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## City of Calexico

*Past Overspending and Ongoing Administrative Deficiencies Limit Its Ability to Serve the Public*

### Background

In recent years, Calexico has been one of California's cities most at risk of fiscal distress. The city's past overspending depleted its general fund, and although it is no longer in a deficit, limited financial resources and significant future liabilities constrain its operations.

### Key Risks

Calexico has not taken steps to help ensure financial stability.

- Its current financial condition resulted from past overspending and poor budgeting practices.
- The city has not adopted certain best practices for reducing the risk of financial distress.
- It has forgone potential revenue by not regularly updating service fees.

The city lacks a robust, accessible budget process.

- The city lacks a plan to generate additional revenue of up to \$1.3 million annually that it will need to sustain existing services.
- Shortsighted budget practices have resulted in additional costs and missed opportunities to provide services.
- Although nearly 96 percent of the city's residents speak Spanish, Calexico presents its budget in English only.

Calexico's unresolved administrative deficiencies have led to frozen grant funds and compromised the city's operations.

- The public cannot benefit from recently awarded funds because the city has failed to address past mismanagement of certain grants.
- A lack of staff prepared to fill key roles has compromised the city's operations in its finance department and other areas.



### Risk Designation: **HIGH RISK**

- Population: 39,000
- Median Household Income: \$43,000
- Unemployment Rate: 26.5% (annual average 2021)

### Key Recommendations

The Legislature should consider encouraging or requiring municipal governments to make key public budgetary documents available to at least 75 percent of residents in their primary languages.

Calexico should do the following:

- Allow the city council to approve the annual budget only if it has certain reliable financial data available. If the city council does not approve the budget, require it to suspend nonessential spending until the budget is approved.
- Determine a prudent minimum level of general fund reserves and define conditions warranting its use and replenishment.
- Define in policy how frequently the city should conduct fee and rate studies and conduct studies of outdated fees and rates.
- Make key portions of public financial documents such as budgets available to at least 75 percent of residents in their primary languages.
- Develop a detailed plan for generating the revenue it needs to maintain services to the public.
- Prepare key staff to fulfill essential duties in the event of turnover or other absences.
- Take all necessary steps to resolve past grant mismanagement.