



FISCAL YEAR 2007-08 ADOPTED BUDGET

Adopted June 4, 2007

CITY OF EL CERRITO

EL CERRITO REDEVELOPMENT AGENCY

EMPLOYEES PENSION BOARD

PUBLIC FINANCING AUTHORITY

MUNICIPAL SERVICES CORPORATION

CITY COUNCIL

Mayor	Letitia D. Moore
Mayor Pro Tem	Bill Jones
Councilmember	Janet Abelson
Councilmember	Jan Bridges
Councilmember	Sandia Potter

CITY COUNCIL APPOINTEES

City Manager	Scott Hanin
City Attorney	Janet E. Coleson

APPOINTED OFFICIALS

Assistant City Manager	Karen Pinkos
Chief of Police	Scott C. Kirkland
Interim Fire Chief	Lance Maples
Community Development Director	Mitch Oshinsky
Finance Director	Mary Dodge
Public Works Director	Jerry Bradshaw
Recreation Director	Monica Kortz
City Clerk	Cheryl Morse
Employee Services Manager	Sandra Chapek



CITY OF EL CERRITO
ADOPTED FISCAL YEAR 2007-08 BUDGET
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*On The Cover: Top Photo: The El Cerrito Fire Department in front of City Hall shortly after the building dedication in 1926. (Courtesy of the El Cerrito Historical Society)
Center Photo: Construction of the new El Cerrito City Hall in May, 2007.
Bottom Image: Artist rendering of new City Hall and Plaza. (Courtesy of BSA Architects)*

In Each Section: Each department or section name is shown on a rendering of the San Pablo Avenue Streetscape and Wayfinding signs, which were installed along San Pablo Avenue and throughout the City in FY 2006-07.

CITY MANAGER'S TRANSMITTAL LETTER



June 4, 2007

Honorable Mayor and Councilmembers:

I am pleased to present the Fiscal Year 2007-08 Adopted Budget for the City of El Cerrito, the El Cerrito Redevelopment Agency, the El Cerrito Employees' Pension Board, the El Cerrito Municipal Finance Authority and the El Cerrito Municipal Services Corporation. For FY 2007-08, this combined budget provides for total operational expenditures of \$49,749,612. For the City's General Fund only, we have budgeted revenues at \$25,637,213 and operational expenditures of \$25,323,217.

This section is intended as a transmittal letter as well as an executive summary of the FY 2007-08 Adopted Budget, and includes information that will be discussed elsewhere through the document.

BUDGET THEMES

The priorities reflected in this budget are consistent with the goals previously set by the City Council and reflect the projected workload and funding. The themes throughout the budget relate to:

- Finishing Projects/Programs already underway;
- Increasing efficiency and customer service;
- Bringing Environmental Leadership into the forefront of what we do as a City generally and as a City government in particular; and,
- Laying the groundwork for the next phase of improvements in the City with a particular focus on the City's Redevelopment Agency.

Finishing Projects

A primary focus of our actions will be completing significant efforts already begun. These include the completion of City Hall and substantial completion of the remaining San Pablo Avenue improvements including the replacement/expansion of street trees, new median plantings and new medians and pedestrian improvements on the South end of the Avenue. Additionally, thru the Redevelopment Agency, staff is requesting an additional \$1.5 million in funding to replace all of the streetlights on the Avenue to improve safety, energy efficiency and its overall appearance to help with business attraction and retention.

During Fiscal Year 2006-2007, the City Council authorized the hiring of additional police officers and public works staff. The initial results of this effort should begin to be seen during the coming fiscal year with an increased police presence in certain areas of the City and expansion of the Police Department's traffic/safety efforts with full deployment of its motorcycle program. Within public works, this new staff will allow for more efficient and effective capital planning and management as well as an increased focus on traffic and pedestrian improvements.

Improved Efficiency and Customer Service

Although we believe the City already provides efficient and economical service to our residents and businesses, staff will increase its efforts to continually improve our

customer service and effectiveness by exploring ways to provide the current activities more efficiently in order to free up resources to maintain and improve our services. For example, Public Works will begin a revision to its staffing model in order to maintain the service level at less cost by bringing certain activities back “in-house”.

During fiscal year 2006-2007, we began our first quarterly newsletter and increased overall awareness of our activities and services through expanded outreach efforts. In fiscal year 2007-08, we plan to increase these efforts through a new and expanded website, increased communication with our customers and improved responsiveness for people/companies doing business with the City.

Environmental Leadership

This coming year, the City will refocus its efforts in providing environmental leadership to our community. The City has historically been a leader through its recycling and waste reduction efforts, Earth Day, Clean Water Program and more recently our creek restoration programs. Next fiscal year, we have reallocated staff responsibilities to formally dedicate approximately 1.5 full time staff to these efforts, which will be lead by our Environmental Analyst. Efforts we anticipate beginning and/or expanding include green building programs for both the City’s projects as well as construction throughout the City, improved bike and pedestrian access, programs to positively impact the City’s impact on climate change, local legislation to improve air quality and reduce waste and water consumption and an overall increased public information effort coordinated with other outside agencies including the Bay Area Air Quality Management District, PG&E and EBMUD.

Groundwork for Future Projects

Planning for future infrastructure, facilities and development is a major theme in next fiscal year’s activities. Of particular note, staff will be working with the West Contra Costa Unified School District in an effort to ensure that the City’s desire to develop a new library and senior center are maintained. To that end, \$250,000 has been identified by the Redevelopment Agency to cover the costs associated with an Agency Plan amendment for the current Portola Middle School Area. Since the new facilities were always contingent on Agency funding, an expansion of the Agency project Area is critical to their future funding.

Upon resolution of the siting issue, it is our intent to request authorization to proceed on conceptual design for the facilities and if available, pursue a library bond act application. Additionally, staff anticipates coming forward with a strategy for the future development/renovation of the Public Safety Building, which no longer meets current building/earthquake nor Department of Corrections standards for such facilities. Further, the City Council has directed that an initiative be placed on the February 2008 ballot to address one of the City’s largest unfunded needs – street repair and replacement. This initiative will be a major effort for staff and the City Council.

ECONOMIC OUTLOOK

Sales tax revenues have leveled off as new retail development has slowed; therefore, we are projecting modest growth. In spite of a generally softer housing market nationally, El Cerrito property tax continues to increase significantly both in the residential and commercial areas due to increased property values and steady sales. Our budget assumes a similar increase to the current year. Once again, no State takeaways are anticipated and the General Fund is projected to have a FY2007-08 surplus in excess of \$300,000. This surplus was planned as the City will begin payback of the City Hall bonds in fiscal year 2008-09.

Once again, the Redevelopment Agency is on very sound financial footing as the tax increment in the redevelopment area continues to increase significantly. The Agency is

the catalyst for the recent improvements along San Pablo Avenue including the banner program, City Hall Plaza, wayfinding and gateway signs as well as creek restoration. Consistent with the goals set by the Agency Board, bond proceeds will be used to reinvest in the infrastructure along San Pablo Avenue with the largest new proposal related to replacement of the old highway style lights with brighter, more attractive and energy efficient lighting. The Agency will continue to assist businesses with building improvements and technical assistance, plan to fund a new senior center and much of a new library and focus its development initiatives around the BART stations and Eastshore Triangle. The Cerrito Theater, the largest recent Agency project opened to the public in September 2006 and has already helped stimulate interest and activity in the south end of Town. The Agency, through its affordable housing set aside funds is contributing to the provision of new owner occupied residences in the north end of the City.

As has been the case for many years, we have assumed that the General Fund will continue to support the City's Landscape and Lighting Assessment District (LLAD). In Fiscal Year 2007-08, we anticipate an increase in the amount from \$384,000 to \$456,000. Unfortunately, with last years failure of a property owner ballot initiative associated with a LLAD increase, these funds are not available to help offset other unfunded needs, increase park and tree maintenance, to increase programs and more importantly, necessitated a small decrease in related services and a restructuring of park maintenance. Had the measure passed, funds for current and increased level of park maintenance would be available.

CITYWIDE REVENUE & EXPENDITURE SUMMARY

The tables below summarize the budgeted revenues and expenditures of the City of El Cerrito:

Table A
Citywide Revenues

Revenue Category	Actual FY 2004-05	Actual FY 2005-06	Budget FY 2006-07	Adopted FY 2007-08
Taxes				
Property Taxes	\$8,318,321	\$8,718,829	\$10,427,800	\$11,128,000
Sales Taxes	3,670,821	3,677,836	4,260,000	4,510,000
Utility User Tax	2,525,963	2,778,452	2,900,000	3,020,000
Local Parcel Taxes	1,848,631	1,846,917	1,854,000	1,854,000
Franchise Taxes	746,665	705,087	730,000	750,000
Business License Tax	593,979	644,531	650,000	702,000
Other Taxes	522,838	631,597	582,600	631,000
Total Taxes	18,227,218	19,003,250	21,404,400	22,595,000
Licenses & Permits	485,898	422,730	511,000	505,000
Fines and Forfeitures	481,952	349,228	529,000	446,000
Use of Money and Property	906,606	1,661,709	1,698,916	1,719,862
Intergovernmental Revenues	6,122,334	6,225,846	5,980,535	8,837,948
Charges for Services	3,133,885	3,323,714	3,779,520	4,631,675
Other Revenues	400,706	1,065,332	209,900	147,000
Debt Proceeds	16,825,000		8,000,000	
Total Revenues before Transfers	46,583,599	32,051,808	42,113,271	38,882,485
Inter-fund Transfers	9,149,959	6,104,472	22,978,375	7,802,086
Total	\$55,733,558	\$38,156,280	\$65,091,646	\$46,684,571

In comparing the percentage by classification to the prior year percentages, taxes have increased by 6.0% due to the projection of continuing increases in Property Taxes, and Intergovernmental Revenues have increased 10.6% due to the award of \$3.7 million in Grants. There are no new debt proceeds. Other categories remain consistent with the prior year.

The expenditure chart below shows the City Council commitment to increase staffing in the Police Department, the funding of the City Hall project, shift of recycling to Administration and the continued commitment to fund capital projects through our restricted funds, most notably the Redevelopment Agency. Inter-fund Transfers have increased primarily due to transfers of funds for construction.

Table B
Citywide Expenditures

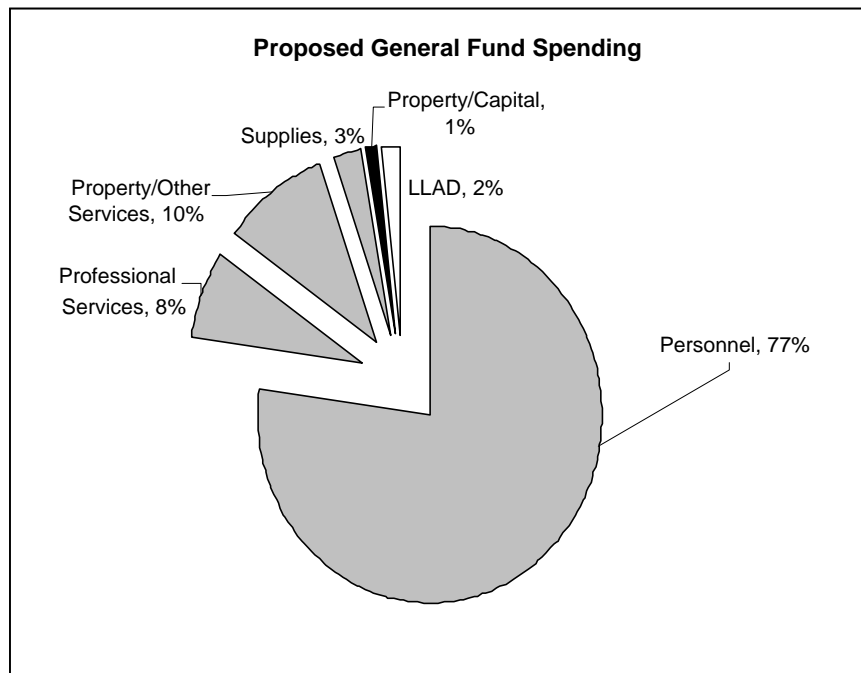
Department	Actual FY 2004-05	Actual FY 2005-06	Budget FY 2006-07	Adopted FY 2007-08
Administration	\$2,947,443	\$3,297,873	\$3,560,349	\$3,900,912
Finance	2,102,968	2,163,645	1,982,329	1,984,142
Police	6,299,298	6,842,746	7,981,874	8,623,601
Fire	5,773,330	5,769,602	6,876,536	6,660,442
Public Works	2,844,586	3,207,023	2,840,048	2,961,498
Community Development	4,447,792	4,431,122	5,993,298	8,018,471
Recreation	2,925,835	3,379,631	3,741,436	3,752,384
Non-Departmental	20,669			
Capital Outlay	3,031,035	5,061,748	13,074,267	6,046,076
Citywide Expenditures	30,392,956	34,153,389	46,050,138	41,947,526
Inter-fund Transfers	9,149,959	6,104,472	22,978,375	7,802,086
Total	\$39,542,914	\$40,257,861	\$69,028,513	\$49,749,612

GENERAL FUND

The City Council maintains a policy that 10% of General Fund expenditures be held in emergency reserve. At the end of FY 2007-08, there will be a projected unreserved General Fund balance of \$4,316,564 or 17% of General Fund expenditures which continues to exceed that policy.

Every year balancing the General Fund remains a challenge – as the following Chart shows, over 77% of the expenses are related to personnel. In this budget, only one new staff person in Public Works Maintenance is proposed and that position is fully offset by a reduction in professional services.

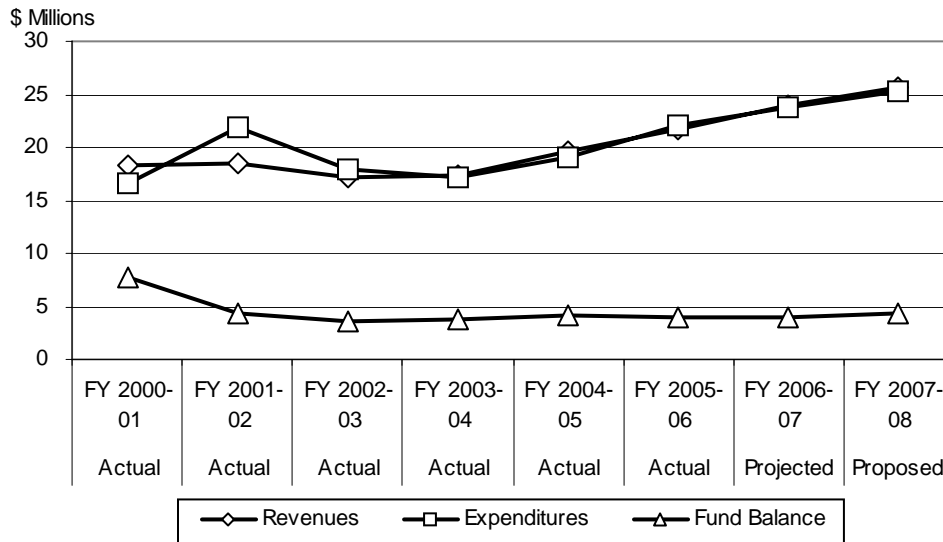
Chart A



Within personnel, the salaries are governed by the Council's policy to provide median compensation which acts as a ceiling for salaries. Although some expenses have stabilized, health benefits continue to significantly increase annually. Of the remaining expenses, very few are discretionary. For example, within professional services which are approximately \$2 million in expenses, over \$1.2 million of those expenses are outside services for dispatch, animal control, legal, audit, elections and criminalistic services that the City could not provide as efficiently as other organizations on our behalf. When you factor in other non-discretionary items such as insurance, medical supplies, utilities, vehicles and a minimal level of supplies, staff estimates that over 90% of the General Fund is non-discretionary (including staff at current levels); the remaining funds are used to support our current levels of service. This leaves virtually no available funds for new or expanded programs.

A historical overview of the General Fund shows that our fund balance is stable and projected revenues somewhat higher than expenses. However, non-personnel related expenses have all remained flat or decreased. Funding new or expanded programs out of the General Fund will remain difficult without revenue enhancements of some kind.

Table C
General Fund
Revenues, Expenditures & Fund Balance



General Fund Revenues

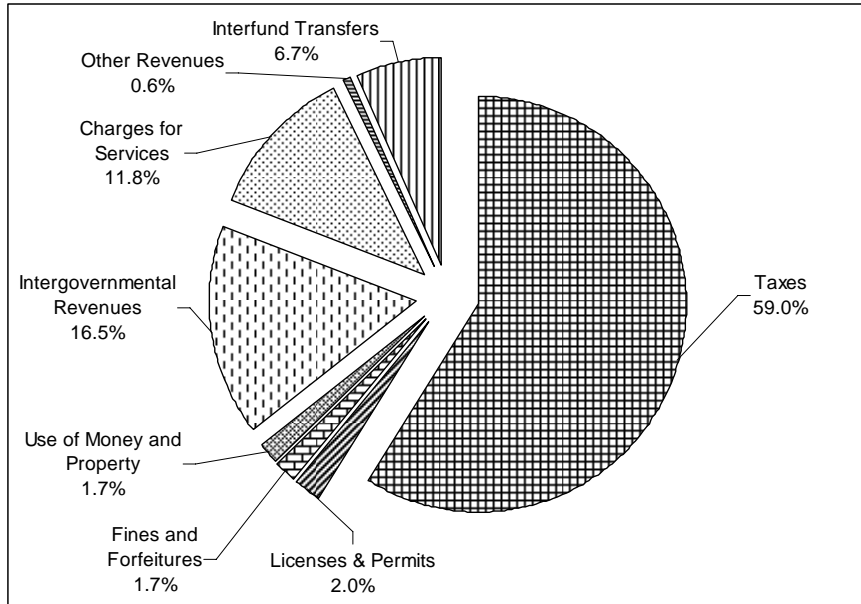
Overall General Fund revenues have continued to grow at a sound and stable rate. Concerns in the housing market have not had a significant impact in El Cerrito as property taxes continue to increase at or above projected rates. Other revenues have continued to increase at a reasonable rate.

The following chart describes our projected General Fund Revenues by type:

Table D
General Fund Revenues

Revenue Category	Actual FY 2004-05	Actual FY 2005-06	Budget FY 2006-07	Adopted FY 2007-08
Taxes				
Property Taxes	\$4,177,400	\$4,601,003	\$5,411,800	\$5,929,000
Sales Taxes	3,670,821	3,677,836	4,260,000	4,510,000
Utility User Tax	2,525,963	2,778,452	2,900,000	3,020,000
Franchise Taxes	746,665	705,087	730,000	750,000
Business License Tax	593,979	644,531	650,000	702,000
Other Taxes	138,687	224,846	172,600	221,000
Total Taxes	11,853,515	12,631,755	14,124,400	15,132,000
Licenses & Permits	485,898	422,730	511,000	505,000
Fines and Forfeitures	481,952	349,228	529,000	446,000
Use of Money and Property	284,763	331,556	428,000	432,500
Intergovernmental Revenues	3,815,852	3,701,502	4,127,490	4,228,915
Charges for Services	2,259,140	2,464,788	2,895,520	3,037,600
Other Revenues	139,792	214,333	148,900	146,000
Interfund Transfers	262,488	1,580,618	1,562,631	1,709,198
Total Revenues	\$19,583,400	\$21,696,510	\$24,326,941	\$25,637,213

Chart B
General Fund FY 2007-08 Revenue Percentages by Category



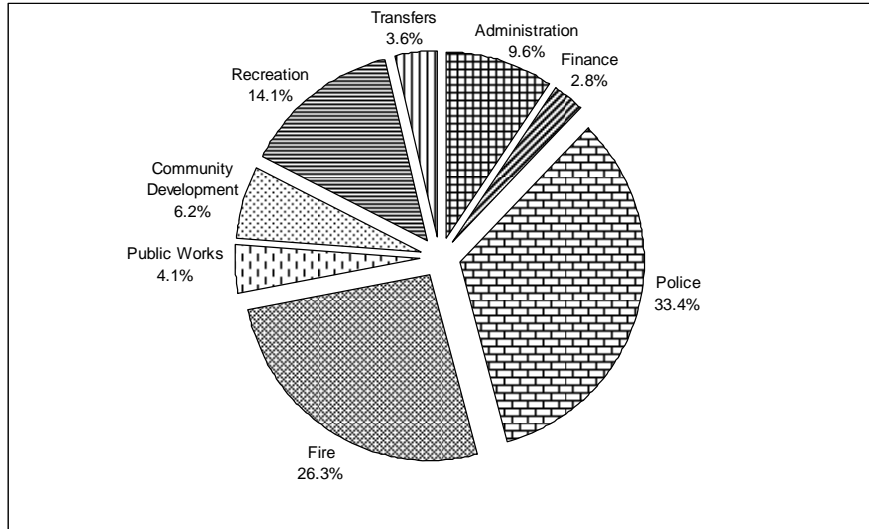
General Fund Expenditures

As shown in the Table and Chart below, the expenditures by department in the General Fund continue to reflect that approximately two-thirds of the of the expenditures are dedicated to the Police and Fire Departments. Administration now includes the City's Integrated Waste Management Division and the relatively small size of the Public Works and Community Development Department's General Fund budget is due to their reliance on special revenue funds.

Table E
General Fund Expenditures

Department	Actual FY 2004-05	Actual FY 2005-06	Budget FY 2006-07	Adopted FY 2007-08
Administration	\$1,620,134	\$2,190,898	\$2,277,152	\$2,421,832
Finance	650,371	862,998	685,054	703,667
Police	6,207,552	6,733,136	7,719,874	8,461,601
Fire	5,651,307	5,765,752	6,446,536	6,660,442
Public Works	455,162	863,303	1,025,603	1,028,022
Community Development	1,016,462	1,310,717	1,586,865	1,582,215
Recreation	2,846,320	3,268,177	3,502,022	3,559,722
Transfers	633,400	1,049,582	867,438	905,716
Total	\$19,080,708	\$22,044,562	\$24,110,544	\$25,323,217

Chart C
General Fund Expenditures by Department



The General Fund of the City of El Cerrito is fully utilizing the resources available to provide services to citizens while staying within our means, and long-range planning efforts show continued compliance with City Council Fund Balance reserve policies. However, it has become very clear this budget year that the day-to-day activities of the City take up almost all of the General Fund Revenues. Therefore, very little funding is available for new programs and services or capital improvements. To that end, the City Council will be placing a sales tax initiative on the February 2008 ballot in an effort to dramatically improve the City's streets. In the future, other similar type of targeted revenue enhancements may be necessary to deal with unfunded capital needs.

CAPITAL IMPROVEMENT PROGRAM

For FY 2007-08, staff has developed a Capital Improvement Program (CIP) that focuses on new facilities and continued improvement to the City's streets, parks, landscape and overall appearance. The Redevelopment Agency will be making continued improvements to the San Pablo Avenue Corridor area. Planning efforts will continue towards a new senior center and library while construction will be completed on the new City Hall before the end of the fiscal year. Highlights of the CIP include:

- ✓ Complete City Hall construction
- ✓ Continue Improved streetscape along San Pablo Avenue
- ✓ \$1.5 million investment in new streetlights for San Pablo Avenue
- ✓ City Facilities deferred improvements
- ✓ Implement safety improvements to the Ohlone Greenway
- ✓ New Recycling Center
- ✓ Senior center and library conceptual and schematic design

In the CIP, staff has described both funded and unfunded needs and has specified funding where available. As previously noted, the City Council has taken the first step to reduce those unfunded needs by placing an initiative on the February 2008 ballot to provide significant funding for the repair and maintenance of the City's streets. Should a

new library be funded, no additional funds are currently earmarked to increase its hours of operations. Work is beginning on a strategy to address the shortfalls of the public safety building and continued efforts to obtain grant funding will continue.

* * * * *

As our themes describe, efforts are focused on continuing the momentum already begun in El Cerrito. Through hard work, creativity and thoughtfulness, we continue to look inwards on how to improve and constantly look to the future to deal with the long-term needs of the City. Over the past five years, we have developed the staffing and capabilities to address the needs of the City that had gone unaddressed for many years. Each year, we hope that these efforts are apparent to the residents and businesses in El Cerrito.

The City is fortunate to have high quality public services and dedicated staff who are committed to providing exceptional customer service to the City's businesses and residents. With continued citizen participation, City Council leadership, and ongoing efforts of our dedicated employees, El Cerrito will continue to improve as a quality place to live, work, play and shop.

Every year, we believe that the City's budgeting will get easier but every year remains challenging. Nonetheless, we are optimistic in general and proud of this document in particular. With that sentiment, I would like to thank all of the Department Heads and Managers for their hard work in this regard. In particular, I would like to thank Karen Pinkos, the Assistant City Manager, Mary Dodge, the City's Finance Director and Geoffrey Thomas, the City's Accounting Supervisor, for their ongoing efforts and patience in improving the document.

Again, on behalf of all the staff, I am pleased to present a budget that will serve our City well.

Respectfully,



Scott Hanin
City Manager

BUDGET GUIDE

The budget is the City's fundamental policy document. It describes the City's goals and objectives and indicates how resources are allocated to achieve these goals. In addition to its role as a policy document, the budget also serves as a financial plan, an operations guide and a communications tool.

Budget Overview

The Budget Overview section provides summary financial information regarding projected revenues, expenditures, fund balances and reserves as well as transfers between funds. This section includes the summary analysis of all funds, ten-year plans, details of all inter-fund transfers as well as information describing significant changes compared to the prior year's budget.

Department Operating Budgets

The departmental operating budget sections describe historical and adopted expenditures by department and division. Each section also describes its mission, ongoing and future objectives, and an organizational and personnel overview and workload statistics. The City is organized into seven operating departments: Administration, Community Development, Finance, Fire, Police, Public Works, and Recreation.

Redevelopment Agency

The Redevelopment Agency section provides an overview of the adopted plans for the Agency in Fiscal Year 2007-08. It describes the current financial position, adopted revenues and expenditures, ongoing projects and programmatic information for the coming year.

Other Entities

This section outlines the adopted revenues and expenditures for the City's other legal entities: The Employees Pension Fund, Public Financing Authority, and Municipal Services Corporation.

Capital Improvement Program

The Capital Improvement Program (CIP) section details the adopted capital projects for Fiscal Year 2007-08 through 2016-17. It includes a description of those capital projects previously funded and other Capital Improvement Needs that are presented as a non-prioritized listing of those proposed projects or programs for which no funding has been currently identified.

Long Term Debt

The City has various long-term commitments for payments that range from accumulated benefits due to employees to debt obligations to be repaid from various revenue sources. These obligations are discussed in this section and supported with the 2005-06 audit information.