

# City of El Cerrito

## Securing the Long-Term Financial Health of the City

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# Presentation Overview

## Identify the Problem We Need to Solve

Review budget challenges facing the City for both the short-term and long-term

## Review Framework for Evaluating Budget Strategies

Discuss a framework for evaluating budget strategies including criteria and rating system

## Review Examples

Review examples of budget strategies considered in other cities

## Next Steps

Discuss next steps and timing for developing mid-to long-term budget strategies

# From Strategic Plan to Fiscal Response Plan

- 1. Top goal from strategic planning efforts: Secure the financial health and long-term sustainability of the City**
  - Lack of reserves and State Auditor's report were drivers
  - Recommended Year 1 strategies addressed this goal
  - Reductions identified to right-size the budget; start to build reserves
- 2. COVID-19 hits**
  - Revenues fall; no reserves to counter-balance lost revenue
  - Budget gap expands; additional reductions planned
  - Sustained impacts must be addressed
- 3. Shift from finalizing strategic plan to preparing a fiscal response plan**
  - Utilize input from strategic planning engagement to evaluate strategies

# What Problem Are We Trying to Solve?



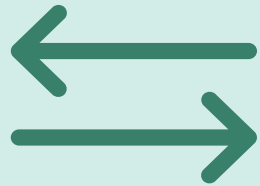
Short-Term

Long-Term

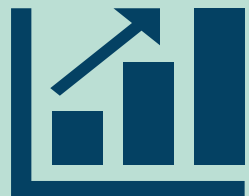
# Short-Term Budget Strategies



Prepare for **short-term revenue** loss

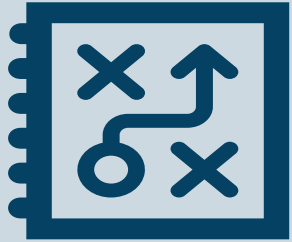


Address **cash flow** needs to remain solvent



Get the **General Fund** into the black for FY 20-21

# Long-Term Budget Strategies



Fiscal **sustainability** planning

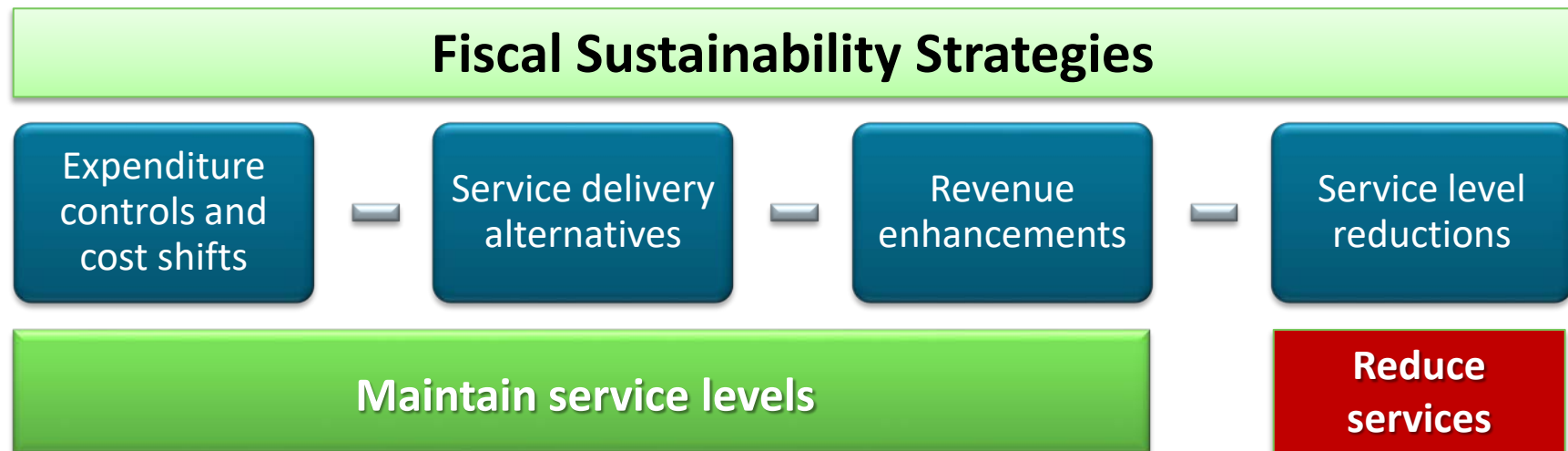


**Priority based** budgeting

# Fiscal Sustainability Planning

- Comprehensive set of fiscal policies and action steps to provide services in the long term without threat of insolvency or default of promised expenditures or liabilities
- Customized to the requirements and priorities of the City
- In-depth analysis of fiscal strategies

- Fiscal impact
- Feasibility



# Critical Decisions for El Cerrito

## Get a grip on the problem

- Differentiate short-term from long-term factors

## Set priorities of service delivery

- Which services do residents value most?

## Determine appropriate spending levels

- How much can the City spend for priorities based on available resources?

## Implement the priorities

- Determine how best to deliver the priorities for available funding



# Applying Priority-Based Budgeting for the Long-Term



# Priority-Based Budgeting Framework

The following framework is designed to assist City leaders with the **evaluation of potential budget strategies**. This will inform development of a fiscal response plan that will be implemented over **the next 6 to 18 months**.

The approach considers two primary factors:

1. Citywide priorities
2. Basic program attributes

# Criteria 1 – Basic Program Attributes

Basic Program Attributes	Description
<b>A. Mandated to provide the program</b>	The City is required to provide this program under 1) federal, state or county law; 2) contractual obligation without the ability to terminate; or 3) by City ordinance that would require a vote of the people to change.
<b>B. Community reliance on the City to provide the program</b>	Programs for which residents, businesses and visitors can look only to the City to obtain the service vs. programs that may be similarly obtained from another intergovernmental agency or a private business.
<b>C. Cost recovery of the program</b>	Programs that demonstrate the ability to “pay for themselves” through user fees, intergovernmental grants or other specifically dedicated revenues vs. programs that generate limited or no funding to cover their cost.
<b>D. Demand for the program</b>	Programs demonstrating high levels of current or anticipated demand or usage vs. programs that show little demand or usage.
<b>E. Portion of the community served</b>	Programs that benefit or serve a larger segment of the City’s residents, businesses and/or visitors vs. programs that benefit or serve only a small segment of these populations.

# Criteria 2 – Citywide Priorities

Strategic Goals	Applicability		
	Short-term (6 months)	Mid-term (18 months)	Long-term (5 years)
<b>1. Secure the financial health and long-term sustainability of the City</b>	<b>High</b>	<b>High</b>	<b>High</b>
<b>2. Ensure public safety</b>	<b>High</b>	<b>High</b>	<b>High</b>
<b>3. Maintain public facilities and infrastructure</b>	<b>Mid</b>	<b>Mid</b>	<b>High</b>
<b>4. Sustain quality of life and sense of place</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>
<b>5. Foster environmental sustainability citywide</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>

# Applying the Framework

Each proposed budget reduction strategy will be **evaluated** and **scored** using the factors presented.



The resulting composite score will help to inform **Council deliberation and decision-making.**



The strategies that receive a **lower overall score** will be the starting point for inclusion in the fiscal response plan.



The total savings generated through proposed budget reduction strategies will need to achieve the **fiscal target** in order to ensure short- and mid-term fiscal solvency to the City.

# Rating System

- Each of budget reduction strategy will be evaluated using the score scale.
- The results will be presented in a scorecard.
- The combination of ***composite score, fiscal impact, and specific ratings*** will be used to inform the fiscal response plan that will be prepared for Council consideration.

Scoring	Description
4	Program has an <b>essential or critical role</b> in achieving the desired results/outcomes (i.e., the City most likely could not achieve this overall result without the existence of this program)
3	Program has a <b>strong influence</b> on achieving the result
2	Program has <b>some degree of influence</b> on achieving the result
1	Program has <b>minimal influence</b> on achieving the result
0	Program has <b>no influence</b> on achieving the result

# Scorecard

- Strategy Title
- Brief Description
- Department

- Timing for Implementation (Month/Year)
- Fiscal Impact

Strategy #	Strategy title	Composite Score (Low to High)	Desired Results or Goals					Basic Program Attributes				
			Financial health	Public safety	Public infrastructure	Quality of life	Environmental sustainability	Mandated to provide program	Community reliance on City	Cost recovery	Demand for program	Portion of community served
1	Sample text	0-4	0-4	0-4	0-4	0-4	0-4	0-4	0-4	0-4	0-4	0-4
2												
3												
4												
5												

# Strategy Types and Examples

Category	Examples of Strategies from Other Jurisdictions
<b>Expenditure Controls and Cost Shifts</b>	<ul style="list-style-type: none"> <li>• Discontinue retiree health coverage for new hires</li> <li>• Consider options for less expensive classifications</li> </ul>
<b>Service Delivery Changes</b>	<ul style="list-style-type: none"> <li>• Consider options for alternative service delivery methods (e.g., outsourcing; franchising programs)</li> <li>• Partner with neighboring agencies or non-profits</li> <li>• Assess opportunities for service sharing arrangements/regionalization of services</li> </ul>
<b>Revenue Enhancement</b>	<ul style="list-style-type: none"> <li>• Update user fees</li> <li>• Assess options for increasing parking revenue via meter programs</li> <li>• Add an administrative fee to solid waste contract</li> </ul>
<b>Service Reductions and Eliminations</b>	<ul style="list-style-type: none"> <li>• Eliminate services which can be provided by others</li> <li>• Reduce maintenance service levels</li> </ul>





# Discussion/Questions