

**CHARTER CITIES' FISCAL HEALTH,
GOVERNANCE AND
MANAGEMENT PRACTICES**



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CHARTER CITIES' FISCAL HEALTH, GOVERNANCE AND MANAGEMENT PRACTICES

EXECUTIVE SUMMARY

Charter cities in California are given greater authority and flexibility, by California law, than general law cities over municipal affairs. The 2011–2012 Los Angeles County Civil Grand Jury (CGJ) members expressed concern about the potential for abuse of this flexibility. The CGJ decided to investigate the fiscal health, as well as the governance, financial management, and procurement and contracting practices of charter cities. Employees with total taxable compensation over \$200,000 for 2011 were also identified.

To conduct this investigation, the fiscal year (FY) 2009-2010 Comprehensive Annual Financial Reports (CAFR) or basic financial statements for each charter city were obtained and analyzed. Best practices for local governments in the areas of governance, financial management, and procurement and contracting were identified. A questionnaire was developed to collect information on current practices of the charter cities in each best practice area, as well as employee compensation. The questionnaire requested each city to provide copies of documentation supporting its responses, and any comments or additional information. These documents and comments were reviewed.

Financial Health

Charter cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008 and continues. The charter cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues.

Despite these efforts, most charter cities expended more than they received in revenues in FY 2010. Two cities spent more than 50% more than they took in, and the average for all cities was nearly 17% in total and 15% for city general funds. Most cities total net assets and general fund balances also declined, indicating cities are spending down their assets in order to meet current financial obligations. Several charter cities ratio of total assets to total liabilities is also lower than desirable.

Governance and management practices of each city contribute to how well prepared each was for the economic downturn, and how effectively each has responded. Information on “best practices” for local governments was compared to current practices by charter cities in the areas of governance, financial management, and procurement and contracting. It is hopeful these best practices and recommendations will be useful to the charter cities in addressing their current financial challenges, and preparing for the future.

Governance Practices

Governance describes the role of a board or city council in providing leadership for an organization. Strategic planning and performance measurement are key tools for a city

council to provide the overall direction for the city, and to oversee the city's performance. The CGJ found several cities that had developed comprehensive strategic plans. Others held regular strategic planning sessions with the city council to discuss strategic issues and provide needed direction. Many other cities focused on short-term or budget related goals, which do not provide the appropriate strategic focus and direction for these cities. The CGJ recommends charter cities that have not developed and adopted a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for the City consider doing so.

While most cities responded that they had adopted performance measures or indicators to evaluate outcomes or progress on priorities, the CGJ found only a few cities that had such performance measures. Most cities either provided no performance measure information, or provided performance information that was not quantified, or was focused on activities or workload with little or no information on results or outcomes. The CGJ recommends charter cities that have not developed and reported on performance measures, or indicators to evaluate outcomes or progress on priorities, should consider doing so. These performance measures should be quantified, focused on outcomes or results, and information should be provided for several years to allow evaluation of progress over time.

Effective governance also requires formal definitions of roles and relationships, especially for the city council and executive (city manager or city administrator). It is also important for city councils to provide clear direction for the executive through specific goals and objectives and performance reviews. All cities had defined basic roles and provided the legal framework for the city council and executive through the charter and/or municipal code. A best practice for city councils or boards is to go beyond this basic framework and develop a more detailed description of the relationship. This more extensive "governance framework" can improve the cohesion and effectiveness of both the city council and the executive. The CGJ recommends city councils consider developing a "governance" policy that more specifically defines the relationship between the council and the executive. City councils that do not develop specific annual goals for the city's executive (city manager or city administrator) and conduct meaningful evaluations annually should consider doing so.

Adopting appropriate policies is another key element of effective governance. Two policies that charter cities are required by California Government Code to adopt are a "Conflict of Interest" policy and an "Investment" policy. The CGJ found that all charter cities have adopted or are in the process of adopting a Conflict of Interest policy, and all have adopted an Investment policy.

Financial Management Practices

Financial management within each city is responsible for managing and protecting the financial resources and assets of the city. Effective financial management requires adequate systems of internal controls to ensure funds are used for intended purposes, and transparency and reliability of financial reporting. The Government Finance Officers Association (GFOA) developed recommended best practices to provide guidance on

sound financial management practices. These best practices serve as the basis for evaluating the financial management practices of the charter cities.

An audit committee is a practical approach for the city council to provide independent review and oversight of financial reporting processes, internal controls, and independent auditors. The GFOA recommends the governing body of every state and local government establish an audit committee or its equivalent, and make it directly responsible for the work of the independent auditor. Most charter cities have not established a formal audit committee with the responsibility for monitoring and overseeing financial reporting. The CGJ recommends charter cities consider formally establishing an audit committee and making it directly responsible for the work of the independent auditor.

Annual independent audits are required by each city's charter, and are key in preserving the integrity of public finance functions and maintaining the public's confidence. The GFOA recommends the independent auditor be selected in a way that ensures the auditor meets independence standards, is selected competitively, and the provision of non-audit services by the auditor are carefully reviewed and approved. All charter cities require their auditors to comply with independence standards and most select their auditors through a competitive process. Most also preclude the auditor from providing non-audit services. The CGJ recommends charter cities continue requiring compliance with standards of independence for the external auditor. Cities that do not currently select the auditor through a competitive process should consider doing so. Cities that allow the auditor to provide non-audit services should ensure appropriate review and approval of those services.

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting. The GFOA recommends that accounting policies and procedures be documented, and evaluated and updated at least every three years. Several charter cities did not have documented accounting policies and procedures, and most of those that did could improve their documentation and maintenance of accounting policies and procedures. The CGJ recommends charter cities consider reviewing and updating accounting policies and procedures to ensure they are appropriately detailed and define the specific authority and responsibility of employees. Cities should also consider establishing a policy requiring policies and procedures be reviewed annually and updated at least once every three years.

Most fraud, abuse, and questionable practices are identified through reporting by employees or members of the public. The GFOA recommends establishment of policies and procedures to encourage and facilitate reporting of fraud, abuse and questionable practices. This should include a formal ethics policy, and practical mechanisms for confidential and anonymous reporting. Several charter cities had very comprehensive and detailed policies and procedures including definitions of fraud and abuse, clear responsibilities for employees and management personnel, and guidelines and steps for investigating allegations and reporting the results. However, most cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices. The CGJ recommends charter cities consider reviewing and updating policies and pro-

cedures for reporting fraud, abuse and questionable practices including a practical mechanism, such as a fraud hotline, to permit the confidential, anonymous reporting of concerns.

Internal controls are important to safeguard city assets from error, loss, theft, misuse, misappropriation, and fraud. The GFOA recommends internal controls over financial management be documented, provide practical means for employees to report management override of controls, periodic evaluation of internal control procedures, and development of corrective action plans to address identified weaknesses. Two cities had developed comprehensive procedures for internal controls. However, most cities provided no specific documentation of internal control procedures, or made minor mention of internal controls procedures as part of their financial and accounting policies and procedures.

Most cities also relied on their external auditor for internal control reviews during their annual audit. These reviews are typically limited to review of internal controls over financial reporting and compliance, and do not include an opinion on internal controls. Internal controls that ensure there are adequate procedures in place to protect public funds is the responsibility of city financial management. The CGJ recommends charter cities consider reviewing and updating internal control procedures over financial management.

The internal audit function serves as an additional level of control and helps improve the overall control and risk environment. The GFOA recommends every government consider establishing a formal internal audit function that complies with professional auditing standards. Most cities do not have a formal internal audit function. Several state that, given the small size of their city, an internal audit function and staff could not be justified. The CGJ recommends charter cities consider the feasibility of establishing a formal internal audit function.

It is important that city governments formally set aside adequate funds for use in emergencies, revenue shortages, or budget imbalances. The GFOA recommends that cities establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund, and that this balance should provide no less than two months of regular general fund operating revenues or expenditures. Many charter cities do not have such a policy, and most who do have not established a minimum of two months of regular general fund operating revenues or expenditures. The CGJ recommends charter cities that do not have policies and procedures regarding general fund unrestricted fund balance should consider developing such policies. Charter cities that have not adopted a policy requiring an unrestricted fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures consider developing such policies.

Financial statements and information provide members of the public with information on how their city is using its resources, as well as the financial stability and health of the city. Ensuring transparency and reliability of financial reporting is a key responsibility of financial management. The GFOA recommends maintaining an adequate accounting

system, issuing timely financial statements and a Comprehensive Annual Financial Report (CAFR) in compliance with standards, and making the information readily accessible to the general public on the city's website. All cities maintain an adequate accounting system, most issue timely financial statements and a CAFR, and most make the CAFR available on the city website. The CGJ recommends charter cities that have not developed and published a CAFR consider doing so. Charter cities that have not published financial reports on the city's website should do so.

Procurement and Contracting Practices

The costs of goods and services acquired by procurement and contracting are a substantial expenditure of city resources and generally second only to expenditures for employee salaries and benefits. Protecting city resources requires developing and maintaining adequate policies and procedures for procurement and contracting.

The Public Contract Code defines the requirements for public contracting for public entities, and specifically allows charter cities an exemption if they adopt policies and procedures defining competitive bidding by city charter or code. All charter cities have formally adopted such policies and procedures. These policies and procedures provide exemptions from competitive bidding for emergencies or when items are only available from one source (sole-source). Several cities have not established internal controls over sole-source contracting. The CGJ recommends charter cities that have not developed controls over sole source contracting should consider doing so.

California Government Code §4526 and §4528 require selection of firms providing certain services, including architectural and engineering services, be selected based on demonstrated competence and professional qualifications rather than price. Once the best qualified firm is selected a price that is determined to be fair and reasonable is negotiated. Compliance with these requirements requires specific policies and procedures for selecting firms providing these types or services. The CGJ found two cities that had such policies in place, while most others did not. The CGJ recommends charter cities that have not developed policies and procedures for selecting and negotiating fair prices for architectural and engineering services consistent with State code consider doing so.

Cities issue construction contracts through a competitive process, while construction change orders are typically not competitively bid. Policies and procedures should be documented to ensure fair pricing of change orders and adequate internal controls over contract change orders. Several cities had comprehensive controls over contract change orders, with specific limits on change order amounts and detailed approval steps. No formal policies to ensure fair pricing on change orders were found. The CGJ recommends charter cities that have not developed policies and procedures for ensuring prices negotiated for contract change orders are fair and reasonable, and establishing internal controls over contract change orders consider doing so.

Documentation of the procurement process is necessary to ensure compliance. Contract compliance and oversight is also important to ensure contractors are providing the goods or services they are being paid for. Most cities established a "purchasing officer"

with the responsibility for overseeing the procurement process and ensuring compliance with purchasing requirements. Less than half the cities had adopted policies for providing contract compliance and oversight. The CGJ recommends charter cities that have not developed policies and procedures for documenting compliance with procurement requirements, and providing contract compliance and oversight, consider doing so.

Employee Compensation

Charter cities have the authority and responsibility to determine the appropriate salaries and compensation for its employees. Until recently, there has been a lack of transparency and accountability for actual annual compensation for employees of charter cities. In 2010 media reports alleged that some administrators in Bell and Vernon were receiving disproportionately high compensation. In response to these reports, the State Controller began requiring counties, cities, and special districts to report government compensation to be posted on the Controller's website to promote transparency. The information provided includes the approved salary range, as well as the actual compensation received by each employee as reported to the U.S. Internal Revenue Service. The CGJ recommends city councils and members of the public annually review the actual compensation received by employees of their city. The taxable compensation for charter city positions receiving in excess of \$200,000 in 2011 is listed, by city and position title, in Appendix C of this report.

INTRODUCTION

The 2011-2012 Los Angeles County Civil Grand Jury (CGJ) conducted an investigation of the charter cities within the County of Los Angeles, to look at and consider whether the relative autonomy that charter cities are entitled to may lead to abuse in the areas of financial management, procurement and contracting, compensation, and general city governance. The investigation was prompted in part by concerns resulting from recent scandals in such charter cities as Bell and Vernon, where financial mismanagement and lack of transparent government were alleged. In addition, the CGJ felt it important to identify and emphasize best governance practices.

BACKGROUND

Within Los Angeles County, 25 of the total 89 cities are classified as charter cities. These cities are:

Alhambra	Arcadia	Bell	Burbank	Cerritos
Compton	Culver City	Downey	Glendale	Industry
Inglewood	Inwindale	Lancaster	Long Beach*	Los Angeles*
Palmdale	Pasadena	Pomona	Redondo Beach	Santa Monica
Signal Hill	Temple City	Torrance	Vernon	Whittier

*In this report the cities of Los Angeles and Long Beach have been excluded due to their size.

A charter city is formed by the vote of the citizens of an existing city to establish the basic law of the city. The California State Constitution, Article XI Section 3, guarantees to charter cities a large measure of “home rule”. This grants them direct control of local affairs, independent of the State. It is based on the principle that a city, not the state, is in the best position to know what it needs and how to satisfy those needs. Accordingly, charter cities in California are given more authority, autonomy, and flexibility over municipal affairs than are general law cities. A city charter is the city’s constitution, authorized by a vote of its citizens. Exhibit 1 is a detailed overview of the distinctions between charter and general law cities.¹

¹Source: http://www.cacities.org/resource_files/29142.Chart_General_Law_v._Charter_Cities-07-26-11.pdf

METHODOLOGY

CGJ members expressed concern about the potential for abuse of charter cities autonomy. The CGJ investigated the fiscal health, as well as the governance, financial management, and procurement and contracting practices of charter cities. Employees with total taxable compensation over \$200,000 for 2011 were also identified.

To conduct this investigation the fiscal year (FY) 2009-2010 Comprehensive Annual Financial Reports (CAFR) and/or basic financial statements for each charter city were obtained and analyzed.

The CGJ reviewed the best practices for the charter cities in the following areas:

- Financial Health
- Governance Practices
- Financial Management Practices,
- Contracting and Procurement
- Employee Compensation

A questionnaire was developed to collect information regarding current practices of the charter cities in response to the categories listed above. The questionnaire requested each city provide copies of documentation supporting their responses, and any comments or additional information.²

² See Appendices B and D.

FINANCIAL HEALTH

Charter cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008. Property tax revenues received by these cities have declined substantially consistent with the decline in property values and the reduction in the sale and turnover of real property. Sales tax revenues have also declined substantially, with consumers reducing their spending in response to new economic realities and loss of consumer confidence.

At the same time, the cost of funding public pensions for city employees has been impacted as well. The annual cost of pension obligations is partially determined by the earnings of pension funds, primarily the California Public Employees Retirement System (CalPERS). With the economic decline came market corrections and substantial reductions in the investment earnings of CalPERS. This resulted in increased rates and costs for cities to fund their employee pension obligations.

Cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues. These efforts include hiring and pay freezes for employees, furlough days for existing employees, increased cost to employees for benefits (health care and retirement), and in some cases significant employee layoffs. In other cases cities have also reduced the level of service provided to the community, with reduced hours of operations and reductions for services.

To evaluate the financial health of the charter cities the CGJ obtained and reviewed the Comprehensive Annual Financial Report (CAFR) or basic financial statements for each city for FY 2009-10, the most recent year of audited financial reporting available. The CGJ was able to obtain this information from 22 of the 23 charter cities. The City of Bell is in the process of completing its financial statements and audit for FY 2009-10, and expects it to be available in the Spring of 2012.

The CGJ developed criteria for evaluating the financial health of these cities, and compiled and analyzed the information from the financial statements. The following sections provide the results of this analysis.

City Activities – Revenues, Expenditures and Net Revenues

Most of the charter cities had two primary types of activities: governmental and proprietary or business-type activities. Governmental activities include the core government activities such as government administration, public safety, transportation, community development, and community services. Proprietary or business-type activities typically include operating public utilities (power, water, parking, and refuse collection, etc.) or other non-governmental activities. The CGJ compiled and analyzed information on revenues and expenditures for governmental activities, and for all other activities.

Total Funds – Revenues, Expenditures, and Net Revenues

Budget gaps between receipts and expenditures sometimes exist in any one fiscal year. But cities cannot sustain a pattern of spending more than is received in revenue, and

essentially not living within their means during the fiscal year. Cities must balance their budgets, and they often do so by spending down reserve funds, liquidating city assets, or increasing city debt or liabilities. Cities may have to make even more substantial reductions in city services, or may even face the possibility of insolvency or bankruptcy.

Table 1. Total Revenues, Expenditures and Net Revenues					
Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	Net Revenue %
1	Vernon	\$ 43,977,807	\$ 80,087,633	\$ (36,109,826)	-82.1%
2	Lancaster	\$ 115,563,547	\$ 174,733,808	\$ (59,170,261)	-51.2%
3	Compton	\$ 137,183,571	\$ 184,639,097	\$ (47,455,526)	-34.6%
4	Cerritos	\$ 102,494,642	\$ 125,084,152	\$ (22,589,510)	-22.0%
5	Signal Hill	\$ 31,551,775	\$ 38,286,911	\$ (6,735,136)	-21.3%
6	Whittier	\$ 79,174,360	\$ 95,951,737	\$ (16,777,377)	-21.2%
7	Industry	\$ 202,202,545	\$ 243,484,728	\$ (41,282,183)	-20.4%
8	Inglewood	\$ 156,862,931	\$ 188,615,029	\$ (31,752,098)	-20.2%
9	Pasadena	\$ 306,072,190	\$ 356,586,243	\$ (50,514,053)	-16.5%
10	Glendale	\$ 286,148,000	\$ 332,115,000	\$ (45,967,000)	-16.1%
11	Torrance	\$ 184,251,619	\$ 209,296,279	\$ (25,044,660)	-13.6%
12	Palmdale	\$ 136,008,739	\$ 154,126,410	\$ (18,117,671)	-13.3%
13	Pomona	\$ 181,623,666	\$ 202,575,731	\$ (20,952,065)	-11.5%
14	Redondo Beach	\$ 88,262,501	\$ 97,647,266	\$ (9,384,765)	-10.6%
15	Downey	\$ 81,477,000	\$ 89,699,000	\$ (8,222,000)	-10.1%
16	Irwindale	\$ 42,452,890	\$ 46,310,082	\$ (3,857,192)	-9.1%
17	Alhambra	\$ 78,781,555	\$ 83,072,781	\$ (4,291,226)	-5.4%
18	Culver City	\$ 121,253,707	\$ 127,236,249	\$ (5,982,542)	-4.9%
19	Santa Monica	\$ 424,129,802	\$ 430,635,297	\$ (6,505,495)	-1.5%
20	Arcadia	\$ 60,496,049	\$ 60,709,088	\$ (213,039)	-0.4%
21	Burbank	\$ 523,253,000	\$ 515,911,000	\$ 7,342,000	1.4%
22	Temple City	\$ 16,057,498	\$ 15,720,319	\$ 337,179	2.1%
	Average				-17.4%

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

Table 1 shows that, 20 of the 22 charter cities expended more on all activities (Governmental and Business) during fiscal 2009-10 than revenue received. The cities of Vernon, Lancaster, and Compton spent the most in excess of revenues. Only two cities, Burbank and Temple City, expended less than revenue received. On average, cities expended just over 17% more than revenue received in FY 2010.

General Fund - Revenues, Expenditures, and Net Revenues

Each city's general fund is used to provide resources for basic city services, including police, fire, parks, library, and administrative support services. When expenditures exceed revenues, a city's ability to provide these essential services in the future may be at risk, and it may have to make additional reductions in these key city services.

Rank	City	General Fund Revenues	General Fund Expenditures	GF Net Revenue	GF Net Revenue %
1	Vernon	\$ 18,353,768	\$ 51,732,177	\$ (33,378,409)	-181.9%
2	Palmdale	\$ 43,541,816	\$ 66,216,488	\$ (22,674,672)	-52.1%
3	Lancaster	\$ 42,969,083	\$ 53,481,380	\$ (10,512,297)	-24.5%
4	Inglewood	\$ 75,253,765	\$ 93,057,071	\$ (17,803,306)	-23.7%
5	Signal Hill	\$ 13,418,856	\$ 16,107,495	\$ (2,688,639)	-20.0%
6	Glendale	\$ 129,834,000	\$ 154,128,000	\$ (24,294,000)	-18.7%
7	Compton	\$ 61,152,456	\$ 70,002,992	\$ (8,850,536)	-14.5%
8	Burbank	\$ 130,620,000	\$ 148,375,000	\$ (17,755,000)	-13.6%
9	Culver City	\$ 66,086,224	\$ 71,403,249	\$ (5,317,025)	-8.0%
10	Irwindale	\$ 16,951,654	\$ 18,211,504	\$ (1,259,850)	-7.4%
11	Pomona	\$ 78,572,894	\$ 84,315,931	\$ (5,743,037)	-7.3%
12	Alhambra	\$ 48,203,884	\$ 50,825,010	\$ (2,621,126)	-5.4%
13	Arcadia	\$ 46,005,476	\$ 48,319,823	\$ (2,314,347)	-5.0%
14	Santa Monica	\$ 252,085,550	\$ 261,076,234	\$ (8,990,684)	-3.6%
15	Downey	\$ 63,534,000	\$ 65,389,000	\$ (1,855,000)	-2.9%
16	Torrance	\$ 141,462,192	\$ 143,303,309	\$ (1,841,117)	-1.3%
17	Redondo Beach	\$ 66,555,676	\$ 66,939,579	\$ (383,903)	-0.6%
18	Whittier	\$ 55,696,839	\$ 53,060,929	\$ 2,635,910	4.7%
19	Pasadena	\$ 194,413,346	\$ 183,451,992	\$ 10,961,354	5.6%
20	Temple City	\$ 10,410,925	\$ 9,790,629	\$ 620,296	6.0%
21	Cerritos	\$ 61,107,599	\$ 56,870,700	\$ 4,236,899	6.9%
22	Industry	\$ 59,005,858	\$ 34,954,708	\$ 24,051,150	40.8%
	Average				-14.8%

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

As Table 2 shows, 17 of the 22 charter cities expended more on general fund governmental activities during fiscal year 2009-10 than revenues received. Other cities: Vernon, Palmdale, Lancaster, Inglewood, and Signal Hill, all spent 20% or more than revenue received. The City of Vernon spent nearly 182% more. Only five cities: Whittier, Pasadena, Temple City, Cerritos and Industry, expended less than revenue received. On average, cities expended nearly 15% more than revenue received for governmental activities.

City Fund Balances – Assets, Liabilities, and Net Assets

City assets include funds available for operations, as well as the value of any capital assets such as land, buildings and improvements, machinery and equipment, and infrastructure.

Liabilities include accounts payable and long-term debt such as bonds, certificates of participation, pension obligations, and insurance claims.

Total Funds – Change in Net Assets

Net assets are the total city assets less total city liabilities. Ideally, city net assets would be stable or increasing. Declining net assets indicate cities are spending down their assets in order to meet current financial obligations.

A positive percentage change in total net assets indicates that the city's financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

As Table 3 shows, 14 of the 22 charter cities net assets declined during Fiscal Year 2009-10. While most cities' net assets declined less than 5%, Compton, Vernon, Inglewood, and Pomona had more substantial declines. The City of Compton's net assets declined nearly 23%. The average decline in net assets was 3%.

Table 3. Change in Net Assets					
Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	% Change in Net Assets
1	Compton	\$ 110,205,422	\$ 85,067,960	\$ (25,137,462)	-22.8%
2	Vernon	\$ 239,612,093	\$ 201,108,074	\$ (38,504,019)	-16.1%
3	Inglewood	\$ 249,452,636	\$ 221,790,427	\$ (27,662,209)	-11.1%
4	Pomona	\$ 288,760,419	\$ 265,701,880	\$ (23,058,539)	-8.0%
5	Cerritos	\$ 343,620,750	\$ 327,513,340	\$ (16,107,410)	-4.7%
6	Culver City	\$ 212,880,609	\$ 204,307,393	\$ (8,573,216)	-4.0%
7	Irwindale	\$ 133,403,988	\$ 128,399,144	\$ (5,004,844)	-3.8%
8	Downey	\$ 299,483,000	\$ 291,298,000	\$ (8,185,000)	-2.7%
9	Torrance	\$ 424,103,515	\$ 415,797,638	\$ (8,305,877)	-2.0%
10	Signal Hill	\$ 60,806,225	\$ 60,059,575	\$ (746,650)	-1.2%
11	Santa Monica	\$ 1,540,899,980	\$ 1,535,362,226	\$ (5,537,754)	-0.4%
12	Palmdale	\$ 732,914,844	\$ 731,360,888	\$ (1,553,956)	-0.2%
13	Lancaster	\$ 898,823,975	\$ 897,375,524	\$ (1,448,451)	-0.2%
14	Arcadia	\$ 199,298,453	\$ 199,030,502	\$ (267,951)	-0.1%
15	Glendale	\$ 1,653,026,000	\$ 1,654,023,000	\$ 997,000	0.1%
16	Redondo Beach	\$ 214,760,352	\$ 215,266,893	\$ 506,541	0.2%
17	Burbank	\$ 1,362,879,000	\$ 1,370,221,000	\$ 7,342,000	0.5%
18	Whittier	\$ 222,793,005	\$ 225,081,443	\$ 2,288,438	1.0%
19	Temple City	\$ 56,347,937	\$ 57,233,673	\$ 885,736	1.6%
20	Pasadena	\$ 1,002,103,194	\$ 1,040,238,519	\$ 38,135,325	3.8%
21	Industry	\$ 556,577,109	\$ 581,342,798	\$ 24,765,689	4.4%
22	Alhambra	\$ 156,455,154	\$ 163,529,822	\$ 7,074,668	4.5%
	Average				-2.8%

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

General Fund – Change in General Fund Balance

Only general fund balance can be used for the general operations of the cities, since other funds are restricted for designated use or only reflect the value of the city's fixed assets of land, buildings etc., and are not available for the city's operational needs.

A positive percentage change indicates that the city's general fund financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

As Table 4 shows, 17 of the 22 charter cities' general fund balances declined during Fiscal Year 2009-10. Compton, Inglewood, and Pomona had substantial declines. The City of Compton general fund balance went from a negative \$2.6 million to a negative \$14.6 million, a decline of 465%. The average decline in net assets was 20%.

Table 4. Change in General Fund Balance					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change in GF Balance
1	Compton	\$ (2,586,510)	\$ (14,607,702)	\$ (12,021,192)	-465%
2	Inglewood	\$ 35,194,792	\$ 16,879,802	\$ (18,314,990)	-52%
3	Pomona	\$ 8,796,614	\$ 6,535,641	\$ (2,260,973)	-26%
4	Palmdale	\$ 28,135,502	\$ 23,476,666	\$ (4,658,836)	-17%
5	Whittier	\$ 42,582,574	\$ 36,375,616	\$ (6,206,958)	-15%
6	Torrance	\$ 58,748,360	\$ 51,212,447	\$ (7,535,913)	-13%
7	Pasadena	\$ 60,383,043	\$ 53,177,187	\$ (7,205,856)	-12%
8	Alhambra	\$ 9,111,184	\$ 8,080,126	\$ (1,031,058)	-11%
9	Lancaster	\$ 86,184,043	\$ 76,668,663	\$ (9,515,380)	-11%
10	Signal Hill	\$ 27,445,377	\$ 24,525,625	\$ (2,919,752)	-11%
11	Downey	\$ 24,740,000	\$ 23,119,000	\$ (1,621,000)	-7%
12	Irwindale	\$ 29,280,183	\$ 27,375,796	\$ (1,904,387)	-7%
13	Burbank	\$ 115,307,000	\$ 108,520,000	\$ (6,787,000)	-6%
14	Arcadia	\$ 26,586,680	\$ 25,198,726	\$ (1,387,954)	-5%
15	Glendale	\$ 125,663,000	\$ 120,471,000	\$ (5,192,000)	-4%
16	Culver City	\$ 40,520,291	\$ 38,893,637	\$ (1,626,654)	-4%
17	Redondo Beach	\$ 10,025,322	\$ 9,894,077	\$ (131,245)	-1%
18	Temple City	\$ 24,615,597	\$ 24,700,378	\$ 84,781	0%
19	Cerritos	\$ 181,445,052	\$ 183,100,074	\$ 1,655,022	1%
20	Santa Monica	\$ 196,954,230	\$ 215,470,696	\$ 18,516,466	9%
21	Industry	\$ 185,675,395	\$ 204,929,546	\$ 19,254,151	10%
22	Vernon	\$ 4,640,434	\$ 14,097,228	\$ 9,456,794	204%
	Average				-20%

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

Total Funds – Ratio of Total Assets to Total Liabilities

The ratio of assets to liabilities indicates the city’s solvency and ability to meet long-term obligations, including financial obligations to creditors, employees, taxpayers, and suppliers, as well as its service obligations to its residents. Ideally, cities would, at minimum, have twice as many assets as liabilities. This would give them an asset to liability ratio of 2.0 or better to meet future obligations.

As Table 5 shows, 7 of the 22 charter cities’ ratios of total assets to total liabilities were less than 2.0. The cities of Compton, Vernon, Pomona, Signal Hill, Inglewood, Industry, and Culver City all had ratios below 2.0. The City of Compton’s ratio was the lowest at 1.24. This indicates that several cities’ solvency may be at risk, as may also be their ability to meet future obligations.

Table 5. Ratio of Total Assets to Total Liabilities					
Rank	City	Total Assets	Total Liabilities	Net Assets	Assets/ Liabilities
1	Compton	\$ 436,026,358	\$ 350,958,398	\$ 85,067,960	1.24
2	Vernon	\$ 838,968,440	\$ 637,860,366	\$ 201,108,074	1.32
3	Pomona	\$ 812,143,891	\$ 546,442,011	\$ 265,701,880	1.49
4	Signal Hill	\$ 174,713,295	\$ 114,653,720	\$ 60,059,575	1.52
5	Inglewood	\$ 572,555,974	\$ 350,765,547	\$ 221,790,427	1.63
6	Industry	\$ 1,336,990,674	\$ 755,647,876	\$ 581,342,798	1.77
7	Culver City	\$ 441,596,277	\$ 237,288,884	\$ 204,307,393	1.86
8	Pasadena	\$ 1,949,898,673	\$ 909,660,154	\$ 1,040,238,519	2.14
9	Irwindale	\$ 234,197,579	\$ 105,798,435	\$ 128,399,144	2.21
10	Alhambra	\$ 284,392,554	\$ 120,862,732	\$ 163,529,822	2.35
11	Cerritos	\$ 516,513,081	\$ 188,999,741	\$ 327,513,340	2.73
12	Whittier	\$ 347,583,150	\$ 122,501,707	\$ 225,081,443	2.84
13	Torrance	\$ 629,302,119	\$ 213,504,481	\$ 415,797,638	2.95
14	Palmdale	\$ 1,004,795,569	\$ 273,434,681	\$ 731,360,888	3.67
15	Burbank	\$ 1,860,024,000	\$ 489,803,000	\$ 1,370,221,000	3.80
16	Lancaster	\$ 1,208,857,934	\$ 311,482,410	\$ 897,375,524	3.88
17	Downey	\$ 385,362,000	\$ 94,064,000	\$ 291,298,000	4.10
18	Glendale	\$ 2,179,448,000	\$ 525,425,000	\$ 1,654,023,000	4.15
19	Redondo Beach	\$ 276,492,991	\$ 61,226,098	\$ 215,266,893	4.52
20	Santa Monica	\$ 1,897,804,611	\$ 362,442,385	\$ 1,535,362,226	5.24
21	Arcadia	\$ 237,019,926	\$ 37,989,424	\$ 199,030,502	6.24
22	Temple City	\$ 68,117,230	\$ 10,883,557	\$ 57,233,673	6.26
	Average				3.09

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

General Fund Government Activities - Ratio of Total Assets to Total Liabilities

Cities would ideally have a similar ratio of total assets to total liabilities related to governmental activities, with a minimum of twice as many assets as liabilities and an asset to liability ratio of 2.0 or better.

As Table 6 shows, 6 of the 22 charter cities' ratios of total assets to total liabilities for governmental activities were less than 2.0. The cities of Compton, Signal Hill, Pomona, Inglewood, Culver City, and Industry all had ratios below 2.0. The City of Compton ratio was the lowest at 1.29.

Table 6. Governmental Activities - Ratio of Total Assets to Total Liabilities					
Rank	City	Total Assets	Total Liabilities	Net Assets	Assets/ Liabilities
1	Compton	\$ 357,732,854	\$ 276,747,259	\$ 80,985,595	1.29
2	Signal Hill	\$ 143,828,512	\$ 106,263,834	\$ 37,564,678	1.35
3	Pomona	\$ 558,456,055	\$ 391,687,435	\$ 166,768,620	1.43
4	Inglewood	\$ 530,827,351	\$ 347,338,711	\$ 183,488,640	1.53
5	Culver City	\$ 339,243,877	\$ 210,433,914	\$ 128,809,963	1.61
6	Industry	\$ 1,296,047,690	\$ 755,244,767	\$ 540,802,923	1.72
7	Vernon	\$ 167,702,386	\$ 83,983,725	\$ 83,718,661	2.00
8	Pasadena	\$ 772,807,078	\$ 381,252,334	\$ 391,554,744	2.03
9	Alhambra	\$ 212,742,506	\$ 102,085,086	\$ 110,657,420	2.08
10	Irwindale	\$ 234,197,579	\$ 105,798,435	\$ 128,399,144	2.21
11	Torrance	\$ 462,455,632	\$ 202,109,508	\$ 260,346,124	2.29
12	Cerritos	\$ 476,058,643	\$ 187,631,823	\$ 288,426,820	2.54
13	Whittier	\$ 260,695,917	\$ 80,253,888	\$ 180,442,029	3.25
14	Palmdale	\$ 1,004,795,569	\$ 273,434,681	\$ 731,360,888	3.67
15	Lancaster	\$ 1,208,857,934	\$ 311,482,410	\$ 897,375,524	3.88
16	Downey	\$ 325,355,000	\$ 83,189,000	\$ 242,166,000	3.91
17	Arcadia	\$ 141,318,700	\$ 35,740,759	\$ 105,577,941	3.95
18	Glendale	\$ 1,268,829,000	\$ 313,672,000	\$ 955,157,000	4.05
19	Santa Monica	\$ 1,301,963,323	\$ 311,495,075	\$ 990,468,248	4.18
20	Redondo Beach	\$ 200,849,746	\$ 47,119,694	\$ 153,730,052	4.26
21	Burbank	\$ 1,282,849,000	\$ 294,991,000	\$ 987,858,000	4.35
22	Temple City	\$ 68,117,230	\$ 10,883,557	\$ 57,233,673	6.26
	Average				2.90

Notes: Information obtained from each city's Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for Fiscal Year 2010, the most recent available. Financial statements for the City of Bell have not been completed and were not available at the date of publication.

The current financial health of charter cities is largely due to the economic downturn that began in 2008 and continues. However, the overall governance and management practices of each city contributed to how well prepared each city was for this downturn, and how effectively each has responded. The following sections of the report present information on best practices for local governments in the areas of governance, financial management, and procurement and contracting.

FINDINGS – FINANCIAL HEALTH

1. Most charter cities expended more than they received in revenues during FY 2010.
2. Most charter cities' total net assets and general fund balances declined during FY 2010, and several charter cities' ratios of total net assets to total liabilities are lower than desirable.

BEST PRACTICES

1. All charter cities should adopt financial planning, revenue and expenditure policies to guide cities' officials to develop sustainable, balanced budgets.
2. All charter cities should develop a balanced budget and commit to operate within the budget constraints.
3. All charter cities should commit to not using one-time revenues to fund recurring or on-going expenditures.
4. All charter cities should adopt multi-year budgets for better planning to ensure the delivery of basic services before funding projects of lower priority.
5. All charter cities should adopt a method and practice of saving into a reserve or "rainy day" fund to be supplement operating revenue in years of short fall.

GOVERNANCE PRACTICES

“Governance” describes the role of a board or city council in providing leadership for an organization. Governance generally includes responsibility for providing the overall direction for the organization, making key decisions for the organization through policy, and overseeing the organization’s performance. Key tools of effective governance include strategic planning and management, including performance measurement and monitoring. The city council in each charter city is responsible for governing the organization.

The quality of the leadership of an organization, more than any other factor, determines its performance and effectiveness. An organization with poor leadership often finds itself mired in persistent issues, with little forward progress or resolution. Real issues and challenges go unaddressed and members of the organization become confused about the purpose of the organization and their own roles in it. In contrast, an organization with effective leadership prepares for and quickly resolves issues and challenges, provides clarity of direction and roles and establishes real accountability for the organization.

Strategic Planning

Strategic planning is a disciplined effort to produce fundamental decisions and shape and guide what an organization is, what it does and why it does it. When the strategic plan is linked to operations, all groups in the organization have a clear understanding of its purpose, the strategies used to achieve that purpose and the progress being achieved.

The role of any city council or board is to provide strategic focus and direction for the organization and to ensure decisions support the focus and direction. Oversight is also an important function for any board, ensuring that organizational activities are consistent with legal requirements and its own policies and procedures. Since the city council of each city controls the focus and direction of the organization, the risks posed by ineffective leadership, decision-making and oversight are substantial.

Table 7. Strategic Planning							
Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
Yes	No	Yes	Yes	Yes	No	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	No	No	Yes	Yes	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 7, most charter cities (19 yes, 4 no) responded that they developed and adopted a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for their city. The CGJ asked each city to provide a copy of its strategic plan. In the CGJ’s review of this documentation and comments provided by the cities, the CGJ found that several cities had developed and adopted comprehensive strategic plans. For example, the City of Burbank developed a strategic plan entitled “Our Plan, Our Future, Our Burbank – A Strategic 10 Year Plan for the City of Burbank 2011-2021.” This plan presents a very well structured mission, goals, and specific objectives. Torrance developed a similarly comprehensive strategic plan. These strategic plans provide appropriate strategic focus and direction for these cities.

Other cities developed mission, vision, core values and goals through regular facilitated strategic planning sessions with their city council. These strategic planning efforts include assessments of the city’s strengths, weaknesses, opportunities, and threats (SWOT), and included identification of specific strategies and initiatives with responsibility for completion and completion timelines. Many of these cities conduct follow-up sessions every six months to monitor and evaluate progress and any changes in priorities. These strategic plans also provide appropriate strategic focus and direction for these cities.

Several cities responded that they had developed and adopted strategic plans provided documentation of annual or biennial budget goals adopted. While these are important for the budget, they are typically focused on the short term, and do not provide the appropriate strategic focus and direction for these cities as would be accomplished through a strategic planning effort.

Performance Measurement

Performance measures should generally be quantified to allow for comparison of performance from year to year.

Performance measurement and reporting demonstrates the success or effectiveness of organizational or program activities in addressing a specific need or attaining a specific goal. A meaningful performance measurement framework includes a balanced set of indicators, ensures the collection of sound and reliable indicator data, provides for the

analysis and reporting of indicator information, and drives service improvement efforts and the testing of new initiatives.

Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
Yes	No	No	Yes	Yes	No	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	No	No	Yes	No	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	No	Yes	Yes	Yes	

As shown in Table 8, most of the cities (16 yes, 7 no) responded that their city council had adopted performance measures, or indicators, to evaluate outcomes or progress on priorities. The CGJ asked each city to provide copies of their performance measures or indicators. In reviewing this supporting documentation and comments provided by the cities the CGJ found several cities had developed performance indicators tied directly to the strategic goals adopted by the city council. For example, the City of Burbank identified and reported on performance indicators for each of their strategic goals. These performance indicators were focused on the outcomes or results achieved, were quantified, and reporting included three years of information to allow evaluation of progress made toward each strategic objective. The City of Glendale had similar performance indicator information.

Several cities that responded they had developed and reported on performance measures did not provide any documentation on performance measures. Other cities performance information was not quantified, or was focused on activities or workload with little or no information on results or outcomes.

Role Definition – Council and Executive Relationships

The city council or board’s role should be to provide policy direction and oversight. Effective governance requires that formal structures and practices define how the city council or board carries out its duties. Many boards develop and document oversight, bylaws, policies and procedures that clearly define the specific role of the board and board members and what actions are appropriate in specific situations. Specific areas in which policies are most often needed include the role of city council members and the executive and the relationship between the board and management.

City council boards and organizations operate most effectively when there is a clear definition and understanding of the city council or board’s role, management’s role and the line between the two. The city council’s role should be to provide policy direction and oversight and management’s role is to execute that direction. The most effective organ-

izations have unified commands, meaning direction is provided from only a single source.

It is also important for city councils and members to recognize that their authority only exists when acting as a body. Individual members of a city council have no authority to make decisions or direct the city’s management or city staff. Only decisions and directives of the city council, acting as a whole, are authoritative and binding.

A key role of each city council is providing clear direction to the city’s executive (city manager or city administrator). This clear direction should establish specific expectations for the executive and should consist of specific goals and objectives to be accomplished within specific timeframes. Equally important is for the city council to evaluate the performance of the city’s executive, providing meaningful feedback on how well expectations are being met. These evaluations should be accomplished routinely and within specific timeframes. The managements’ role is to execute direction set by the city council.

Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
No response	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 9, most of the cities (22 yes, 0 no, 1 no response) responded that they have a formal policy, agreement, or other document that clearly defines the roles of the city council and the city’s executive (city manager or city administrator). The CGJ asked each city to provide a copy of the formal policy defining roles. In reviewing this documentation and comments provided by the city, the CGJ found all cities had defined the basic qualifications, powers and duties for both the city council and the city’s executive in either the city’s charter, municipal code, or both. These policies provide a solid legal foundation for the relationship between the two.

Executive Role

Boards should go beyond this basic framework and develop a more detailed description of the relationship and working approach of the executive and council.

Some city council boards have developed, adopted, and frequently amend a comprehensive governance policy that defines the governance process, and defines the working relationship between the city council, executive, and staff. While not required, this more extensive governance framework can improve the cohesion and effectiveness of both the city council and the executive.

The CGJ requested the specific goals established most recently for their city manager or city administrator. In reviewing this documentation and comments provided by each city the CGJ found that the City of Burbank had developed very specific goals for the city manager for FY 2010-11. These goals were specific expectations for the city manager only. Other cities established goals for their city manager as part of the strategic planning efforts, the budget document, or the city manager’s budget message. Several cities reported that the goals for the city manager were part of the performance evaluation process and were appropriately considered confidential.

Table 10. Executive Goals							
Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
Yes	Yes	No	Yes	Yes	No	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	No	No	Yes	Yes	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 10, most of the cities (19 yes, 4 no) also responded that their city council established specific goals for the executive at least annually.

Table 11. Executive Evaluation							
Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
No	Yes	No	Yes	Yes	Yes	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	No	Yes	Yes	No	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 11, most of the cities (19 yes, 4 no) also responded that their city council conducts a meaningful evaluation of the executive’s performance at least annually.

Council Adopted Policies

Other areas in which policies are most often needed include Conflict of Interest and Investment policies. Transparency in public decision-making is essential. Members of the public served by each city must be able to rely on their representatives to be working in their best interest.

California Government Code §81000, et seq. (“Political Reform Act”), requires every state and local government agency to adopt a conflict of interest code. The Political Reform Act further requires every agency to review its conflict of interest code biennially to determine if it is accurate or whether that code must be amended. The conflict of interest code must be amended when necessitated by changed circumstances.

California Government Code §53646 requires the city council of each charter city to annually consider and adopt an investment policy. The investment policy is intended to outline the policies for maximizing the efficiency of the city's cash management system, the prudent investment of the city's funds, and to provide guidelines for suitable investments. The primary goals of the investment policy are to ensure compliance with the law; provide protection of principal; maintain liquidity; and maximize investment income to enhance the economic status of the city.

Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 12, all but one of the cities (22 yes, 1 no) responded that their city council adopted and enforces a formal conflict of interest policy. The CGJ requested each city provide a copy of the adopted conflict of interest policy. In reviewing this documentation and the comments provided by each city, the CGJ found that 22 of the charter cities had formally adopted a conflict of interest code by resolution or ordinance as required. One city, Inglewood, had developed a draft conflict of interest code for council adoption.

Table 13. Investment Policy							
Alhambra	Arcadia	Bell	Burbank	Cerritos	Compton	Culver City	Downey
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Glendale	Industry	Inglewood	Irwindale	Lancaster	Palmdale	Pasadena	Pomona
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redondo Beach	Santa Monica	Signal Hill	Temple City	Torrance	Vernon	Whittier	
Yes	Yes	Yes	Yes	Yes	Yes	Yes	

As shown in Table 13, all of the cities (23 yes, 0 no) responded that they had adopted an investment policy. The CGJ requested each city provide a copy of the adopted investment policy. In reviewing this documentation the CGJ found all cities had adopted an investment policy as required.

FINDINGS – GOVERNANCE PRACTICES

1. Strategic plans varied in providing appropriate strategic focus and direction for charter cities.
2. Many charter cities have not developed an effective performance and reporting measurement that demonstrates the success of their organizational activities and goals.
3. All charter cities stated they have a formal policy agreement, or other documents that define the roles of city council and chief executive (city manager or city executive).
4. Most charter cities (city council) established specific goals for executives at least annually.
5. All but one city adopted a conflict of interest code.
6. All cities stated they had adopted an investment policy.

BEST PRACTICES

1. All charter cities should develop and adopt a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for the city.
2. All charter cities should develop and report on performance measures or indicators to evaluate outcomes or progress on priorities. These performance measures should be quantified, focused on outcomes or results, and information should be provided for several years to allow evaluation of progress over time.
3. All charter city councils should develop a governance policy that specifically defines the relationship between the council and executive. Charter city councils should develop specific annual goals for the city's executive (city manager or city administrator) and conduct meaningful evaluations annually.