



## AGENDA BILL

Agenda Item No. 7.A.

**Date:** October 6, 2020  
**To:** El Cerrito City Council  
**From:** Karen Pinkos, City Manager, City Management  
Mark R Rasiah, Finance Director/City Treasurer, Finance Department  
**Subject:** CITY COUNCIL/PUBLIC FINANCING AUTHORITY/EMPLOYEE PENSION TRUST BOARD  
Approval of the City's Fiscal Year 2020-21 Amended Budget and Spending Authority by Fund for the City, Employee Pension Board and Public Financing Authority and Approval of the FY 2020-21 Annual Gann Appropriation Limit.

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### **ACTION PROPOSED**

Staff requests that the City Council 1) Adopt a resolution authorizing Fiscal Year 2020-21 spending authority by fund for the City of El Cerrito; 2) Adopt a resolution authorizing Fiscal Year 2020-21 spending authority by fund for the El Cerrito Public Financing Authority; 3) Adopt a resolution authorizing Fiscal Year 2020-21 spending authority by fund for the El Cerrito Employee Pension Board; and 4) Adopt a resolution approving the calculation and establishing the FY 2020-21 annual Gann Appropriation Limit.

### **BACKGROUND**

Following the onset of the Covid-19 pandemic, the City Council had directed staff to amend the FY 2020-21 budget process by preparing a one year budget that would be Adopted prior to July 1, with the intention to perform a more detailed budget process during the summer months and present Council with proposed amendments by the end of September. It was believed that this would allow City staff to have a much clearer picture of the sustained revenue losses and prepare an amended budget that would portray the City's rapidly evolving fiscal situation.

Accordingly, staff prepared and presented a Budget that was adopted by the City Council on June 16 2020. Thereafter on September 15, 2020 Staff proposed an Amended Budget for City Council consideration at a study session/public hearing. Following that study session, Staff has incorporated the feedback from the City Council at the public hearing and has prepared a revised draft Budget Book as shown in Attachment 1. The budget represents staff's best efforts to provide the programs and services consistent with the City's Strategic Plan and other input received from our community and the City Council. The economic impacts of Covid-19 have created a significant amount of uncertainty relative to the City's ability to accurately project City revenues for the next fiscal year and therefore the amended budget is based on sustainable levels of service and recommendations from Management Partners in their Fiscal Response Plan which is included in its entirety in Appendix 8 of the Budget Book in Attachment 1.

**Revisions to the Draft Proposed Amended Budget that was presented on Sept. 15, 2020.**

Besides editorial corrections, the material revisions to the draft previously presented to the City Council are as follows. The page numbers refer to the pages in Attachment 1.

1. Reduce budgeted expenditures to ensure a non-negative fund balance for the Gas Tax and Measure A funds. (Page 32)
2. Additional language related to pensions in the budget document. (Page 28).
3. Disclose annual pension contributions in the Citywide expenditure table. (Page 27).
4. Additional language clarifying Police Department vacancies. (Page 94).
5. Addition of the Appendix Section. (Page 151).

**ANALYSIS**

**Proposed Amended Budget FY 2020-21**

**General Fund (No Changes)**

The “baseline” for the Proposed FY 2020-21 General Fund Budget was presented to the City Council in February 2020, along with the 5-year General Fund forecast. The baseline budget projected General Fund Revenues of \$42.7 million and Expenditures of \$42.6 million, which would have resulted in a small surplus. However, due to the Covid-19 pandemic and its effect on City revenues, staff presented City Council with expenditure reductions of approximately \$4 million in the months since February. Staff has now revised the original baseline estimates for revenues for FY 2020-21 based on currently available predictions following Covid-19 impacts in the current fiscal year, and the potential for a recession in the next. With these adjustments staff is proposing a General Fund Budget of \$39.3 million in revenues and \$38.7 million in expenses for FY 2020-21. This represents a \$3.4 million (or 8%) reduction in revenues and \$3.9 million (or 9%) reduction in expenditures over the baseline budget. Pages 37-43 of Attachment 1 provide a detailed discussion of the General Fund Budget changes.

**Special Revenue Funds and Debt Service Funds (Changes to Gas Tax and Measure A Expenditures)**

Pages 22-31 of Attachment 1 provide details of Projected Revenues and Proposed Budget Expenditures for all other Special Revenue Funds and Debt Service Funds. With all funds combined, the proposed FY2020-21 budget recommends total expenditures of \$53,078,141 and provides funding for all City services, including Police, Fire, Recreation, Community Development, Public Works, and City Management. This figure is lower than in the previously presented draft budget by \$155,263. The difference is solely due to the reduction of budgeted expenditures in the Gas Tax and Measure A Special Revenue Funds.

### **Capital Improvement Program (No Changes)**

Pages 132-142 in Attachment 1 details the Five Year Capital Improvement Program together with Required Project Listings for Measure A Street, SB 1, and Capital Improvement Funds. For all projects, estimated expenditures in FY 2020-21 total approximately \$4.7 million.

### **Financial Advisory Board Recommendation**

The Financial Advisory Board (FAB) reviewed the Proposed Amended FY 2020-21 Budget at the regular meeting of the FAB on September 8th and at a Special meeting of the FAB on September 22nd, 2020, and by motion made and seconded, has unanimously recommended that the City Council approve the Amended Budget.

### **Gann Appropriations Limit**

Included in the recommended actions for amending the FY 2020-21 Adopted Budget is the approval of the calculation and to establish the City's FY 2020-21 Gann Appropriation Limit as \$150,061,132.

Approved in 1979 and amended in 1990, the Gann Initiative sets an annual appropriation limit on City expenditures based on the amount of tax proceeds received. This amount is adjusted each year based on changes in population and inflation. The California Government Code requires that the City adopt the Gann appropriations limit by resolution on an annual basis.

### **STRATEGIC PLAN CONSIDERATIONS**

Approving the attached resolutions will allow the City Manager to develop a plan to ensure that Citywide Revenue meets the cost of providing Citywide services, including adequate reserve for unanticipated revenue shortfalls. It will further ensure procedures that represent best practices in financial management. (Goal B).

### **ENVIRONMENTAL CONSIDERATIONS**

This section is not applicable to this agenda item.

### **FINANCIAL CONSIDERATIONS**

With all funds combined, the proposed FY 2020-21 budget recommends total expenditures of \$53,078,141 and provides funding for all City services, including Police, Fire, Recreation, Community Development, Public Works, and City Management. At this time, total revenues are projected to be \$52,837,251; these funds will continue to be monitored and updated as the COVID-19 is expected to have impacts on several funds including Gas Tax, Measure J Return to Source, SB-1, Street Improvement Fund, and Measure J Paratransit.

For FY 2020-21, staff is proposing a General Fund budget with revenues of \$39,377,869 and expenditures amounting to \$38,714,837, resulting in a surplus of \$663,032.

**LEGAL CONSIDERATIONS**

Approval of the attached resolutions is required to adopt the City's spending authority for Fiscal Year 2020-21. In addition to the Gann limit appropriation, there are separate resolutions for each of the City's component units which also must be considered and are presented for approval this evening: the Public Financing Authority and the Pension Board.

**Reviewed by:**

1. FY2020-21 Amended Budget Book
2. City Amended Budget Spending Authority Resolution
3. PFA Amended Budget Spending Authority Resolution
4. Pension Board Amended Budget Spending Authority Resolution
5. Gann Limit Resolution - Amended Budget
6. Public Comments