


Table 2-4 presents the Citywide expenditure summary by fund, including transfers out for the past two fiscal years, the budget for FY 2012-13, and the proposed budget for FY 2013-14.

Table 2-4
Expenditure Summary by Fund

Fund Name	FY2010-11 Actual	FY2011-12 Actual	FY2012-13 Amended	FY2013-14 Proposed
General Fund	\$26,887,550	\$32,524,916	\$29,090,923	\$28,453,592
Special Revenue Funds				
Street Improvements	3,323,956	1,180,708	1,754,232	3,015,684
Low & Moderate Income Housing	3,125,976	4,432,142		
City Low & Moderate Income Housing		(5,411,570)	1,013,134	140,838
Gas Tax	930,353	960,014	1,304,324	1,253,937
National Pollution Discharge Elimination	346,819	402,333	440,933	454,725
Landscape and Lighting Assessment	1,281,248	1,185,858	1,310,864	1,314,327
Measure J Return to Source	564,566	434,702	499,814	518,741
Measure J Storm Drain	659,799	739,426	646,335	951,402
Measure A Parcel Tax	687,246	414,544	477,305	624,970
Federal, State and Local Grants	486,251	3,032,462	3,029,402	914,783
Asset Seizure	14,212	36,220		
Vehicle Abatement	19,908	59,276	10,000	11,000
Park in Lieu	5,000			
Public Art				
Total Special Revenue Funds	11,445,334	7,466,115	10,486,343	9,200,407
Capital Projects Funds				
RDA Capital	9,293,591	2,762,120		
RDA Bond-A Capital	2,220,243			
Capital Improvements	4,109,629	1,488,907	4,674,852	3,478,220
Senior Center Construction	61,000			
Total Capital Projects Funds	15,684,463	4,251,026	4,674,852	3,478,220
Debt Service Funds				
Storm Drain Debt Service	518,263	1,545,418	523,974	521,530
RDA Debt Service	776,571	803,190		
RDA A&B Debt Service	1,093,343	1,137,546		
Financing Authority Measure A	370,233	367,453	557,050	365,308
Financing Authority Civic Center	596,158	599,988	600,000	596,308
Financing Authority Street Improvement	744,153	738,733	738,653	736,780
Total Debt Service Funds	4,098,719	5,192,326	2,419,677	2,219,926
Internal Service Funds				
Vehicle/Equipment Replacement	460,834	681,672	48,017	168,532
Enterprise Fund				
Integrated Waste Management	3,910,427	1,977,534	2,024,449	2,174,295
Fiduciary Fund				
Employees' Pension Trust	149,466	141,769	112,500	112,500
Total Funds	\$62,636,794	\$52,235,359	\$48,856,760	\$45,807,472

Inter-Fund Transfers

Table 2-5 shows transactions between all funds and the purpose for the City's \$4.4 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 2-5
Transfers Summary

Fund Receiving Transfer	Fund Making Transfer	Purpose	Transfer Amount
General Fund	Gas Tax	Cost Recovery	108,845
General Fund	NPDES	Cost Recovery	109,840
General Fund	LLAD	Cost Recovery	146,861
General Fund	Measure J-Return to Source	Cost Recovery	60,550
General Fund	Integrated Waste Mgmt	Cost Recovery	323,700
Gas Tax	Measure J-Return to Source	Project Funding	274,000
Gas Tax	Storm Drain	Project Funding	180,000
NPDES	Storm Drain	Project Funding	111,000
LLAD	Gas Tax	Project Funding	545,000
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
Capital Improvement	Street Improvement	Various CIP Projects	85,145
General Fund	Measure A	Solar Lease Debt Service	50,912
General Fund	IWM	Solar Lease Debt Service	3,671
Financing Authority-City Hall	General Fund	City Hall Debt Service	596,308
Street Improvement Debt Service	Street Improvement	Street Debt Service	740,000
Storm Drain D/S	Storm Drain	Storm Drain Debt Service	495,000
Financing Authority	Measure A	Measure A Debt Service	359,058
Total			\$4,359,990

FUND BALANCE

Table 2-6 summarizes the effects of the projected FY 2012-13 year end balance in relation to the FY 2013-14 Budget. Estimating year-end fund balance provides the amount of fund balance anticipated and available for appropriation at the start of the new fiscal year. Fund balance may be used to offset annual expenditures when those costs exceed the revenue generated in a given fiscal year. Use of fund balance that reduces the General Fund reserve below 10% requires City Council approval. The proposed FY 2013-14 General Fund budget does not include the use of fund balance; however fund balance is used on 1-time basis to offset annual expenditures in some of the City's special funds as discussed later in this section.

Table 2-6
Projected Fund Balance
Fiscal Year Ending June 30, 2014

Fund	Description	Projected at June 30, 2013	Revenues & Contributions	Expenditures	Operating Transfers Transfer In	Transfer Out	Net Change	Est. Balance at June 2014
	Nonspendable Restricted Fund Balance							
	Restricted MSC Pre-Funding Contribution							
	Unassigned Fund Balance	2,909,552						2,935,000
101	Sub-total Total General Fund Balance	2,909,552	\$27,674,700	\$27,722,184	\$804,379	\$731,408	\$25,487	2,935,000
201	Gas Tax Fund	104,517	696,336	600,092	454,000	653,845	(103,601)	91,000
202	NPDES	855	343,625	344,885	111,000	109,840	(100)	75,000
203	Landscape and Lighting	1,210	771,000	1,167,466	545,000	146,861	1,673	2,880
204	Measure J Return to Source	19	519,615	149,191		369,550	874	85,000
206	Measure A Parcel Tax	440,094	439,400	215,000		409,970	(185,570)	254,524
208	Asset Seizure	156,570	2,000				2,000	158,570
209	Vehicle Abatement	149,134	21,000	11,000			10,000	159,134
210	Park In Lieu Fund	12,015	50				50	12,065
211	Street Improvement Fund	523,985	2,517,000	2,190,539		825,145	(498,684)	25,301
213	Art in Public Places	48,151	50				50	48,201
221	Federal, State and Local Grants	754,317	203,498	914,783			(711,285)	43,032
232	City LMI Housing	118,308		140,838			(140,838)	(22,530)
		2,309,174	5,513,574	5,733,794	1,110,000	2,515,211	(1,625,431)	683,743
301	Capital Improvements	(48,449)	3,017,500	3,478,220	142,745		(317,975)	(366,424)
205	Measure J Storm Drain	52,273	698,000	165,402		786,000	(253,402)	(201,129)
		3,824	3,715,500	3,643,622	142,745	786,000	(571,377)	(567,552)
401	Storm Drain Debt Service	29,086	100	521,530	495,000		(26,430)	2,656
834	Finance Authority- Measure A	259,165	100	365,308	359,058		(6,150)	253,015
835	Financing Authority-City Hall	599,779	100	596,308	596,308		100	599,879
836	Financing Authority-Street Imp	741,528	100	736,780	740,000		3,320	744,848
		1,629,558	400	2,219,926	2,190,366		(29,160)	1,600,398
501	Integrated Waste Management	630,253	2,042,364	1,846,924		327,371	(131,931)	498,322
601	Vehicle/Equipment Replacement	124,233	128,832	168,532			(39,700)	84,533
		754,486	2,171,196	2,015,456		327,371	(171,631)	582,855
701	Employees' Pension Trust Fund			112,500	112,500			
				112,500	112,500			
Total		\$7,606,594	\$39,075,370	\$41,447,482	\$4,359,990	\$4,359,990	(2,372,112)	\$5,234,478

GENERAL FUND OVERVIEW

The General Fund is the City's primary operating fund and represents approximately 62% of the total Citywide operating 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 taxes with property and sales taxes representing the largest percentage. Unfortunately, like most surrounding cities, El Cerrito has experienced significant loss in property tax over the last few years and we are projecting a decline in sales tax in FY 2013-14.

Revenue received on an annual basis is used to fund ongoing expenditures; however, the City Council has adopted a policy to maintain 10% of projected General Fund operating expenses in reserves. The reserve policy requires that the amount of the reserves not fall below 10%, except in case of financial emergency or some other unanticipated event. The City's policy also seeks 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.

The FY 2013-14 Proposed Budget projects ending the year with a 10.32% reserve, consistent with City Council policy.

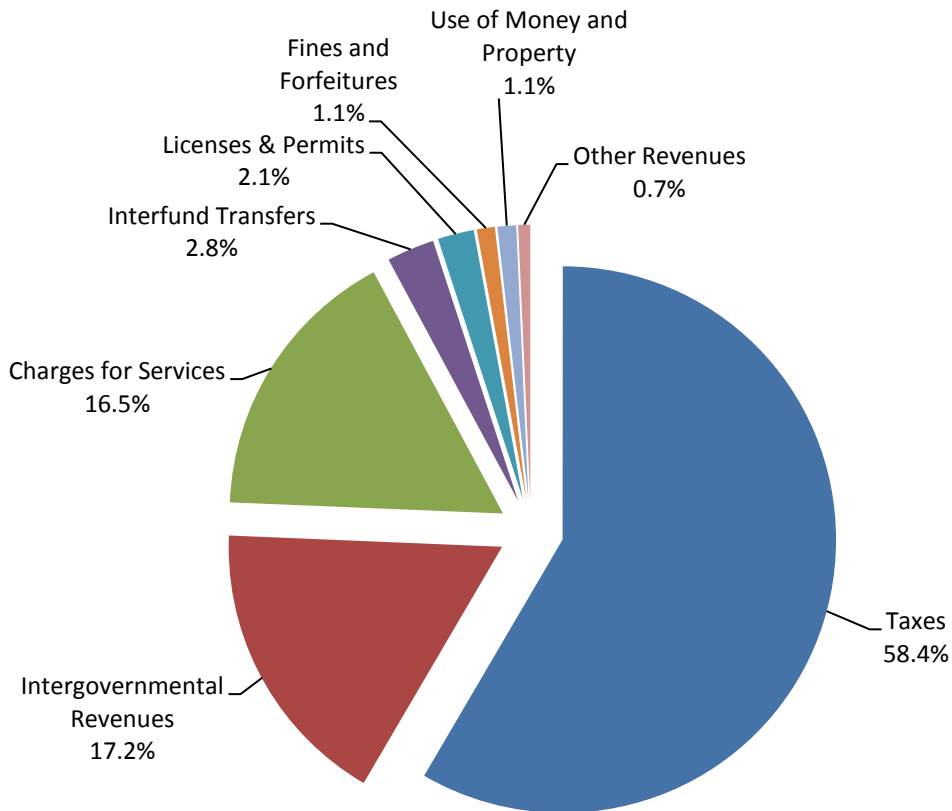
General Fund Revenues

Table 2-7 and **Chart 2-3** depict the revenue by category in the General Fund:

Table 2-7
General Fund Revenues

Revenue Category	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Amended	FY 2013-14 Proposed
Taxes				
Property Taxes	\$ 5,780,491	\$ 5,685,841	\$ 6,038,300	\$ 6,322,213
Sales Taxes	3,755,921	5,014,429	5,455,000	4,593,750
Utility User Tax	3,188,260	3,163,978	3,500,000	3,605,000
Franchise Taxes	982,799	1,020,930	1,050,000	1,177,000
Business License Tax	673,257	691,948	675,000	750,000
Other Taxes	169,373	172,544	179,900	194,900
Total Taxes	14,550,101	15,749,670	16,898,200	16,642,863
Licenses & Permits	562,760	518,276	669,936	606,000
Fines and Forfeitures	267,673	215,336	265,000	306,500
Use of Money and Property	301,328	283,951	331,080	315,700
Intergovernmental Revenues	4,592,543	4,770,474	4,818,362	4,900,128
Charges for Services	4,312,389	4,432,452	5,210,896	4,701,362
Other Revenues	331,258	111,151	273,700	202,147
Interfund Transfers	5,420,688	3,216,904	724,936	804,379
Total Revenues	\$ 30,338,740	\$ 29,298,213	\$ 29,192,110	\$ 28,479,079

Chart 2-3
 General Fund FY 2013-14
 Revenue Percentages by Category



Following are some of the major General Fund revenue assumptions for FY 2013-14:

- Property Taxes citywide are projected to increase slightly and include the approved 2% annual increase;
- Sales Taxes are projected to decrease due to a 1-time payment related to prior year activity. This represents significant revenue loss to the City in FY 2013-14, but is not anticipated in future years.
- Utility user taxes also increase slightly as both EBMUD and PG&E have announced projected rate increases for next fiscal year.
- Business License Taxes, Transient Occupancy Taxes and Franchise Taxes increase by \$165,000
- Licenses & Permits decrease of \$63,936 is attributable to Building Fees

General Fund Expenditures

Table 2-8 and Chart 2-4 depict the expenditures in the General Fund.

Table 2-8
General Fund Expenditures By Department

Department	Actual FY2010-11	Actual FY2011-12	Amended FY2012-13	Proposed FY2013-14
City Management	\$ 2,490,143	\$ 2,614,045	\$ 2,504,659	\$ 2,631,140
Finance	876,950	923,606	660,566	1,119,705
Police	9,075,229	9,910,485	10,604,313	10,384,068
Fire	7,134,729	7,935,101	7,965,445	7,977,729
Public Works	997,709	986,862	836,890	392,225
Community Development Services	1,598,718	1,432,331	1,776,809	1,326,688
Recreation	3,957,215	4,010,750	4,008,141	3,890,629
Transfers	756,858	4,711,737	734,100	731,408
Total	\$ 26,887,550	\$ 32,524,916	\$ 29,090,923	\$ 28,453,592

Chart 2-4
General Fund Expenditures – Percent By Department

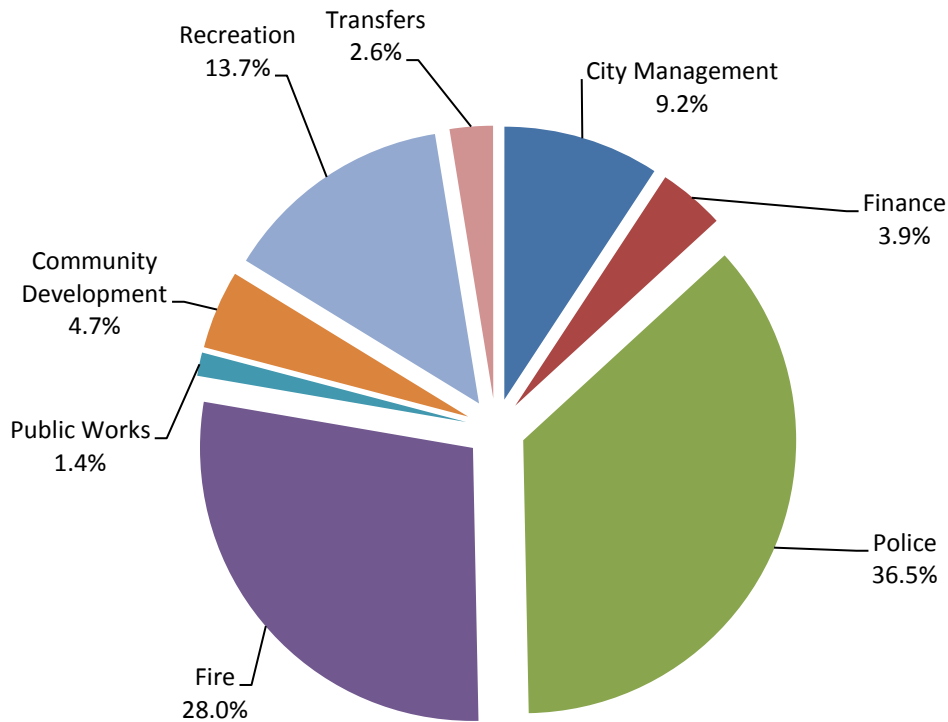
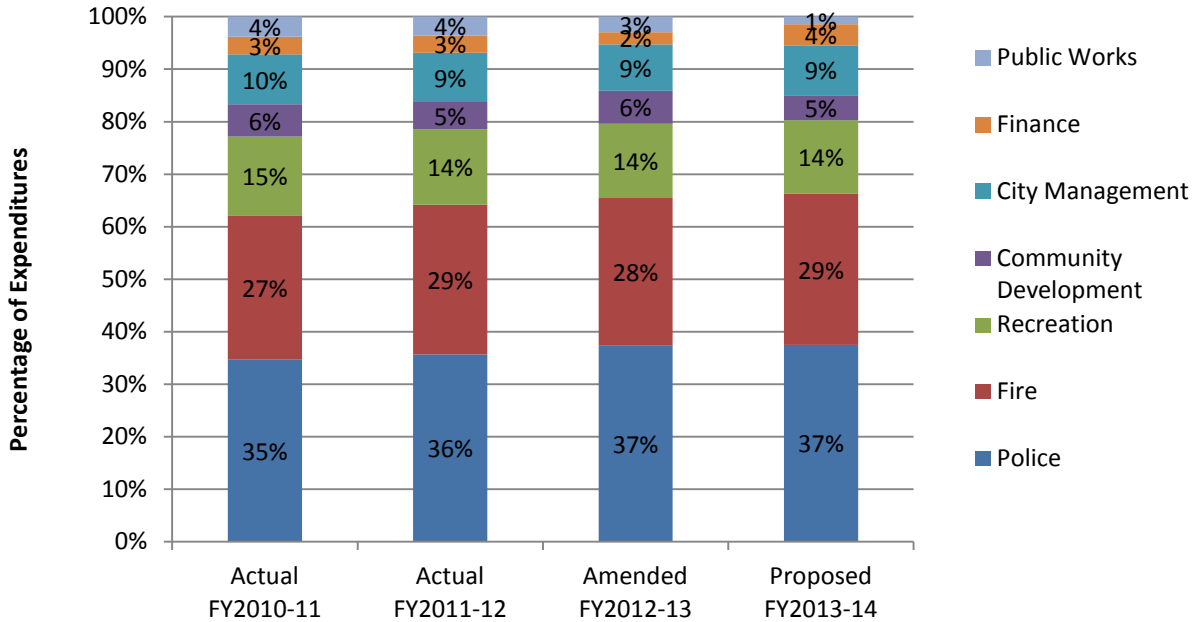


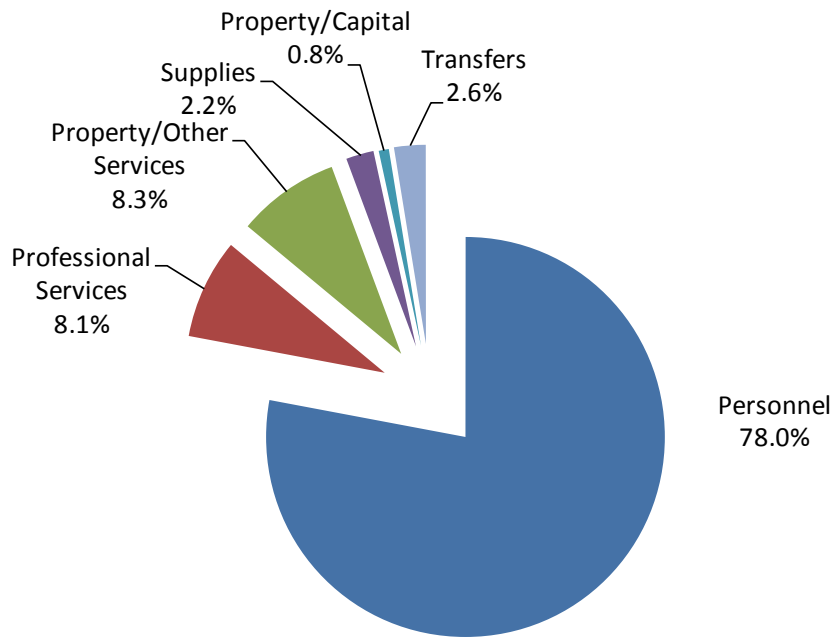
Chart 2-5 depicts a comparison in General Fund expenditures by Department over the past four fiscal years. The largest increase has occurred in the Police Department, reflecting the City's continued commitment to Public Safety.

Chart 2-5
Variance of General Fund Expenditures (Before Transfers)



As **Chart 2-6** shows, approximately 80% 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. Beginning last year, 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 COLA's. The FY 2013-14 doesn't include any additional changes in employee concessions other than the ongoing changes implemented in last year's budget, but the City will need to revisit this issue very soon as a dramatic increase in PERS costs are expected in FY 2015.

Chart 2-6
Proposed General Fund Spending



Of the remaining General Fund expenses, very little are discretionary. For example, within Purchased Professional & Technical Services, expenditures of approximately \$2.3 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 its 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).

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 \$17.6 million, or approximately 38%, of the total resources used to support the City's \$46 million operating budget. These funds can be described in these broad categories:

Special Revenue and Grant Funds

Special revenue and grant funds are revenue sources legally restricted to a specific purpose, service or program and include tax-based revenues.

- Gas Tax Fund
- National Pollutant Discharge Elimination System (NPDES) Fund
- Measure J Return to Source (Formerly Measure C) Fund
- Grants Fund
- Low & Moderate Income Housing Asset Fund

Special Assessment Funds

Special assessment funds account for revenues and expenditures related to the financing of public improvements or services.

- Landscaping and Lighting Assessment District Fund
- Measure J Storm Drain Fund
- Measure A Swim Center Fund
- Street Improvement Fund

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.

- Integrated Waste Management Fund

FORECASTS

This section contains five-year financial forecasts for nine of the City's key operating funds. Several of these funds face shortfalls, partially as a result of statutory "caps" on their revenue sources. Nonetheless, expenditures within these funds are projected to increase 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 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 affects the revenue to these funds nominally as different tax or assessment rates may apply to a newly developed or redeveloped property.

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.

Gas Tax Fund (201)

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.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	220,310	11,541	783	783	104,517	916	(1,755)
Revenues	721,584	949,256	1,323,000	1,345,000	1,150,336	1,258,226	1,278,743
Taxes	561,584	670,256	660,000	700,000	696,336	717,226	738,743
Transfer in (Measure C)	160,000	214,000	278,000	260,000	274,000	271,000	266,000
Transfer in (Storm Drain)	0	65,000	385,000	385,000	180,000	270,000	274,000
Expenses	930,353	960,014	1,304,324	1,241,266	1,253,937	1,260,897	1,278,366
Personnel	280,723	365,686	457,349	384,960	456,492	470,187	484,292
Non-Personnel	140,022	96,731	146,300	140,631	143,600	143,600	143,600
Transfer out (LLAD)	410,000	395,000	595,000	610,000	545,000	535,000	535,000
Overhead Transfer	99,609	102,597	105,675	105,675	108,845	112,110	115,474
Annual Surplus/(Shortfall)	(208,769)	(10,758)	18,676	103,734	(103,601)	(2,671)	377
Ending Balance	11,541	783	19,459	104,517	916	(1,755)	(1,378)

Revenue Assumptions

- Gas tax revenues are sensitive to the price and volume of motor fuel purchases and fluctuate from year to year. There is an assumed growth of 3% per year.
- Revenues are 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.

Expenditure Assumptions

- Personnel costs increase of 3% per year.
- Transfers are made to the Landscape and Lighting Assessment District Fund for medians, rights-of-way, street trees and street lighting.

NPDES Fund (202)

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. 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.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	9,600	(4,393)	(50,049)	(50,049)	855	755	4,596
Revenue	332,826	356,678	441,715	461,620	454,625	343,625	343,625
Assessment	327,826	320,678	334,715	341,620	343,625	343,625	343,625
Transfer in (Storm Drain)	5,000	36,000	107,000	120,000	111,000	0	0
Expenses	346,819	402,333	440,933	410,716	454,725	339,785	347,983
Personnel	69,887	130,712	148,892	148,696	155,485	160,150	164,954
Non-Personnel	176,413	168,086	185,400	155,379	189,400	66,500	66,500
Overhead Transfer	100,519	103,535	106,641	106,641	109,840	113,135	116,529
Annual Balance/(Shortfall)	(13,993)	(45,656)	782	50,904	(100)	3,840	(4,358)
Ending Balance/(Shortfall)	(4,393)	(50,049)	(49,267)	855	755	4,596	237

Revenue Assumptions

- Nominal change from new development.
- Amount withheld from revenue for the County Clean Water Program assumed flat, but could vary.
- Supplemental funding from the Storm Drain Fund used for specialized maintenance of the storm drain facilities, key to the Clean Water Program. Future subsidies eliminated due to higher priority projects.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Future program expenditures have been reduced by about \$125,000 annually due to insufficient revenue.

Landscaping and Lighting Assessment District Fund (203)

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.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	63,327	(36,871)	(56,966)	(56,966)	1,210	2,883	10,630
Revenue	1,181,050	1,165,763	1,366,000	1,381,000	1,316,000	1,306,000	1,306,000
Taxes	771,050	770,763	771,000	771,000	771,000	771,000	771,000
Transfer in (Gas Tax)	410,000	395,000	595,000	610,000	545,000	535,000	535,000
Expenses	1,281,248	1,185,858	1,310,864	1,322,824	1,314,327	1,298,254	1,314,761
Personnel	376,269	448,824	496,295	490,709	387,366	398,987	410,957
Non-Personnel	770,580	598,604	671,985	689,531	780,100	748,000	748,000
Overhead Transfer	134,399	138,431	142,584	142,584	146,861	151,267	155,805
Annual Balance/(Shortfall)	(100,198)	(20,095)	55,136	58,176	1,673	7,746	(8,761)
Ending Balance/(Shortfall)	(36,871)	(56,966)	(1,830)	1,210	2,883	10,630	1,868

Revenue Assumptions

- Nominal change from new development.
- The Gas Tax Fund subsidizes the shortfall in the LLAD Fund to perform maintenance of median and right-of-way landscapes, street trees, and street lighting.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Slight reduction in future non-personnel expenditures due to anticipated reduction in subsidy from Gas Tax Fund.

Measure J Return to Source (Formerly Measure C) Fund (204)

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 transportations projects as well the paratransit program. Sales tax is collected at the County level and paid to the City.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	90,608	4,015	(317)	(317)	19	893	593
Revenues	477,974	430,370	495,421	482,622	519,615	519,615	519,615
Taxes (Transportation)	380,110	320,334	383,000	374,122	382,648	382,648	382,648
Taxes (Paratransit)	86,484	99,421	99,421	95,000	124,467	124,467	124,467
Program Fees (Seniors)	11,381	10,615	13,000	13,500	12,500	12,500	12,500
Expenses	564,567	434,702	499,814	482,286	518,741	519,915	519,213
Maintenance							
Non-Personnel	43,134	42,772	45,000	38,000	42,700	42,700	42,700
Transfer out (Gas Tax)	160,000	214,000	278,000	260,000	274,000	271,000	266,000
Transfer out (Streets)	180,000	0	0	0	0	0	0
Transfer out (CIP)	55,000	35,000	35,000	35,000	35,000	35,000	35,000
Overhead Transfer	27,706	28,537	29,393	29,393	30,275	31,183	32,119
Paratransit							
Personnel	54,804	68,307	63,308	66,000	78,571	80,928	83,356
Non-Personnel	16,217	17,549	19,720	24,500	27,920	27,920	27,920
Overhead Transfer	27,706	28,537	29,393	29,393	30,275	31,183	32,119
Annual Balance/(Shortfall)	(86,593)	(4,332)	(4,393)	336	874	(300)	402
Ending Balance/(Shortfall)	4,015	(317)	(4,710)	19	893	593	995

Revenue Assumptions

- Return-to-source is a flat 20.1% of Measure J sales taxes collected. Sales tax revenues are difficult to predict and are therefore projected to remain flat.
- Measure J sales tax collections have increased, as has ridership on El Cerrito's "Easy Ride" paratransit service, resulting in increased program funding.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Transfers to the Gas Tax Fund are used for street and road maintenance activity and to the Capital Improvement Fund for the annual Access Modification Program.
- Increased paratransit expenditures reflect cost of expanded ridership.

Measure J Storm Drain Fund (205)

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 Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	3,740	41,823	(32)	(32)	52,273	(201,129)	446
Revenues	697,882	697,571	698,000	698,000	698,000	698,000	698,000
Expenses	659,799	739,426	646,335	645,695	951,402	496,425	697,569
Personnel	95,801	108,603	118,035	117,395	134,102	138,125	142,269
Non-Personnel	43,391	13,273	36,300	23,300	31,300	31,300	31,300
Debt Service	515,607	516,550	0	0	495,000	0	0
Transfer out (Gas Tax)	0	65,000	385,000	385,000	180,000	270,000	274,000
Transfer out (NPDES)	5,000	36,000	107,000	120,000	111,000		
Capital Outlay						57,000	250,000
Annual Balance/(Shortfall)	38,083	(41,855)	51,665	52,305	(253,402)	201,575	431
Ending Balance/(Shortfall)	41,823	(32)	51,633	52,273	(201,129)	446	877

Revenue Assumptions

- Nominal change from new development.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Final debt service payment in FY 2014.
- Prior year transfers to the Gas Tax and NPDES Funds are used for drainage activities within the road system and contributing to clean water.
- Future transfers to Gas Tax Fund only.
- Projected capital outlay is for high-priority capital projects and update to Storm Drain Master Plan.
- A FY 2014 funding shortfall may require a one-time General Fund subsidy.

Measure A Swim Center Fund (206)

The Measure A Swim Center Fund was created to account for funds associated with the passage of Measure A by the voters of El Cerrito in November 1999. The special revenue provides needed funds to pay for the renovation and reconstruction of the Swim Center and various other City recreational 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 that can 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 (non-vacant) property. The City Council has set the special tax lower than the maximum allowed rates over the last several years.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	536,856	289,232	314,134	314,134	440,094	254,524	168,954
Revenues	439,623	439,446	624,400	624,733	439,400	439,400	439,400
Taxes	439,623	439,446	439,400	439,400	439,400	439,400	439,400
Other	0	0	185,000	185,333	0	0	0
Expenses	687,246	414,544	477,305	498,773	624,970	524,970	499,970
Non-Personnel	13,996	14,088	15,000	11,012	15,000	15,000	15,000
Solar Lease Payment				25,456	50,912	50,912	50,912
Debt Service	363,578	365,053	362,305	362,305	359,058	359,058	359,058
Capital Projects	309,673	35,403	100,000	100,000	200,000	100,000	75,000
Annual Balance/(Shortfall)	(247,623)	24,902	147,095	125,960	(185,570)	(85,570)	(60,570)
Ending Balance/(Shortfall)	289,232	314,134	461,229	440,094	254,524	168,954	108,384

Revenue Assumptions

- Nominal change from new development.
- Continued setting of rates lower than the maximum rates allowed in the ordinance.

Expenditure Assumptions

- Portion of debt service for solar panel installation at the Swim Center (which is benefitting the Swim Center through reduced utility costs) is being paid from this Fund starting in FY 2014.
- Capital projects will be undertaken as funds are available.

Street Improvement Fund (211)

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 City streets and pay debt service for the bond issuance that funded street improvements for which the Measure A half-cent sales tax is a pledged revenue stream.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	966,983	(77,439)	349,773	349,773	523,985	25,301	61,144
Revenue	2,279,534	1,607,920	1,425,000	1,541,195	2,517,000	1,533,000	1,533,000
Taxes	1,378,107	1,546,443	1,385,000	1,505,000	1,503,000	1,503,000	1,503,000
Grants	608,443	18,730	0	(3,553)	984,000	0	0
Transfer In (Measure C/J)	180,000	0	0	0	0	0	0
Misc Rev	112,984	42,747	40,000	39,748	30,000	30,000	30,000
Expenses	3,323,956	1,180,708	1,754,232	1,366,983	3,015,684	1,497,157	1,497,157
Personnel	80,806	9,855	0	0	54,539	54,157	54,157
Non-Personnel	424,592	54,826	2,000	5,175	3,000	3,000	3,000
Capital Projects	2,074,522	378,445	752,232	283,808	2,133,000	700,000	700,000
Transfer out (CIP)	0	0	260,000	338,000	85,145	0	0
Debt Service	744,036	737,583	740,000	740,000	740,000	740,000	740,000
Annual Balance/(Shortfall)	(1,044,422)	427,212	(329,232)	174,212	(498,684)	35,843	35,843
Ending Balance/(Shortfall)	(77,439)	349,773	20,541	523,985	25,301	61,144	96,987

Revenue Assumptions

- Sales tax revenues are difficult to predict and are therefore projected to remain flat.
- Grants will be programmed in as they become available.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Capital projects will be undertaken as funds are available. Significant capital projects are anticipated for FY 2014.

Grants (221)

This Fund accounts for revenues and expenditures on grant-funded projects and programs in various departments.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance	2,223,405	2,214,919	666,337	666,337	754,317	43,032	43,032
Revenues	477,765	1,483,879	2,647,914	3,459,312	203,498	112,000	112,000
Intergovernmental Revenue	477,765	937,879	2,629,329	2,860,355	203,498	112,000	112,000
Donations	0	273,000	0	0	0	0	0
Transfer in (General Fund)	0	0	0	598,957	0	0	0
Transfer in (Eq Repl)	0	273,000	0	0	0	0	0
Transfer in (LLAD)	0	0	18,585	0	0	0	0
Expenses	486,251	3,032,462	3,129,402	3,371,333	914,783	112,000	112,000
City Manager							
Personnel	0	0	0	0	69,715	0	0
Environmental Services							
Non-Personnel	181,247	172,794	211,314	128,240	0	0	0
Police							
Personnel	82,512	73,194	70,000	70,150	70,000	70,000	70,000
Non-Personnel	187	27,518	12,000	2,000	12,000	12,000	12,000
Capital Outlay	44,895	0	385,000	354,971	30,000	30,000	30,000
Fire							
Capital Outlay	147,765	306,956	0	6,502	0	0	0
Grants	0	2,433,596	2,027,997	2,636,396	0	0	0
Public Works							
Personnel	2,393	5,227	0	128	0	0	0
Non-Personnel	27,251	13,178	327,091	76,946	0	0	0
Capital Outlay	0	0	81,000	81,000	0	0	0
Community Development							
Personnel	0	0	0	0	357,945	0	0
Non-Personnel	0	0	0	0	375,123	0	0
Recreation							
Capital Outlay	0	0	15,000	15,000	0	0	0
Annual Balance/(Shortfall)	(8,486)	(1,548,582)	(481,488)	87,980	(711,285)	0	0
Ending Balance/(Shortfall)	2,214,919	666,337	184,849	754,317	43,032	43,032	43,032

Revenue Assumptions

- Unspent grant funds from the Municipal Services Corporation are being transferred into this Fund for use on eligible expenses in the City Manager and Community Development Departments. Staff is pursuing future funding sources for economic development and environmental sustainability programs.

Expenditure Assumptions

- Of the projected ending balance for FY 2012-13, \$185,000 is prior years' police grants, which is budgeted to be spent down in this and following years.

Low & Moderate Income Housing Asset Fund (232)

Pursuant to the Dissolution Act, the City elected to serve as the Successor Housing Agency 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. LMIHF had been borrowed to pay into the Educational Revenue Augmentation Fund (ERAF) and Supplemental ERAF. Loan repayments are obligations of the El Cerrito Redevelopment Agency Successor Agency (see Section 10) and the only anticipated near-term revenues.

Fund Forecast

	2010-11 Actual	2011-12 Actual	2012-13 Amended	2012-13 Projected	2013-14 Proposed	2014-15 Projected	2015-16 Projected
Starting Balance		25,000	239,558	239,558	118,308	(22,530)	90,220
Revenue Totals		416,079	781,152	0	0	235,283	355,045
Expenses		201,521	1,013,134	121,250	140,838	122,533	125,309
Personnel		43,294	137,562	89,250	89,838	92,533	95,309
Non-Personnel		8,577	94,420	32,000	51,000	30,000	30,000
Loans & Grants		0	781,152	0	0	0	0
Overhead Transfer		149,650	0	0	0	0	0
Annual Balance/(Shortfall)		214,558	(231,982)	(121,250)	(140,838)	112,750	229,736
Ending Balance/(Shortfall)		239,558	7,576	118,308	(22,530)	90,220	319,956

* Fund Created in FY 2012

Revenue Assumptions

- The FY 2012 Fund Starting Balance consists of a refundable developer deposit transferred as an asset to the Fund upon Agency dissolution.
- SERAF/ERAF payments estimated as one third of residual Redevelopment Property Tax (RPT). Payments of up to one half of residual RPT start in FY 2014. Current loan balance is \$1,247,318. Staff is pursuing revenue to cover shortfall in FY 2014.

Expenditure Assumptions

- Personnel cost increase of 3% per year.
- Non-personnel expenses include carrying costs for housing real estate assets and project costs, including use of the developer deposit subject to an agreement, and development of affordable housing programs.

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.

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 adopted by a separate board of directors, 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 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 of the Redevelopment Agency in 2012. Its expenditures are for economic development programs, and property management and disposition.

Capital Improvements Fund (301)

This Fund is utilized to account for all capital activities within the City regardless of funding source and typically with 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.

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.

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 Trust Fund (780)

The purpose of this 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.

TEN-YEAR PLANS

Due to the size, complexity and large percentage of programs supported by the General Fund and Integrated Waste Management Fund, the City prepares 10-year plans for these two funds. The 10-year plans provide the City with a tool to look at the long term resources required for City operations and the revenue needed to maintain and or enhance these services and activities. Long range financial planning allows the City to plan ahead for things such as the purchase of new equipment or begin the process of addressing future cost increases or revenue loss rather than making drastic program or service changes within a short period of time. The 10-year plans for the two major City funds are discussed below.

General Fund

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% after the projected 1-time decrease in FY 2013-14. 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% - 3%.

The assumptions presented in the Ten-Year Plan achieve the goal of a reserve of at least 15% 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.

Integrated Waste Management Fund

This enterprise fund is used to account for the activities related to the recycling and waste diversion management programs. Integrated waste management services, 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. Services include recycling collection and waste management services in the community; weekly residential and commercial curbside recycling collection; and collection at private schools, public offices, parks, and businesses and BART stations. The City also runs a state-of-the-art LEED Platinum Recycling + Environmental Resource Center, which is a regional hub for collection of hard-to-recycle materials.

Revenue & Expenditure Assumptions for the 10-year plan include the following:

- IWM Fee increases of 7.5% on January 1, 2014 and 5% on January 1 annually thereafter
- All other revenues relatively stable with fixed contracts, state payments and on-site sales and fees
- Personnel cost increase of 3% per year

**Table 2-9
General Fund Ten-Year Plan**

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beginning Fund Balance	\$2,909,552	\$2,935,039	\$3,344,907	\$3,947,560	\$4,530,625	\$5,229,117	\$4,522,563	\$3,840,342	\$3,409,058	\$3,504,690
Estimated Revenue:										
Property Taxes	6,322,213	6,448,657	6,642,117	6,841,380	7,046,622	7,258,021	7,475,761	7,700,034	7,931,035	8,168,966
Sales Taxes	2,997,750	3,754,093	3,866,715	3,982,717	4,102,198	4,225,264	4,352,022	4,482,583	4,617,060	4,755,572
Utility Users Taxes	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	4,703,707
Other Taxes	2,121,900	2,185,557	2,251,124	2,318,657	2,388,217	2,459,864	2,533,660	2,609,669	2,687,959	2,768,598
Interim sales tax	1,596,000	1,643,880	1,693,196	1,743,992	1,307,994					
Total Taxes	16,642,863	17,745,337	18,277,697	18,826,028	18,902,491	18,122,331	18,666,001	19,225,981	19,802,761	20,396,844
Fees for Services	10,513,990	10,829,410	11,154,292	11,488,921	11,833,588	12,188,596	12,554,254	12,930,882	13,318,808	13,718,372
Interest, Transfers & Other Revenue	1,322,226	1,361,893	1,402,750	1,444,832	1,488,177	1,532,822	1,578,807	1,626,171	1,674,956	1,725,205
Total Other Revenues	11,836,216	12,191,302	12,557,042	12,933,753	13,321,765	13,721,418	14,133,061	14,557,053	14,993,764	15,443,577
Total Estimated Revenues	28,479,079	29,936,639	30,834,738	31,759,781	32,224,256	31,843,750	32,799,062	33,783,034	34,796,525	35,840,421
Expenditures:										
Salaries & Wages	13,713,123	14,415,951	14,660,111	15,126,614	15,277,880	15,659,827	15,816,425	16,211,836	16,373,954	16,783,303
Retirement Contributions	4,759,053	\$4,830,539	\$4,982,913	\$5,222,859	\$5,191,482	\$5,600,406	\$6,151,440	\$6,245,586	\$6,341,303	\$6,438,619
Insurance & Benefits	2,837,718	2,979,604	3,128,584	3,191,156	3,254,979	3,320,078	3,386,480	3,454,209	3,523,294	3,593,760
FICA/Medicare Taxes	446,088	455,010	464,110	473,392	480,493	487,701	495,016	502,441	509,978	517,628
Workers Compensation	426,395	434,923	443,621	452,494	461,543	470,774	480,190	489,794	499,589	509,581
Other Expenditures	5,522,834	5,660,905	5,802,428	5,947,488	6,096,176	6,248,580	6,404,795	6,564,914	6,729,037	6,897,263
Capital Outlay Transfer	22,600	22,600	22,600	35,000	35,000	35,000	20,000	20,000	-	-
Debt Service Transfer-City Hall	595,308	596,767	597,246	597,240	597,740	597,465	596,465	595,065	593,265	595,178
Debt Service Transfer-Solar	130,473	130,473	130,473	130,473	130,473	130,473	130,473	130,473	130,473	130,473
Additional Actions										
Total Expenditures *	28,453,592	29,526,771	30,232,085	31,176,715	31,525,765	32,550,304	33,481,283	34,214,318	34,700,893	35,465,804
Annual Balance/Shortfall (Revenues-Expenditures)	25,487	409,868	602,653	583,065	698,491	(706,554)	(682,221)	(431,284)	95,632	374,617
Ending Fund Balance	2,935,039	3,344,907	3,947,560	4,530,625	5,229,117	4,522,563	3,840,342	3,409,058	3,504,690	3,879,307
10% Contingency Reserve	(2,845,359)	(2,952,677)	(3,023,209)	(3,117,672)	(3,152,576)	(3,255,030)	(3,348,128)	(3,421,432)	(3,470,089)	(3,546,580)
Fund Balance above/(below) 10%	\$89,680	\$392,230	\$924,352	\$1,412,954	\$2,076,540	\$1,267,532	\$492,214	(\$12,374)	\$34,601	\$332,727
FB as a % of Expenditures	10.3%	11.3%	13.1%	14.5%	16.6%	13.9%	11.5%	10.0%	10.1%	10.9%
Debt Service as a % of Expenditures	2.6%	2.5%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%

*Total Expenditures before additional actions in Salaries and Wages and other activities

Table 2-10
Integrated Waste Management Fund Ten-Year Plan

	2010-2011 Actual	2011-2012 Actual	2012-2013 Projected	2013-2014 Proposed	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Monthly 35 Gallon IWM Fee effective mid-year	\$ 8.37	\$ 8.54	\$ 8.97	\$ 9.64	\$ 10.12	\$ 10.63	\$ 11.16	\$ 11.72	\$ 12.19	\$ 12.67	\$ 13.08	\$ 13.48	\$ 13.88
IWM Fee Revenue Increase effective mid-year	8.5%	5.0%	5.0%	7.5%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	3.3%	3.0%	3.0%
Beginning Fund Balance	588,679	743,668	715,166	595,758	463,827	536,280	623,892	696,167	812,705	231,809	370,805	128,035	297,000
Beginning Equipment Reserve Balance	-	-	-	-	150,000	300,000	375,000	450,000	550,000	-	200,000	-	100,000
Operating Revenue:													
Interest	1,030	529	500	250	250	250	250	250	250	250	250	250	250
Grants (State Funding)	6,110	29,849	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Misc. Revenue (Sales and Fundraising)	13,842	7,607	34,000	10,822	11,147	11,481	11,825	12,180	12,546	12,922	13,310	13,709	14,100
Total IWM Fees	1,473,041	1,554,293	1,647,023	1,742,292	1,850,398	1,942,917	2,040,063	2,142,066	2,238,198	2,327,726	2,411,935	2,487,260	2,561,000
Recyclables and Contracts	272,224	276,442	195,000	273,000	281,190	289,626	298,314	307,264	316,482	325,976	335,756	345,828	356,000
Total Estimated Revenue	1,766,247	1,868,721	1,892,523	2,042,364	2,158,984	2,260,274	2,366,453	2,477,761	2,583,476	2,682,874	2,777,250	2,863,047	2,948,000
Operating Expenses:													
Salaries and Wages	902,467	895,357	1,037,320	1,201,413	1,151,426	1,219,129	1,291,303	1,368,270	1,450,375	1,537,989	1,631,510	1,731,368	1,838,000
Professional Services	49,084	159,409	109,875	65,900	36,018	36,138	66,261	36,386	36,514	66,644	36,777	36,913	67,000
Property Services	45,817	40,844	111,000	40,500	23,160	23,923	24,714	25,532	26,381	27,259	28,169	29,112	30,000
Other Services	31,585	44,427	47,508	28,000	25,860	26,377	26,905	27,443	27,992	28,552	29,123	29,705	30,000
Supplies and Equipment	92,873	100,832	101,496	84,700	83,094	86,646	90,363	94,254	98,327	102,591	107,055	111,729	116,000
Facility Debt Payments	-	319,163	233,538	306,524	306,619	306,477	306,497	306,472	306,599	306,671	306,588	306,548	306,000
Equipment Debt Payments	182,930	184,956	59,944	119,887	119,887	119,887	119,887	119,887	119,887	59,944	-	-	-
Transfer-out	293,383	302,184	311,250	327,371	340,466	354,084	368,248	382,978	398,297	414,229	430,798	448,030	465,000
Total Operating Expenses	1,598,139	2,047,172	2,011,930	2,174,295	2,086,531	2,172,662	2,294,178	2,361,223	2,464,372	2,543,879	2,570,020	2,693,406	2,854,000
Net Income (Loss)	168,108	(178,452)	(119,408)	(131,931)	72,453	87,612	72,275	116,538	119,104	138,996	207,230	169,642	93,000
Available Fund Balance	756,786	565,216	595,758	313,827	236,280	248,892	246,167	262,705	231,809	170,805	128,035	197,676	191,000
Available Fund Balance as a % of Expenditures	47.4%	27.6%	29.6%	14.4%	11.3%	11.5%	10.7%	11.1%	9.4%	6.7%	5.0%	7.3%	6.0%
Equipment Reserve Designation	-	-	-	150,000	150,000	75,000	75,000	100,000	150,000	200,000	250,000	100,000	100,000
Equipment Reserve Spending	-	-	-	-	-	-	-	-	700,000	-	450,000	-	-
Equipment Reserve Total	-	-	-	150,000	300,000	375,000	450,000	550,000	-	200,000	-	100,000	200,000
Capital Activity:													
Vehicles >10K	-	-	-	-	-	-	-	-	700,000	-	450,000	-	-
Other Equipment >10K	-	23,366	-	-	-	-	-	-	-	-	-	-	-