



September 16, 2022

California State Auditor
621 Capitol Mall, STE 1200
Sacramento, CA 95814

Dear State Auditor:

The City of El Cerrito is pleased to submit its transmittal of the required six-month Progress Report on the City's Corrective Action Plan in response to your Report Number 2020-803 regarding the City of El Cerrito under the California State Auditor Local High Risk Program published on March 16, 2021. This Corrective Action Plan Progress Report reflects continued significant improvements on the part of the City, and has been prepared with the intent to outline the specific actions that the City of El Cerrito has performed since our submittal of the Corrective Action Plan (CAP) in May 2021 and subsequent Progress Report Updates in September 2021 and March 2022 to address the risk areas identified in the Report and the proposed timing for undertaking those actions.

The CAP Progress Report provides an Executive Summary and updates the matrix of State Auditor High Risk Areas and Recommendations, the City Administration's response to the Recommendations, and the Corrective Action that the City has or will take on the Recommendation. The City has also included documentation for items noted in the matrix.

The City Council subcommittee of Councilmembers Lisa Motoyama and Tessa Rudnick has worked directly with staff to monitor the various actions outlined in the CAP, in anticipation of this update outlining the City's progress in implementing the CAP. The CAP Progress Report was presented to the subcommittee for their review and input, and the Progress Report will be shared with the entire City Council upon submission. The subcommittee reviewed the proposed actions and provided comments.

The City has received comments on the City's March 2022 CAP Progress Report from the State Auditor team and is pleased to note that the State Auditor has noted that one high risk area is now designated as "Addressed", one high risk area is noted as "Partially Addressed", and the last three risk areas are "Pending." The City is appreciative that the State Auditor agrees with the City that we have made progress in the designated areas, and this CAP Progress Report for September 2022 will provide updated information on the "Pending" areas that demonstrate the continued progress of the City and its commitment to financial sustainability.

Since the submittal of the CAP Progress Report in March 2022, the City has continued to make significant progress in the risk areas identified as well as on many of the recommendations contained within the original Report. The City Council passed a balanced budget for FY 2022-23, continued strategies to ensure fiscal sustainability, and diligently reviews and monitors the City's budget and financial condition. The City Council approved the FY 2022-23 budget that noted continued improvements in revenue projections and adjusted expenditures strategically as the City continues to restore services suspended during the pandemic. The City is currently in its end-of-year closing process in preparation for the annual independent audit that results in the Annual Comprehensive Financial Report for Fiscal Year 2021-22, and has also engaged a new audit firm, Chavan and Associates, to



perform that work. The current unaudited actuals show that the City came in well below its expenditure targets and exceeded revenue targets, showing a General Fund surplus of approximately \$4.6million. This surplus does *not include* the second tranche of American Rescue Plan Act (ARPA) funding of \$3 million and was a direct result of the continuing sustainability measures, careful budget monitoring, being strategic about hiring for new and vacant positions, and conservative revenue estimates. ARPA funding was applied as revenue loss per the Final Rule from the U.S. Treasury, which results in an unaudited FY 2021-22 fund balance of approximately \$8 million, which would place the City's total General Fund reserve fund balance of \$15 million, which far exceeds the GFOA recommended guidelines for reserves and is in accordance with the City's Comprehensive Financial Policies. As previously noted, the City's previous independent auditor Badawi and Associates removed the "going concern" designation from the FY 2020-21 ACFR, reflecting the City's improved fund balance and position.

The City Council committed to the creation of a Fiscal Recovery Plan and has updated and finalized the Plan this summer. The Council originally met on August 31, 2021 and held a study session to discuss strategies for the City's long-term financial sustainability. To that end, the City's plan is called the Fiscal Recovery and Sustainability Plan, to reflect not just the crisis response and short-term improvements but the long-term policies needed to sustain and enhance the City's financial condition. Because of the departure of the Finance Director and the City's continued challenges with staffing due to vacancies and COVID-19, the adoption of the plan was delayed until after the FY 2022-23 budget was approved and was adjusted in coordination with the new Finance Director and the City Council. The draft version of the Plan was provided to the State Auditor in the March 2022 CAP Progress Report and the elements of the Plan were discussed and included within the FY 2022-23 Budget document. The City Council subcommittee reviewed the Plan with staff, and the Plan was brought to the City Council at its meeting of August 16, 2022 and approved unanimously. The completed version is provided in this CAP Progress Report, and it must be noted that most elements included in the Plan are already being implemented or already completed, and there are significant improvements in all of the areas noted. Another note is that the City intends to engage in strategic planning during this fiscal year, which will further enhance the elements of the Plan and strengthen the City's commitment to continuous improvement. City staff will be regularly reporting on the progress of this Plan to the City Council.

The City Council has continued to review the City's budget and financial condition through continued policy discussions and updates at their regular City Council meetings, and there has also been increased reporting to and input from the City's Financial Advisory Board. At its upcoming meeting in September, staff is also recommending that the City Council update the City's Comprehensive Financial Policy to now require City Management to regularly provide budget reports to the City Council as a means to increase accountability. City staff has also continued to respond to the impacts created by the ongoing COVID-19 pandemic, both operational and financial, and has taken specific steps to address these impacts in preparing the budget so that the City's financial condition will continue to improve.

The City is proud of the work that has been accomplished over the eighteen months within the identified risk areas and beyond. We appreciate the opportunity that the audit provided the City to enhance and improve our policies and procedures and address our structural financial issues. With my



transition to City Manager beginning in 2019 and with our new Finance Director starting this year, the audit report has provided us the ability to put the City on the road to fiscal sustainability and envision a bright future.

This September 2022 CAP Progress Report shows that the City has indeed made further substantial progress in improving its financial condition, and it is our hope that the State Auditor agrees and will remove the high-risk designation from the City of El Cerrito. The City will also be providing a copy of this CAP Progress Report to the Chair and Vice Chair of the Joint Legislative Audit Committee, as well as our own state Assembly and Senate representatives, so that they are also aware of the progress that the City of El Cerrito has made in this State Audit process. Should there be any issues that are still pending in the opinion of the State Auditor, the City will provide a report at the next six-month mark in March 2023.

Please feel free to contact me should you have any questions.

Respectfully,

Karen E. Pinkos, ICMA-CM
City Manager, City of El Cerrito

cc: El Cerrito City Council
Chair and Vice Chair, Joint Legislative Audit Committee
Assemblymember Buffy Wicks
Senator Nancy Skinner



CITY OF EL CERRITO
CORRECTIVE ACTION PLAN – STATE AUDIT 2020-803
Progress Report: September 16, 2022

EXECUTIVE SUMMARY
Overview of High Risk Areas
City Update as of September 2022

Continual Diminishing of Financial Reserves Through Overspending	
<p>California State Auditor's Assessment Status: Partially Addressed</p>	<p>El Cerrito’s fiscal year 2020–21 audited financial statements show the city’s substantial progress in restoring its general fund reserves. El Cerrito has a general fund reserve balance of \$7.1 million, or 19 percent of the city’s general fund expenditures, and general fund revenues exceeded expenditures by \$6 million that year. This reserve balance includes \$3.1 million the city received under the American Rescue Plan Act (ARPA) in fiscal year 2020–21. In our report, we noted that a best practice is to maintain a reserve of at least 17 percent of expenditures, which El Cerrito was able to exceed during that year. Because of its improved financial position, El Cerrito plans to discontinue its practice of short-term borrowing in fiscal year 2022–23.</p> <p>El Cerrito’s ability to meet its goal of a sufficient reserve can be attributed to multiple factors that it may not be able to rely on in the future, risking the depletion of that reserve. First, the city’s increased revenue can largely be attributed to an unexpectedly robust real estate market. The city’s real estate transfer tax generated \$4 million in fiscal year 2020–21, 53 percent more than expected. If the city’s real estate market slows, the city may not generate sufficient revenue to cover its costs. If the city had received the amount of the transfer tax that it budgeted for, the city would have \$1.4 million less in revenue. A highly variable revenue source such as this tax can leave the city vulnerable to overspending if the city increases its revenue projection based on a peak year but ultimately receives a much lower amount. As we note in our audit report, El Cerrito’s financial challenges occurred in large part because it did not adjust its spending to match its revenue.</p> <p>Additionally, El Cerrito reduced its spending by decreasing the number of authorized staff positions. However, it is unclear how long El Cerrito will be able to serve the public without sufficiently staffing its departments. In its fiscal year 2021–22 midyear budget update, El Cerrito increased its planned spending by \$2.1 million, due in large part to the need to hire additional staff or contract labor to address its workload. As we discuss later, El Cerrito has not taken steps to more sustainably address its costs, such as</p>



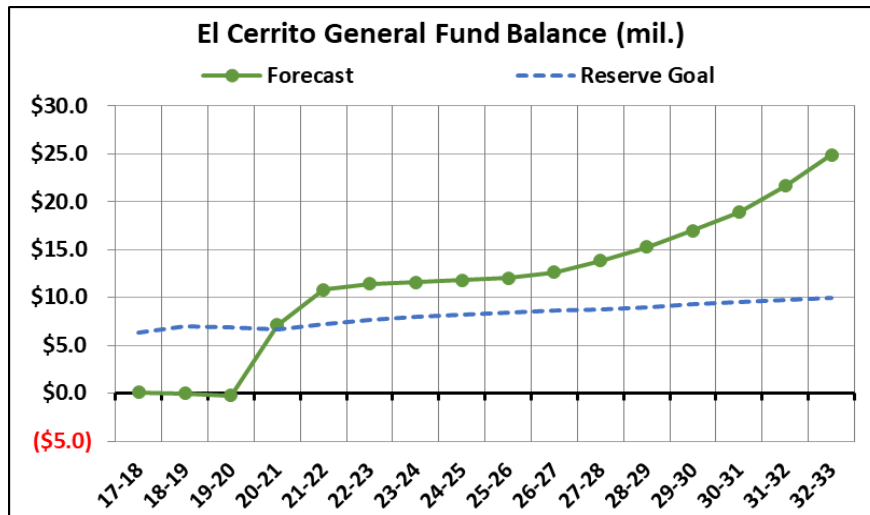
	<p>conducting a salary survey. Finally, recent federal assistance has significantly aided El Cerrito in improving its financial reserves. The city has received \$3.1 million of the \$6.1 million it expects from ARPA funding. However, El Cerrito cannot expect additional federal revenue to support the city’s reserves and will need to ensure that it can maintain such a balance through other resources.</p> <p>Moreover, El Cerrito has taken only initial efforts to address its pension costs. As the city noted in its September 2021 update and reiterated in its March 2022 update, its police chief and fire chief, who are part of a union, agreed to pay a higher proportion of their pension costs. However, other unions that represent most employees have not agreed to deferrals of salary increases that could help control pension spending. El Cerrito also indicates that it is researching vendors to establish a Section 115 trust that can be used to pre-fund pension costs, but does not expect to finalize this strategy until fiscal year 2022–23. Nevertheless, unlike its approach for managing pension costs, the city has taken steps to address the health care subsidy it provided to retired employees. The city restructured its health care payments so that retirees are now assigned to a separate pool and will pay the full costs of their benefits.</p>
--	---

City Update September 2022: The City has addressed this risk area by making substantial and measurable improvements to its financial condition, including significant budget cuts beginning in 2020 and within the FY 2020-21 Fiscal Response Plan, by exercising fiscal discipline and careful budget monitoring, and improving its financial position significantly in FY 2021-22. The City has begun its year-end closing process in anticipation of the upcoming annual independent audit that will result in the FY 2021-22 Annual Comprehensive Financial Report (ACFR). The current unaudited year-end actuals reflect an approximate \$4.6 million surplus in the General Fund not including American Rescue Plan Act (ARPA) funding; with the allocation of the ARPA funding to FY 2021-22 the unaudited ending General Fund balance for FY 2021-22 is expected to be approximately \$8 million, exceeding the City Council’s direction from June 1, 2021 to target a \$1 million surplus each fiscal year. This will result in a total General Fund reserve of approximately \$12 million, well exceeding the GFOA recommended reserve target of 17% and the City’s General Fund minimum reserve target of 10%. The City came in below its expenditure targets and exceeded revenue targets. The surplus is targeted for General Fund Reserves, though as noted further in this summary, the City Council and the Financial Advisory Board will be considering funding sources for pension obligations in the coming months as well. The City’s independent auditor removed the “going concern” designation from the previous ACFR, reflecting the City’s improved fund balance and position.

The City was allocated \$6.2 million from ARPA and per the direction of the City Council, the second tranche of \$3.1 million was allocated to FY 2021-22 as with the first tranche in the previous fiscal year. Per the U.S. Treasury Final Rule, the ARPA funding is assigned as “revenue loss” to the City and allocated for general government services accordingly.

Because of the progress in increasing General Fund reserve levels, the City did not issue a TRAN for FY 2022-23. This is the first time in several years the City will not use a TRAN for cash flow purposes.

The City Council passed a balanced FY 2022-23 budget, again using conservative revenue projections and implementing strategic non-personnel expenditure targets. City staff worked diligently with our financial and tax consultants to develop the projections, taking into account various scenarios as the economy continues to be volatile. The revenue projections also do not include increases expected once the City's second cannabis retailer opens, which is expected at the end of this calendar year; the City's first cannabis retailer opened one year ago and has already become one of the City's top sales tax generators. Over the previous fiscal year, the City Council discussed and monitored the budget by receiving budget updates and presentations from departments and has provided continuous direction to staff, understanding the need to be thoughtful and strategic as the City restores services paused during the pandemic and considers improved service delivery. Now that the pandemic seems to be easing once again, demand for services and retention of employees remain critical considerations for the City Council. As such, budget considerations and impacts were presented as scenarios to the City Council using the 10-year budget projection model. An updated 10-year projection of the General Fund balance was presented to the City Council, shown below, and allows the Council and the public to see that at this time we remain on the path to fiscal health and sustainability that the City has committed to, while being mindful of potential changes in the economy that could require midyear adjustments.



The City Council directed staff in June 2021 to pursue opening a Section 115 Trust to address pension obligations. City staff has engaged NHA Financial Advisors and will be holding a kickoff meeting with the City Council and Financial Advisory Board on September 27, 2022 to confirm the process for establishing the Section 115 Trust and review its current pension obligation numbers from CalPERS. Following this meeting and any additional direction from the City Council, City staff will issue a Request for Proposals (RFP) for administration of the Section 115 trust in October. City staff is working with the Financial Advisory Board to create specific financial policies for funding the Trust



appropriately, including potential allocations of General Fund surplus funds. It is expected that the Trust administrator will be chosen in the next few months, and the Trust and funding policies established by midyear.

The City Council directed staff in April 2021 to negotiate with bargaining units to increase employee contributions to CalPERS. City staff has followed this direction during negotiations with the bargaining units with contracts up for renewal in 2022, including SEIU and Local 1230 (Fire). The City negotiated and the City Council approved a Memorandum of Understanding (MOU) with SEIU that included a provision for CalPERS "classic" employees to make an additional 0.5% contribution for a total of 8.5% contribution; CalPERS "PEPRA" employees will pay 50% of the normal cost of their retirement as determined by CalPERS or 8.5%, whichever is greater. This means that now all represented City of El Cerrito employees are providing additional contributions to CalPERS above the standard employee contribution. Local 1230 and the City are still under negotiations at this time.

Ineffective Budget Development and Monitoring Practices

California State Auditor's
Assessment Status:
Addressed

El Cerrito has improved its budgeting processes to provide meaningful information for making fiscally sound decisions. As we noted in our September 2021 assessment, the city's fiscal year 2021–22 budget, adopted in June 2021, included several improvements to the information provided to the public. However, we noted that one of the critical budgeting items still needed was to track and present financial information by department. Maintaining information at this level of detail could help the city council hold departments accountable for their spending. Beginning with its general fund budget update for the first quarter of fiscal year 2021–22 that city staff presented to the city council in November 2021, El Cerrito now provides revenue and expenditure amounts by department and compares those amounts to the amounts reported in its budget. Beginning with the report for the second quarter of fiscal year 2021–22, the city included prior year actual expenditures by department for comparison. This additional level of detail can assist city council members in identifying when a particular department may be overspending. For example, El Cerrito's second quarter update showed that its community development department was trending towards overspending its budget. The update noted that the spending was due to an increased workload and that the department would need a budget revision. When the city subsequently presented its mid-year budget revision, it directed additional resources to that department.



City Update September 2022: The City is pleased that the State Auditor has designated this risk area as “Addressed.” The City will maintain its commitment to carefully and strategically monitoring our budget, including amending the City’s Comprehensive Financial Policy (scheduled for the City Council meeting on September 20, 2022) to require regular budget reporting to the City Council in order to increase accountability and transparency.

Lack of Formal Financial Recovery Plan

California State Auditor's Assessment Status:
Pending

El Cerrito provided a draft of its Fiscal Recovery and Sustainability Plan but noted that the plan is still being developed and expects it to be completed during its budget process for fiscal year 2022–23. The draft plan identifies action items the city plans to take to address its financial condition and also assigns a lead staff member, projects a target date of completion, and estimates an annual fiscal impact. The draft plan includes action items the city council approved in August 2020, such as the elimination of the assistant to the city manager position, items identified by the city, and items based on recommendations in our audit report. However, El Cerrito noted that its development of the plan has been delayed, in part, due to turnover in its finance department. The city’s finance director resigned in October 2021 and the city hired a replacement in March 2022. We look forward to reviewing El Cerrito’s plan upon its completion.

City Update September 2022: The City Council approved the Fiscal Recovery and Sustainability Plan on August 16, 2022. The Fiscal Recovery and Sustainability Plan will move the City from its previous crisis response to a measured approach toward long term fiscal health. The Fiscal Recovery and Sustainability Plan outlines actions taken, actions ongoing, and future actions to ensure the City's fiscal sustainability. These actions have provided the City with a basis to move forward as we continue to improve our fiscal health, and have been successful as demonstrated through the City's Annual Comprehensive Financial Report (ACFR) and budget document. City staff will continue to work through the strategies in this Plan and will provide regular updates to the City Council and State Auditor.

Insufficient Reductions In Ongoing Costs

California State Auditor's Assessment Status:
Pending

Although El Cerrito’s financial condition has improved, the city still needs to take specific action to control the growth of its salary and benefit costs. In response to our recommendations to reduce costs, El Cerrito issued a request for proposals for a salary and compensation study. However, it has not committed to when it would actually perform the study and noted that such a study would



	<p>likely result in increases in its management employees' compensation. Nevertheless, most city employees who are not at the management level may have salaries above average for the region. Because El Cerrito notes in its response that it will soon enter negotiations with two of its employee unions, it would benefit the city to have updated information with which to base those negotiations.</p> <p>Further, El Cerrito continues to defer a decision to permanently end its system of allowing certain management employees the ability to receive salary increases above the threshold established in the city's salary schedules. At this time, the city states that it has indefinitely suspended this process but does not indicate why it has not decided to discontinue it entirely. Our audit cited specific examples of management employees being paid in excess of the city's salary schedule and greater than similar positions of nearby cities, so we are unclear why this process has not been eliminated.</p>
--	---

City Update September 2022: The City Council approved a contract with Koff and Associates for a Citywide classification/compensation study on July 19, 2022. Koff and Associates began their work as of August 31, 2022.

As previously noted, salary increases for Management and Confidential (unrepresented) employees were frozen for the fiscal years FY 2019-20 and FY 2021-22. In addition, the City Council imposed an additional 2% contribution into CalPERS for a total of 3%, special pays such as auto allowances were eliminated, and this group was subject to a total of 44 furlough days in the last two fiscal years resulting in a take-home pay cut of approximately 7% during that period. The practice of increasing salaries to exceed the control point of any position has indeed been suspended, no merit increases have been given since 2019, and only a cost-of-living adjustment (COLA) for this group is being factored into the current 10-year projection model. In short, this group has been the most impacted with respect to salary and benefit reductions among all City employees during the past three years.

In June, the City Council passed a resolution for Management and Confidential employees providing a 3% COLA and only allowing future merit increases with the approval of the City Manager. City Management remains aware that because this group's salary ranges have been frozen for two years, the current salary ranges are behind the market. The City is presently experiencing retention issues with current employees and serious recruitment challenges for vacant positions within this group. The classification/compensation study will verify where the salaries for this group lie within the market, and as part of the scope of work the consultants will review the City's organization and compensation structure and practices and develop compensation recommendations that will assist the City in recruiting, motivating, and retaining competent staff while being fiscally responsible. Further, the compensation and salary structure will be modified accordingly so that inconsistencies and inequity with respect to the control point within the current classifications are addressed. This will allow City Management and the City Council to ensure that the City's salary system is



appropriate, that compensation is indeed within the market, and that the City is able to recruit and retain capable Management and Confidential employees in order to provide effective service delivery to the community.

Missed Opportunities to Increase Revenue

California State Auditor's Assessment Status:
Pending

El Cerrito continues to defer taking specific actions that could increase its revenue and contribute to more financial stability. El Cerrito's corrective action plan update notes that the city increased fees for its recreation services. However, it made those changes in May 2021 and previously reported them in its September 2021 corrective action plan update. The city continues to report that it will conduct a demand and cost recovery analysis for recreation services after normal operations resume but states that it cannot estimate when that will occur. Further, El Cerrito's corrective action plan update states that the city is currently charging for senior services at normal cost recovery. However, when we asked for documentation of this practice, city staff provided budgetary and financial information indicating that the city continues to subsidize the senior services program. Moreover, El Cerrito expects the cost of operating its swim center in fiscal year 2021–22 to exceed the revenue obtained from fees, resulting in the city once again needing to subsidize those services. El Cerrito should prioritize efforts to ensure that its fees cover the cost of its services regardless of changes in demand.

El Cerrito also reports in its update that it is currently researching options to recover the cost of its emergency medical services and plans to provide information to its city council in April 2022. In addition, the city states that it is in negotiations to sublease modular buildings that it rented but was not using.

City Update September 2022: Recreation staff assessed various fees for the Swim Center and Senior Services and increased fees were included in the FY 2022-23 Master Fee Schedule approved by the City Council in May 2022. City staff researched comparable Recreation Department budgets in the East Bay and found that El Cerrito's Recreation Department 77% cost recovery rate is well above the cost recovery rates of the comparison cities. City staff additionally noted at the midyear budget presentation to the City Council in March that Recreation revenues in Swim Center and Childcare were actually outpacing the FY 2021-22 revenue targets due to increased participation; indeed as of this date unaudited actuals indicate that the Swim Center revenues exceeded the adjusted revenue target by 20%. Because expenses were kept flat at midyear, the unaudited actuals show Swim Center revenues exceeding expenses by 33%.



Senior services are continuing to be reinstated after having been closed due to the pandemic, but staff has consolidated staffing and services that are offered at the Community Center; because staffing has been reduced this has in turn has reduced expenses. Classes and services offered for seniors remain at the Department's normal cost recovery structure and not at the free or low-fee level. Staff still plans to conduct an analysis on the demand for Swim Center and Senior Services and cost recovery once normal operations resume and a typical season can be conducted, with a targeted date of completion in 2023 as long as pandemic conditions continue to trend down. However, we also believe the City must remain sensitive to what the market will bear with respect to the costs for these services, especially for seniors, as demand/use could decrease if fees are set too high.

On April 19, 2022, the City Council held a study session to discuss first responder fees. City staff conducted research on first responder fees using data from several local fire service agencies and consultants. City staff and the City Council shared concerns regarding the implementation of such fees in El Cerrito considering that such fees are not reimbursed by Medicare, and approximately 20% of the City's population is over 65 and may only rely on Medicare for their medical insurance, nor are they reimbursed by Kaiser Permanente, which is a widely used insurance carrier in this area. This fee could have a higher impact on low-income residents and seniors and raised an additional concern about a disincentive for people to call for medical response. Further, the implementation of such a fee would require a high amount of administrative work and necessitate using a third-party billing service, the costs for which would come from any revenue generated. It is estimated that the best-case scenario for such fees would be a potential gross revenue of \$140,000 annually, before billing and additional staff costs. However, based on peer comparisons and call data, revenue would likely be in the \$50,000 range minus billing and additional staff costs. After discussions, the City Council decided not to pursue the implementation of first responder fees for the City of El Cerrito.

On July 19, 2022, the City Council approved a license agreement with the Kensington Police Protection and Community Services District to sublease one of the modular buildings (previously used for Senior Services) for the District's temporary use, which will offset part of the City's monthly charges.

Other revenue opportunities, including grant funding, are continuously being sought out by staff in all departments and will continue to work with the City Council on any opportunities for increasing fees for services. In August 2022 the City Council approved a contract with Renne Public Policy Group for grant writing services to assist City staff in identifying, applying for, and administering grants and grant funding.



**CITY OF EL CERRITO
CORRECTIVE ACTION PLAN – STATE AUDIT 2020-803**

High Risk Issue # 1

Financial Condition and General Fund Reserves

Overview: The City Council and City staff are determined to restore the City to fiscal health, increasing the General Fund reserves, and provide appropriate levels of service with respect to revenues. City staff will continue to monitor revenues and expenditures closely and work with the City Council to determine adjustments in a timely manner, if warranted.

High Risk Area #1 - State Auditor Recommendations	Response	Corrective Action September 2022
<p>1. To eliminate its reliance on short-term loans, El Cerrito should address its overspending and its revenue shortfalls as discussed throughout this report</p>	<p>The Administration Agrees with this Recommendation – The Administration goal is to not have to rely on a TRAN (Tax & Revenue Anticipation Note) in the future. The City will continue to work with the City Council on implementing strategies to achieve the GFOA recommended reserve levels that will eliminate the need for a TRAN.</p> <p>March 2022: This item is completed.</p> <p>September 2022: Additional information added to confirm this item is completed.</p>	<ul style="list-style-type: none"> • The City’s unaudited ending year totals reflects an approximate \$4.6 million surplus in the General Fund. The City came in below its expenditure targets and exceeded revenue targets. The surplus is targeted for General Fund Reserves. • The City was allocated \$6.2 million from ARPA and has received its second payment in the amount of \$3.1 million. This funding, per the direction of the City Council, was allocated as revenue loss for FY 2021-22. • The FY 2021-22 audit is underway and the unaudited General Fund surplus including ARPA funding is expected to result in a General Fund balance of approximately \$8 million, resulting in a General Fund reserve of approximately \$15 million, far exceeding the GFOA recommended reserve target of 17% and the City’s General Fund minimum reserve target of 10%. • The City’s cash flow position eliminated the need for a TRAN, so a TRAN was not issued for FY 2022-23. • City management and Finance staff continue to implement strict policies



		<p>for staff to monitor revenues and expenditures and will continue to report to City Council on budget performance. The City’s Finance Director is continuing to monitor these policies and implement systems to ensure continued compliance.</p>
<p>2. To ensure that its rising pension costs do not jeopardize the City’s ability to provide services to its residents or contribute to potential insolvency, El Cerrito should identify and use alternative methods of paying for the obligation, such as establishing a trust funded by the City or through employee contributions that invests amounts that can be used to pay for future pension benefits and reduce future pension costs</p>	<p>The Administration Agrees with this Recommendation – As a first step, the Administration has been focused building its reserve levels. Establishing a Section 115 Trust would be an extension of those efforts. The Administration intends to work with the City Council to recommend establishing a Section 115 Trust or consider other methods to fund CalPERS obligations.</p>	<ul style="list-style-type: none"> • The City Council has directed City staff to establish a Section 115 Trust. A kickoff meeting with the City Council and Financial Advisory Board will be held on September 27, 2022 to confirm the process for establishing the Section 115 Trust and review its current pension obligation numbers from CalPERS. City staff will issue a Request for Proposals (RFP) for administration of the Section 115 trust in October. City staff is working with the Financial Advisory Board to create specific financial policies for funding the Trust appropriately, including potential allocations of General Fund surplus funds. It is expected that the Trust administrator will be chosen in the next few months, and the Trust and funding policies established by midyear. Expected completion: FY 2022-23. Responsible staff: City Management/Finance Department. • The City Council directed staff to work with all employee bargaining units to negotiate increased contributions to CalPERS. The City negotiated an increase of 0.5% of additional costs with the SEIU bargaining unit, resulting in all City bargaining units contributing to CalPERS employer costs in addition to the employee cost. The City is continuing negotiations with 3 other bargaining units in 2022 and will



		continue to discuss increased contributions. Completed.
<p>3. To ensure that its policy of allowing individuals to remain as members of City-sponsored health care plans upon retirement does not result in additional costs for the City, El Cerrito should calculate the subsidy it provides to those retirees and charge them for the difference in cost resulting from their inclusion in the health care pool</p>	<p>The Administration Agrees with this Recommendation – The Administration intends to work with its benefits broker to determine the cost of the implicit subsidy that is provided to retirees by allowing them to stay on the City’s plan (at the retiree’s cost), and work with the City Council on implementing this subsidy fee to those respective retirees.</p> <p>March 2022: This item is completed.</p>	<ul style="list-style-type: none"> • City staff worked with our benefits broker to determine the best way to deal with the implicit subsidy and, working with the insurance vendors, concluded that separating out the retirees from the active employees as a separate group, and calculating related costs for each group, was the best way for the subsidy to be recognized and dealt with. This means that the retirees will be paying their total share and not the subsidized active employee cost; which not only eliminates the subsidy but will also in time eliminate the OPEB liability completely. This also resulted in a decrease from what the City had budgeted for employee health care costs. This was implemented during the open enrollment window at the end of 2021 and is now in place. As of now and going forward, the retirees are charged their own costs in their own group and the City only pays for the active employee health care costs that do not include the implicit subsidy of the retiree health care costs. Completed.



**High Risk Issue # 2
Budget Development and Monitoring**

State Auditor Determination as of August 2022: Addressed.

Overview: The City is committed to continuous improvement in implementing policies and procedures that conform with best practices in local government, and to provide information to the City Council and the community in order to make informed and educated decisions.

High Risk Area #2 - State Auditor Recommendations	Response	Corrective Action September 2022
<p>1. El Cerrito should adopt GFOA budgeting best practices that specifically include the following:</p> <ul style="list-style-type: none"> ○ Using historical trends and analysis as the basis for financial projections. ○ Expanding its monthly revenue and expenditure budget updates to include comparisons to actual results to minimize overspending ○ Establishing procedures to prevent, detect, and correct deviations from adopted budgets during the fiscal year to ensure that departments do not significantly overspend. 	<p>The Administration Agrees with this Recommendation – The Administration believes in continuous improvement. The Administration is committed to implementing procedures that hold departments accountable in keeping with best practices.</p> <p>The Administration does adhere to GFOA Budgeting Best Practices (such as using historical trends analysis as the basis for projections, monthly updates do include comparison to actuals) and has consistently been awarded the GFOA Distinguished Budget Presentation Award.</p> <p>March 2022: This item is completed.</p> <p>September 2022: Additional information added to confirm this item is completed.</p>	<ul style="list-style-type: none"> ● The City continues to follow GFOA best practices to use historical trends and analysis as the basis for financial projections. Current pandemic conditions continue to provide uncertainty within the projections, however staff worked with our tax consultants and department directors to provide updated General Fund projections that were included in the FY 2022-23 budget document. This model will continue to be updated with information and shared with the City Council. ● Departments were included in regular reporting to the City Council, including reporting activities and end-of-year projections, and mid-year budget adjustments were presented to and approved by the City Council in March reflecting the reports and discussions with the City Council. ● City staff has continued to improve budget reporting to City Council and now provides expanded quarterly updates that are presented at City Council meetings that include a narrative and department updates and trends for both revenues and expenditures. City staff has proposed revisions to the Comprehensive Financial Policy to



		<p>require City Management to provide regular budget reporting to the City Council, which will be presented at the September 20, 2022 City Council meeting.</p> <ul style="list-style-type: none"> • City Management and the Finance Director have implemented strict policies for department staff to monitor revenues and expenditures. The Finance Director will continue to monitor and improve on these policies and procedures.
<p>2. To ensure accountability in the budget development process, city management should document the assumptions and data used to develop each department’s projections of financial activity for the fiscal year. This information should be made available to the city council during the budget review and approval process.</p>	<p>The Administration Agrees with this Recommendation – The Administration plans to provide documentation of assumptions and data for Department projections to the City Council. Each Department will continue to be required to submit assumptions with revenue and expense projections as appropriate.</p> <p>March 2022: This item is completed.</p> <p>September 2022: Additional information added to confirm this item is completed.</p>	<ul style="list-style-type: none"> • City Management and the Finance Director worked with department directors and documented assumptions and data resulting in department budgets that were included within the adopted FY 2022-23 budget. Directors presented their budgets directly to the City Council during the FY 2022-23 budget hearings. This has continued through the fiscal year including additional department presentations to the City Council prior to the mid-year budget adjustments. City Management and Finance continue to meet with directors regularly to review progress.
<p>3. To ensure accountability in monitoring the budget, city management should present monthly updates to the city council on the current status of departmental budgets and comparisons to prior year budgeted and actual amounts. City management should promptly seek approval of proposed budget adjustments by department when warranted. City management should also prepare and provide supporting</p>	<p>The Administration Agrees with this Recommendation – The Administration will consult with the Financial Advisory Board (FAB) to review the City’s current Comprehensive Financial Policy, which calls for budgeting by Fund, to consider the impacts of budgeting by Department. If the FAB recommends and the City Council approves this policy change, the information provided to the City Council will provide justification by</p>	<ul style="list-style-type: none"> • City staff has continued to improve budget reporting to City Council and now provides expanded quarterly updates that are presented at City Council meetings that include a narrative and department updates and trends for both revenues and expenditures. The new Finance Director and staff will work to further improve these reports as the Council desires. Completed. • City staff has researched financial policies and continues to work with the Financial Advisory Board and City Council to determine any recommended updates to the



<p>documentation to justify any budget increases.</p>	<p>Department (including revenues, expenditures, and adjustments).</p> <p>September 2022: This item is completed.</p>	<p>Comprehensive Financial Policies that will ensure transparent and consistent reporting, including department information and accountability. On September 20, 2022 the City Council will consider an update to the policy requiring City Management to report regularly to the City Council. Completed.</p>
<p>4. To ensure that it fulfills its duty to guard the fiscal health of the city, the city council should direct staff to provide the information described above and regularly review such documents.</p>	<p>The Administration Agrees with this Recommendation – The City Council has directed staff to provide monthly and now quarterly financial reports, which has been done since mid-2020. The Administration is committed to continuing this practice that includes the recommendations from the State Auditor that are contained in this risk area.</p> <p>March 2022: This item is completed.</p>	<ul style="list-style-type: none"> The City provided a monthly General Fund report to the City Council since 2020, and during FY 2021-22 improved and expanded the report to include a narrative and department trends and information, which is now provided quarterly. Completed.
<p>5. To ensure that departments do not exceed their budgeted spending authority, the city should establish and enforce safeguards within its financial system that prevent expenditure from being incurred without appropriate budget authorization.</p>	<p>The Administration Agrees with this Recommendation -- The current financial policy and the adopted budget gives the City spending authority at the fund level, which permits departments to balance funding needs with available budgeted funds within the line-item budget. In the short term, the Administration will hold departments accountable to prevent the total departmental budget being exceeded. In the long term, departments will continue to be required to analyze their line item budgets to ensure there are adequate funds before submitting payment requests to Finance, and/or submit a budget transfer</p>	<ul style="list-style-type: none"> City Management and the Finance Director have implemented policies for departments to monitor revenues and expenditures and hold staff accountable. Budget performance will be noted in future department director evaluations. Finance staff have been directed to and are returning payment requests to departments not in compliance with these policies and procedures and will report any discrepancies to the Finance Director or City Manager. Departments are being monitored by City Management to ensure appropriate spending within departments as well as compliance with the current financial policy to ensure spending authority by fund is not exceeded. As a result, General Fund expenditures came in under



	<p>request to Finance moving funds where available to cover the expense.</p> <p>March 2022: This item is completed.</p> <p>September 2022: Additional information added to confirm this item is completed.</p>	<p>budget as of year-end FY 2021-22.</p> <ul style="list-style-type: none">• City Management is now in the process of restructuring of the Finance Department. The City will be interviewing candidates for a Budget Manager position during the last week of September 2022. The City also continues to work with Management Partners and other consultants to assist with financial analysis. Completed.
--	--	---



**High Risk Issue # 3
Fiscal Recovery Plan**

Overview: The City will develop and implement a Fiscal Recovery Plan that will focus on financial sustainability and accountability.

High Risk Area #3 - State Auditor Recommendations	Response	Corrective Action September 2022
<p>1. To ensure accountability in its fiscal recovery process, El Cerrito should develop and adopt a financial recovery plan by July 2021 that describes its goals and intended corrective actions, prioritizes its resources, identifies individuals responsible for monitoring its progress in implementing each action, and outlines when it anticipates completing key milestones related to each action. City management should also inform the city council quarterly of its progress in implementing the plan.</p>	<p>The Administration Agrees with this Recommendation – The Administration will expand upon the City’s existing Fiscal Response Plan to include the State Auditor’s recommended additions. This will be a living document that will continue to serve as the City’s roadmap to financial stability in FY 2025-26. The City Council will be informed quarterly on implementation progress.</p> <p>September 2022: This item is completed.</p>	<ul style="list-style-type: none"> • The City Council approved the Fiscal Recovery and Sustainability Plan on August 16, 2022. The Fiscal Recovery and Sustainability Plan will move the City from its previous crisis response to a measured approach toward long term fiscal health. The Fiscal Recovery and Sustainability Plan outlines actions taken, actions ongoing, and future actions to ensure the City's fiscal sustainability. These actions have provided the City with a basis to move forward as we continue to improve our fiscal health, and have been successful as demonstrated through the City's Annual Comprehensive Financial Report (ACFR) and budget document. City staff will continue to work through the strategies in this Plan and will provide regular updates to the City Council and State Auditor. Completed.



**High Risk Issue # 4
Reducing Costs**

Overview: The City will work to ensure that expenses, particularly in personnel, are at appropriate levels within the City's resources while allowing the City to recruit and retain a talented staff to provide services. City management will work with all bargaining units to ensure fair and reasonable compensation that is consistent with ensuring the financial sustainability of the City.

High Risk Area #4 - State Auditor Recommendations	Response	Corrective Action
<p>1. To identify potential savings and efficiencies, El Cerrito should perform the following tasks:</p> <ul style="list-style-type: none"> ○ By September 2021, conduct an analysis of the organizational structure of the city and assess the functions it needs to achieve its goals ○ Based on the results of the organizational structure study, conduct an analysis of the duties and responsibilities assigned to each of the city's current staff positions to identify any overlapping areas of responsibility and inefficiencies. ○ Using the results of its organizational structure study and its analysis of duties and responsibilities, conduct a compensation study by comparing total compensation for its staff positions with compensation paid by other cities. Based on the results of this study, implement personnel and salary changes that 	<p>The Administration Agrees with this Recommendation - A comprehensive study of the City's classification and compensation structure (including total compensation – not just base salaries) would be beneficial to the City. However, costs are expected to exceed \$100,000. If the City Council directed the Administration to allocate funding for a comprehensive classification and compensation study, staff believes this cannot be completed by September 2021. A study of this magnitude must be completed by an industry expert. A Request for Qualifications (RFQ) would have to be developed, issued and a subsequent selection process would follow. In addition, the consultant's work would take several months of extensive research of comparing classifications and the intricacies of total compensation before the City would be provided with preliminary findings.</p>	<ul style="list-style-type: none"> • The City Council approved a contract with Koff and Associates for a Citywide classification/compensation study on July 19, 2022. The study also includes a review of the City's organization and compensation structure and practices and will develop compensation recommendations that will assist the City in recruiting, motivating, and retaining competent staff while being fiscally responsible. Further, the compensation and salary structure will be modified accordingly so that inconsistencies and inequity with respect to the control point within the current classifications are addressed. Koff and Associates began their work as of August 31, 2022. Estimated completion: FY 2022-23. Responsible staff: Human Resources/City Management.



<p>would result in ongoing cost reductions</p>		
<p>2. To better control its salary costs, El Cerrito should end its practice of providing city management authority to pay certain employees over the threshold established in its salary ranges</p>	<p>The Administration Agrees with this Recommendation - The Administration would study management compensation as part of the classification and compensation study recommended by the State Auditor.</p> <p>In 2020, the Administration suspended this practice for Management & Confidential employees and will consider eliminating this when the Management & Confidential Resolution is updated this fiscal year. However, this practice was not suspended for members of the Public Safety Management Association (PSMA) as they are a bargaining unit, therefore, the City would have to engage in a meet and confer to discuss the possibility. The Administration cannot unilaterally impose the elimination of this practice to the PSMA.</p>	<ul style="list-style-type: none"> • This practice has been suspended for the Management and Confidential group, with a permanent change to be considered pending the completion of the classification/compensation study that will help determine the appropriate compensation system structure. This study will also used as a basis for discussions on compensation during future negotiations with the PSMA. Estimated completion: FY 2022-23. Responsible staff: Human Resources/City Management.
<p>3. Based on the results of its comprehensive analysis, El Cerrito should do the following:</p> <ul style="list-style-type: none"> ○ Freeze salary increases for management with salaries above those of comparable cities until they are in line with those salaries. For positions with salaries above those of comparable cities that are represented by bargaining units, the City 	<p>The Administration Partially Agrees with this Recommendation – The Administration would study management compensation as part of the classification and compensation study recommended by the State Auditor.</p> <p>The Administration has already taken action to freeze salaries, as no unrepresented employees have received merit increases</p>	<ul style="list-style-type: none"> • The City froze salary increases for Management/Confidential since FY 2019-20 and FY 2021-22. Because this group has not had any increases in two fiscal years, the salaries for this group are expected to be behind the market of comparable cities at this time. The classification/compensation study will verify if the City’s current compensation is within the market of comparable cities/agencies. • Considering the layoffs that were previously implemented and vacancies throughout the organization, at this



<p>should not agree to additional salary increases until those positions' salaries are in line with salaries in comparable cities</p> <ul style="list-style-type: none"> o Seek to eliminate or consolidate positions that have overlapping responsibilities 	<p>this fiscal year and received no COLAs. In addition, the Administration imposed 26 non-paid furlough days (roughly a 10% reduction in pay) for FY 2020-21 for unrepresented Management employees.</p> <p>March 2022: This item is completed.</p> <p>September 2022: Additional information added to confirm this item is completed.</p>	<p>time there are no positions that have overlapping responsibilities; the Management/Confidential positions have had to take on the work of vacant/eliminated positions in order to continue to provide services to the public.</p> <ul style="list-style-type: none"> • The City is presently experiencing retention issues with current employees and serious recruitment challenges for vacant positions within this group and must consider the impact of the City's current compensation with respect to the tight labor market.
<p>4. To reduce its fire department's costs, El Cerrito should develop a timeline by July 2021 for controlling the department's personnel expenditures, such as through negotiated salary reductions or freezes.</p>	<p>The Administration Partially Agrees with this Recommendation – The Administration continues to look into personnel cost reduction options Citywide, however, the Administration has no ability to impose salary reductions or freezes on the two bargaining groups that represent sworn members of the Fire Department. Any proposals from the Administration are subject to meet and confer and there is no obligation from the labor groups to accept. In 2020, the Administration negotiated an elimination of a 3% COLA set to take place in July 2020. In addition, the City filled three long-standing vacancies to reduce the amount of overtime in the Fire Department.</p>	<ul style="list-style-type: none"> • City Management worked with Local 1230, who represents Fire Department employees, to discuss the City's financial situation and this recommendation during the FY 2021-22 budget process. Local 1230 declined to defer their salary increases for FY 2021-22. Their MOU has expired as of June 2022 and City Management is currently in negotiations with Local 1230. Estimated completion: 2022. Responsible staff: Human Resources/City Management.
<p>5. To reduce its police department's costs, El Cerrito should perform the following by December 2021:</p>	<p>The Administration Partially Agrees with this Recommendation – The Administration continues to</p>	<ul style="list-style-type: none"> • City Management worked with the El Cerrito Police Employees Association (PEA), who represents Police Department employees, to discuss the



<ul style="list-style-type: none"> ○ Assess the services provided by the police department to identify opportunities to reduce its staffing levels ○ Negotiate with its police union to increase the overtime threshold for sworn officers to 86 hours over 14 days to 80 hours over 14 days. 	<p>look into personnel cost reduction options Citywide, however, the Administration has no ability to impose salary reductions or freezes on the two bargaining groups that represent sworn members of the Police Department. Any proposals from the Administration (including those regarding overtime) are subject to meet and confer and there is no obligation from the labor groups to accept. In 2020, the Administration negotiated an elimination of a 3% COLA set to take place in January 2020 and another 3% COLA set to take place in January 2021. In addition, the Police Chief has conducted several assessments and implemented a restructuring of the Police Department in order to achieve cost savings while still maintaining critical public safety service within the community.</p>	<p>City's current financial situation and this recommendation during the FY 2021-22 budget process. PEA declined to defer their salary increases for FY 2021-22. The current MOU expires in June 2024. Estimated completion: unknown. Responsible staff: Human Resources/City Management.</p>
<p>6. To identify all available options to reduce its costs for its fire and police services, El Cerrito should perform an analysis by December 2021 to determine whether it would be more cost-effective to contract with nearby fire or police departments for services.</p>	<p>The Administration Does Not Agree with this Recommendation – The Administration would study public safety personnel costs as part of the classification and compensation study recommended by the State Auditor. Per conversations with the State Auditor, the intent of this recommendation was for the City to “receive a cost estimate.” However, the Administration believes that it is professionally necessary that this analysis of this</p>	<ul style="list-style-type: none"> ● The City Council discussed this during their study session in August 2021 and did not direct staff to perform such an analysis at this time. The Council remains interested in the results of the classification/compensation study that will be conducted to inform their discussions on these departments, however the Council is not currently considering contracting out for public safety services.



	<p>magnitude must be a comprehensive study completed by an industry expert(s) to extensively evaluate the detailed service delivery impacts in contemplating an outsourcing of both of the City's Public Safety Departments. There would be significant impacts to current sworn employees that would have to be to extensively evaluated. The amount of work necessary plus the costs involved to complete such an analysis is not realistic by December 2021. After the City Council is informed by the classification and compensation study, the City Council can determine if this is an area they would like the Administration to study, and allocate the appropriate resources to complete.</p>	
--	---	--



**High Risk Issue # 5
Increasing Revenues**

Overview: The City continues to explore all opportunities for increasing revenues through various fees within all departments, in addition to the recommendations listed. The Master Fee Schedule for FY 2021-22 is currently being developed for City Council approval in May 2021, where increases will be reviewed and considered. City staff also continuously seeks and utilizes grant opportunities to supplement revenues.

High Risk Area #5 State Auditor Recommendations	Response	Corrective Action September 2022
<p>1. To more fully recover costs at its swim center after the pandemic, the city should perform the following:</p> <ul style="list-style-type: none"> ○ Conduct an analysis to identify the demand for the swim center under normal conditions at different times – including holidays, weekends, and when the public has restricted access to neighboring swim centers – and determine whether increasing single-use fees during these hours could better cover the costs of operating the swim center ○ Establish separate single-use fees in its master fee schedule for nonresidents at the swim center, in order to increase revenue 	<p>The Administration Agrees with this Recommendation – The Administration plans to conduct an analysis during normal conditions (not during the current pandemic). The Administration has concerns over the potential disproportionate accessibility impacts to minority and low-income communities as a result of further increasing swim center fees.</p>	<ul style="list-style-type: none"> ● As of FY 2022-23 Master Fee Schedule, fees were increased in Recreation categories; swim center passes do have a resident/non-resident pricing structure. ● The Master Fee Schedule includes a holiday surcharge for when the swim center is open on a holiday, and on those days only drop-ins are accepted (no passes) that includes the holiday surcharge with both resident and non-resident prices. ● City staff noted at the midyear budget presentation in March that Recreation revenues in Swim Center were actually outpacing the FY 2021-22 revenue targets due to increased participation; as of this date unaudited actuals indicate that the Swim Center revenues exceeded the adjusted revenue target by 20%. Because expenses were kept flat at midyear, the unaudited actuals show Swim Center revenues exceeding expenses by 33%. ● Staff plans to perform an analysis on swim center demand and cost recovery once normal operations resume and a typical season can be conducted. Since the pandemic restrictions are easing, staff will endeavor to complete this by the end of next year. Estimated completion: 2023. Responsible staff: Recreation Department.



<p>2. To more fully recover costs for its senior services, the city should do the following:</p> <ul style="list-style-type: none"> ○ By August 2021, assess free and low-fee senior activities and prepare an analysis for the city council that includes a plan for recovering the full cost of these activities ○ Continue to seek opportunities to sublease its modular buildings and move senior activities to the city-owned community center or clubhouses 	<p>The Administration Agrees with this Recommendation – The Administration plans to conduct an analysis during normal conditions (not during the current pandemic) to appropriately understand the current demand for service. Senior Services have been closed for the past year and will not likely be reopened before August. The Administration has racial equity concerns that increasing fees for Senior Services could have serious implications for the City’s most vulnerable residents, most of whom are on fixed incomes. The Administration also agrees with the State Auditor’s recommendation regarding subleasing its costly modular buildings and moving senior activities to city-owned spaces.</p>	<ul style="list-style-type: none"> ● Senior services are continuing to be reinstated and staff has consolidated staffing and services that are now offered at the Community Center; because staffing has been reduced this has in turn has reduced expenses. Currently the classes that are being offered in this division are at the department’s normal cost recovery share structure and not at the free or low-fee level. ● Staff will conduct an analysis on demand for senior services once normal operations resume and a typical operation can be conducted. Since the pandemic restrictions are easing, staff will determine if this analysis can be completed in 2023. Estimated completion: 2023. Responsible staff: Recreation Department. ● As of FY 2022-23 Master Fee Schedule, fees were increased in Recreation categories. Completed. ● On July 19, 2022, the City Council approved a license agreement with the Kensington Police Protection and Community Services District to sublease one of the modular buildings (previously used for Senior Services) for the District’s temporary use, which will offset part of the City’s monthly charges. Completed.
<p>3. To more fully recover the costs of the emergency medical services it provides, El Cerrito should conduct an analysis by July 2021 to identify the cost to the city of providing such services. Using this analysis, El Cerrito should consider the following:</p> <ul style="list-style-type: none"> ○ Determine whether it can renegotiate its contract with Contra Costa County 	<p>The Administration Agrees with this Recommendation – The Administration has completed a preliminary investigation on this issue and will provide this information in written form to the City Council. The City can conduct a more robust and finalized analysis if directed by the City Council. Regarding additional revenue opportunities, the Administration is currently developing an analysis reviewing</p>	<ul style="list-style-type: none"> ● On April 19, 2022, the City Council held a study session to discuss first responder fees. City staff conducted research on first responder fees using data from several local fire service agencies and consultants. City staff and the City Council shared concerns that the implementation of such fees could have a higher impact on low-income residents and seniors, that it would create a disincentive for people to call for medical response, and the expected revenue would not be worth the costs of implementation. The City Council



<ul style="list-style-type: none"> ○ Determine whether charging fees for its services would be cost-effective considering any additional administrative costs it may incur ○ Pursue other options to generate revenue 	<p>various Fire Department fees to determine if fees align with actual costs. Recommendations will be brought forward to the City Council as a part of the budget process.</p> <p>September 2022: This item is completed.</p>	<p>declined to pursue implementing first responder fees further. Completed.</p> <ul style="list-style-type: none"> ● City staff continues to renegotiate contracts (including our dispatch contract with the City of Richmond beginning this fiscal year) and pursue grants to enhance revenue and offset costs. In August 2022 the City Council approved a contract with Renne Public Policy Group for grant writing services to assist City staff in identifying, applying for, and administering grants and grant funding. Completed.
---	--	---

City of El Cerrito

Fiscal Recovery and Sustainability Plan

Approved – August 2022



Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
Actions Approved by Council in August 2020 – Fiscal Response Plan							
Recreation Business Services	Eliminate the Management Analyst II position	<ul style="list-style-type: none"> Reorganize Admin Clerk Specialists (2) to report to the Management Assistant Transition some duties to the Director and Supervisors Eliminate the Management Analyst II position 	Recreation Director	January 2021	20-21: \$83,000 Ongoing: \$166,000	Complete	
Finance Administration	Eliminate one Accounting Technician; outsource payroll to third-party vendor	<ul style="list-style-type: none"> Establish that timesheets are still handled by departments Research and identify a third-party vendor to contract with for payroll Assign an Accountant and/or Accounting Manager to handle internal review of payroll as processed by vendor 	Finance Director	January 2021	20-21: \$12,500 Ongoing: \$25,000	Complete	
City Manager's Office/City Hall Administration	Eliminate Management Assistant position	<ul style="list-style-type: none"> Reallocate and (in some cases) reduce administrative duties in the City Manager's Office and City Clerk's Office among remaining staff Identify the effects on public information, risk management claims processing, passport services (to be eliminated) Reassign remaining duties to Administrative Clerk Specialist 	Assistant City Manager	January 2021	20-21: \$55,000 Ongoing: \$110,000	Complete	
Passport Acceptance Services	Eliminate passport acceptance services	<ul style="list-style-type: none"> Eliminate passport acceptance services Create materials and protocols for directing people to the nearest Passport Acceptance agency (post office) 	City Clerk	August 2020	20-21: \$13,750 Ongoing: \$15,000	Complete	
Public Information, Special Projects	Eliminate Assistant to City Manager position	<ul style="list-style-type: none"> Identify tasks completed by the Assistant to the City Manager and reassign where possible Eliminate the Assistant to the City Manager position 	City Manager	January 2021	20-21: \$110,000 Ongoing: \$220,000	Complete	Decrease in public information, research/analysis, and special projects support

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
Police Traffic Enforcement¹	Eliminate two traffic officers	<ul style="list-style-type: none"> Meet and confer with Police Union to discuss the proposed staffing changes Communicate shifted traffic enforcement duties to patrol officers Schedule trainings as needed 	Police Chief	January 2021	20-21: \$107,500 Ongoing: \$215,000	Complete	Reduction in dedicated traffic enforcement services, absorbed by patrol officers; net of revenue reduction of \$100,000.
Police Special Operations/Traffic¹	Eliminate 1 police sergeant position	<ul style="list-style-type: none"> Meet and confer with Police Union to discuss the proposed staffing changes Communicate change in special operations duties to other supervisory and management staff 	Police Chief	January 2021	20-21: \$145,000 Ongoing: \$290,000	Complete	Eliminating traffic enforcement allows for transition of special operations duties to be consolidated where necessary across other supervisory/management positions.
Police Administrative Oversight¹	Replace sworn Lieutenant position with a non-sworn Manager	<ul style="list-style-type: none"> Create a job description for a Records, Property and Evidence Manager Conduct a recruitment for the new position Onboard and train the new manager 	Police Chief	January 2021	20-21: \$45,000 Ongoing: \$90,000	Complete	Results in a reduction in salary and benefits by 25% from the previous Lieutenant position.
Landscape Maintenance Contract	Reduce contract landscape maintenance service levels	<ul style="list-style-type: none"> Contact the landscape maintenance vendor and reduce contract size and frequency Shift partial costs to Measure H funds where possible Eliminate commercial landscaping rehabilitation and replacements 	Public Works Director	October 2020	20-21: \$123,750 Ongoing: \$165,000	Complete	These costs were beyond those that were included in the City's original \$2 million budget reductions.
Publications (e.g., City Newsletter)	Eliminate production and prints costs of publishing city newsletters and other printed materials	<ul style="list-style-type: none"> Eliminate production of City newsletter and other published materials Develop practices and systems for sharing information on the City website 	Assistant City Manager	September 2020	\$35,000	Complete	The City has reduced expenses by \$10,000.
Fourth of July Event	Reduce/eliminate General Fund subsidy for July 4 Festival	<ul style="list-style-type: none"> Solicit donations from local businesses and organizations 	Recreation Director	July 2022	None	Complete	Preliminary net revenue for 2022 is approximately \$5000 due to \$68K in donations and fundraising; City and

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
		<ul style="list-style-type: none"> Evaluate if the donations offset the full costs of the event, including staff time and public safety costs If donations do not fully cover the costs of the event, eliminate the 4th of July event Communicate the changes to the public 					Council will continue fundraising efforts and working with community partners to assist in funding future special events.
Integrated Waste Management	Outsource recycling program to solid waste provider under franchise agreement; assess franchise fee of at least 15%	<ul style="list-style-type: none"> Evaluate impacts of outsourcing recycling program to solid waste provider Renegotiate solid waste franchise agreement, which expires in 2025 Include recycling program in next RFP for solid waste provider Transfer recycling program duties from City staff to successor solid waste provider 	Public Works Director	January 2026	Undetermined	In Progress	The City is currently conducting a study on this topic.
Additional Actions Identified by the City through FY 2021-22							
City Council Actions	Actions taken/motions passed taken by City Council in FY 2021-22 in response to State Auditor report and Fiscal Response Plan	<ul style="list-style-type: none"> 4/21/21: Directed staff to work with bargaining units to implement additional annual CalPERS contributions from all City employees 4/21/21: Created City Council subcommittee to work with staff on response to State Auditor report 6/1/21: Directed staff to set a goal of one million dollars minimum surplus funds annually, at the recommendation of the Financial Advisory Board (FAB). 6/15/21: Directed staff to establish a Section 115 Trust for pension obligations 6/22/2021: Directed staff to maximize the use of American Rescue Plan Act (ARPA) funding for expenses that will provide relief to the General Fund and account for COVID-19 related revenue loss in order to replenish the General Fund reserves 	City Manager	FY 2021-22 and FY 2022-23	Undetermined	Complete /Ongoing	Staff is implementing these actions in various categories as listed in this Plan

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
Management and Confidential	One-time reductions for management and confidential employees	<ul style="list-style-type: none"> Eliminate COLA for 2021 and 2022 Eliminate auto allowance Institute 3% PERS contribution Institute 26 furlough days FY 2020-21; 15 furlough days FY 2021-22 	City Manager	FY 2020-21 and 2021-22	\$1,008,693	Complete	
SEIU¹	One-time reductions negotiated with SEIU employees	<ul style="list-style-type: none"> Eliminate COLA Institute 21 Furlough days 	City Manager	FY 2020-21 only	\$540,110	Complete	
PEA, Local 1230, PSMA¹	One-time reductions negotiated with PEA, Local 1230, and PSMA employees	<ul style="list-style-type: none"> Eliminate COLAs (PEA twice) 	City Manager	FY 2020-21 only	\$592,466	Complete	
Cost Reductions FY 2020-21	One-time reductions for FY 2020-21	<ul style="list-style-type: none"> Held vacant positions Reduced programs and contracts Shifted costs to special funds 	City Manager	FY 2020-21 only	\$1,631,848	Complete	
Recreation Fee Study	Conduct a study to evaluate cost recovery levels and adjust recreation fees	<ul style="list-style-type: none"> Determine scope of fee study Decide to conduct the study internally or through a consultant If relevant, issue an RFP or RFQ to select a consultant Conduct a fee study for all recreation programs to improve cost recovery levels Adjust fees as determined by the study Communicate any changes to the public and other affected parties 	Recreation Director	June 2024	Undetermined	Pending/TBD	The City is at 80% cost recovery in the Recreation Department. This study would explore ways to increase cost recovery levels. However, because of staffing resources as well as uncertainty in demand remaining due to the pandemic, this study would not be considered until the pandemic issues are resolved.
Additional Actions Recommended by the State Auditor's Report							
Citywide Organization Assessment*	Conduct a citywide organization assessment to evaluate staffing	<ul style="list-style-type: none"> Conduct an analysis of the organizational structure of the city Assess the functions it needs to achieve its goals 	City Manager	Undetermined	Undetermined	Pending/TBD	The citywide compensation and classification study will precede this assessment. Because of the current

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
	needs and opportunities	<ul style="list-style-type: none"> Adjust organization charts and staffing levels as needed to meet City service needs 					level of vacancies and eliminated positions, City Management is continually evaluating functions and strategically restoring or repurposing staffing to ensure service delivery and cost effectiveness.
Citywide Compensation Study*¹	Conduct a citywide compensation study to compare salaries with peer jurisdictions	<ul style="list-style-type: none"> Issue RFP to obtain proposals to conduct compensation study Review proposals and seek Council approval to proceed Engage consultant to perform compensation study Compare total compensation for all positions citywide with similar jurisdictions in the Bay Area Adjust compensation where possible, particularly for new positions 	Assistant City Manager	FY 2022-23	September 2023	In Progress	Following an RFP selection process, the City Council approved a contract with Koff and Associates to conduct the study. Work begins in September 2022 and is expected to take approximately 12 months to complete.
Police Department Organization and Staffing Assessment*¹	Conduct an organization and staffing assessment of the Police Department	<ul style="list-style-type: none"> Issue an RFP for a consultant to conduct a staffing assessment of the department Conduct a staffing review of the department to identify potential cost savings Negotiate with the police union to reduce overtime threshold 	City Manager/ Police Chief	Undetermined	Undetermined	Pending/ TBD	The citywide compensation and classification study will precede this assessment. The Police Department has been continuously evaluating their staffing and functions and has reorganized in response to vacancies. Currently, due to vacancies the Police Department is far below full staffing.
Evaluate Contracts for Police and Fire*¹	Evaluate the possibility of contracting with	<ul style="list-style-type: none"> Conduct a feasibility assessment to determine the possibility of contracting for fire and police services 	City Manager	Undetermined	Undetermined	Not Selected	On Aug 31, 2021, City Council considered this

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
	other nearby agencies for police and fire services	<ul style="list-style-type: none"> Identify nearby agencies that could provide these services Determine whether it would be more cost-effective to contract with nearby fire or police departments for services Survey the public and other stakeholders to assess interest in changing police and fire services If determined to be more cost effective and approved by Council, begin the process of transitioning public safety services 					recommendation and elected not to pursue a contract for police services with the County, as it is not appropriate for our community. They directed staff to evaluate options for shifting fire services that did not include fully contracting the service with the County.
EMS Cost Recovery Study*	Evaluate cost recovery for providing EMS services to Contra Costa County	<ul style="list-style-type: none"> Conduct a review to determine the costs of providing EMS services for Contra Costa County Evaluate whether the interagency agreement with Contra Costa County sufficiently covers the costs of operation Discuss necessary changes with the County and renegotiate contract when possible 	City Manager/ Fire Chief	April 2022	N/A	Complete	City staff completed an overview and analysis of potential fees and presented to City Council, who determined not to move forward with instituting a charge for EMS services.
Fiscal Recovery Plan*	Develop and adopt a Fiscal Recovery Plan	<ul style="list-style-type: none"> Create a Fiscal Recovery Plan that includes key action steps and individuals responsible Update the plan regularly and communicate updates to the Council and the public 	City Manager	September 2022	Undetermined	Complete /Ongoing	The City's Fiscal Response Plan was approved in August 2020. A draft Fiscal Recovery and Sustainability plan was included in the March 2022 update to the State Auditor. Strategies were included in the budget document reviewed by the City Council during the budget process for FY 2022-23. This plan was adopted by City Council in August 2022 prior to the

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
							September 2022 State Auditor update.
Reduce Pension Obligations*	Identify opportunities and methods for decreasing pension obligations	<ul style="list-style-type: none"> Evaluate alternative methods for reducing pension obligations, including a Section 115 Trust Assess the impact of increasing employee contributions to pensions Identify steps for implementing the selected strategy, including negotiating with labor groups to increase staff pension contributions if relevant 	Finance Director/City Manager	July 2023	Undetermined	In Progress	The City is in the process of evaluating a Section 115 pension trust and other opportunities to decrease the City's UAL. Staff plans to issue an RFP this calendar year, will review potential funding policies with the Financial Advisory Board, and provide recommendations to the City Council in the coming months.
Accounting System Safeguards*	Remove accounting system bypass option and enhance system safeguards	<ul style="list-style-type: none"> Identify and eliminate practice of bypassing accounting system safeguards Formalize these changes in relevant policy and procedures documents Communicate changes to affected staff citywide 	Finance Director	June 2021	Undetermined	Complete	The City has implemented a Budget Transfer Request Form for the use of departments to reallocate budgeted funds to line items that need it, with the approval of the City Manager and Finance Director.
Tax Revenue Anticipation Notes (TRANS)*	Reduce reliance on TRANS	<ul style="list-style-type: none"> Improve fiscal health to eliminate use of TRANS 	City Manager/ Finance Director	June 2022	N/A	Complete /Ongoing	This is completed and ongoing. Because the City has improved its General Fund balance as of FY 2021-22 including receipt of ARPA funding in May 2022, the City did not issue a TRAN for FY 2022-23. The City will continue to ensure that cash flow is sufficient so that a TRAN

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
							is not needed in future fiscal years.
Budget Forecasting and Projections*	Improve transparency with citywide budget projections and underlying assumptions	<ul style="list-style-type: none"> • Use historical trends and analysis as the basis for financial projections • Document data and assumptions for budget projections • Share the assumptions and basis for projections with the City Council 	Finance Director	September 2021	N/A	Complete /Ongoing	The City included a 5 year forecast and detailed assumptions in the FY 2022 Budget Book and has recently completed a 10-year forecast and dashboard with documented growth assumptions. The forecast has been updated and shared with Council throughout the fiscal year. The forecast will be used during each fiscal year budget process and published annually in the Budget Book.
Monthly Budget Updates*	Provide monthly budget updates to Council	<ul style="list-style-type: none"> • Establish monthly budget updates • Include a comparison of actual expenditure and revenue data by department • Present updates to Council 	Finance Director/City Manager	July 2021	N/A	Complete /Ongoing	The City Council received monthly budget reports during FY 2021-22. Staff has expanded and improved the reports to include narratives and departmental expense/revenue information, and are now presented quarterly to the City Council.
Documentation of Department Budget Development and Projections*	Improve transparency with department-level projections and assumptions	<ul style="list-style-type: none"> • Document the assumptions used to develop each department's budget projections • Share assumption information with the City Council during the budget review process 	Department Heads/ Finance Director	June 2021	N/A	Complete /Ongoing	This was included in the FY 2022-23 budget process.

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
Management Compensation Policy*	Evaluate ending the practice of paying some employees above the established salary range threshold	<ul style="list-style-type: none"> Evaluate the impact of ending the practice of providing city management authority to pay certain employees over the threshold established in its salary ranges Compare this practice to peer agencies and the impacts on staff recruitment and retention If adopted, communicate the changes to department heads and any other affected parties 	City Manager	June 2023	Undetermined	Pending/ TBD	The practice of increases above control point has not been allowed for the past two fiscal years and will not be considered for the upcoming fiscal year. Because there have not been any increases for Management/Confidential employees for two fiscal years, it is expected the salary ranges are out of date and the salaries will be below market. The merit increase system will be re-evaluated beginning with the upcoming compensation study.
Retiree Health Care Benefits	Eliminate or Reduce Retiree Health Care Benefits for City Staff	<ul style="list-style-type: none"> Evaluate the feasibility of changing retiree health care benefits for City staff Estimate the subsidy provided by the City If possible, increase contributions from City staff to compensate for the costs of their inclusion in the health care pool 	Finance Director/City Manager	December 2021	\$114,000 plus elimination of OPEB liability over time	Complete	The City worked with our insurance broker and vendors to separate the retiree health costs from the active employee health costs and now charge the retirees their full cost. This has also allowed the City to realize some savings in the active employee health costs, and will serve to eliminate the OPEB liability over time.
Future Actions - beginning FY 2022-23							
Conduct Community Survey	Conduct statistically valid survey to determine	<ul style="list-style-type: none"> Provide feedback on services to determine if services provided are satisfactory 	City Manager	December 2022	N/A	In Progress	City staff will engage the National Research Center/POLCO to

Area	Description	Key Action Steps	Lead Staff Member	Target Date of Completion	Annual Fiscal Impact	Status	Comments
	community satisfaction with services	<ul style="list-style-type: none"> Determine any issues with services for improvement or changes to service delivery Provide baseline on community priorities and focus for future planning efforts and direction for City Council and staff 					administer the survey as in past years.
Update Citywide Strategic Plan	Determine vision and strategies for the next 5-10 years	<ul style="list-style-type: none"> Using survey, focus groups, and community outreach, determine community priorities and update the City's mission, vision, values Develop goals based on community priorities and actionable objectives and strategies to complete Identify and determine resources to dedicate to fulfilling strategic goals and objectives Update budget and budget document to connect budget appropriations and projections to strategic goals, ensuring that all budget items are directly related to the Strategic Plan 	City Manager	Summer 2023	N/A	In Progress	City staff will engage our Strategic Plan consultants, Management Partners, to determine schedule and work with the City Council to facilitate updates and workshops.
Update Financial Policies	Review and update financial policies to ensure best practices	<ul style="list-style-type: none"> Ensure policies are up-to-date and consistent with GFOA and CSMFO best practices Create new policies based on new practices, i.e. for fund balances or Section 115 Trust Work with City's Financial Advisory Board to research and develop recommendations 	City Manager/ Finance Director	Ongoing	Undetermined	In Progress/ Ongoing	FAB will be discussing the Comprehensive Financial Policy at its August meeting with the intention to provide a recommendation to the City Council at their September meeting.

* Recommended in the State Auditor's Report

¹Requires collective bargaining with labor groups