

Draft – April 15, 2023

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. Additional 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:

- o Using historical trends and analysis as the basis for financial projections.
 - o Expanding its monthly revenue and expenditure budget updates to include comparisons to actual results to minimize overspending
 - o Establishing procedures to prevent, detect, and correct deviations from adopted budgets during the fiscal year to ensure that departments do not significantly overspend.
1. Request for The Finance Director to incorporate into City's financial practices:
 - a. Using historical trends and analysis as the basis for financial projections.
 - b. Expanding its monthly revenue and expenditure budget updates to include comparisons to actual results to minimize overspending.
 - c. Establishing procedures to prevent, detect, and correct deviations from adopted budgets during the fiscal year to ensure that departments do not significantly overspend.
 - d. For revenue-generating activities (e.g., recreation, recycling), ensure adequate staff so that revenue is not lost due to inadequate staffing.
 - e. Establish a monthly dashboard showing KPIs.
 - f. For each department, develop a zero-based budget

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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 request of The Finance Director:

- Provide FAB members with GFOA best practice for reporting and monitoring financial results.
- Subsequent to FAB review of GFOA best reporting practice, incorporate any FAB recommended changes to City's financial practices.

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 request of The Finance Director: Provide FAB with status of city's action items for SR 10 and the status of implementing any SR 10 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.

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FAB request of The Finance Director: Describe any of the City's financial practices which have been modified to implement this 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 are in line 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.

FAB requests of The Finance Director:

- a. Provide the current status of the city's action plan regarding SR 12, and the outcomes of any newly negotiated contracts approved by Council, and specifically whether new contracts have increased the city's control over staffing levels.

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, e.g., SR 12)
- 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 requests of The Finance Director:

- What is the status of any negotiations as recommended in SR 14? Address any remaining recommendations.
- Modify the City's budgeting practices such that for positions that have no reasonable expectation of being filled in the coming budget cycle allocate the budget for any such positions to the GF reserve.
- Provide the Administration's views on the pros and cons of a cultural study of the Police Department
- Provide the feasibility of making the chief's position non-union.

ALLOCATION OF FISCAL YEAR-END GENERAL FUND SURPLUS

The FAB recommends City Council adopt the addition of a new paragraph 2.11 to the City's Comprehensive Financial Policy:

2.11. The City shall allocate a General Fund surplus (the excess of actual annual General Fund revenue less actual General Fund expenditures, using the following priorities, until any such annual General Fund surplus is fully allocated:

- First, to the General Fund Reserve until the General Fund, has reached its targeted reserve ratio as specified in General Fund Reserve Policy (Section 3).
- Second, to the Emergency Disaster Relief Fund, until the balance in that fund reaches the target balance as specified in Emergency and Disaster Recovery Fund (Section 4).
- Third,
 - a. To the City's unfunded CALPERS pension liability, or
 - b. To the City's Capital Improvement Fund
- Other uses as approved by the City Council