



CITY OF PINOLE

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July 27, 2026

Contra Costa County Grand Jury
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Martinez, CA 94553
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Transmitted via electronic mail and regular mail

Subject: City of Pinole – Formal Response to Civil Grand Jury Report “Pinole’s Future: It’s a Rough Road Ahead” (May 14, 2026)

Dear Civil Grand Jury Members:

The City of Pinole appreciates the work of the Civil Grand Jury and values the opportunity to respond to the findings and recommendations presented in your report titled “Pinole’s Future: It’s a Rough Road Ahead.” After careful review, the City submits the following responses to all twenty-six (26) findings and six (6) recommendations. These responses reflect the City’s current fiscal practices, updated long-term financial planning, and ongoing commitment to transparent governance.

FINDINGS & RESPONSES

F1. When developing all future Operating Budgets, the Council should comply with Pinole’s “Financial and Investment Policies” that require a structurally balanced annual budget.

Response: Pinole agrees with the finding.

F2. Pinole’s Fiscal Year 2025/26 Operating Budget achieves structural balance by relying on a general fund reduction to pay for what are termed “one-time initiatives”.

Response: Pinole agrees with the finding.

F3. Within the Fiscal Year 2025/26 Operating Budget, deficits are projected in the Recreation Department (\$1.8 million), the Building and Planning Department (\$900,000), and the city-sponsored cable TV station (\$400,000).

Response: Pinole agrees with the finding.

F4. Pinole’s finance staff project that annual operating budget deficits will increase, growing to a \$5.6 million deficit for Fiscal Year 2029/30.

Response: Pinole partially disagrees; the Yellow Brick Road model updates long-term projections.

F5. Pinole generated operating deficits due to expenditures exceeding revenues in four of the five years prior to Fiscal Year 2025/26.

Response: Pinole agrees with the finding.

F6. Reliance on reserves for one-time expenditures in FY 2023/24–2025/26 violates policy.

Response: Pinole partially disagrees with the finding. Unassigned fund balance was on a pay-as-you-go basis for one-time initiatives and capital improvements projects. The City maintains a separate General Reserve with a current balance of \$7.8 million that complies with its General Reserve Policy, which requires it to maintain a balance equal to 25% of total ongoing General Fund expenditures.

F7. Pinole has a total sales tax rate, at 10.25%, among the highest of any city in Contra Costa County.

Response: Pinole agrees with the finding.

F8. Officials publicly acknowledge difficulty obtaining voter approval for tax measures.

Response: Pinole agrees with the finding.

F9. Pinole's long-term financial forecast projects 10 years of operating deficits beginning in Fiscal Year 2026/27.

Response: Pinole partially disagrees with the finding. While the original forecast projected deficits over the 10-year period, the City has since implemented the updated the "Yellow Brick Road", which reflects structurally balanced budgets with no deficits starting in FY 2026/27.

F10. The April 2024 "Baker Tilly Strategic Financial Planning Report" projects 20 years of operating deficits through Fiscal Year 2044/45.

Response: Pinole agrees with the finding.

F11. The Baker Tilly Report emphasized a need for urgency in addressing ongoing deficit spending.

Response: Pinole agrees with the finding.

F12. Pinole's CalPERS unfunded pension liabilities have increased from \$18 million in 2014 to \$45 million in 2024, an increase of 150%.

Response: Pinole agrees with the finding.

F13. Pinole's most recently reported CalPERS annual obligation from 2024 was \$6.5 million.

Response: Pinole partially agrees with the finding. The current annual obligation is \$6.2 million, based on the annual valuation report with a measurement date of June 30, 2024.

F14. The CalPERS obligation is projected to increase more than 10% in FY 2026/27.

Response: Pinole agrees with the finding.

F15. Section 115 Trust funded in 2018 with \$16.3M from a one-time asset sale.

Response: Pinole agrees with the finding.

F16. Pinole's Section 115 Trust was funded in 2018 from proceeds from a one-time asset sale for \$16.3 million to help offset the unfunded pension liability.

Response: Pinole partially disagrees with the finding. While the original forecast projected full depletion of the Section 115 Trust by FY 2030/31, the City has since implemented the updated "Yellow Brick Road" forecast. It reflects structurally balanced budgets and significantly reduces the use of trust funds, limiting withdrawals to amounts below the annual interest earnings.

F17. Pinole has an unfunded retiree healthcare liability (Other Post-Employment Benefits, or OPEB) of approximately \$35 million.

Response: Pinole agrees with the finding.

F18. The OPEB obligations have been funded on a "pay as you go" basis with annual contributions from the General Fund.

Response: Pinole agrees with the finding.

F19. Pinole's public roads are graded at "55" in the 2024 Metropolitan Transportation Commission Pavement Condition Index survey, indicating the roads are "At Risk" and require extensive rehabilitation.

Response: Pinole agrees with the finding.

F20. Pinole staff has estimated \$60 million funding gap for infrastructure capital improvements other than public roads over the next 10 years.

Response: Pinole agrees with the finding.

F21. Pinole staff has identified an additional \$60 million funding gap for infrastructure capital improvements other than public roads over the next 10 years.

Response: Pinole agrees with the finding.

F22. The Pinole finance staff told Council in 2025 that the City does not have the necessary funding for these infrastructure capital improvements.

Response: Pinole agrees with the finding.

F23 Pinole's deferral of capital improvements will translate into higher costs (replacement versus

repair) in the future.

Response: Pinole agrees with the finding.

F24. Through the Fiscal Year 2025/2026 budget cycle, the Council had not publicly developed or discussed a comprehensive strategy for expenditure reduction or service adjustments to address projected structural budget deficits.

Response: Pinole agrees with the finding.

F25. An assessment of Pinole's overall fiscal health, based on a dashboard developed by the California Policy Center using standardized financial measures, rated Pinole among the lowest of all reported California cities from 2022 to 2024.

Response: Pinole agrees with the finding.

F26. The Baker Tilly Report concluded that Pinole faces ongoing severe operating budget issues, including the threat of bankruptcy, if it does not balance annual expenditures and revenues.

Response: Pinole agrees with the finding.

RECOMMENDATIONS & RESPONSES

R1. When developing all future Operating Budgets, the Council should comply with Pinole's "Financial and Investment Policies" that require a structurally balanced annual budget.

Response: The recommendation has been implemented. See FY 2026/27 Budget. [FY2026-27-Budget-Document.pdf](#)

R2. During all future budget development cycles, the Council should consider directing staff to prepare an Operating Budget that includes expenditure reductions so that expenditures match revenues in each budget cycle.

Response: The recommendation has been implemented. See FY 2026/27 Budget. [FY2026-27-Budget-Document.pdf](#)

R3. By Fiscal Year 2027/28, the Council should consider adopting a formal long-term financial plan that incorporates the level of expenditure reductions as outlined in the 2024 Baker Tilly Report.

Response: Pinole agrees with the finding. The recommendation has been partially implemented. See the Fiscal Year 2026/27 Budget, which includes the "Yellow Brick Road". The City will complete a comprehensive long-term financial planning strategy that will address Other Post-Employment Benefits (OPEB) obligations, the information technology plan, and capital improvement funding options.

R4. By December 31, 2026, the Council should consider developing methods to engage Pinole residents regarding options to address ongoing fiscal challenges.

Response: Pinole agrees with the finding. The recommendation has not yet been implemented. The City

has tentatively scheduled quarterly City Council Finance Subcommittee meetings starting in September 2026.

R5. By June 30, 2027, the Council should consider developing a plan to fund and reconstruct Pinole's public roads.

Response: Pinole agrees with the finding. The recommendation has not yet been implemented. The Plan will be discussed at the Infrastructure and Transportation Subcommittee January 2026 and incorporated in the CIP in the Spring of 2027.

R6. By March 31, 2027, the Council should consider directing staff to review funding options, such as asset sales, to address Pinole's unfunded pension liability.

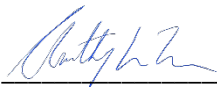
Response: Pinole agrees with the finding. The recommendation has not yet been implemented. The City has tentatively scheduled quarterly City Council Finance Subcommittee meetings starting in September 2026.

CLOSING STATEMENT

The City of Pinole recognizes the seriousness of the issues raised by the Civil Grand Jury and remains committed to addressing these challenges through responsible fiscal management, transparent communication, and long-term planning. The City appreciates the Grand Jury's effort to highlight areas needing sustained attention and looks forward to continued progress on these items.

Please feel free to contact the City for any additional information or clarifications.

Sincerely,



Anthony Tave
Mayor, City of Pinole

CC: Pinole City Councilmembers