Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies

Introduction

The FAB subcommittee on financial policies was formed with the goal for the subcommittee to identify potential improvements to the City's Comprehensive Financial Policies (CFP). In particular, the subcommittee reviewed the recommendations in the state auditor report to determine which of those might lead to changes in the CFP. The subcommittee has reviewed several of the state auditor recommendations and plans to review more. Below are the state auditor recommendations reviewed to date for which the subcommittee identified potential recommendations that the FAB might make to the city council, and in some cases potential changes to the CFP. The subcommittee recommendations below are intended to facilitate a broader discussion and action with the full FAB membership. Addition subcommittee recommendations will be brought to the full FAB as they are developed.

State Recommendation #4. El Cerrito should adopt GFOA budgeting best practices that specifically include the following:

- 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.

FAB Recommendations

1. Establish a culture of responsible budgeting and adopting GFOA best practices. Determine the best course of action toward developing standards of adequate reporting and monitoring; achieve the objective of a monthly dashboard showing KPIs.
2. For revenue-generating activities (e.g., recreation, recycling), ensure adequate staff so that revenue is not lost due to inadequate staffing.
3. Structural changes to the budget: For each department, commission or conduct a needs assessment from the ground up to evaluate, similar to zero-based budgeting (may be implicitly provided for in CFP 2.5).

State Recommendation #6: 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 the prior year's budgeted and actual amounts. City management should promptly seek a) agreement from FAB and b) approval from the City.
Council of proposed budget adjustments by department when warranted. City management should also prepare and provide supporting documentation to justify budget increases.

**FAB recommendation:** TBD.

**State Recommendation #10:** To identify potential savings and efficiencies, El Cerrito should perform the following tasks:

1. By September 2021, analyze the organizational structure of the City and assess the functions it needs to achieve its goals
2. Based on the organizational structure study results, analyze the duties and responsibilities assigned to each City's current staff position to identify any overlapping areas of responsibility and inefficiencies.
3. 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 would result in ongoing cost reductions

**FAB Recommendation:** FAB agrees with the States' recommendations.

**State Recommendation #11:** 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.

**FAB Recommendation:** FAB agrees with the State's recommendation.

**State Recommendation #12:** Based on the results of its comprehensive analysis, El Cerrito should do the following:

1. Freeze salary increases for management with wages above those of comparable cities until they align with those salaries. For positions with wages above those of comparable cities that are represented by bargaining units, the City should not agree to additional salary increases until those positions' salaries are in line with salaries in comparable cities
2. Seek to eliminate or consolidate positions
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**FAB Recommendation:** The City should negotiate terms in union contracts that provide the city control over the number of employees employed under the contract and the flexibility to lay off employees as needed, and modify union agreements to give the City more flexibility to address issues with union employees.

**State Recommendation #14:** To reduce its police department's costs, El Cerrito should perform the following by December 2021:

- Assess the services provided by the police department to identify opportunities to adjust staffing levels (redundant with other similar recs)
- 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.

**FAB Recommendations**

1. The City should commission a cultural study to ascertain if there are any systemic cultural issues, such as sexual or racial bias.
2. The City should commission a study on the staffing and functions of the police department
3. For any position in the police budget (could be any department) for which there is no reasonable expectation of filling, reallocate that budget to other functions or the GF reserve
4. Evaluate the span of control in the police department, and flatten it where possible (similar to staffing studies)
5. Starting with the next police chief, make the chief position non-union (could do with Fire as well, presumably)