



City of Calexico/ 2022 State Auditor Corrective Action Plan

<u>Finding</u>	<u>State Recommendation</u>	<u>Lead</u>	<u>Corrective Action Plan</u>	<u>Status</u>
At December 19, 2022				
1 Current Financial Data (Report on Status)	To ensure that Calexico’s leadership acts promptly to prevent potential deficit spending in the future, by January 2023, the City should adopt a policy that allows the City Council to approve its annual budget only if it has audited financial statements for the most recently completed fiscal year, a general ledger that identifies current fund balances, and a current bank reconciliation at its disposal when City Staff presents the annual budget. If the City Council does not approve the annual budget, the policy should require the City Council to suspend nonessential spending until the budget is approved.	Finance Director	With the 2022-23 2nd Quarter budget report, scheduled for January 2023, include policy to formalize quarterly budget reporting practice to keep City Council apprised of current financial data/projections, and also to provide updates on the status of the City’s audit and accounting processes. <i>(The City offers an alternative to the auditor's recommendation since limiting the annual budget adoption or suspending operations due to accounting backlog may not best meet the City’s objectives for continuity in delivery of public services and grant/capital project completion.)</i>	On Schedule
2 Update Reserve Policy (Evaluate Target Level)	To ensure that the City has sufficient unrestricted reserves in its general fund to adequately mitigate risks posed by revenue shortfalls and unanticipated expenditures, by January 2023 it should conduct an analysis to evaluate whether the minimum level of reserves established in its current policy is sufficient and, if not, revise its policy to reflect a more prudent level.	Finance Director	With the 2022-23 2nd Quarter budget report, scheduled for January 2023, propose updated reserve policy for City Council consideration, for implementation in the 2023-24 budget.	On Schedule
3 Update Reserve Policy (Define Usage & Replenishment Conditions)	To make clear when it should use general fund reserves and how it will maintain the general fund reserve level, by January 2023 the City should amend its reserve policy to define conditions warranting its use and to specify how the reserve should be replenished when the balance is less than the level prescribed.	Finance Director	With the 2022-23 2nd Quarter budget report, scheduled for January 2023, propose updated reserve policy for City Council consideration, for implementation in the 2023-24 budget.	On Schedule
4 Update Reserve Policy (Liquidity)	To ensure that it has sufficient liquidity to meet disbursement requirements throughout the year, before adopting its fiscal year 2023-24 budget, the City should forecast its cash needs throughout the fiscal year and maintain a sufficient level of cash assets in the General Fund to pay for that fund’s expenditures as they occur.	Finance Director	By October 2022, prepare a monthly General Fund cash flow projection and identify the operating reserve necessary to sustain General Fund operations. (Note: The City has completed this calculation and concluded that a reserve of 60 day of operations is sufficient to address cash flow fluctuations within the year. The City has achieved this 60 day reserve target at June 2022).	Complete.

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<p>5 Unfunded Retiree Medical Liability (Evaluate Options)</p>	<p>To reduce constraints on its ability to sustain existing service levels and hire new staff, by January 2023 city management should present the City Council with options for reducing the City’s OPEB liability and actions the City could take to achieve such a reduction by the start of fiscal year 2023-24, including requiring active employees who will be eligible to receive benefits to contribute to the City’s OPEB Trust Fund.</p>	<p>Finance Director</p>	<p>By June 2023, present additional options for City Council consideration to further address its unfunded retiree medical liability.</p>	<p>On Schedule</p>
<p>6 a Citywide Fees: Update Administration Policy</p>	<p>To ensure that City fees and rates are sufficient to pay for the costs of providing services, the City should do the following by January 2023: Define in policy how frequently the City should conduct fee and rate studies, clearly identify who is responsible for initiating these studies and making fee adjustments, and identify methods of oversight to ensure that the studies and authorized fee adjustments take place.</p>	<p>Finance Director</p>	<p>By June 2023, draft a policy for City Council consideration with a matrix of City fees and the approach for their periodic updates. The Finance Director will be charged with oversight to ensure that fee updates are scheduled by program departments or deferred as a matter of City Council policy.</p>	<p>On Schedule</p>
<p>6 b Citywide Fees: Update Fee Schedule</p>	<p>Conduct studies of any fees and rates that require updates per the policy.</p>	<p>Finance Director</p>	<p>By June 2023, conduct fee study to update Water/Wastewater rates for City Council consideration. By June 2023, conduct fee study to update Planning and Building Fees for City Council Consideration, and any other fees scheduled for update per new policy.</p>	<p>On Schedule</p>
<p>7 Citywide Fees: Staff Training</p>	<p>To reduce the risk that it will alter fees without City Council approval, by January 2023 the City should provide training to staff on how to assess fees.</p>	<p>City Manager</p>	<p>By September 2023, train Planning & Building staff on the calculation and assessment of City fees (add to scope of Planning & Building fee study contract).</p>	<p>On Schedule</p>
<p>8 Water Fees: Revisit Conservation Pricing</p>	<p>To ensure that it collects enough revenue to pay for the cost of providing water during a shortage, the City should ensure that its next water rate study considers and, to the extent consistent with legal requirements, incorporates best practices for conservation pricing options, such as tiered rates or seasonal rates and special drought rates.</p>	<p>Public Works Manager</p>	<p>By June 2023, conduct fee study to update Water/Wastewater rates for City Council consideration, including best practices for conservation pricing, with targeted implementation of the new rates by July 1, 2023.</p>	<p>On Schedule</p>

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9 a Update General Fund 5-year Financial Projection	Develop a detailed plan for generating the revenue it needs to maintain services to the public, including five-year projections of revenue and expenditures that account for both the expected costs of current operations and planned expansions to operations, such as opening the new recreation center.	Finance Director	With the 2023-24 budget, maintain a five-year forecast of known revenues and expenditures, including anticipated capital costs and operating costs for new City facilities, to inform City Council on its current capacity to maintain or expand City services. Separately, as set out in the City's Strategic Plan, by December 2023, explore revenue development options with City Council to maintain or expand future services.	On Schedule
9 b Update Budget Change Process	Revise its budget-change process to require departments to specify the financial and service-related risks and benefits of approving or denying requests for increasing a department's appropriation of funds or reallocating appropriated funds.	Finance Director	By January 2023, formalize use of the City's Budget Adjustment Request form that is currently in limited use by City departments, and expand documentation of risks/benefits of the proposed adjustment.	On Schedule
10 Translate Financial Documents	To facilitate its resident's participation in the budget process, the city should establish a policy before developing the fiscal year 2023-24 budget to make key portions of public financial documents, including proposed and adopted budgets, available in a sufficient number of languages to ensure that at least 75 percent of residents can obtain the documents in their primary languages.	City Clerk	With the 2022-23 2nd Quarter budget report, scheduled for January 2023, propose policy for City Council consideration that provides for the multi-lingual presentation of the Budget Message and Summary in the proposed and adopted budgets.	On Schedule. The 2022-23 1st Quarter budget report was verbally presented to City Council in English and Spanish.
11 Staff Training/Continuity of Operations	To ensure continuity of city operations and services, by April 2023 the City should identify essential tasks, develop a comprehensive succession plan, and provide cross-training that prepares key staff – especially those in the finance department – to fulfill essential duties in the event of turnover or other absences.	City Manager	Annually, by June, for non-safety programs, identify 1-2 essential services and identify back-up or cross-train employees to provide continuity in the case of absences/vacancies. (The public safety departments of Police and Fire are already positioned with command structures that operate with rotating 24-hour staffing.)	On Schedule
12 a Employee Performance Evaluations	Ensure that every City employee has received a written performance evaluation within the past 12 months or, for probationary employees, is scheduled to receive one according to the City's policy.	Human Resources Manager	By April 2023, complete overdue Performance Evaluations.	On Schedule

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12 b Employee Performance Evaluations	Establish procedures to hold staff who directly supervise other accountable for providing regular written performance evaluations in accordance with City policy.	Human Resources Manager	By April 2023, schedule annual City Manager review of Performance Evaluation compliance as outlined by the City's Rules and Regulations and the Memorandum of Understanding for each bargaining group.	On Schedule
13 Implement HCD Corrective Action Plan	To ensure that the City is able to use the grant funds awarded by HCD in a timely manner, the City should, by January 2023, submit a corrective action plan to HCD and, by April 2023, take all other necessary steps to address deficiencies that HCD identified.	City Manager	By April 2023, submit HCD Correction Action Plan and resolution of deficiencies.	On Schedule. The city has updated HCD about the efforts made to respond to the pending monitoring.
14 Grant Administration Staffing	To ensure that the City has the capacity to address outstanding noncompliance with grant requirements and manage complex HCD grant programs, by April 2023 the City should implement HCD's direction to use unspent funds to hire a dedicated employee or consultant to address HCD's outstanding findings and manage HCD grant projects.	City Manager	By April 2023, hire or contract for grant support.	On Schedule
15 Update Grant Policy/Notification of Findings	To ensure that the City Council and City residents are aware of issues preventing the use of grant funds, by January 2023 the City should revise its grant management policy to require that staff responsible for managing grants inform the City Council of any findings of noncompliance with grant requirements and provide regular updates until the entity that issued the findings has given the City written notice that those findings are fully resolved.	City Manager	By April 2023, update grant management policy to include City Council notification of significant grant findings and updates on their resolution. (Ongoing administrative correspondence with grantors to resolve minor reporting or billing errors in the normal course of business will be considered administrative items to be handled by the City Manager).	On Schedule