

The City of El Cerrito is in Financial Distress

California State Auditor Elaine Howle ranks El Cerrito the 7th most financially high-risk city in California, the *most* at-risk Bay Area city, and the city whose General Fund condition is worst in the state. On February 26, the State of California Approved her recommendation to audit El Cerrito.

- Once ranked AA-, our bond rating declined steadily to BBB, severely limiting the city's ability to borrow money.
- For three consecutive years starting in 2016-17, our independent auditor warned that the city might not continue to be a "going concern," meaning it was at risk of bankruptcy. The city failed to take effective action each time, and even increased personnel costs by about \$4M since 2017!
- Our General Fund balance declined from \$3.3 million in 2012 to a \$56,600 *deficit* for 2018-19. El Cerrito has a 10% reserve goal. Albany's is 25%, which it meets.
- El Cerrito increased local taxes four times since 2010. Today our combined sales, transfer, and utility taxes make El Cerrito the California city with the highest combined tax rate, yet the city continues to slide into more financial distress.
- 2019 revenues were up 10% but 2019 expenditures were up 11%. (From the CAFR*)
- City staff reported that the 2018-19 fiscal year ended in a surplus, but a later audit revealed a \$2.9M cost overrun, with no notification to the city council and no budget reductions. This signals serious incompetence.
- The city's taxable sales fell by 5% from 2009 to 2018, while those nearby cities grew substantially: Albany +25%, San Pablo +47%, Richmond +54%, Pinole +35%). During that period, only 17 cities in the state had a decline; the rest averaged 54% growth! City staff didn't alert the city council or act to combat the decline.
- El Cerrito salaries for upper managers are bloated when compared with nearby cities. Some 2018 comparisons, including overtime (fire department) and benefits:
 - EC city manager: \$361,578 / Albany city manager: \$229,192.62
 - EC asst. city manager: \$276,890 / Albany asst. city manager: \$165,269
 - EC highest paid fire officer: \$465,711, 10th highest: \$334,141 / Albany highest: \$334,122
- El Cerrito's fire department is understaffed and clocks a HUGE amount of overtime, flagged as a concern by the state auditor.

What happens now?

- ✓ The state auditor will investigate El Cerrito's financial condition and management and is expected to present a report and recommendations in September.
- ✓ The city's own financial auditor is expected to make a presentation at a council meeting.
- ✓ The city plans budget hearings in May to prepare its 2020-2021 budget for adoption in June. Mayor Lyman has directed staff to present a menu of \$2 million in potential cuts.

What can residents do?

- ✓ Visit elcerritocommitteeforresponsiblegovernment.com to learn more.
- ✓ Watch city council agenda, attend council meetings, and speak your mind!
- ✓ Tell council members to start working *now* to fix the budget, not to wait until May.
- ✓ Tell council members to reduce salaries, benefits, overtime, and unnecessary expenses *before* considering cuts to important services.

*CAFR: Comprehensive Annual Financial Report.

Go to <http://www.el-cerrito.org/113/City-Council> for council member's email addresses