

EL CERRITO BUDGET CRISIS HOW DID WE GET HERE?

El Cerrito Committee for Responsible Government

THE LOANS START 2011

El Cerrito has been using Tax Revenue Anticipation Notes (TRANS) since 2011 to keep the government afloat. The independent auditor called these payday loans in November 2018 because if they are not obtained the city goes bankrupt. Each year more is borrowed. It started in 2011 with 3.5 million and in 2019 it was 9 million which was a 3 million dollar jump from 2018. At this point the loans are keeping El Cerrito afloat. This year (2020) the bank that had been issuing them declined to do so. The cost to take out this loans is almost 1.3 million since 2011.

+ Sheet 1							
	A	B	C	D	E	F	G
1	Year	amount	Interest	Interest paid	Cost of loan	Total Loan cost	Who got the loan
2	2011	\$3,510,000.00	0.75%	\$26,325.00	\$10,026.00	\$36,351.00	
3	2012	\$4,000,000.00	0.075%	\$30,000.00	\$17,000.00	\$47,000.00	West America
4	2013	\$5,017,000.00	1.5%	\$65,230.00	\$17,000.00	\$82,230.00	West America
5	2014	\$5,000,000.00	1.5%	\$75,000.00	\$29,000.00	\$104,000.00	West America
6	2015	\$5,000,000.00	1.5%	\$75,000.00	\$37,000.00	\$112,000.00	West America
7	2016	\$5,000,000.00	1.5%	\$72,000.00	\$37,000.00	\$109,000.00	West America
8	2017	\$6,000,000.00	1.75%	\$105,000.00	\$32,500.00	\$137,500.00	West America
9	2018	\$6,000,000.00	2.25%	\$135,000.00	\$34512.00	\$169,512.00	West America
10	2019	\$9,000,000.00	2.19%	\$197,100.00	\$33,000.00	\$230,100.00	West America
11	2020	\$8,500,000.00	2.04%	\$175,000.00	\$81,000.00	\$256,000.00	Public
12	Total Costs			\$955,655.00	\$328,038.00	\$1,283,693.00	
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MEASURE R IS PASSED- IT EXTENDS AND RAISES THE SALES TAX IN EL CERRITO FROM .05% SALES TAX TO 1%

The original sales tax increase was passed in November 2010 and was a .05% sales tax approved for 7 years. It made El Cerritos sales tax 9.25% and this raised it to 9.75%. This sunsets on March 31, 2027.

It gives El Cerrito one of the higher sales tax rates in California.

Many felt the measure was deceptive as far as the raising aspect of the tax.

TRANSFER TAX IS PASSED IN EL CERRITO NOVEMBER 2018

Voters are told this will solve many financial problems and that it will be used to build El Cerrito's reserve fund.

INDEPENDENT AUDITOR STATES EL CERRITO MAY NOT CONTINUE AS A GOING CONCERN-NOVEMBER 2018

November 20, 2018 the independent auditor from Baldwai and Associates presented the 2017 CAFR to City Council. The CAFR was done later than usual due to working with a new auditor. However, the city council received their copies in and it went online in October. The presentation was not held until after the November election which ECP volunteers were told was not on purpose. In November 2018 the new transfer tax was in the ballot and it passed.

Concerns the auditor raised included

For the last three years the City has been borrowing money from the General Fund to various agencies such as Integrated Waste Management. Those loans totaled about 2 million dollars. For the most part very little if any of that borrowed money has been repaid. The auditor stated that typically loans such as these are used as bridge funds

However, in this case, funds have been outstanding, without reimbursement for almost three years. As a result, the balanced budget reported by the City staff, and passed by the Council, was not balanced. When funds were transferred out of the general fund it was done without action by the Council and without a plan for repayment. The auditor also reported most of those agencies did not have any identifiable ways to pay back the money. He also stated in most cities something like this would normally be approved by council and there would either be a write off of these funds or a repayment plan.

<https://elcerritoca.civicclerk.com/Web/Player.aspx?id=44&key=-1&mod=-1&mk=-1&nov=0>

He starts at 1:28

CITY MANAGER AND FINANCE DIRECTOR TELL EL CERRITO PROGRESSIVES THE AUDITOR MADE MISREPRESENTATIONS JANUARY 2019

In January 2019, representatives of El Cerrito Progressives met with the Finance Director and City Manager to discuss the auditor's report.

They were told that the Auditor overreacted.

That much of the issues were residual from the ending of the Redevelopment Agency

That some properties would be sold to even things out

That it was very typical for governments to borrow from different funds-though the auditor disagreed

FINANCE DIRECTOR AND CITY MANAGER SAY ALL IS FINE JUNE 20, 2019

3:15 Karen: "I would like to thank all of our staff, especially the department directors for being fiscally responsible... I would like to give special thanks to Mark Rasiah." He has been great in making sure that we have been keeping to our fiscal discipline.... We are wanting to make sure we are as fiscally prudent as possible.

3:22 Paul: "I am wanting to make sure you are liking the two year budget effort"
Karen: "Absolutely"

3:28 Mark Rasiah: "We have proved him wrong (independent auditor). So I think the going concern concept will be removed at the end of fiscal 19.

3:29 "So you feel better?" Mark: "Substantially so."

3:30 Greg: "It's nice to see you smiling because that means we should worry less."

<https://elcerritocommitteeforresponsiblegovernment.com/2020/02/09/city-council-meeting-june-4-2019-city-manager-and-finance-director-say-it-is-all-okay/>

<https://elcerritoca.civicclerk.com/web/player.aspx?id=32>

OCTOBER 2019, CALIFORNIA STATE AUDITOR STATES EL CERRITO IS #7 ON LIST OF CA CITIES MOST

The concerns raised including the following:

1. Fire Department overtime which is budgeted at 1.3 million this fiscal year.
2. Overall cash flow-which now means an increase in short-term loans for the city to meet their obligations.
3. Pension costs
4. Lack of reserves
5. Overall lack of addressing any of these issues.

MEASURE D IS PASSED NOVEMBER 2019

**This was extended Measure A and is dedicated to services for the parks.
It is a parcel tax.**

THE CITY MANAGER SAYS THAT THE CITY HAS BEEN FISCALLY PRUDENT OCTOBER 2019

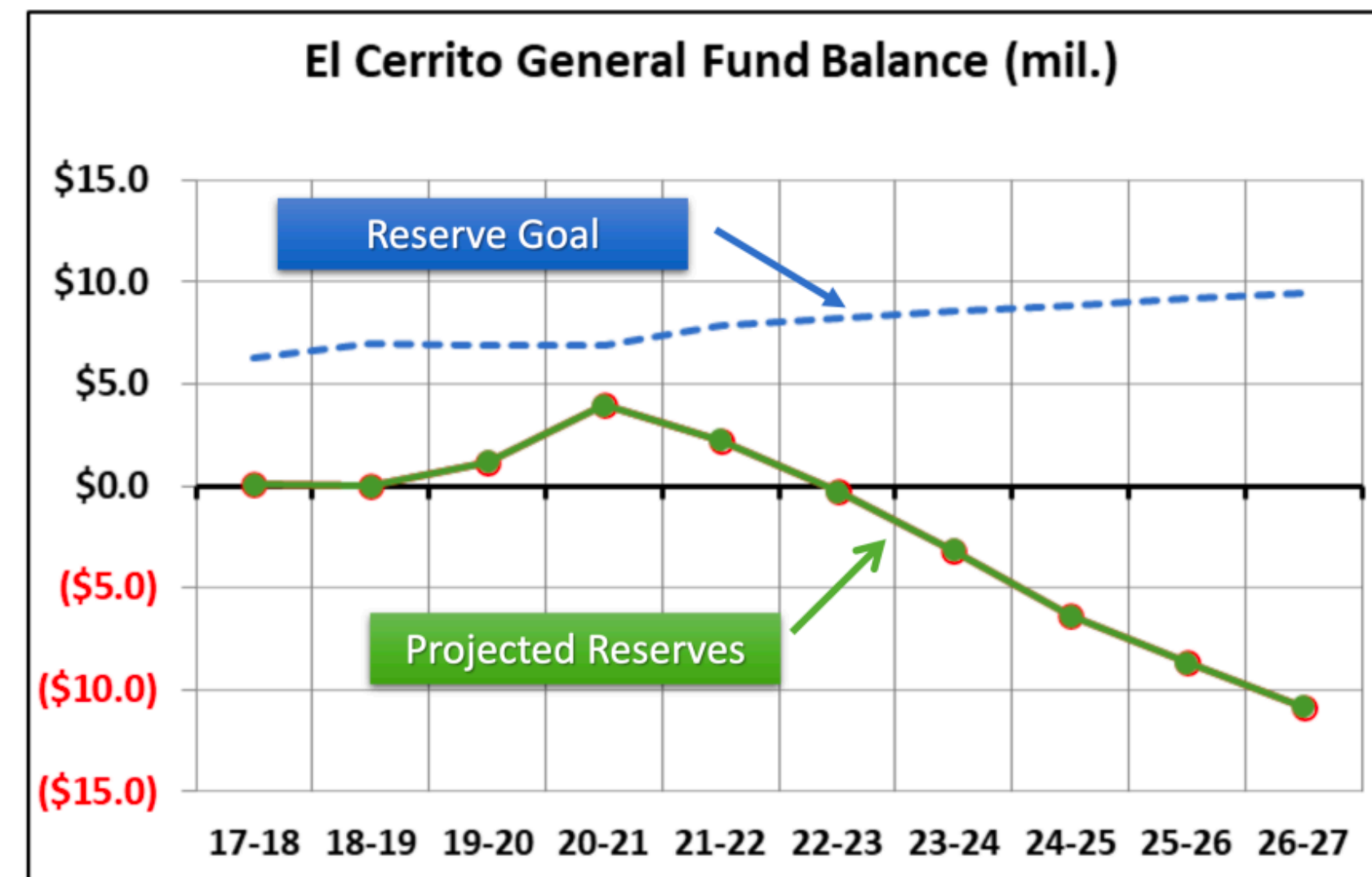
In October 2019, Karen Pinkos the City Manger issued a response to the issues raised by the State Auditor. She said

“As El Cerrito residents faced power outages and red flag warnings last weekend, the State Auditor launched an online dashboard on California city finances, attempting to rank each city’s financial health. I’m disappointed that the City of El Cerrito was not contacted about this report prior to its publication, so that we could provide relevant information and context to the State Auditor on the City’s financial picture. The dashboard does not provide a level of analysis that I believe would be more helpful in explaining to the public what cities throughout the state have been facing with respect to their finances since the Great Recession, dissolution of redevelopment agencies by the State, and rising pension costs. I encourage members of the public to be careful about drawing conclusions without having the full story, and taking into account all the relevant information, much of which is not included in this dashboard.”

THERE WERE NO RESERVES AT THE TIME THE CITY MANAGER SAID EL CERRITO WAS FISCALLY PRUDENT

El Cerrito's Fiscal Situation Before COVID-19

- Declining General Fund reserves fell below zero in FY 2018-19
- Long-term forecast expected higher revenues than expenditures, which the City has been working to address



Graphic from June 9, 2020 presentation by Management
Partners given at the City Council Meeting

BOND RATING DROPS TO BBB NOVEMBER 2019

MAYOR LYMAN ADDRESSES THE CRISIS AND OPPOSES A FULL AUDIT DECEMBER 17, 2019

This is what Mayor Lyman's statement in regard to the state audit. Please note the last sentence when he speculates in adding another tax measure to El Cerrito in November of 2020.

"I asked the State Auditor what help they could provide our City. We talked about how an audit might be a huge drain on our staff, when we most need them to help with our efforts to resolve our financial issues and prepare a budget. The State Auditor said they could decide to do a focused audit on just costs, or just revenues. In the month of January, they will be developing a scope to recommend to the State Legislature. I requested a focused audit as it sounded like the best balance between accessing their expertise and managing our staff workload during the next six months. Unfortunately, the timing of their audit will not be ideal. If the State Auditor were to do some type of audit, they would need to seek authorization on February 19, potentially conduct their field work in March, April and May, and possibly generate their final report in August/September. Their report would be well after our budget is adopted and, if the community supports a revenue measure, would be after the deadline for putting forward a measure on the November 2020 ballot. Ultimately, their timing could undermine our efforts this year to address our issues."

To read his full remarks

<https://elcerritoca.civicclerk.com/Web/GenFile.aspx?ad=172%20>

To watch his remarks

<https://elcerritoca.civicclerk.com/Web/Player.aspx?id=25&key=-1&mod=-1&mk=-1&nov=0>

BUDGET TOWN HALL MEETING

FEBRUARY 1, 2020

After being presented with a petition the city had a Town Hall meeting.

It was very well attended with over 100 people there.

The City was not capable of recording and live screening it properly but it is available as a community volunteer redid it.

CITY MANAGER CUTS CAR ALLOWANCES APRIL 2020

Until this was dug into at the May 19th City Council meeting many of us did not know that almost all management positions were receiving \$300 a month car allowance. This was regardless of their position, access to a city car, and did not need any documentation. The City Managers car allowance was \$323 a month.

This cost the taxpayers over 90k a year

THE BATTLE TO SAVE LIBRARY HOURS APRIL 2020

At the City Council meeting April 21, 2020 it was discussed whether or not to cut library hours back to the 35 paid by the County. The City Manager was recommending this cut. There was large public support to not cutting the hours. The Council voted 5-0 to maintain the hours.

EMPLOYEE FURLONGHS START-MAY 2020

Non-public safety employees began to be furloughed

This means city hall will be closed all Fridays.

It translates to a 10% pay-cut if it is maintained through June 2021

Employees will also have to pay a 1% increase into CAL-PERS

THE CONSULTANTS WEIGH IN JUNE 9, 2020

They had many suggestions including

Cutting library hours (already voted on in April)

Partial reduction of Fire station 72 hours- not specified

Reduce contract services for landscaping-to be added to city staff tasks

Outsource janitorial services

Outsource payroll services

Eliminate general fund support for swim center which means a reduction in hours

Eliminate general fund support for senior center-impact unknown

ACTIONS CONCERNED CITIZENS CAN TAKE

- **Email the city council with your concerns**
- **Send in public comment regarding budget issues via email or call in**
- **Run for City Council**
- **Follow El Cerrito Committe For Responsible Government Blog**
- **Join the IO Group for ECCRG**
- **Apply for the open seat on the Financial Advisory Board (FAB)**