

## A LETTER TO THE COMMUNITY



**TO:** The Residents of El Cerrito  
**FROM:** Karen Pinkos, City Manager  
**DATE:** October 31, 2019  
**SUBJECT:** Response to the California State Auditor Study

---

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.

That said, we know that El Cerrito has fiscal challenges. The City's leadership team has been candid about this to the City Council and to the public and has always been open and transparent about the City's financial position and the challenges we have faced. This information is in our Comprehensive Annual Financial Reports (CAFR) and adopted Budgets that are publicly available and posted on our website. We even have a financial transparency portal on our website ([www.el-cerrito.org/financialtransparency](http://www.el-cerrito.org/financialtransparency)) that can be accessed by everyone.

Yet I know that most residents do not spend their free time reviewing the CAFR or the details of City finance strategies. They just want quality services and facilities, and for the City to provide what residents need and depend on. We understand that. As such, the City Council and our City leadership team have worked hard to make ends meet and provide those high quality services, while still keeping an eye on future needs.

During the Great Recession, the City made choices to maintain the services we provide to the public. Since services are provided by people, that means we made the choice to not lay off staff or make cuts. We did carry open vacant positions, and some projects and programs were deferred, but to the average El Cerritan the City continued to operate pretty much as it had before the Recession. We have continued to do even more with even less. But these were conscious choices, and we continue to make choices to support the services our residents expect.

Unfortunately like many cities across the State, the City has been slow to recover from that economic shock and have relied on our General Fund reserves to maintain services. To make things worse, the State dissolved our Redevelopment Agency in 2012, which brought further challenges to our budget. Later, after the City hired a new auditor and faced tighter governmental reporting standards, our General Fund reserves position declined further. We now face balancing

budgets with low reserves, while our annual pension obligations have been sharply increasing and revenues have been volatile.

Even with the challenges we have faced, the City has been prudent with our funds, and has worked hard to ensure financial stability. The City has never once missed an employee payroll, debt service payment, retirement contribution, or been in default of any contractual obligation. And in the past year, the City leadership team, the Financial Advisory Board, and the City Council revamped the City's financial policies to put the City on track to rebuild our reserves, including increased revenues from the passage of Measure V and creating an Emergency and Disaster Recovery Fund.

There is no denying that our budgets have been finely balanced. We are a full service City, with outstanding Fire, Police, Recreation, and Public Works services. This is why we have been looking for ways to fund all other priorities that our residents have been asking for. We have communicated with, and listened to, our community as to what services and amenities they expect the City to provide. We have renovated the pool, fixed the streets, increased emergency preparedness, and maintained public safety thanks to the voters of El Cerrito. This has provided the quality of life that our residents, businesses, and visitors appreciate.

Based on several community surveys over the past 10 years, residents rank their satisfaction with City services and management extremely high. In fact, in the most recent poll earlier this year, 93% of respondents indicated they were satisfied with the quality of life in El Cerrito, with 82.7% satisfied with our provision of services. The City is proud that the administration, our City Council, and the residents of our City, are working together planning for the future and have worked together historically to identify priorities and tackle budget issues to establish a high quality of life and a thriving community – despite fiscal challenges.

In fact, this is one of the drivers for placing Measure H before El Cerrito voters this November. The City is asking the voters to renew the Measure A rates passed in 2000 in order to continue to provide \$650,000 each year that will be used as a separate, dedicated source of funding going forward for parks and recreation facilities, including the Swim Center. Maintaining this source of funding means that our recreation facilities will not have to compete with the other services and priorities that are included in the City's General Fund.

While we know that we are doing our best to maintain our high level of service that our residents have come to expect, we do take the State Auditor's report seriously. I am working hard with the City's leadership team to improve the City's fiscal health. We all know that we need to continue to work diligently, to continue to build our reserves, and to ensure long term financial sustainability. Our team will continue to work with our auditor and with the City Council to make choices that will overcome our budget challenges. And we will do so, always, with the best interest of the community at heart.

*Karen Pinkos*  
City Manager  
City of El Cerrito