City of Modesto
Enterprise Risk Assessment

Proprietary & Confidential

FINAL REPORT

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Baker Tilly Advisory Group, LP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500

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EXECUTIVE SUMMARY

PROJECT SCOPE

This enterprise risk assessment provides a way for the leadership of the City of Modesto (the City) to measure uncertainty related to the City's ability to achieve defined strategic objectives and operate effectively. Risks are identified, analyzed, and measured by the level of inherent vulnerability, the City's level of preparedness to mitigate them, and the impact negative events could have on the City should they occur.

RISK ASSESSMENT FRAMEWORK

Each risk category assessed has an overview of the risk condition, including the current risk level, likelihood, impact, preparedness, and trajectory, as defined below.

RISK LEVEL	Level of uncertainty that could impair functions and processes, in the absence of any actions taken to alter either the risk's likelihood or impact.
LIKELIHOOD	Qualitative assessment of the probability of a negative event occurring, given the current risk conditions.
IMPACT	Level of potential impact of a negative event on strategy, people, operations, systems, and resources.
PREPAREDNESS	Level of preparedness, through activities and resources, to manage risks and minimize and limit potential losses.
TRAJECTORY	Trajectory of the risk level, given the current risk conditions.

RISK ASSESSMENT RESULTS

This assessment evaluates the City's risks across 17 categories that collectively comprise operations across the City. The following tables summarize assessment results, organized alphabetically for each risk level.

High Risk

Risk Category	Impact	Likelihood	Preparedness	Trajectory
No risks identified				

Moderate to High Risk

Risk Category	Impact	Likelihood	Preparedness	Trajectory
Asset Management and Capital Programs	High	High	Low to Moderate	Decreasing – Low
Human Resources	Moderate to High	Moderate	Low to Moderate	Flat
Information Technology	High	Moderate to High	Moderate	Decreasing – Low
Public Safety	High	Moderate	Moderate	Decreasing – Low
Risk Programs	Moderate to High	Moderate to High	Moderate	Flat

Moderate Risk

Risk Category	Impact	Likelihood	Preparedness	Trajectory
Accounting, Finance, and Budgeting	High	Low to Moderate	Moderate to High	Flat
Compliance	Moderate to High	Moderate	Moderate	Flat
Funding and Economics	High	Moderate	Moderate to High	Flat
Organization and Staffing	Moderate to High	Moderate	Moderate	Flat
Procurement and Contracting	Moderate to High	Moderate	Moderate	Decreasing – Low
Service Delivery	High	Moderate	Moderate	Decreasing – Low

Low to Moderate Risk

Risk Category	Impact	Likelihood	Preparedness	Trajectory
Governance	Moderate to High	Low to Moderate	Moderate	Decreasing – Low
Management and Leadership	Moderate to High	Moderate	Moderate to High	Decreasing – Low

Risk Category	Impact	Likelihood	Preparedness	Trajectory
Policies and Procedures	Moderate	Moderate	Moderate	Decreasing – Low
Reputation and Public Perception	Moderate to High	Moderate	Moderate to High	Decreasing – Low

Low Risk

Risk Category	Impact	Likelihood	Preparedness	Trajectory
Ethics and Fraud, Waste, Abuse	Moderate	Low to Moderate	Moderate to High	Decreasing – Low
Planning and Strategy	Moderate	Moderate	Moderate to High	Decreasing – Low

INTRODUCTION

PROJECT SCOPE

The City engaged its internal auditor, Baker Tilly, to conduct an independent enterprise risk assessment to analyze the City's overarching areas of risk. This assessment provides a way for City leadership to measure the City's ability to achieve defined strategic objectives and operate effectively. This assessment is also intended to inform the City's internal audit plan. Risks are identified, analyzed, and measured by the level of inherent vulnerability, the City's level of preparedness to mitigate them, and the impact negative events could have on the City should they occur.

The Baker Tilly team evaluated 17 categories of risk and the business processes within each category, which collectively comprise operations across the City. Risk assessment procedures included identifying the current levels of risk, likelihood of a negative event occurring, impact of a negative event, and level of preparedness in terms of mitigating negative events. Using this information, the City can identify the most important areas of risk and prioritize risk management efforts accordingly. All City departments were included in the risk assessment process. This assessment includes information provided by City Council members, City leadership, managers, and staff.

The assessment process followed conventional Enterprise Risk Management (ERM) methodology as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and embraced by the Institute of Internal Auditors (IIA). The enterprise risk assessment process reflects a specific point in time: August to November 2025. The overall risk ratings and trajectory levels are directly connected to this timing.

METHODOLOGY

The enterprise risk assessment process consists of four phases: 1) planning, 2) fact finding, 3) analysis, and 4) reporting. The activities and goals for each phase are described in detail below.

PLANNING

We began planning our assessment by requesting a standard set of documents from the City, including (but not limited to) prior risk assessments, audits, financial reports, public website documents, planning documents, and policies and procedures. We used these documents to identify the first round of

individuals to interview and additional document needs based on business process and functional areas.

FACT FINDING

Fact finding encompassed analyzing received documents, interviewing leadership, including Council Members, City leadership, and managers from various departments, and soliciting additional employee feedback via an online survey distributed to all full-time City employees. During this phase, we gathered information to gain a clear understanding of the City's processes and the way it operates to achieve its goals and purpose.

ANALYSIS

With the information collected and compiled, we performed a risk assessment that included a comprehensive review and analysis of the various risk categories. This analysis included assessing current risk conditions and their trajectory, the level of preparedness efforts to mitigate risks, and the probability and potential impact a negative event may have on City's ability to achieve its mission, vision, and strategic goals.

REPORTING

During this phase, we developed a final report and engaged in a review and discussion with senior leadership. Based on feedback, we finalized our report for delivery to City management.

The enterprise risk assessment process relies heavily on evidence obtained from employees. By design, the assessment process requires access to all senior leadership and many department and division managers. Full disclosure of information has been assumed in this process.

RISK ASSESSMENT FRAMEWORK

The process to identify and assess risks considers both internal and external factors. As part of this risk assessment, Baker Tilly used a variety of techniques, both qualitative and quantitative, to identify external and internal factors that contribute to risk. Risk assessments involve a dynamic and iterative process to identify and analyze risks to the City's ability to achieve its objectives, forming a basis for determining how risks should be managed.

For each risk category assessed, our assessment includes an overview of the risk condition, including the current risk level, likelihood, impact, preparedness, and trajectory. In addition, risk mitigation identifies potential strategies to reduce overall risk for each category, and residual risk represents the probable risk exposure after risk mitigation efforts have been implemented. The elements provided below make up the risk assessment framework, which are industry standard and defined by COSO's ERM methodology.

RISK LEVEL	Level of uncertainty that could impair functions and processes, in the absence of any actions taken to alter either the risk's likelihood or impact.	• Low • Low to Moderate • Moderate • Moderate to High • High
IMPACT	Level of potential impact of a negative event on strategy, people, operations, systems, and resources.	• Low • Low to Moderate • Moderate • Moderate to High • High
LIKELIHOOD	Qualitative assessment of the probability of a negative event occurring, given current risk conditions.	• Low • Low to Moderate • Moderate • Moderate to High • High
PREPAREDNESS	Level of preparedness, through activities and resources, to manage risks and minimize and limit potential losses.	• Low • Low to Moderate • Moderate • Moderate to High • High
TRAJECTORY	Trajectory of the risk level, given the current risk conditions.	• Decreasing – High • Decreasing – Low • Flat • Increasing – Low • Increasing – High
RISK MITIGATION	Potential strategies for reducing risk.	• Based on the current risk conditions.

RESIDUAL RISK	Possible remaining exposure after known risks have been mitigated through specific actions.	• Low • Low to Moderate • Moderate • Moderate to High • High

DEFINITION OF LEVELS

For each risk factor category, we assigned an overall risk level rating. These risk levels are intended to provide City leadership with a means of prioritizing remediation efforts. Definitions of each risk level are explained in the tables that follow.

Risk Level Definitions

Risk	Significance
High	Represents significant risks that should be addressed immediately
Moderate to High	Represents serious risks that should be addressed expeditiously
Moderate	Represents moderate risks that should be addressed as soon as reasonably possible
Low to Moderate	Represents ordinary risks that should be addressed during the next review cycle
Low	Represents a minor threat to the City

Impact Level Definitions

Risk	Significance
High	Threatens the success of the City/service delivery
Moderate to High	Substantial impact on time, cost, or quality
Moderate	Notable impact on time, cost, or quality
Low to Moderate	Minor impact on time, cost, or quality
Low	Negligible impact

Likelihood Level Definitions

Risk	Significance
High	Almost certain to occur with current risk conditions

Risk	Significance
Moderate to High	Very likely to occur with current risk conditions
Moderate	Likely to occur with current risk conditions
Low to Moderate	May occur with current risk conditions
Low	Unlikely to occur with current risk conditions

Preparedness Level Definitions

Risk	Significance
High	Risk preparedness activities are robust and likely to be sustained, with readily available evidence attesting to this level of achievement
Moderate to High	Risk preparedness efforts are well established, documented, and stable
Moderate	Deliberate risk preparedness efforts are underway; important gaps remain
Low to Moderate	Preliminary risk preparedness efforts have been initiated although few, if any, have been implemented
Low	Minimal risk preparedness activity

Trajectory Definitions

Risk	Significance
Increasing	Inherent risk is increasing in current conditions
Flat	Inherent risk is holding steady in current conditions
Decreasing	Inherent risk is decreasing in current conditions

EMPLOYEE SURVEY RESULTS

We distributed an all-staff survey that offered staff the opportunity to identify the City's perceived strengths and weaknesses, which helped us assess potential opportunities for improvement and identify areas of specific vulnerability. The survey posed a variety of statements about each risk category to employees, including rating scale questions and open-ended questions. The confidential questionnaire was distributed to employees and open for submission from September 5, 2025 through September 22, 2025. Out of the 1,303 employees invited to take the survey, 428 individuals submitted responses to the survey (a participation rate of 33%). Survey results are noted in each section where

relevant, and respondent demographics and overall risk ratings are included in the Risk Assessment Survey Results of this report.

The overall risk ratings summarized below reflect responses from management-level staff only, as staff were not asked to provide ratings on overall risk in each category. Survey ratings are not a primary source of information used for our overall assessment and recommendations. Instead, they provide additional context and a point of comparison to understand staff sentiment and identify trends occurring across departments. Survey responses reflect moderate concern levels consistent with our evaluation. Readers should consider these survey insights as complementary context that highlights staff sentiment and helps identify trends, rather than as standalone measures of risk.

Risk Category	Risk Assessment	Employee Survey Results
Accounting, Finance, and Budget	Moderate	Moderate
Asset Management and Capital Programs	Moderate to High	Moderate
Compliance	Moderate	Moderate
Ethics and Fraud, Waste, and Abuse	Low	Moderate
Funding and Economics	Moderate	Moderate
Governance	Low to Moderate	Moderate
Human Resources	Moderate	Moderate
Information Technology	Moderate to High	Moderate
Management and Leadership	Low to Moderate	Moderate
Organization and Staffing	Moderate	Moderate
Planning and Strategy	Low	Moderate
Policies and Procedures	Low to Moderate	Moderate
Procurement and Contracting	Moderate	Moderate
Public Safety	Moderate to High	Moderate
Reputation and Public Perception	Low to Moderate	Moderate
Risk Programs	Moderate to High	Moderate
Service Delivery	Moderate	Moderate

RISK ASSESSMENT RESULTS

For each risk category assessed, our risk assessment includes an overview of the risk condition, including the levels for overall risk, impact, likelihood, preparedness, and trajectory of the risk conditions. We identified potential risk mitigation strategies intended to reduce overall risk for each category. The residual risk level represents the probable risk exposure after risk mitigation efforts are implemented.

The levels and corresponding color coding for each risk condition, impact, likelihood, preparedness, and trajectory are represented in the table below.

Impact	Likelihood	Preparedness	Trajectory
High	High	Low	Increasing – High
Moderate to High	Moderate to High	Low to Moderate	Increasing – Low
Moderate	Moderate	Moderate	Flat
Low to Moderate	Low to Moderate	Moderate to High	Decreasing – Low
Low	Low	High	Decreasing – High

HIGH-RISK CATEGORIES

No risk categories were identified as high risk.

MODERATE TO HIGH-RISK CATEGORIES

Asset Management and Capital Programs

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
High	High	Low to Moderate	Decreasing – Low

Risk Mitigation	• Develop a comprehensive list of unfunded projects to enable effective planning and resource allocation. • Continue efforts to standardize the process for estimating and reporting CIP project budgets across departments to increase the reliability of information for decision-making. • Continue efforts to improve interdepartmental collaboration between the engineering functions in the City. • Continue efforts to increase and prioritize funding dedicated to deferred maintenance to reduce the backlog and reduce asset deterioration. • Develop a parks master plan to promote effective parks planning and resource management. • Develop a clear and transparent process for prioritizing deferred maintenance needs to promote fair resource allocation and benefit all parts of the community. • Continue efforts to hire a full-time Fleet Manager to support the City's fleet management needs. • Centralize or standardize the City's inventory management system to improve consistency and accuracy. • Document comprehensive asset management data in a database or system for the City's utility infrastructure to better be able to predict and address utility needs.
Residual Risk	LOW TO MODERATE

Scope: This area covers risks related to managing and safeguarding the City's physical and capital assets (including facilities, vehicles, equipment, and related resources) across their lifecycle from supply and deployment to maintenance, tracking, and reporting. It also includes risks tied to capital improvement programs such as planning, financing, construction, contract compliance, and project closeout. These activities rely on integrated strategies, processes, people, and technology to ensure service levels are met while minimizing asset ownership costs.

The City is working on improving its asset management and capital programs, partially supported by Measure H funding and documented plans such as its Capital Improvement Program Plan and a completed Facility Condition Assessment. However, staff identified several challenges largely related to deferred maintenance needs in several areas across the City, inconsistent asset management practices, and challenges managing capital improvement project budgets across projects.

Capital Improvement Program

The City maintains a five-year Capital Improvement Program (CIP) that directs the funding and execution of all public improvement projects, encompassing both replacement and expansion initiatives. For the FY 2025 budget, the City allocated $306,127,268 for capital improvement projects across more than 180 projects. This budget was developed through a collaborative process involving the Finance Department and other relevant departments, followed by reviews from the Planning Commission and Finance Committee, and ultimately approved by the City Council. Most surveyed employees (86%) rated the CIP process as average or better.

Q: How would you rate the processes the City uses to identify and prioritize capital improvement projects?

While the City has an established CIP, the City does not have a comprehensive list of unfunded projects, which makes it difficult to plan for and complete these projects. This lack of visibility into unfunded projects creates risk by potentially delaying critical improvements and limiting the City's ability to allocate resources effectively in response to emerging needs.

Furthermore, as noted in the CIP Assessment completed as part of the FY 2025 Internal Audit Program, the City lacks a standardized method for estimating and reporting CIP project budgets across departments. Because departments use different assumptions and formats, it is difficult to compare data or aggregate information reliably for decision-making and oversight. This inconsistency raises the risk of inaccurate budgeting, misallocation of resources, and difficulties tracking project progress. Staff reported this issue is being addressed in the current budget cycle.

Several CIP projects involve multiple departments, particularly those requiring engineering services. Engineering functions are distributed across three groups: Engineering Services Department, Traffic Engineering within Public Works, and Engineering Services within Utilities. Staff reported that due to this interdepartmental approach, some engineering projects lack sufficient coordination, which can impede strategic planning, resource allocation, and may result in duplicative efforts. To address this, the City is actively working to improve interdepartmental collaboration. A recent

initiative includes integrating a Geographic Information System (GIS) layer into the City's system, enabling visual mapping of engineering projects across departments. This tool will support better coordination and planning of capital projects citywide across all engineering functions and support risk reduction in this area.

Deferred Maintenance

The City faces significant deferred maintenance and replacement needs across several areas, including the Fire Department, parks, forestry/trees, and sidewalks. Measure H funding has been allocated to address some of these concerns, with $2.2 million (5% of Measure H funds) dedicated to deferred maintenance in the FY 2025 budget. While this funding helps reduce risk exposure by addressing maintenance issues and mitigating future costs, many unmet needs remain, increasing the likelihood of asset failure, higher repair expenses, and potential safety hazards.

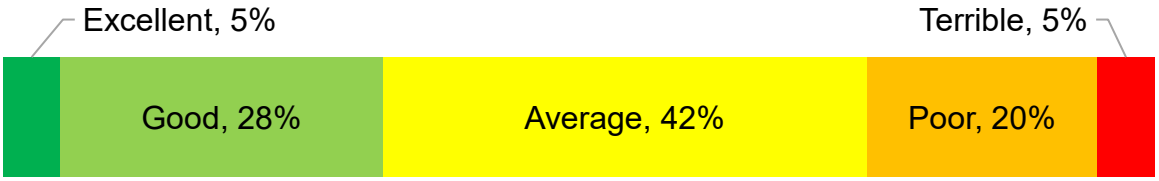
The City also lacks a comprehensive master plan to guide park development and prioritize deferred maintenance projects specifically for parks. More broadly, staff reported the process for prioritizing deferred maintenance needs across all areas lacks clarity, particularly regarding equitable resource allocation, which increases the risk of unfair distribution and challenges in achieving outcomes that benefit the entire community.

Facilities

At the end of 2024, a consultant conducted a Facilities Condition Assessment (FCA) for the City, which rated overall facility conditions as "fair," reflecting a mid-level status with some assets needing immediate attention and others recently updated. The assessment identified approximately $123.8 million in facility needs over the next five years. While Measure H funding will address part of these needs, it will not cover the majority, requiring the City to secure additional funding for the remaining improvements. Unfunded deferred maintenance creates risks of accelerated asset deterioration, increased safety hazards, and significantly higher repair costs in the future.

Survey respondents gave mixed ratings on City facilities, with 42% rating them as average, consistent with the FCA findings. Many noted outdated conditions and safety concerns such as poor air filtration, mold, and elevator problems. Beyond safety risks, negative perceptions of facilities can lower morale and damage the City's reputation.

Q: How would you rate the condition of the facilities (buildings) used by the City?



Streets and City Canopy

The City's pavement condition index (PCI), which measures pavement quality on a scale from 0 to 100%, currently stands at 63%, indicating a moderate overall condition of roadways. Staff noted this represents an improvement over previous years, reflecting the positive impact of recent maintenance and rehabilitation efforts. However, a PCI of 63% also highlights the need for continued investment and planning to further improve pavement conditions, ensure safety and reliability for community members, and avoid high repair costs in the future.

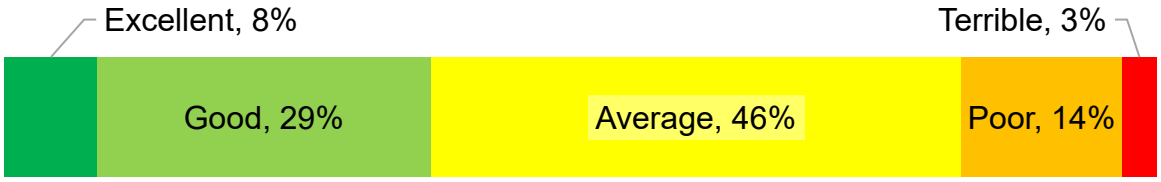
Staff reported significant improvements in forestry management over the past few years, supported by increased funding and dedicated personnel. These enhancements have allowed the City to establish a more consistent and systematic maintenance cycle for the urban tree canopy. Regular activities such as pruning, hazardous tree removal, and new tree planting help sustain the health and longevity of the canopy, contributing positively to the City's environment.

Equipment and Fleet Maintenance

The City manages equipment at the department level and manages all fleet within the Fleet Division. Maintenance of these types of assets can be improved at the City to support reduced risks.

Staff reported challenges in fleet replacement due to a backlog in acquiring new vehicles, a vacant Fleet Manager position, and difficulties maintaining an accurate fleet inventory, which may result in increased maintenance costs or an insufficient fleet to meet operational demands. Survey feedback reflects broader concerns about equipment condition, with 46% of employees rating it as average and many noting issues not only with vehicles but also with other equipment and personal protective gear. Outdated or poorly maintained equipment increases the risk of high costs, decreased efficiency, safety hazards, and potential disruptions in City services.

Q: How would you rate the condition of the non-IT equipment you use for your job?

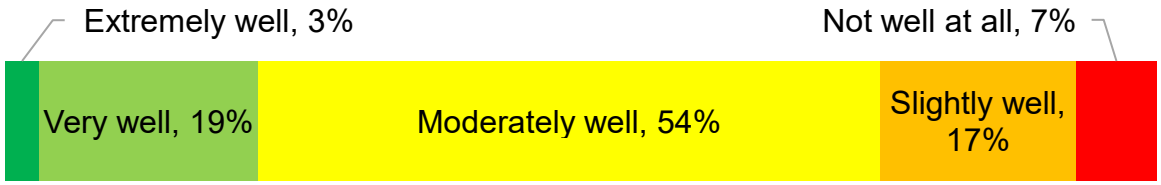


Inventory and Asset Management

Asset management practices vary across departments, leading to inconsistencies in how assets are tracked and monitored. This variation increases the risk that some assets may be overlooked, improperly tracked, or unaccounted for, resulting in inefficient resource use, unexpected maintenance costs, and difficulties in long-term planning.

The City lacks a centralized inventory management system, and while a central store exists for purchasing, equipment acquired outside this system may not be properly inventoried. Departments rely on different systems or manual spreadsheets to manage inventory, contributing to inconsistent tracking. Reflecting these challenges, 54% of employees surveyed agreed that assets are only moderately well tracked and accounted for. Without standardized procedures and a unified system, there is a risk of inaccurate inventory records, which can undermine effective asset management and compromise the accuracy of the City's financial statements.

Q: How well do you feel the assets of the City are tracked and accounted for?



As noted in the Utility Fiscal Review Performance Audit completed as part of the FY 2024 Internal Audit Program, the City has some asset management data for its utility infrastructure but does not have comprehensive information such as installation dates, renewal periods, or estimated costs for all its water, wastewater, and storm drain infrastructure. Furthermore, this data is not consistently maintained within a centralized database or system, limiting operational efficiency. Without comprehensive and well-organized utility asset data, the City's ability to predict and prioritize maintenance needs is constrained, leading to a reactive maintenance approach that is less strategic and

often more costly. Properly maintained utility assets are essential to sustaining operations and safeguarding the community by ensuring access to clean water and effective wastewater management. Staff reported the City is planning to move forward with a study to complete a asset management gap analysis for its utilities in 2026.

Human Resources

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Low to Moderate	Flat

Risk Mitigation

- Regularly review and update the employee manual to ensure policies reflect current laws, best practices, and organizational needs.
- Accelerate the transition to digital HR systems for personnel files, I-9 verification, benefits administration, performance evaluation, and other HR processes to improve record accuracy, compliance, and operational efficiency.
- Streamline and resource the investigation process to ensure timely resolution of employee matters.
- Continue efforts to enhance recruitment strategies, such as by expanding outreach, leveraging partnerships, and optimizing hiring workflows to address talent shortages and improve candidate experience. This includes developing targeting campaigns for hard-to-fill positions.
- Continue efforts to use compensation study findings to guide competitive pay adjustments as needed.
- Monitor benefit cost trends and explore cost-containment strategies to maintain fiscal sustainability while offering competitive packages.
- Establish a formal, City-wide succession planning framework, prioritizing leadership roles and critical positions to preserve institutional knowledge and promote operational continuity.
- Continue efforts to centralize the City's learning management system.
- Develop structured career pathways and development plans to support employee growth and strengthen talent retention.
- Clarify and consistently enforce performance expectations and consequences to reinforce accountability all levels and reduce performance management risks.

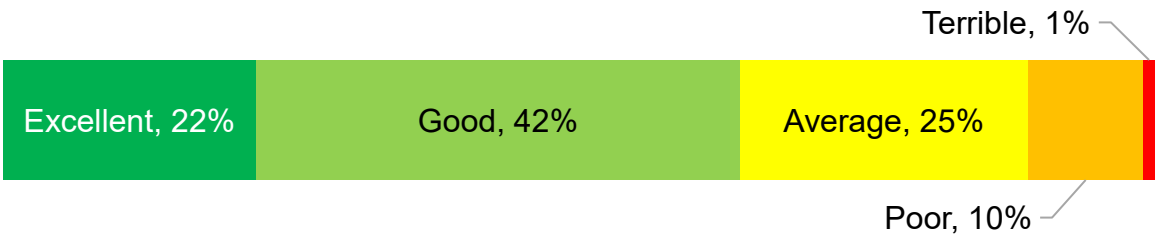
Residual Risk	LOW TO MODERATE

Scope: Risks associated with labor management and human resources include hiring, onboarding, employee performance, training, compensation and benefits, retention, succession planning, grievances, overtime, resource availability, diversity, wellness, and communication.

The mission of the Human Resources Department (HR) is to recruit, develop, and retain a diverse, well-qualified, healthy, professional, and productive workforce. HR provides citywide HR services, including recruitment, benefits administration, employee relations, and training.

Staff reported generally positive perceptions of HR customer service, noting HR is approachable and helpful. Maintaining strong HR support is important to promote employee satisfaction, reduce workplace conflicts, and support compliance with employment laws, all of which contribute to reduced HR risks.

Q: How would you rate the quality of internal customer service provided to staff by the HR Department?



HR Policies and Processes

The City's employee manual includes several key policies, such as equal employment opportunity (EEO), anti-harassment and discrimination, ethics, recruiting and hiring, compensation, and grievance procedures. However, the manual has not been updated since 2013. This outdated status poses risks including non-compliance with current laws and regulations, gaps in addressing evolving workplace issues, and diminished clarity for both employees and management. These factors can lead to misunderstandings, inconsistent policy application, and increased legal and reputational exposure for the City.

While staff reported some HR processes have been recently modernized (e.g., onboarding), some processes are still paper based, including personnel files, I-9 verification, and some performance evaluation and benefits related processes.

Continued reliance on paper based manual processes raises the risk of lost or inaccurate records, compliance issues, and reduced operational efficiency.

City Culture and Employee Relations

Employee satisfaction across the City is relatively high. In the City's March 2024 Employee Engagement Survey, 86% of employees reported being satisfied with their jobs, describing the City as a meaningful place to work that provides a sense of belonging and professional growth. The survey conducted for the risk assessment showed a decrease in these results with 48% of employees rating the City's culture as excellent or good. Overall, staff described the workplace as welcoming and collaborative, and many expressed appreciations for supportive supervisors and a shared commitment to serving the community. However, with 13% of staff rating the culture as poor and 3% as terrible, there are potential risks related to employee engagement and motivation. In interviews some staff expressed concern that not all employees across departments are treated equally, suggesting ongoing risk mitigation work is needed to strengthen perceptions of fairness and equity across teams.

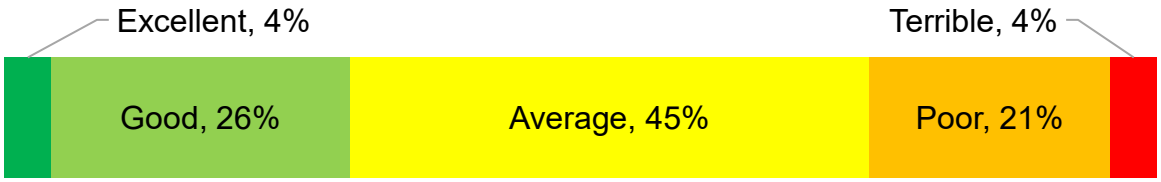
Q: How would you rate the City's current workplace culture (e.g., welcoming, including, trusting, transparent)?

Employee relations play a critical role in maintaining a positive work environment, addressing employee concerns, and ensuring fair and consistent treatment across the City. Investigations into employee matters typically involve examining complaints or allegations related to workplace conduct, policy violations, or other personnel issues to determine facts and guide appropriate actions. Staff consistently reported that the investigation process is slow, which delays resolution of these matters and impacts workforce productivity. Several staff reported this concern is one of the City's biggest challenges. Delays in resolving employee issues can increase risks such as decreased morale, prolonged conflicts, potential legal exposure, and reduced overall City effectiveness.

Recruitment

Staff reported HR has made recent improvements to the City's recruiting processes, including dedicating staff to assist high-need departments, attending job fairs, and conducting targeted outreach. These efforts have resulted in faster hiring timelines, which reduces risks related to staffing shortages, operational disruptions, and increased overtime costs. Still, most survey respondents (45%) rated the City's recruitment process and support as average, suggesting continued opportunities for improvement.

Q: How would you rate the City's recruitment processes and support?

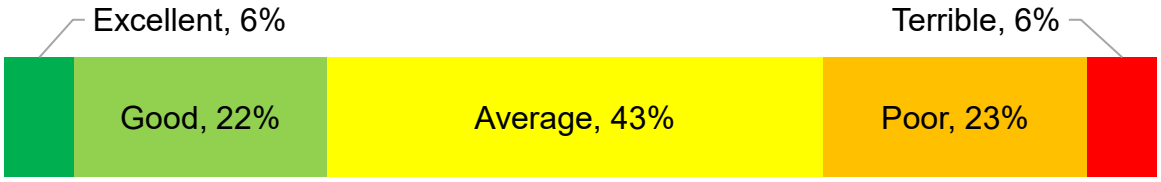


As is common for cities across the country, staff reported recruitment for specialized roles (e.g., engineering) is an ongoing challenge, which can lead to talent shortages in critical positions.

Compensation and Benefits

The City's 2023 Compensation Study found that most City positions fall significantly below peer agency averages, creating challenges in attracting and retaining qualified staff. While this study is being used to guide upcoming adjustments, below-market pay remains a key vulnerability. Survey respondents were divided in their views on compensation, with 43% rating it as average, 22% as good, and 23% as poor. Several narrative responses indicated benefits are a key concern for employees. Negative perceptions of compensation and benefits among staff can contribute to uncertainty and dissatisfaction, potentially impacting retention and engagement if concerns are not addressed.

Q: How would you rate the competitiveness of the City's compensation and benefits?



Industry wide, benefit costs are projected to increase in the future, which could put a financial strain on the City's budget. Rising industrywide benefit costs could increase fiscal pressure in coming years, risking the City's ability to offer competitive compensation and benefits in the future.

Succession Planning

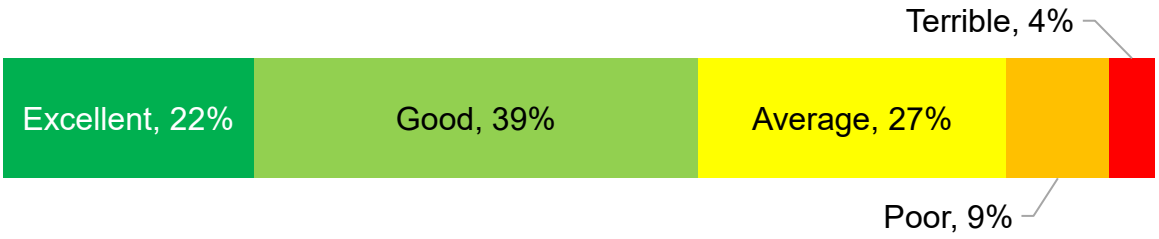
Succession planning was commonly cited as a concern by staff, as it is not consistently prioritized across departments. This risk is exacerbated given that about 20% of City employees will be eligible for retirement within five years, including several employees in leadership positions. In addition to retirement, turnover rates can increase the need for succession planning. As explored in Organization and Staffing, overall turnover rates are generally in line with industry standards, but some supervisory positions experienced frequent turnover from 2022 to 2025, which may result in loss of institutional knowledge and potential disruptions in service delivery.

Inconsistent prioritization of succession planning, especially when a notable portion of employees are nearing retirement, poses risks related leadership gaps, loss of institutional knowledge, and operational disruptions that could hinder the City's ability to maintain continuity and effective service delivery.

Training and Performance Management

HR provides new employee training, compliance training, and other training opportunities for staff. The City has also invested in improving training for managers and supervisors in recent years. Overall, a combined 61% of survey respondents rated their access to training and development resources as excellent or good, suggesting the City's investment in training is valued.

Q: How would you rate your access to the training and professional development resources you need to grow your career?



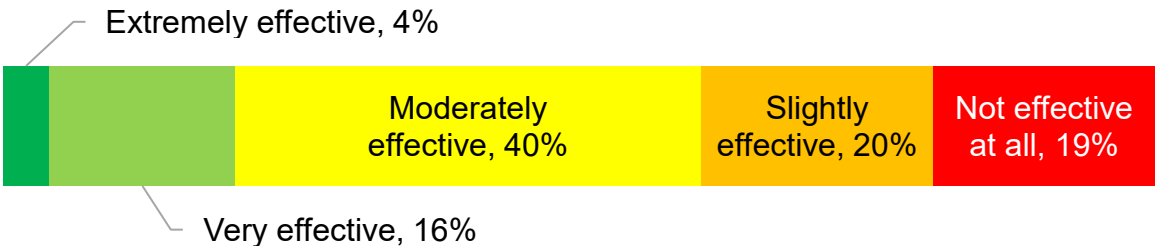
The City does not currently have a centralized learning management system to support training delivery and recordkeeping, though the City is exploring implementation of NeoGov's Learn platform for this purpose. Implementing a centralized system reduces

risk by promoting consistent training compliance, improving record accuracy, and enhancing accountability for timely completion.

Performance Management

The City has a formal performance evaluation system, with reviews at the 3-, 6-, and 9-month marks for probationary employees, and then annually after the first year. Overall, most survey respondents rated the performance evaluation and appraisal process as at least moderately effective. Staff reported that high levels of paperwork requirements may limit efficiency. HR is in the process of revamping evaluations to make them faster and more meaningful while preserving accountability.

Q: How would you rate the effectiveness of the current performance evaluation/appraisal process?



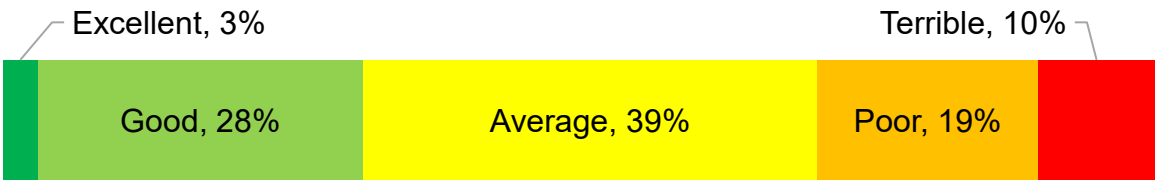
While the City has an established performance evaluation process, the City does not consistently provide formal career development plans for employees. Without structured pathways, the City may struggle to fully retain and advance talent.

When asked about the constructive guidance they receive to address performance gaps, employees provided somewhat more positive feedback. Nearly half (46%) rated the guidance they receive as good or excellent and another 40% rated guidance as average, indicating that most employees feel they receive some actionable feedback from supervisors.

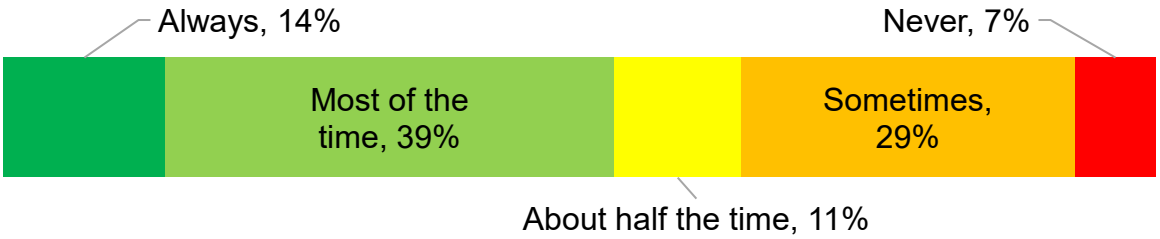
Q: How would you rate any constructive guidance you have been provided on how to improve any performance gaps (e.g., clear steps on what needs to be improved, and what that improvement looks like)?

Perceptions of accountability and corrective action were mixed, suggesting employees may perceive gaps between performance expectations and follow-through on consequences when improvement does not occur.

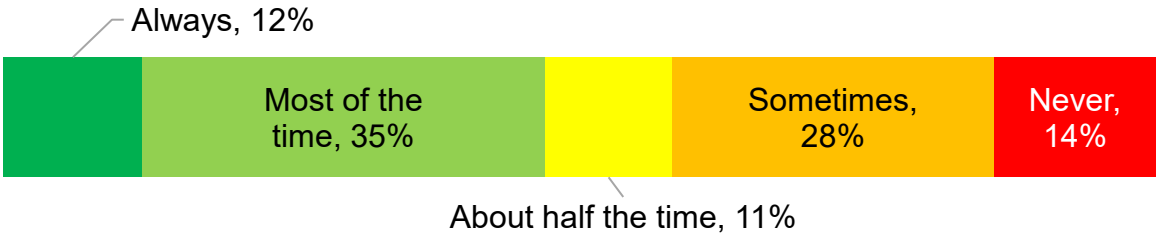
Q: How would you rate the process for placing low-performing employees on a performance improvement plan and taking subsequent action if no improvements are made?



Q: How often are non-supervisory employees consistently held accountable for their actions?



Q: How often are management-level employees consistently held accountable for their actions?



Information Technology

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
High	Moderate to High	Moderate	Decreasing – Low

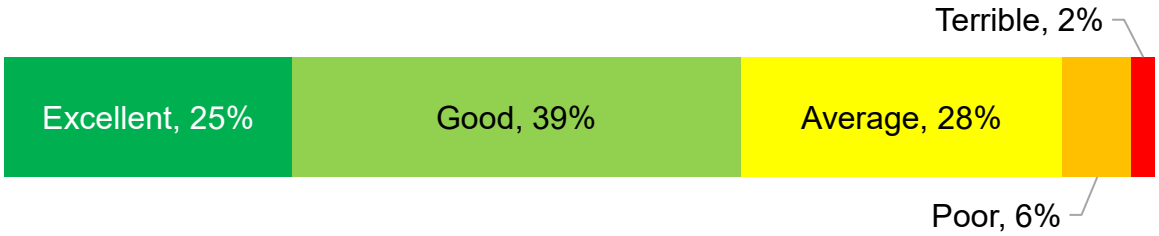
Risk Mitigation	• Continue efforts to develop and implement comprehensive IT policies, including those related to information security, access control, physical security, and technology and data governance. • Consider hiring a permanent position dedicated to cybersecurity to ensure consistent oversight, continuity in managing threats, and effective long-term cybersecurity planning. • Continue to provide regular cybersecurity training to staff to keep them aware of evolving threats and improve their ability to prevent and respond to cyber incidents. • Conduct periodic penetration testing to identify system vulnerabilities and guide timely remediation efforts. • Apply structured project management and risk management practices to new technology rollouts to minimize delays, cost overruns, and operational disruptions. • Review the current hardware replacement schedule to ensure risks related to outdated equipment are proactively managed.
Residual Risk	MODERATE

Scope: Risks associated with the design, development, implementation, administration, operations, and maintenance of information systems including change management and system development life cycle. Also includes cybersecurity risks and risks to infrastructure, system performance, data architecture and management, integration, back-up, security, privacy, outsourcing, and controls. The importance and pervasiveness of information technology and information systems continues to rapidly expand, regardless of organization.

The City's Information Technology Department (ITD) provides technology services, support and guidance to City departments. ITD reports to the Deputy City Manager for Support Services and is overseen by a Chief Information Officer (CIO). ITD includes many functions, including but not limited to the City's technology infrastructure, enterprise applications, and cybersecurity.

The City's IT support environment has reportedly improved over the last two years and staff reported strong collaboration between IT and other departments. Survey results also suggest strong satisfaction with IT support services. Nearly two-thirds (64%) of staff rated IT customer service as excellent or good. This reflects an overall perception that IT provides responsive and effective internal service.

Q: How would you rate the quality of the internal customer service provided to staff by the IT team?



IT Policies

The City has some established IT policies, including a computer use policy and a change control policy. However, several important policies have not been established or are in draft form. For instance, the City does not have an established information security policy to set the overall framework, roles, and responsibilities for protecting all City information assets. The City also lacks completed policies related to access control, physical security, and data privacy. Without these key policies, the City faces increased risks such as unauthorized access, data breaches, and inconsistent handling of sensitive information. These gaps can weaken the overall security posture and make it harder to manage and reduce IT risks effectively. An internal audit project is ongoing to review IT policies and procedures and staff reported several IT policies and procedures are currently in progress.

Cyber and Information Security

Cybersecurity is a critical concern for any jurisdiction. The City experienced a cybersecurity attack in 2023 and the risk and sophistication of attacks remains an ongoing threat across the industry. As noted above, the City does not have comprehensive IT policies in place, many of which are important to reduce risks related to cyber and information security.

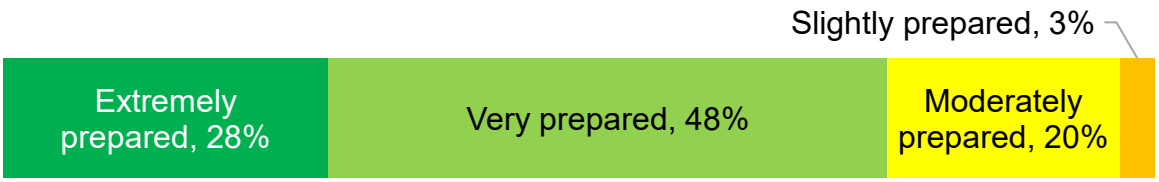
The City has a dedicated cybersecurity position. This reduces risk in providing focused oversight and management of cybersecurity threats, helping to detect and respond to incidents more quickly. However, this position is currently filled on a temporary basis which may limit continuity and long-term planning, increasing the risk that important cybersecurity initiatives could be delayed or inconsistently managed.

Staff reported cybersecurity training is conducted monthly. Of surveyed staff, 98% reported they have received training focused on cybersecurity and 76% reported feeling very or extremely prepared as a result. Regular training helps reduce the risk of security

breaches by increasing staff awareness of threats and improving their ability to recognize and respond to potential cyber incidents.

Q: Have you received training focused on cybersecurity (e.g., best practices, resources, etc.) provided by the City within approximately the last year?

Q: Based on this training, how prepared do you feel to identify, report, or manage a cybersecurity threat?



The City has not conducted regular penetration testing. Penetration testing is a controlled process where experts simulate cyberattacks to find weaknesses in systems before real attackers can exploit them. Without regular penetration testing, the City may be unaware of vulnerabilities in its IT systems, increasing the risk of successful cyberattacks and data breaches.

The City has an established technology disaster recovery plan, which provides a plan to respond to a disaster that significantly impacts the City's central computer systems. Such a plan helps staff restore operations as quickly as possible after a disaster and is important to reduce risks associated with prolonged system downtime, data loss, and service interruptions.

IT and Data Governance

Staff reported IT governance is generally working well. The Technical Steering Alignment Committee, facilitated and led by ITD, was established to review departmental IT needs and promote alignment and cost effectiveness across the City. ITD is also involved in purchases for new technology, including systems and hardware. Such processes are important because they help ensure that IT investments align with City goals, optimize resource use, and reduce risks associated with uncoordinated or

redundant technology acquisitions. However, the City does not have a formal, documented IT governance policy, which can lead to inconsistencies in decision-making and accountability and increase the risk of misaligned priorities across departments.

The City does not yet have a formal data governance policy in place, though one is being developed. Such a policy is important to reduce risks related to inconsistent data management practices, data quality issues, compliance, and data privacy. This is a key need as the City moves forward with expanding its open data initiatives.

Systems Environment

The City maintains City-wide technology infrastructure, including an enterprise resource planning (ERP) system and a comprehensive human resource information system (HRIS). Staff reported a generally sufficient systems environment and noted that most systems are well integrated, though some concerns were noted in interviews with the limited functionality of the City's work order and document management systems (Lucity and OnBase, respectively), which can create inefficiencies in these areas. Overall, 41% of survey respondents rated the quality of IT systems as good or excellent.

Q: How would you rate the quality of the information technology systems (e.g., software, applications, programs, etc.) that you currently have and use in your role?

The City is implementing a new Computer-Aided Dispatch (CAD) system for public safety and upgrading its phone system. Any technology implementation carries risks, including potential delays, cost overruns, technical challenges, and disruptions to existing operations. Such risks can be particularly impactful for such a critical public safety system.

Staff reported the City maintains an up-to-date critical software inventory. This is important because it enables more effective management of software assets, helps identify outdated or unsupported applications that may pose security vulnerabilities, and ensures compliance with licensing requirements.

Hardware

Staff reported that a standard IT replacement schedule is in place for end-user devices. This is important to manage risks associated with outdated equipment, such as those related to performance and security. Overall, 40% of employees rated IT hardware quality as good or excellent, though several respondents noted concerns with outdated computers. The replacement schedule supports ongoing equipment updates, though continued monitoring is important to address any remaining issues.

Q: How would you rate the quality of the information technology hardware (e.g., computers, accessories, etc.) that you currently have and use in your role?

Public Safety

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
High	Moderate	Moderate	Decreasing – Low

Risk Mitigation

- Continue efforts to identify drivers of missed response time targets and deploy targeted improvements to meet established response time benchmarks.
- Continue efforts to address traffic safety through a balance of education, enforcement, and engineering initiatives.
- Continue efforts to address homelessness-related risks, such as through enhanced interdepartmental and partner collaboration and continued investments in housing and prevention programs.
- Continue to support the CPRB in its police oversight role to strengthen community accountability.
- Develop and execute a leadership succession plan for the MFD Chief to promote a smooth transition and maintain operational continuity within the department.
- Continue efforts to address deferred maintenance and facility repairs in MFD.

	• Review staffing and overtime in MFD to identify underlying causes of increased overtime and implement strategies that optimize workforce capacity and control labor costs.
Residual Risk	LOW TO MODERATE

Scope: Risks associated with public safety services, including level of services, funding, and community issues. Includes emergency services such as law enforcement, fire, dispatch, and community disaster response programs.

The City has made progress in public safety, with Modesto Police Department major crimes statistics[1] showing a 7% decrease in major crimes year-to-date, from 1,941 major crimes in 2023 to 1,801 major crimes in 2024, indicating reduced risks. However, ongoing challenges remain, including national issues affecting law enforcement morale, recruitment, and community trust.

While calls for service fell 14% from 2021 and 2024, they rose 8% between 2023 to 2024[2], which can result in an increased operational workload and potentially impact response times. In FY 2025, Modesto Police Department's (MPD) response time to priority one calls was 6.23 minutes, greater than their five-minute established benchmark. Staff reported they are looking into this issue to determine the key drivers and develop a strategy for reducing response times.

Homelessness and traffic issues remain areas of elevated risk. According to data from the State of California[3], the City was ranked among the worst in the state for traffic issues, having the highest number of total fatal and injury crashes for cities of its size. To mitigate this risk, the MPD has increased staffing in its traffic unit, reintroduced red-light cameras, and launched a threat assessment group to review each traffic fatality.

According to Stanislaus County's Point-in-Time count of sheltered and unsheltered people experiencing homelessness, the City of Modesto had 1,622 people experiencing homelessness in 2024, an increase from 1,433 in 2022. The City recently launched several housing initiatives to support reduced risks related to homelessness, including new shelter sites and homelessness prevention programs. However, effective public safety services like homelessness response require strong coordination among multiple departments and external partners, which can be challenging when many groups are

[1] MPD June 2024 Report (pdf)
[2] MPD Annual Report 2024 (pdf)
[3] California Office of Traffic Safety Crash Ranking Results

involved in addressing the same issues. An assessment as part of the FY 2026 Internal Audit Program will review the City's response to homelessness.

Survey results reflect mixed perceptions of public safety in the community among City staff, as shown in the chart below. Aligned with the above, staff reported areas such as traffic safety and homelessness as ongoing priorities in narrative responses.

Q: How would you rate the overall feeling of safety in the community?

Police Accountability

MPD has worked to improve accountability and public trust in recent years. In 2022, the City established the Community Police Review Board (CPRB) following recommendations from the City's Forward Together Working Group that responded to calls for police reform locally and nationally. The CPRB serves as an independent civilian oversight body that reviews the independent police auditor's annual report and analysis of completed administrative investigations; department use of force incidents; and critical incidents such as officer involved shootings, in-custody deaths, and other events resulting in major incident review. As a relatively new oversight body, staff reported the City and the CPRB are continuing to understand and refine the CPRB's role and develop its capacity to effectively navigate the complexities of civilian oversight.

MPD uses body-worn cameras to document police interactions, increase officer accountability, and provide objective evidence in investigations and complaints. MPD also distributes surveys to community members following certain police interactions to gather feedback and identify areas for improvement. Despite these efforts, interviews and recent annual reports indicate that use-of-force incidents and officer-involved shootings remain a priority focus due to their inherent seriousness, underscoring the ongoing challenges police departments face in balancing effective law enforcement with community safety and trust.

Modesto Fire Department (MFD)

While staff generally reported strong fire operations, the MFD Chief is set to retire in FY 2026. Turnover in key leadership positions can create gaps or transitional challenges that affect department operations. Additionally, MFD staff reported significant deferred

equipment maintenance and facility repairs, posing risks to equipment reliability, firefighter safety, and emergency response effectiveness.

MFD overtime hours increased about 10% between FY 2022 and 2024, compared to a 4.8% decrease in MPD overtime during the same time period. The rise in overtime may reflect staffing shortages or increased emergency call volumes, which can lead to firefighter fatigue and burnout, potentially impacting response times and decision-making during critical incidents. While overtime is a common tool used in public safety departments to ensure adequate coverage during peak demand periods, increased overtime contributes to higher labor costs, placing additional strain on the department's budget and potentially limiting resources available for equipment maintenance, training, or other critical needs.

Risk Programs

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate to High	Moderate	Flat

Risk Mitigation	• Review driver safety training and vehicle use policies to identify potential opportunities to reduce liability exposures and associated claims. • Continue to prioritize workplace safety programs and injury prevention initiatives, with targeted focus on high-risk departments, to maintain and improve employee safety outcomes. • Review workers' compensation claims management procedures to identify opportunities to streamline processes, enhance timeliness, and increase employee satisfaction. • Conduct a review of facility access and security to identify any potential vulnerabilities and address any identified issues to improve employee safety and confidence. • Develop and implement comprehensive emergency operations, continuity of operations, and crisis communication plans to ensure coordinated and effective responses during disasters. • Establish mandatory, regular emergency preparedness training for all staff to ensure consistent understanding of roles and responsibilities and enhance the City's readiness.
Residual Risk	LOW TO MODERATE

Scope: Risks associated with the City's formal risk management efforts, including employee health and safety, operational risk management, incident response, and emergency management. This encompasses administration of general liability, workers' compensation, safety, disability management, and property programs, as well as contract and insurance certificate review, insurance procurement, and continuity of operations planning to promote the City's resilience.

Risk Management

The City's risk management team reports to Human Resources (HR) and includes a risk manager, risk analyst, safety officer, safety specialist, and senior administrative office assistant. This team is responsible for promoting workplace safety, managing claims and compliance, and supporting the City's overall risk management and loss prevention efforts.

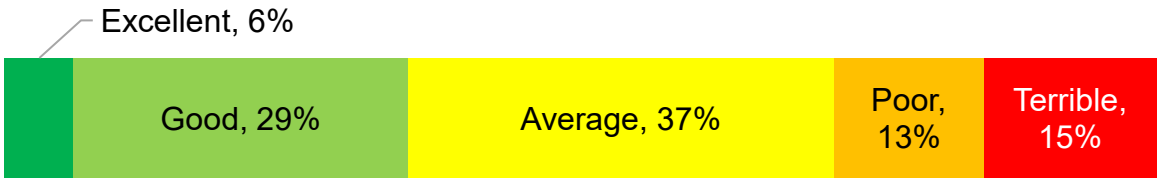
Staff reported the City has a comprehensive insurance portfolio, including general, property, crime, aircraft, cyber, and other insurance. Comprehensive insurance decreases the risk of financial crisis in the case of elevated claims.

General liability claims increased about 39% between calendar years 2022 and 2024 (from 315 to 435 claims) largely due to increases in tort claims, including a rise in auto accidents involving City employees. An increase in general liability claims can indicate growing exposure to legal and financial risks for the City, potentially resulting in increased costs, resource demands, and reputational impacts if not effectively managed. Staff reported projections by actuaries indicate potential stabilization in 2025.

Workers' compensation claims decreased about 18% between calendar years 2022 and 2024 (from 300 to 247 claims), largely due to a reduction in police department related claims. It is important to continue focusing on workplace safety and injury prevention to sustain this positive trend and further reduce risks related to employee injuries, associated costs, and operational disruptions.

Of survey respondents, 35% rated workers' compensation programs and processes as excellent or good, while 28% rated it poor or terrible. Several survey respondents described challenges with workers' compensation claims processes in narrative responses, noting the processes are cumbersome and untimely. These issues increase the risk of employee dissatisfaction and delayed claim resolutions.

Q: How would you rate the workers compensation program and processes?



Staff reported the City monitors insurance claims on a quarterly basis to help identify trends and support the goal of reducing claims annually. This regular monitoring helps the City detect emerging risks early and implement corrective actions, reducing the likelihood and financial impact of future claims.

Workplace Safety

The City has active safety programs supported by dedicated safety staff and training, which helps promote a safer work environment and reduce incidents. MPD and MFD also maintain safety programs tailored to operational risks, which enhances the City's ability to manage workplace safety risks effectively.

Of survey respondents, 54% rated physical security as excellent or good, 27% as average, and 18% as poor or terrible. Additionally, while 74% of respondents reported they had not experienced an incident that felt unsafe in the last two years, 26% reported they had. Most those who reported they had experienced a safety incident in the last two years (about 67%) were in departments related to public safety and City infrastructure, whose roles may involve exposure to higher-risk environments. In narrative survey responses, many staff who had concerns with physical safety noted security concerns related to building access and security. Such concerns may increase the risk of unauthorized entry and safety incidents, potentially impacting employee safety. Furthermore, perceptions of inadequate security can affect employee morale and trust in the City's ability to provide a safe work environment.

Q: How would you rate the overall level of physical security within the facility and/or location in which you work?

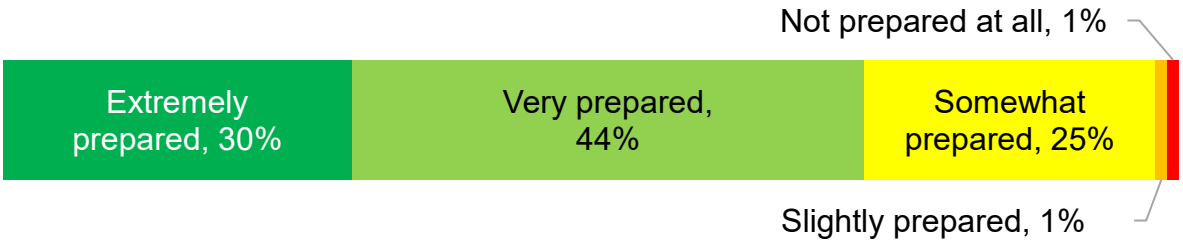
Q: In the last two years, have you experienced an incident or time where you've felt physically at risk or unsafe while working at the City?

Emergency Management and Continuity Planning

The City lacks key plans to support risk reduction in emergencies or crises, including an emergency operations plan, continuity of operations plan, and crisis communication plan. Furthermore, staff reported the City does not have coordinated efforts across departments to ensure an effective response during disasters or emergencies. This lack of planning and coordination is a critical driver of risk in this category. Without adequate planning, there is an increased the risk of confusion, delayed response, and ineffective management during critical incidents, potentially endangering public safety and city operations.

Of survey respondents, 74% reported feeling extremely or very prepared to handle an emergency, indicating a high level of staff confidence and preparedness across the City. However, 57% reported receiving emergency preparedness training within the past year. While the majority of staff have received training, it is important for all staff to receive annual emergency preparedness training to promote understanding of roles and responsibilities during an emergency. Without comprehensive and consistent training, some staff may be unprepared to respond effectively during emergencies, increasing the risk of operational disruptions and safety incidents.

Q: How prepared do you feel to respond to or handle an emergency within your department or office?



Q: Have you received training focused on emergency preparedness provided by the City within the last year?

MODERATE RISK CATEGORIES

Accounting, Finance, and Budget

Overall Risk Level: Moderate

Impact	Likelihood	Preparedness	Trajectory
High	Low to Moderate	Moderate to High	Flat

Risk Mitigation

- Review and update the Capital Improvement Plan Policy to ensure it is updated with regulations and City procedures.
- Consider opportunities to address staff capacity around monitoring revenue collections, such as through process automation, cross-training of existing staff, hiring temporary staff, or contracting our training or specific audits.
- Continue efforts to streamline cash handling processes across departments and improve oversight through means such as central monitoring tools or periodic spot checks.
- Upgrade the accounts receivable system, as planned, to streamline the process and reduce manual errors.
- Continue current efforts to update the budgeting process for capital improvements in the next budget cycle to provide consistency and informative reporting for capital projects.

Residual Risk: LOW TO MODERATE

Scope: Risks associated with managing the City's financial resources, including fiscal control, budgeting, revenue collection, transaction processing, and ongoing financial tracking. This includes risks related to the content, distribution, assembly, utilization, frequency, formatting, accuracy, and reliability of financial reports such as audited annual financial statements and other key documents. It also covers risks tied to recordkeeping and compliance through proper recording and classification of financial transactions. Reliable financial information is fundamental to planning,

budgeting, evaluating vendor performance, assessing partnerships, and a range of other operational and strategic activities.

Finance

The Finance Department provides fiduciary control of the City's assets and resources and oversees all financial duties, including grant management, accounts payable, payroll, revenue collection and financial reporting. Staff reported the City's accounting and financial processes are generally functioning effectively, supported by numerous controls, policies, and procedures that the Finance Department regularly reviews and updates. Given the critical role Finance plays in the overall health and accountability of the City, maintaining strong oversight and continuous improvement in these processes is essential to safeguard public resources and support sound decision-making.

There were no financial statement or single audit findings from FY 2022 through FY 2024, demonstrating the City's strong financial management and effective internal controls. These clean audit reports reduce the risk of financial misstatements and reinforces confidence in the City's financial oversight.

The Finance Department maintains numerous documented policies and procedures, most of which have been updated within the last four years, covering key areas such as accounting, cash handling, asset management, accounts receivable, and payroll. The Capital Improvement Plan Policy, last revised in 2020, is the only exception. The assessment of the City's Capital Improvement Program, completed as part of the City's FY 2025 Internal Audit Program, recommended establishing a comprehensive and up-to-date set of capital planning policies and procedures informed by best practices, including project management resources that provide standardized templates, checklists, and forms. Well-documented and regularly updated policies promote consistency, accountability, and compliance, supporting effective fiscal management.

While accounting and finance processes were reported to be generally working well, there are a few areas which create risk for the City and could be improved.

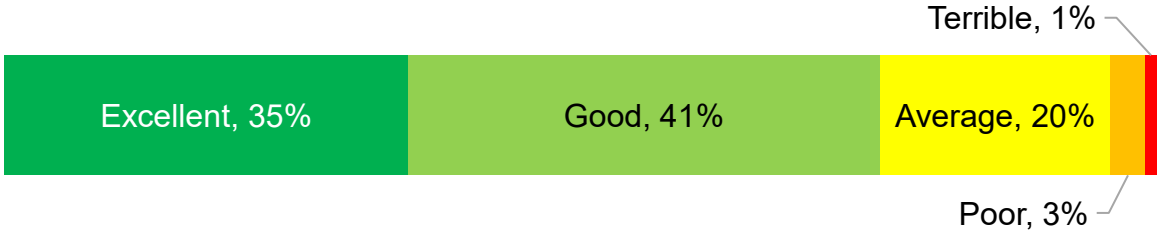
- The Revenue Collections and Compliance team within the Finance Department is responsible for ensuring that all City revenues are accurately collected, including maintaining current business licenses and permits and properly handling cash collections. While staff conduct audits and provide training, staff reported limited staff capacity hinders effective revenue monitoring such as reviewing accounts, following up on delinquent payments, and verifying revenue streams. Proper oversight is critical to prevent revenue loss, ensure legal compliance, and support financial integrity and sustainability.

- Staff reported they maintain ongoing oversight of cash handling through in-person training, recorded policy sessions, and various audits. However, they reported effective monitoring remains challenging. This is due in part to cash handling responsibilities spread across departments, and inconsistent adherence to established policies. An assessment cash handling is planned for FY 2026 Internal Audit Program.
- Staff reported no major issues with the accounts payable process but noted that for accounts receivable processes, the system is outdated. As noted in the 2024 Accounts Receivable Internal Controls Review from Baker Tilly and by staff, the current accounts receivable system operates outside the City's ERP system and requires manual processes which can lead to errors, slower processing, and process management challenges. The City reported they are upgrading to a new system to automate and streamline receivables and improve accuracy and efficiency.

Finance Internal Service

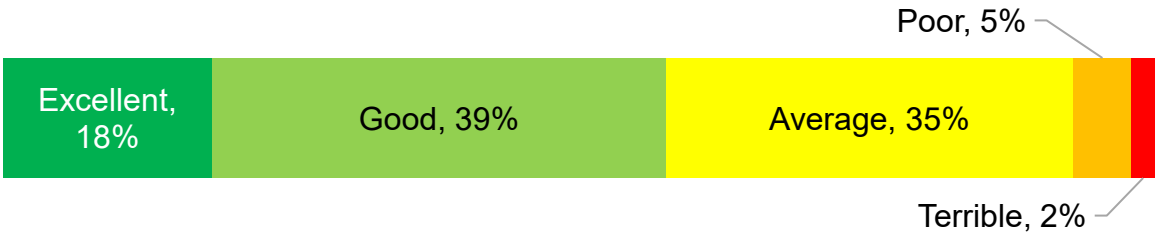
Most employees (76%) surveyed reported high quality internal customer service provided by the Finance Department. This high-quality customer service fosters effective collaboration and helps ensures that City departments receive the support they need to manage their financial responsibilities efficiently.

Q: How would you rate the quality of the internal customer service provided by the Finance team?



Additionally, employees surveyed reported the timeliness (57%) and quality (51%) of financial information provided by Finance is excellent or good. Timely and quality financial information enables informed decision-making, effective budget management, and the ability to respond quickly to changing financial conditions, while also ensuring transparency and building city-wide trust.

Q: How would you rate the timeliness of the financial information you receive (e.g., reports, response time to requests, etc.)?

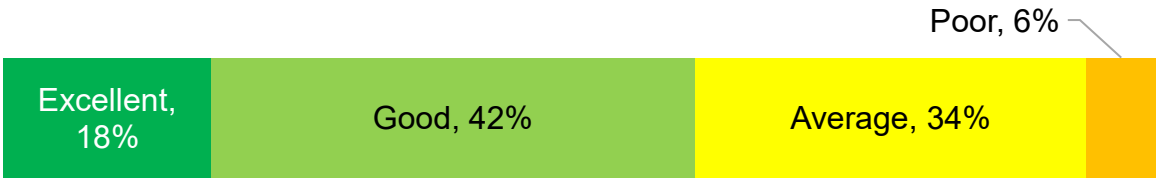


Q: How would you rate the quality of the financial reporting system?

Budget

The Office of Performance of Management and Budget oversees the preparation of the City's budget, as well as other duties related to performance and project management. The City's budget process is reportedly effective and collaborative among stakeholders with 60% of employees surveyed reporting the process as excellent or good. This fiscal year, the City transitioned to a two-year budget cycle aligned with its Strategic Plan, with departments actively involved in the transition. Such collaboration enhances resource allocation, alignment with long-term goals, increases transparency, encourages diverse input, and supports better decision-making.

Q: How would you rate your experience of the City's budgeting process?



Staff reported ongoing improvements to the budgeting process for capital improvements, which have historically been inconsistently tracked and reported across the City (see Asset Management and Capital Programs). Enhancing the capital improvement budgeting process improves the accuracy and consistency of project and expenditure tracking, enables better prioritization of infrastructure investments, and supports more effective long-term financial planning to ensure efficient allocation of capital resources.

Compliance

Overall Risk Level: Moderate

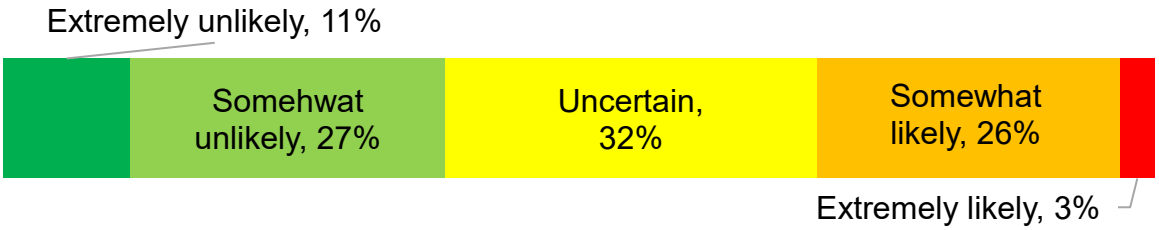
Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Moderate	Flat
Risk Mitigation	• Offer targeted support to departments with limited capacity for compliance management, such as through automated compliance monitoring, process improvements, and effective tracking tools to enhance oversight and reduce compliance risks. • Centralize grant management activities, or at a minimum, standardize key components of grant management compliance such as providing consistent policy guidance, reporting, and oversight, and requiring the consistent use of the City's grant management system. • Continue efforts to reduce ADA risks related to deferred maintenance.		
Residual Risk	LOW TO MODERATE		

Scope: Risks associated with compliance with laws, regulations, and requirements both internal and external to the City. This includes, but is not limited to, requirements related to grants, finance, labor, health and safety, and the environment.

City governments are required to comply with an expanding array of federal, state, and local regulations including, but not limited to, those related to financial reporting, safety, human resources, grants, and the Americans with Disabilities Act (ADA). Compliance is also inherently risky due to the complexity and constantly changing nature of requirements. Non-compliance can result in significant penalties such as fines, legal action, loss of federal funding, and damage to public trust.

Staff reported limited time and capacity creates challenges in maintaining a consistent focus on compliance in areas such as traffic, solid waste, fleet management, public records requests, and grants administration. These resource constraints may contribute to the mixed perceptions among surveyed employees about the likelihood of the City encountering compliance issues within the next year, as shown in the following chart. Consistent compliance is essential for the City to meet legal requirements, avoid penalties, and maintain public trust.

Q: What do you feel are the chances that the City will experience any issue with compliance (e.g., late or missed reporting; noncompliance with safety requirements; breach of sensitive data, etc.) within the next year?

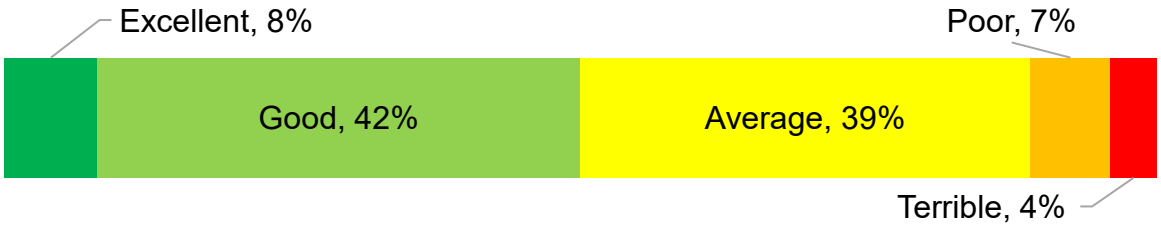


Although some concerns about compliance exist, an Internal Controls Review conducted as part of the FY 2023 Internal Audit Program found the City appears to have a strong internal controls environment with only minor gaps identified in the following functions:

- Fixed Assets and Asset Management
- Inventory
- IT General Controls
- Payroll and Timekeeping
- Purchasing and Accounts Payable
- Revenue and Billing

Additionally, most employees surveyed expressed positive views regarding overall internal controls and the quality of resources and training available to maintain compliance. These positive perceptions suggest that staff feel well-supported in understanding and adhering to regulatory requirements, which helps mitigate the risk of non-compliance and its potential legal or financial consequences.

Q: How would you rate the City's overall internal controls environment, including checks and balances, preventative and detective measures, testing/evaluating internal controls, and monitoring effectiveness of controls?



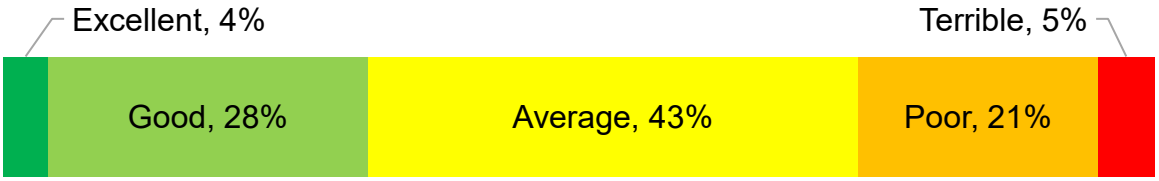
Q: How would you rate the quality of resources/training provided at the City about how to remain in compliance with laws, regulations, and requirements?

Grant Management

Grant management at the City is currently decentralized, making consistent compliance with federal, state, and local regulations challenging. This fragmentation can result in monitoring gaps, inconsistent reporting, and duplicated efforts, which can increase the risk of errors, missed deadlines, or misuse of funds. This may lead to financial penalties, loss of grant funding, or reputational damage to the City.

The City has a grant tracking system (eCivis) to track grants but not all departments use the system, increasing the risk that not all grants are adequately tracked. Further, most employees surveyed (43%) rated the existing systems for tracking and monitoring grant compliance as average.

Q: How would you rate the quality of the systems used to track and monitor grants for compliance purposes?



ADA Compliance

The City has several functions and activities to address ADA compliance and promote a more inclusive environment. A designated ADA Coordinator within the HR Department oversees ADA compliance efforts, collaborates with departments, and investigates ADA grievances. The City conducted a comprehensive ADA compliance self-evaluation to evaluate accessibility throughout the City with the goal of identifying any discriminatory or potentially discriminatory practices or policies. Following this evaluation, the ADA transition plan was updated to fully align with federal requirements. Additionally, to improve the management of accessibility concerns the City implemented an accessibility management system to track and address ADA-related issues.

While these efforts demonstrate the City's commitment to ADA compliance, ongoing issues such as those related to facilities, bus stops, and streets identified in the transition plan continue to present risks. These deferred maintenance challenges can hinder accessibility, potentially exposing the City to legal liabilities and negatively impacting community members who rely on accessible infrastructure. The City is actively working to improve tracking and management of deferred maintenance related to ADA compliance, which is critical to mitigating these risks and ensuring equitable access for all residents.

Funding and Economics

Overall Risk Level: Moderate

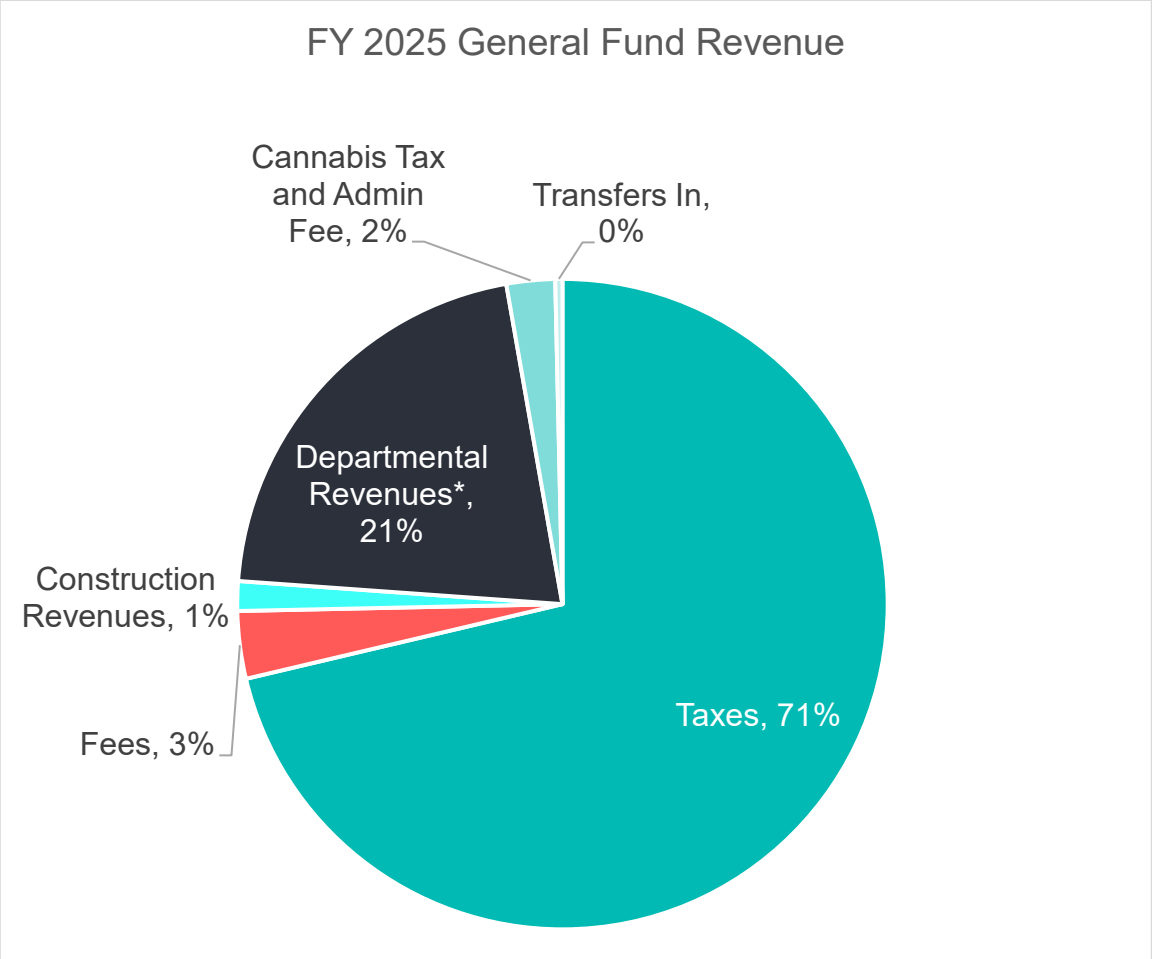
Impact	Likelihood	Preparedness	Trajectory
High	Moderate	Moderate to High	Flat
Risk Mitigation	• Continue to proactively monitor City revenues and fund balances to promote financial stability, identify potential shortfalls early, and support informed budgeting and resource allocation decisions. • Establish a capital asset replacement fund to address unfunded capital projects. • Continue efforts to address deficit fund balances to avoid any borrowing needs and support the financial sustainability of these funds. • Evaluate cost recovery of City fees through the planned internal audit. • Develop a strategic approach to prioritize and align grant-seeking efforts with City goals and consider integrating related responsibilities into existing roles to promote sufficient capacity for pursuing key funding opportunities.		
Residual Risk	LOW TO MODERATE		

Scope: Risks associated with the financial management factors that impact the City's ability to maintain operations and deliver programs and services in the long term. This includes factors such as revenue sources, funding levels, cash management, liquidity, expenditure rates and commitments, debt management, and inter-organizational business.

The City’s funding and economic management have several strengths, including stable credit ratings from Moody’s (Aa3) and S&P (AA for wastewater bonds). Additionally, the City has well-established financial planning processes, such as proformas that analyze past performance and forecast future expenses. The City also conducts regular utility rate studies to ensure utility rates are aligned with service needs.

The City also maintains a Finance Committee that serves in an advisory capacity to the City Council on matters pertaining to City finances, including the budget, capital improvement plan, and long-range financial planning. This committee helps mitigate financial risks by providing oversight, ensuring fiscal responsibility, and supporting informed decision-making to promote the City’s long-term financial stability.

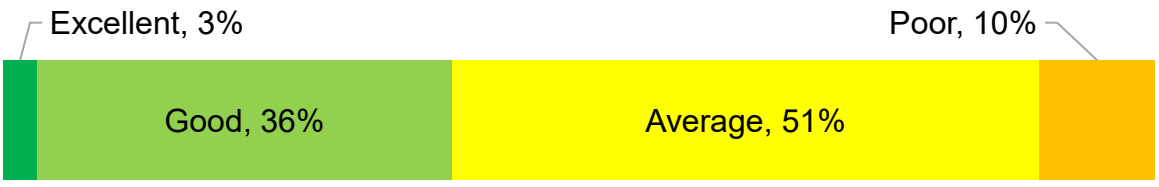
Interviewed staff reported generally strong financial stability, supported by Measure H funding, which has enhanced resources across multiple departments. Measure H is a one-cent sales tax measure approved in 2022, estimated to generate approximately $42 million annually for general government purposes. Most of the City’s General Fund revenues for FY 2025 (71%) are from tax revenues. Though taxes are typically the dominant local government income source, changes in taxes can greatly impact the City's funding, which may present financial risks.



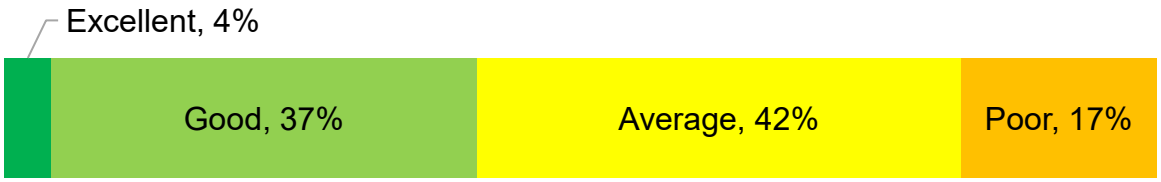
**Departmental revenues include contract revenues for fire services with Oakdale, Ceres, Stanislaus, Consolidated, Turlock, and Salida*

Surveyed staff reported more average perceptions on financial stability than interviewees did, noting current economic uncertainties related to inflation, tariffs, and shifts in federal funding that could impact future revenues.

Q: How would you rate the current level of financial stability at the City?



Q: How would you rate the future trajectory of the City's financial stability?



The City maintains reserves that meet the Government Finance Officers Association's (GFOA) recommendation of two months' general fund operating expenses and has established replacement funds for IT and fleet asset repairs. These funds enhance financial stability, help manage unexpected costs, and ensure service continuity. However, the absence of a capital asset replacement fund may hinder the City's ability to save sufficient funding for capital asset needs.

Some nonmajor or internal services funds are not fully funded. The 2024 financial statements indicate that several funds currently have deficit balances including the Downtown Improvement District, Cannabis Fund, Capital Grants Fund, Compost Fund, Central Services Fund, Insurance Fund, and Employee Benefits Management Fund. The statements include a note that the City acknowledges these deficits and plans to address them through various means, including future tax revenues, fees, or grant funding. Nevertheless, the existence of deficit balances can impact the City's overall financial health by limiting available resources for operations and capital projects, potentially increasing borrowing needs, and constraining the ability to respond to unexpected expenses.

The City collects fees to support the costs of various services and programs (e.g., permitting, licensing, and facility use). However, not all fees fully recover costs. For example, the 2025 Permitting Efficiency Study found the City's current fee structure may not adequately cover the cost of all phases of development review and permitting activities, which could result in the subsidization of these activities. This may place additional financial strain on the City. An assessment as part of the FY 2026 Internal Audit Program will assess City fees.

Approximately 8% of the City's FY 2025 operating budget comes from grant funding, with roughly half designated for capital projects. However, staff reported limited capacity to pursue and manage grants. Without dedicated grant management resources, the City may miss strategic funding opportunities.

Organization and Staffing

Overall Risk Level: Moderate

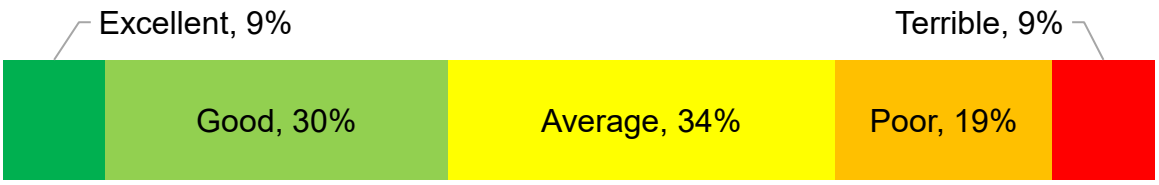
Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Moderate	Flat
Risk Mitigation	• Assess areas of high turnover and understaffing to understand and mitigate any issues. • Continue efforts to reduce the City's vacancy rate, such as through targeted recruitment campaigns, competitive compensation adjustments, and enhanced employee retention programs. • Prepare succession plans for key positions that are eligible to retire in the next few years, particularly leadership or manager level positions so operations can continue effectively as these employees leave the City. • Update job descriptions to match current requirements and ensure descriptions are clear to avoid potential confusion in roles and responsibilities.		
Residual Risk	LOW		

Scope: Risks associated with how personnel are organized, as well as staffing levels and skills**.** This encompasses hierarchy, chain of command, span of control, and staffing levels and capacity.

The City is organized in alignment with similar sized cities, and supervisors appear to have adequate span of control which is important to ensure clear oversight and effective operations. Additionally, staffing levels were not a major concern noted in interviews, though staff noted some concerns with turnover and understaffing in critical areas, including Engineering; Fleet; Risk; Parks, Recreation & Neighborhoods, and MPD, which can lead to talent shortages in key positions. Most survey respondents rated staffing levels across the City and in their department as at least average.

Q: How would you rate the current staffing levels across the City as a whole?

Q: How would you rate the adequacy of current staffing levels within your department?



While the City's vacancy rate has improved from about 18% in 2022 to approximately 9% in 2025, it remains higher than the national government average of 3.2% for state and local governments.[4] An elevated vacancy rate poses risks including increased workload and burnout for existing staff, potential delays in service delivery, and challenges in maintaining institutional knowledge and operational continuity.

Although overall turnover rates are generally in line with industry standards and have decreased in recent years (12.7% in calendar year 2022 and 8.7% in calendar year 2025), some supervisory positions experienced frequent turnover from 2022 to 2025, including:

- Fire Captain
- Police Sergeant
- Senior Systems Engineer
- Operations Supervisor

Frequent turnover in these roles can lead to increased recruitment and training costs, loss of institutional knowledge, decreased team morale, and potential disruptions in service delivery.

Approximately 20% of City employees are eligible to retire within the next five years. Several departments—including the City Clerk's Office, City Manager's Office, Parks,

[4] BLS Average Job Rates

Recreation & Neighborhoods Department, Fire Department, and Utilities Department—face particularly high risk, with the potential loss of more than 25% of their workforce due to retirement during this period. This trend may present significant hiring challenges and increase risks to business continuity.

Department	% of Employees Eligible to Retire
City Clerk's Office	50%
City Manager's Office	33%
Parks, Recreation & Neighborhoods Department	27%
Fire Department	25%
Utilities Department	23%
Police Department	19%
Engineering Services Department	19%
Finance Department	18%
Information Technology Department	17%
Public Works Department	13%
Community & Economic Development Department	10%
City Attorney's Office	0%
Human Resources Department	0%
Office of Performance of Management and Budget	0%

Employees surveyed reported job descriptions range from good to average in quality. Some surveyed employees noted that job descriptions are vague, outdated, or overly broad, leading to overlaps with high-level positions and inconsistencies in duties across departments, especially for low-level roles such as assistants and technicians. Outdated or unclear job descriptions can increase the likelihood of role confusion or disputes and lead to challenges in performance management.

> *Q: How would you rate the quality of the current job descriptions used by the City in terms of defining roles, responsibilities, qualification criteria, and position goals?*

Procurement and Contracting

Overall Risk Level: Moderate

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Moderate	Decreasing – Low

Risk Mitigation	• Continue efforts to enhance procurement documentation, templates, and checklists to support staff education and training around proper purchasing procedures. • Strengthen procurement card (p-card policy) training and monitoring (such as conducting regular audits of p-card transactions) to enhance employee accountability and reduce risks of financial mismanagement. • Regularly evaluate the purchase order process and system to ensure manual processes are accurate and efficient, given the current environment and resources. • Complete a Purchasing staff workload analysis once systems are implemented and processes are updated to assess whether the division has sufficient staffing.
Residual Risk	LOW TO MODERATE

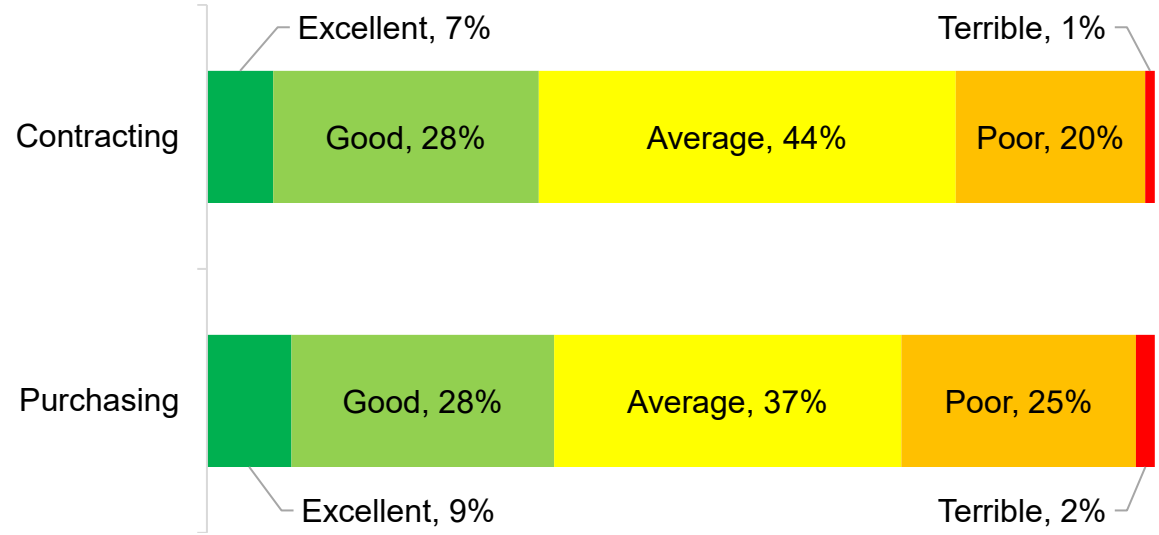
Scope: Risks associated with procurement processes (e.g., specifications development, bidding, selection) and contract administration (e.g., compliance with terms and conditions, payments, change orders) for goods, services, and capital programs.

The City's procurement processes are managed by the City's Purchasing Division (Purchasing) within the City's Finance Department. Purchasing coordinates the procurement of goods and services for all departments and divisions within the City. The Purchasing Manual, most recently updated in February 2025 and reviewed annually, serves as the primary framework for the City's procurement processes.

Staff reported the procurement environment has improved in recent years, supported by updated guidance and training, reduced staff turnover, and systems enhancements that have reportedly increased efficiency. Purchasing offers monthly training sessions and is developing new templates and checklists to enhance clarity and efficiency. However, despite these efforts, most survey respondents rated the documentation and processes for acquiring goods and services as average, with some reporting difficulties in understanding and navigating the process. Departments continue to face challenges related to comprehending procurement requirements, managing expectations around timelines, and tracking contract expenditures. These challenges can result in delays and slower processes, increased costs, and potential non-compliance with regulations, ultimately affecting the City's operational efficiency and financial management.

Q: How would you rate the combined clarity and comprehensiveness of the documentation on procurement and contracting procedures (e.g., standardized forms, know what type of purchasing should be done in different circumstances)?

Q: How would you rate the processes needed to acquire the goods and services your division/department needs?



Purchasing reported making various updates to the p-card program over the past few years, including implementing procedures to enhance employee accountability.

However, some employees expressed ongoing concerns about p-card compliance across the City, particularly regarding the effectiveness of training and education on related policies. Failure to adhere to p-card policies can result in financial mismanagement and increased risk of fraud or misuse. An assessment is planned to assess controls in this area as part of the FY 2026 Internal Audit Program.

Purchasing implemented the OpenGov platform in February 2025 to support purchasing processes. The bidding module has been implemented, which staff reported has improved processes. The contracts module is being phased in. The purchase order process remains separate within Oracle, requiring manual work. While staff reported no major challenges have risen with this approach, maintaining separate systems can cause confusion, delays, and a high risk of errors.

The Procurement Performance Audit completed as part of the FY 2024 Internal Audit Program, found high turnover in Purchasing, leading to high workloads. Staff reported workloads remain high. A workload analysis has not been completed yet as ongoing system implementations affect staff capacity.

Service Delivery

Overall Risk Level: Moderate

Impact	Likelihood	Preparedness	Trajectory
High	Moderate	Moderate	Decreasing – Low

Risk Mitigation

- Continue efforts to implement a centralized 311 system to provide a single, streamlined point of contact for residents, improving response efficiency and reducing confusion in service requests.
- Continue efforts to leverage annual community survey results to identify emerging concerns and proactively adjust service delivery strategies.
- Continue ongoing efforts to address blight, homelessness, and permitting challenges by enhancing interdepartmental collaboration, allocation sufficient resources, and streamlining processes.
- Improve asset management processes for parks to reduce deferred maintenance risks and ensure safe, high-quality recreational spaces for the community.
- Strengthen equity focused policies and monitoring to promote consistent and fair access to City services across all neighborhoods.

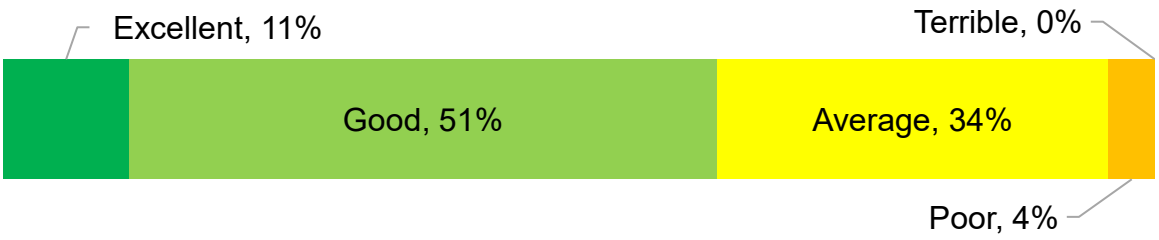
	• Continue efforts to develop and use KPIs consistently across departments to enable data-driven decision-making, improve accountability, and demonstrate service delivery effectiveness.
Residual Risk	LOW TO MODERATE

Scope: Risks associated with day-to-day operations across the City, and efficient and effective delivery of the City's programs and services in alignment with goals, vision, and mission. This includes community expectations, customer satisfaction, level of service commitments, scheduling, program/service delivery, sustainability, quality, process efficiencies, and resource allocation.

The City provides a wide range of services to support the health, safety, and well-being of its community. These services include public safety through police and fire departments, maintenance of streets and infrastructure, water and wastewater management, parks and recreation programs, community development, and various administrative and support functions. The City's budget reflects its commitment to delivering essential services that promote quality of life and sustainable growth for its residents.

Service delivery at the City is generally strong and many staff noted the City has become more responsive and agile in addressing community requests, largely due to additional resources provided by Measure H funding. Additionally, customer service remains a high priority, with numerous initiatives across the City aimed at enhancing service delivery, improving accessibility, and strengthening departmental programs. Most survey respondents (62%) rated the City's ability to effectively deliver core services as excellent or good and another 34% rated services as average.

Q: How would you rate the City's overall ability to deliver core services to the public in an effective manner?



Customer service is a key priority for the City. As such, efforts are underway to improve how residents engage with City services and access support. Currently, there are several ways for residents to contact the City, such as through calling departments or

using the City's on-the-go reporting tool, GoModesto!, which allows residents to report issues like street flooding, light outages, and illegal dumping. GoModesto! supports reduced risks for the City by enabling timely reporting and resolution of issues, thereby helping to prevent hazards, reduce service disruptions, and enhance public safety. However, staff reported that when residents call the City, as opposed to using this online resource, they can be routed to multiple departments, which can be confusing and time consuming. To address this, the City is implementing a centralized 311 system to streamline communication, provide a single point of contact, and improve response efficiency for residents.

The City also conducts an annual community survey, which helps identify residents' concerns and satisfaction levels with City services. Collecting regular community feedback supports the City in proactively address emerging issues, improving service delivery, and strengthening community trust, thereby reducing risks related to public dissatisfaction, disengagement, and harm to the City's reputation.

Despite these strengths, staff reported the following key service delivery concerns in interviews:

- **Blight:** Staff reported ongoing efforts to address blight through dedicated teams like the Mo'Beautiful team that actively tackles illegal dumping, tagging, and encampments. While improvements have been made, blight remains a visible community concern that affects neighborhood quality of life and public health. Continued focus and resources are needed to sustain progress and mitigate risks related to property devaluation and community dissatisfaction.
- **Homelessness and affordable housing:** The City is actively working to support individuals experiencing homelessness through initiatives such as those connecting people to permanent supportive housing and behavioral health services (see also Public Safety). Despite these efforts, homelessness continues to drive public safety and health challenges, particularly in parks and public spaces. Expanding affordable housing options remains a priority to reduce homelessness and its associated risks, but funding and coordination among departments and partners remain ongoing challenges.
- **Permitting:** Staff noted that permitting processes can be inefficient and complex, contributing to delays that impact development and economic growth. The City is working on improving permitting efficiency, including through studies and system enhancements, but challenges remain in streamlining workflows and managing expectations. Addressing these issues is critical to reducing risks of project delays, increased costs, and potential loss of developer confidence.

- **Parks maintenance:** Staff reported Parks, Recreation & Neighborhoods Department is understaffed relative to the number of parks and maintenance needs, leading to deferred maintenance and service quality concerns. Additionally, asset management for parks is still paper based, increasing risks of lost records and inefficiencies. While Measure H funding has supported improvements, ongoing resource constraints and aging infrastructure pose risks to public safety and community satisfaction.
- **Equitable service delivery:** The City is committed to promoting equity as a criterion in service delivery, recognizing the need to ensure fair and consistent access to services across all communities. However, staff feedback indicates inconsistencies in the equitable delivery of certain services, such as tree trimming and parks maintenance, across different neighborhoods. Addressing these disparities is essential to building community trust and reducing risks related to social inequities and community dissatisfaction.

The City has identified key performance indicators (KPIs) for all departments within its annual operating budget; however, not all departments currently have complete data available, and KPI development is still in progress. KPIs are important for effective service delivery because they allow the City to objectively measure performance, identify areas for improvement, and ensure that resources are effectively contributing to desired community outcomes. Efforts are ongoing to develop and implement KPIs specifically for Measure H initiatives, aiming to transparently demonstrate the impact of these investments to the community and support continuous improvement. The City is also working to enhance KPI development and data quality citywide, with plans to expand comprehensive KPI tracking to enable more data-driven decision making and strengthen accountability for service outcomes.

LOW TO MODERATE RISK CATEGORIES

Governance

Overall Risk Level: Low To Moderate

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Low to Moderate	Moderate	Decreasing – Low

Risk Mitigation

- Continue reviewing the number and structure of committees, commissions, and boards to reduce overlap and improve community representation.

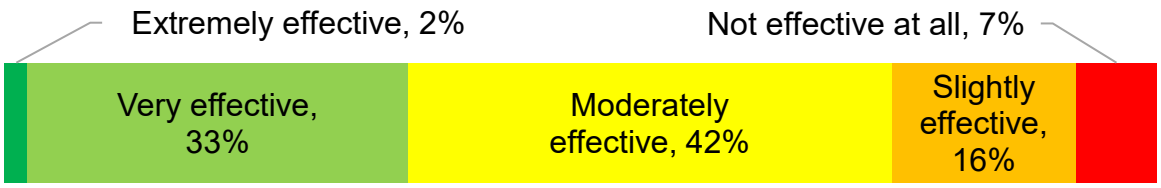
	• Continue efforts to standardize training, meeting procedures, and bylaws for governing bodies to ensure consistent and effective governance practices.
Residual Risk	LOW

Scope: Risks associated with the City's governing body, including ongoing oversight, ethics and values, control environment, policy management, risk management, accountability, coordination and communication, and defined roles, responsibilities, and authorities.

The City operates under a council–manager form of government, which provides a division between policymaking and administration. The City Council serves as the City's legislative body, establishing ordinances, budgets, and strategic goals, while the City Manager oversees daily operations and implements Council decisions.

Overall, staff reported the City has strong governance characterized by effective communication and transparency between management and City Council. Most survey respondents (77%) rated the effectiveness of Council governance and oversight as moderately effective or better. Strong governance reduces risks by fostering accountability, enabling informed decision making, and supporting timely responses to emerging issues.

Q: How would you rate the effectiveness of Council governance and oversight at the City?



Council Operations

The Council is composed of seven members, a mayor elected at-large and six district-based councilmembers, each serving four-year staggered terms with a two-term limit. This staggered cycle promotes continuity and institutional memory, reducing governance risk by avoiding large-scale turnover.

Staff reported the City Council has established bylaws that outline governance procedures and responsibilities, although these were not provided for review. Having formal bylaws is important to provide clear guidelines for governance processes, roles,

and responsibilities, and to help promote consistent decision-making, transparency, and accountability within the Council.

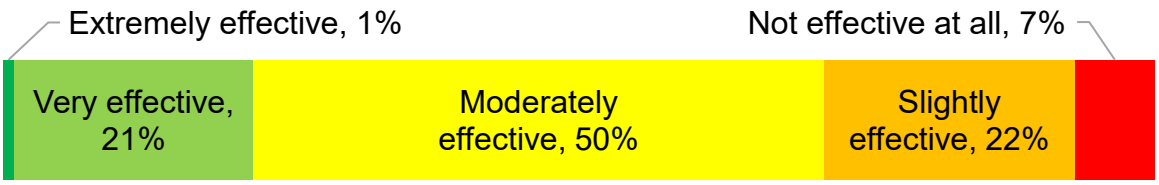
Shared Governance and Advisory Bodies

Multiple committees, commissions, and boards support community engagement at the City. Staff reported the City is reviewing these groups to determine whether their number and structure effectively meet community needs. Currently, there is a risk of overlapping responsibilities, inefficiencies, and diminished effectiveness in representing community interests. The ongoing review aims to address these issues and enhance the overall impact of these groups.

Efforts are also underway to standardize training, meeting procedures, bylaws, and appointment processes across advisory bodies. Standardization reduces risks related to inconsistent governance practices, unclear roles, and potential legal or compliance issues, thereby improving the effectiveness and accountability of these groups in serving the community.

Survey results indicate mixed perceptions of the effectiveness of boards, commissions, and committees, as shown in the following chart. These results suggest that although most staff view the City's boards and commissions as functional and moderately successful in fulfilling their roles, there is room to strengthen their overall impact. Continued efforts to clarify expectations, enhance coordination with City departments, and improve follow-up on recommendations could help these bodies operate more strategically and contribute more directly to City priorities.

Q: How would you rate the effectiveness of the boards, commissions, and committees currently in place at the City?



Management and Leadership

Overall Risk Level: Low To Moderate

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Moderate to High	Decreasing – Low
Risk Mitigation	• Enhance the consistency and effectiveness of communication from the executive team by establishing clear communication protocols and ensuring information reaches all relevant staff. • Implement targeted initiatives to improve employee engagement and motivation, particularly addressing staff concerns related to the City's culture. • Continue to expand and tailor management and supervisor training programs and support to close gaps in expertise and promote consistent supervisory practices. • Develop a comprehensive, citywide succession planning framework to ensure consistent leadership development and knowledge transfer.		
Residual Risk	LOW TO MODERATE		

Scope: Risks associated with City leadership, management practices, strategic activities, and operating styles. This includes risks associated with change management, project management, and the City's culture.

The City benefits from a cohesive and stable leadership team, marked by strong collaboration among executive management, the Council, and staff. Interviewed staff consistently reported the City's leadership team as a key strength.

Effective communication from leadership throughout the City is essential to keep staff informed, engaged, and working collaboratively toward common goals. However, with only 39% of survey respondents rating communication from the executive team as excellent or good, and 24% rating it as poor or terrible, there is a risk that inconsistent or ineffective communication could cause misunderstandings, decrease employee engagement, and hinder coordination across departments. These challenges may ultimately impact City performance and the successful execution of initiatives. Several staff noted in narrative responses that communication flow is inconsistent and information does not always reach all relevant employees.

Q: How would you rate the quality of the communication you receive from the Executive Team?

While leadership is a recognized strength, several staff noted opportunities to further enhance management-level capabilities. The City has made progress by implementing manager and supervisor training academies, which have been well received and help develop leadership skills across departments. Survey results show 54% of respondents rated the usefulness/effectiveness of management and supervisory training as excellent or good. This is important because such training supports effective supervision and leadership within the City. However, staff reported gaps remain in management expertise and consistency in supervisory practices, which may impact overall team effectiveness and City performance.

Q: How would you rate the usefulness/effectiveness of the management and/or supervisor training you have received?

As previously noted in the Human Resources section, the City does not yet have a formal, citywide succession planning framework, though succession activities are underway in some departments. Leadership recognizes the importance of preparing for retirements and knowledge transfer, and programs such as the City's Emerging Leaders+ Academy are expected to support long-term continuity. However, without a formalized framework, there is a risk of inconsistent leadership development and succession efforts, which could result in gaps in leadership capacity, reduced City effectiveness, and challenges in maintaining strong management across departments.

Policies and Procedures

Overall Risk Level: Low to Moderate

Impact	Likelihood	Preparedness	Trajectory
Moderate	Moderate	Moderate	Decreasing – Low

Risk Mitigation	• Continue efforts to prioritize the finalization and implementation of key IT policies to reduce risks associated with data breaches and unauthorized access. • Implement a policy management policy to establish clear standards and procedures for the creation, review, approval, communication, and retirement of policies, ensuring consistency, accountability, and timely updates across the City. • Continue efforts to review and revise policies and procedures on at least a five-year schedule to ensure City policies follow current regulations and City practices. • Develop clear accountability mechanisms and provide training to managers and staff to consistently enforce policies, minimizing risks of non-compliance and operational inefficiencies.
Residual Risk	LOW

Scope: Risks associated with policies and procedures including efficiency, effectiveness, and level of documentation. Policies define what should be done, while procedures explain how to carry out those policies. Together they are essential for promoting consistent operations and preserving institutional knowledge.

Policies and procedures guide internal operations and clarify expectations. They should be regularly updated, communicated, and easily accessible. Updates should be shared promptly, with training provided, as needed. Maintaining current policies and procedures is essential part of risk mitigation.

The City maintains a comprehensive policy framework supported by a policy management system implemented in 2023, which facilitates the scheduled review and updating of policies. Many critical policies are in place (e.g., those related to managing human resources, accounting and finance, procurement, records retention, ethics, and fraud, waste and abuse), while others are currently being updated. As previously noted in the Information Technology section, several key IT policies (including those on

information security, access control, physical security, and data privacy) are incomplete or in draft form, posing increased risks to data protection and IT security. The City is working on drafting these policies and a related internal audit project is underway to support the City in addressing these gaps and strengthen the City's IT policy framework.

The City aims to ensure policies and procedures are updated on a regular basis, but currently lacks a formal policy management policy that outlines standardized processes for policy creation, review, approval, and retirement. The City's recently implemented policy management system will support ongoing maintenance of policies and updates moving forward, helping to maintain a reduced risk environment in this area.

Staff also reported that consistently enforcing adherence to policies remains an ongoing challenge, as is common in many organizations. Failure to consistently enforce policies can increase the risk of non-compliance and operational inefficiencies. Effective enforcement is crucial to ensure that policies achieve their intended purpose, promote accountability, and protect the City from legal and operational risks.

Reputation and Public Perception

Overall Risk Level: Moderate to High

Impact	Likelihood	Preparedness	Trajectory
Moderate to High	Moderate	Moderate to High	Decreasing – Low

Risk Mitigation

- Sustain targeted efforts to improve areas such as tree maintenance, code enforcement, traffic safety, blight, and fiscal management, while proactively communicating progress to rebuild and maintain public trust.
- Modernize the 2020 plan to reflect current technology, staffing, and practices so communication remains consistent and effective during routine and emergency situations.
- Continue efforts to develop and implement consistent tracking and reporting mechanisms, including the Measure H dashboard, to transparently communicate how resident feedback leads to tangible actions, thereby enhancing accountability and community support.
- Continue conducting annual community surveys to identify emerging concerns and satisfaction levels, using the data to inform service improvements and strengthen community trust, reducing risks related to public dissatisfaction and reputational harm.

Residual Risk	LOW TO MODERATE

Scope: Risks associated with the City's reputation and the public's perception of the City, including its competency (financial performance, safety and security, and responsiveness), transparency (openness and integrity), and guardianship (demonstrating care and consideration). Reputation reflects how stakeholders view the City's decisions, actions, and behaviors, shaped by direct and indirect interactions with employees, programs, and services, and public commentary (e.g., news stories, press releases, and social media).

The City's reputation has strengthened in recent years, supported by Measure H initiatives and proactive communication from the Community & Media Relations Department. These communication efforts are continually being enhanced to further improve public perception. However, challenges in areas like tree maintenance, code enforcement, traffic, spending, and blight continue to impact public opinion, underscoring the need for sustained and targeted communication about the City's successes, including those related to Measure H.

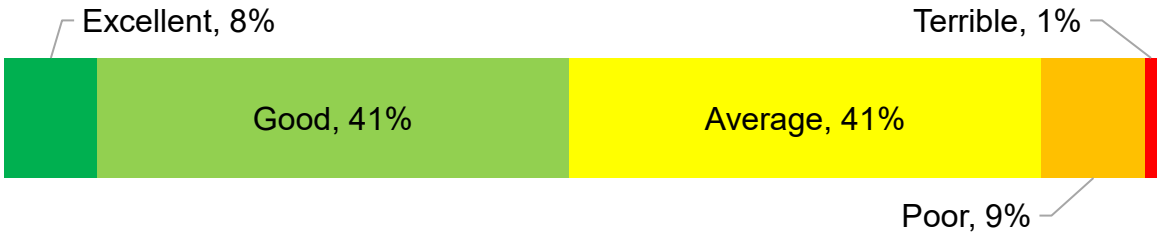
Community and Media Relations

The Community and Media Relations division plays a central role in the City's communication efforts, serving as the key liaison to help coordinate messaging and support smooth transitions across departments. The division works to build and maintain trust in City government by providing residents, businesses, visitors, and stakeholders with timely, accurate, and relevant information.

The City has an established Communications Plan that describes roles and responsibilities related to communicating with the community, and defines the messages, priorities, strategies, and tools the City uses for external communication. While this guidance is important to ensuring consistent and effective communication with residents and stakeholders, the plan was last updated in 2020 and may not fully reflect current City structures, staffing, or communication technologies. Maintaining an up-to-date communications plan is essential to support clear messaging, enhance community engagement, and uphold the City's reputation.

Overall, most survey respondents rated the City's consistency of communication with the public as average (41%) or better (49%).

> *Q: How would you rate the City's overall consistency of communication with the public (e.g., residents, key stakeholders, etc.)?*

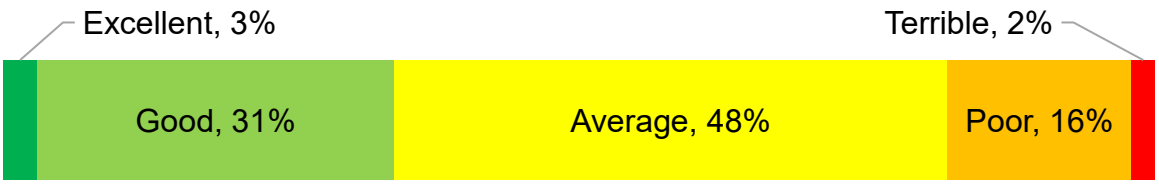


Reputation and Public Perception

A review of major news coverage over the past three years did not identify any high-profile scandals or crises involving the City. However, local reporting and community discussions have highlighted ongoing concerns related to tree maintenance, traffic safety, code enforcement, blight, and City spending, which remain active topics in regional news and online forums. These persistent issues pose a risk of eroding public trust and may undermine the City's overall reputation if not effectively addressed.

While these issues are not crisis-level events, their continued visibility contributes to mixed public sentiment—reflected in survey results where 48% of staff rated the City's reputation as average and 18% as poor or terrible. Continued transparency and communication about service improvements could help address these risks and reinforce the City's reputation for accountability and progress. To support these efforts, the City is developing a dashboard to showcase Measure H successes, providing the community with clear, accessible information on the impact of key initiatives. These efforts should support continued reduced risks in this area.

Q: What kind of reputation do you think the City has within the community?



Emergency and Crisis Communications

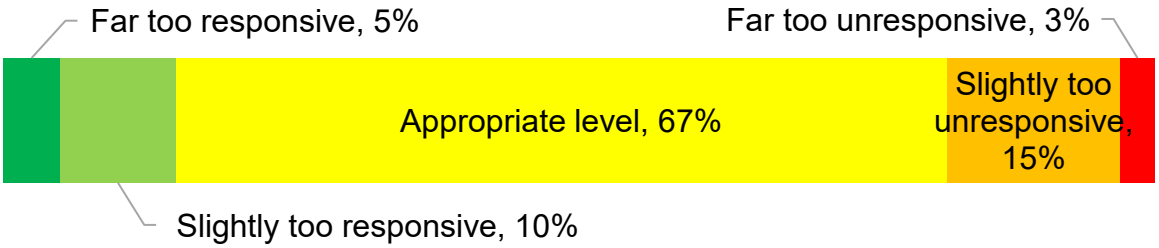
The City's Communications Plan previously mentioned includes a dedicated section on Emergency Communication, stating that the Community and Media Relations Division is responsible for developing and positioning emergency messages, disseminating information, preparing department leaders and emergency responders, and managing media relations. Additionally, MPD and MFD have policies and staff to support communications in an emergency. Clear assignment of responsibilities helps reduce risks of miscommunication and ensures coordinated messaging during emergencies.

Though, as previously noted, the Communications Plan needs to be updated to ensure it addresses the City's current practices.

Responsiveness to Residents

Survey results show that 67% of respondents believe the City is appropriately responsive to residents, while 18% perceive it as somewhat unresponsive and 15% as overly responsive. This distribution suggests that, overall, staff see the City as striking a healthy balance between attentiveness and operational autonomy, lowering the risk of dissatisfaction among community members.

Q: How responsive is the City to resident feedback?



Both survey and interview input indicate that the City could further strengthen feedback loops by publicly communicating how resident concerns lead to tangible action. Developing more consistent tracking and reporting mechanisms, particularly through the City's planned Measure H dashboard, will reinforce transparency and accountability in public engagement. Without these improvements, there is a risk that residents may not understand the products of their tax dollars, risking support for the measure.

In addition to ongoing responsiveness efforts, the City's annual community survey plays a vital role in supporting reputation and public perception. By regularly gathering residents' concerns and satisfaction levels with City services, the survey enables proactive identification of emerging issues and informs targeted improvements. This consistent engagement helps build community trust, enhances transparency, and reduces risks associated with public dissatisfaction, disengagement, and potential damage to the City's reputation. Integrating survey findings with initiatives like the Measure H dashboard will further strengthen the City's ability to demonstrate accountability and responsiveness to its residents.

LOW RISK CATEGORIES

Ethics and Fraud, Waste, Abuse

Overall Risk Level: Low

Impact	Likelihood	Preparedness	Trajectory
Moderate	Low to Moderate	Moderate to High	Decreasing - Low
Risk Mitigation	• Continue to maintain updated ethics and fraud, waste, and abuse policies and procedures to ensure they continue to include updated guidance and are communicated out to employees. • Ensure employees regularly take fraud, waste, and abuse training to ensure they are properly educated in how to handle related issues.		
Residual Risk	LOW		

Scope: Risks associated with misappropriation of funds, extravagant spending, using one's position to accomplish a specific outcome, the intent to deceive, or behavior that does not align with the City's ethical values and policies.

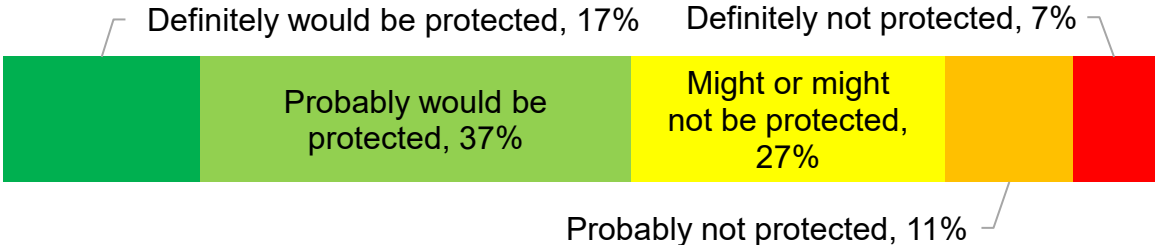
The City maintains a fraud, waste, and abuse program overseen by the City Auditor. This oversight ensures an independent and objective approach to identifying and addressing potential instances of fraud, waste, and abuse and enhances accountability and transparency within City operations.

The City operates a whistleblower hotline managed by a third-party vendor, Lighthouse, which ensures anonymity for individuals submitting tips, to the extent permitted by law. The hotline provides a confidential and accessible channel for employees to report unethical behavior without fear of retaliation. Managed by an independent third party, the hotline enhances trust and confidence in the reporting process, encouraging more individuals to come forward with concerns.

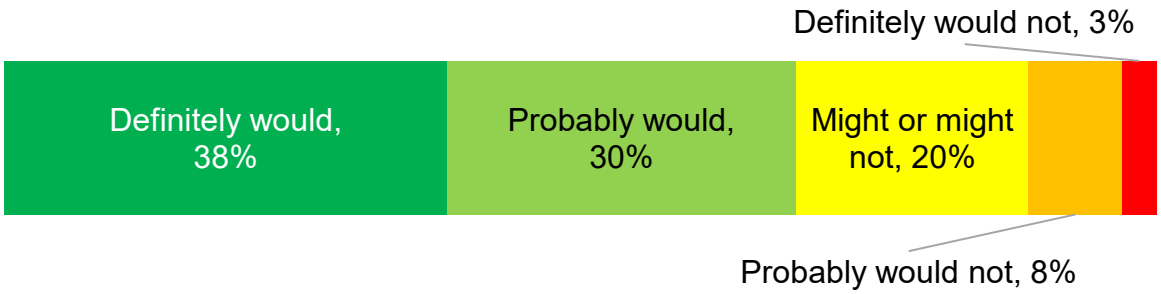
The City has documented policies and procedures around ethics and fraud, waste, and abuse including their Code of Ethics, Policy Against Harassment, Discrimination and Bullying, and a Whistleblower policy. These documented codes and policies support a strong control foundation for the City and enables the City to identify and address potential issues promptly.

Staff did not express concerns regarding fraud, waste, or abuse, and there was a general consensus that controls in this area are effective. Most employees believe they would be protected from retaliation and feel confident that they could report or intervene to prevent wrongdoing, which supports a strong control environment. A strong control environment in which employees feel confident reporting wrongdoing fosters a culture of transparency and accountability, encouraging staff to act ethically and responsibly and supports early detection of potential issues.

Q: What are the chances that you would be protected from retaliation if you reported wrongdoing?

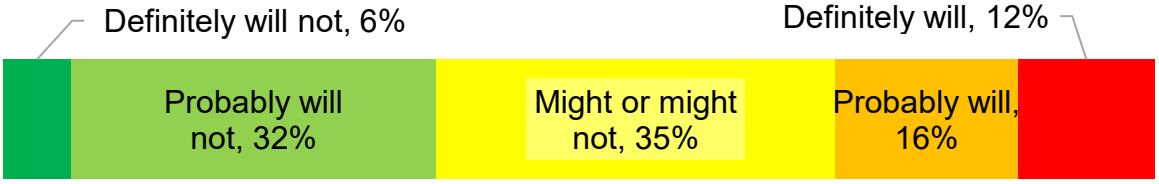


Q: What are the chances that management above you would make efforts to stop wrongdoing if you reported it?



While the risk of fraud, waste, or abuse can never be completely eliminated, the City's strong control environment provides mitigation. This is reflected in the survey results, where most employees expressed a generally positive to average level of confidence that such incidents are unlikely to occur within the City over the next year.

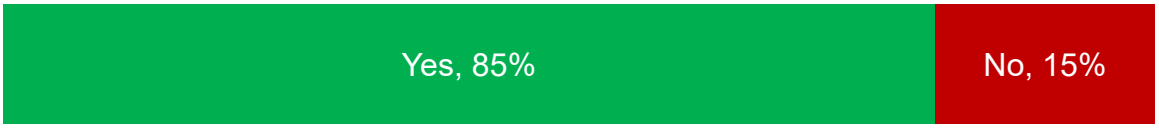
Q: How likely is it that you believe an incident of fraud, waste, or abuse would occur at the City within the next year?



The City provides regular employees with Fraud, Waste and Abuse training. The last trainings were provided in 2024 with separate trainings for the Council, Directors and Managers, and all other employees. While most employees surveyed reported they have taken trainings related to fraud, waste, and abuse, and ethics, not all employees have. Many employees who reported they had not yet taken these trainings have been employed at the City less than two years, and so may not have had the opportunity to take the trainings yet. Such training is important to ensure consistent understanding of policies, promote ethical behavior, and help protect the City resources from misuse and misconduct.

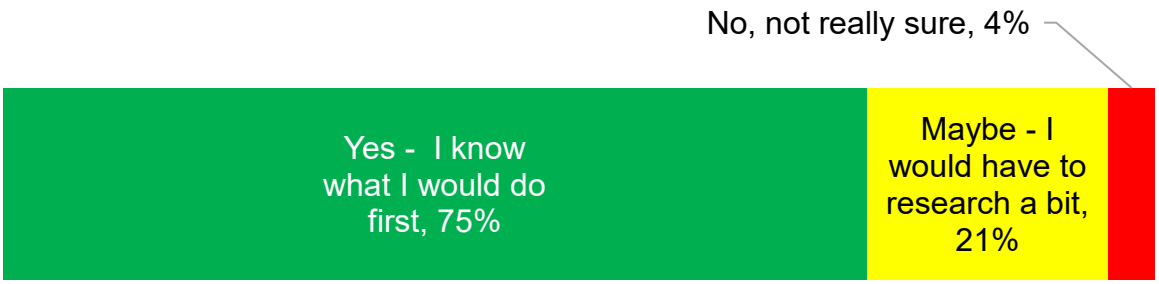
Q: Have you received training focused on fraud, waste, and abuse prevention provided by the City within approximately the last two years?

Q: Have you received training focused on ethics provided by the City within approximately the last two years?



Most employees surveyed reported that they understand the appropriate actions to take if they become aware of unethical or fraudulent behavior. This feedback reinforces a strong ethical environment that helps prevent and detect potential issues.

Q: Do you know what action(s) to take if you were to become aware of unethical or fraudulent activity?



Planning and Strategy

Overall Risk Level: Low

Impact	Likelihood	Preparedness	Trajectory
Moderate	Low to Moderate	Moderate to High	Decreasing – Low

Risk Mitigation

- Carefully manage the shift to a shorter strategic planning cycle to maintain alignment with long-term goals and ensure continuity in achieving the City's broader objectives.
- Encourage and support all departments in developing formal annual operating plans to align activities with City goals, improving performance management and accountability.
- Enhance two-way communication and broaden opportunities for stakeholder involvement in planning to ensure diverse perspectives are consistently incorporated into planning and decision-making processes.

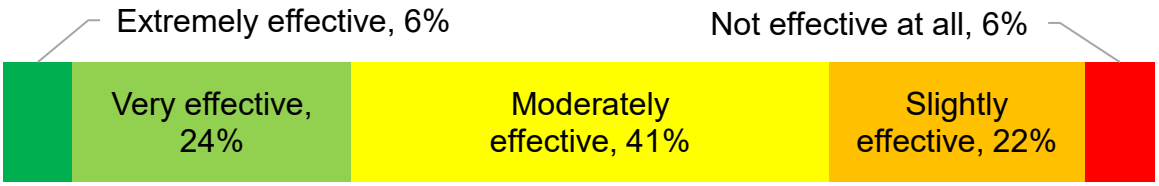
Residual Risk: LOW

Scope: Risks associated with how the City plans for programs, strategies, and the future, including both short-term and long-range planning. A comprehensive planning framework builds upon strategic goals and dives into the next layer of planning, which looks at strategic objectives for the City as a whole and sets objectives for departments, divisions, programs, and individual roles.

The City's planning and strategy efforts are generally strong, supported by a current strategic plan that aligns with the City's budget process and is reviewed annually by the City Council.

The City's 2020-2025 Strategic Plan outlines the City's vision, mission, goals, and strategies to guide City priorities and resource allocation. To enhance flexibility and responsiveness, the City is transitioning to a two-year strategic planning cycle, with the 2025-2026 Strategic Plan already developed to align more closely with evolving community needs and budget processes. While this shorter planning horizon allows for more frequent updates and adaptability, it requires careful management to maintain alignment with long-term goals and ensure continuity in achieving the City's broader objectives. The City's long-term plans, including its Urban Area General Plan and other master plans described below, help reduce risks in this area. Survey respondents generally rated the City's use of its strategic plan in guiding City decisions and activities positively, with 71% rating it as at least moderately effective with lower ratings from those in non-managerial positions.

Q: How effective would you rate the City's use of its strategic plan in terms of guiding City decisions and activities?



The City's Urban Area General Plan, which guides future growth and development in the City, is currently being updated to guide development through 2050. The City also has other long-term plans including its Downtown Master Plan and other infrastructure related master plans (e.g., plans for storm drainage, groundwater, and wastewater). Additionally, the City's Housing Element, adopted in 2024 and valid through 2031, is a required component of state planning regulations and demonstrates the City's commitment to addressing housing needs and regional goals. These planning efforts contribute positively to the City's risk environment by providing direction for sustainable development, supporting coordinated infrastructure investments, and helping to anticipate and manage future community needs effectively.

Some City departments have developed annual operating plans to align their activities with broader City goals; however, not all departments have formal operating plans in place. Operating plans are important because they establish clear priorities, support effective resource allocation, and provide a basis for measuring progress and accountability. This lack of consistency poses risks such as misalignment of departmental objectives with City priorities, uneven performance management, and difficulties in tracking and improving service delivery across the City.

The City's long-term financial planning includes detailed proformas that analyze past performance and forecast future expenses across various funds and projects. Additionally, a formal policy requires the City Manager to submit an annual five-year economic forecast of revenues and expenditures for each department to the Mayor and Council. This integrated planning framework provides a comprehensive, multi-year view of the City's fiscal position, enabling proactive identification of potential budgetary challenges and informed decision-making. By maintaining this level of financial foresight, the City reduces risks related to fiscal instability, unexpected funding shortfalls, and inadequate resource allocation, thereby supporting sustainable service delivery and long-term City resilience.

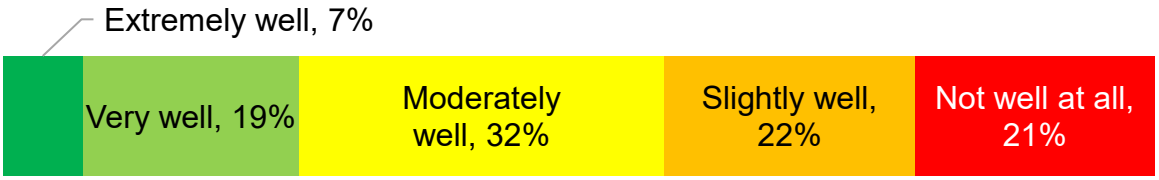
Measuring Progress Against Plans

KPIs play a critical role in the City's planning and strategy efforts by providing measurable benchmarks to track progress toward strategic goals. As noted in the service delivery section, the City has identified KPIs across departments and is working to improve data quality and expand tracking. It is also important to ensure that KPIs are closely aligned with the City's Strategic Plan so that performance measurement effectively supports the City's overarching vision and priorities. Aligning KPIs with the Strategic Plan enables the City to monitor the effectiveness of its initiatives, make informed adjustments, and demonstrate accountability to the community for achieving long-term objectives.

Stakeholder Engagement in Planning

Survey results suggest that while the City engages stakeholders during planning activities, perceptions of inclusiveness are mixed. A combined 26% of respondents believe the City solicits input from impacted stakeholders extremely or very well and another 32% view engagement as moderate. However, 43% rated noted the City engages stakeholders slightly well or not at all well, indicating that many employees perceive limited opportunities for stakeholder involvement. These results suggest that while outreach occurs, there is room to strengthen two-way communication and ensure staff and community perspectives are consistently incorporated into planning and decision-making processes.

> *Q: How well does the City solicit input from all impacted stakeholders (e.g., employees, community members, business owners, etc.) during planning activities?*

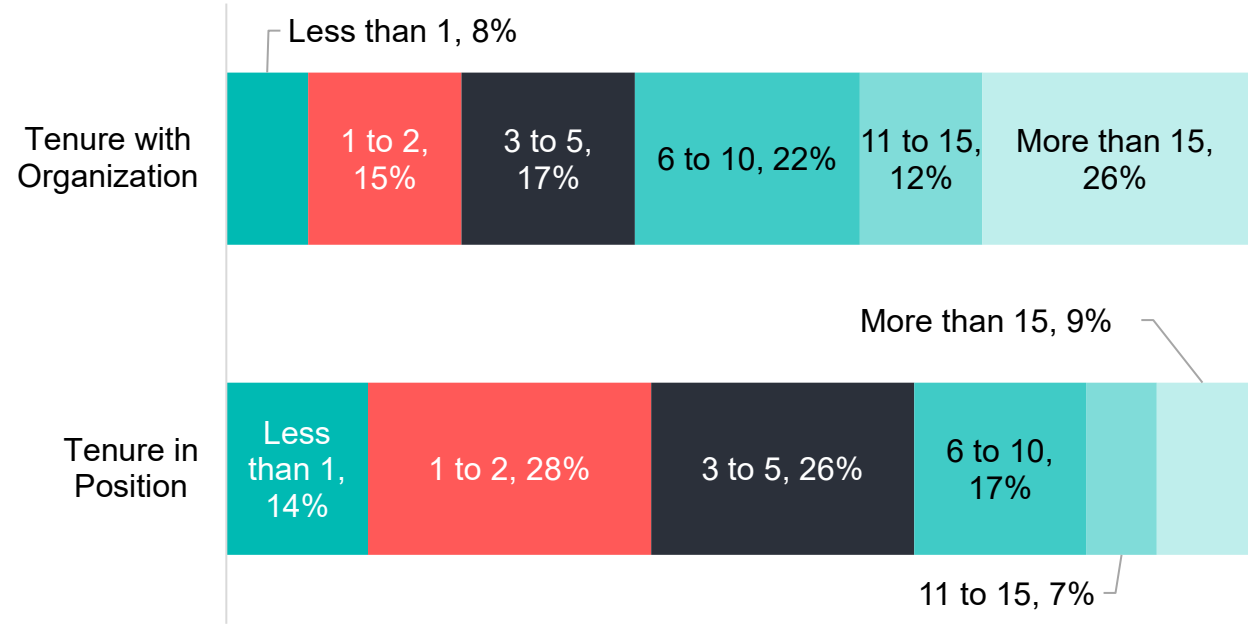

Extremely well, 7%
Very well, 19%
Moderately well, 32%
Slightly well, 22%
Not well at all, 21%

RISK ASSESSMENT SURVEY RESULTS

We distributed a confidential online questionnaire to all employees on September 8, 2025, and collected data through September 22, 2025. Out of the 1,303 employees invited to take the survey, 428 individuals submitted responses to the survey—a participation rate of 33%.

SURVEY RESPONDENT PROFILE

Years of Tenure



Employee Level[5]

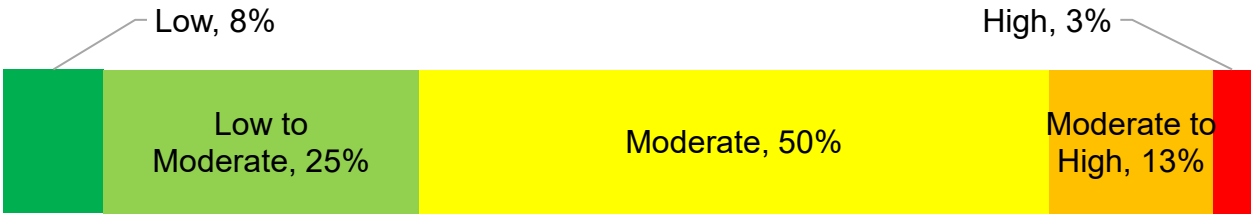
[5] Only management-level employees were asked to rate overall level of risk for each category.

RISK CATEGORY RATINGS

How would you rate the City's level of overall risk?

Accounting and Finance

Asset Management



Capital Program

Compliance

Ethics and Fraud, Waste, Abuse

Funding and Economics

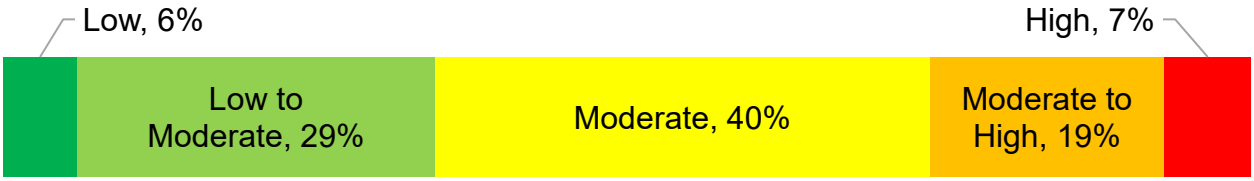
Governance

Human Resources

Information Technology

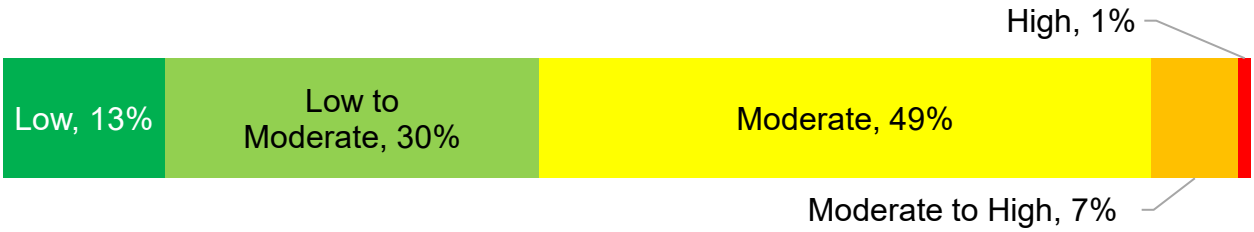
Management and Leadership

Organization and Staffing



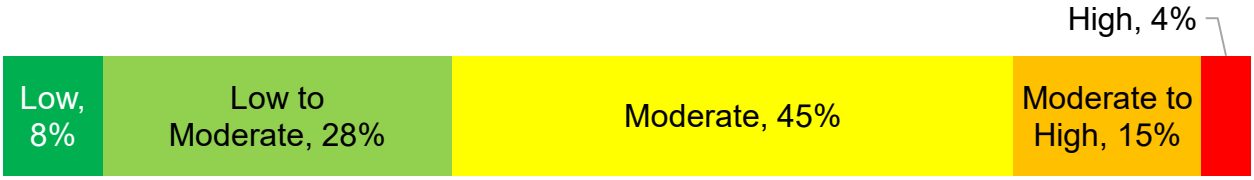
Planning and Strategy

Policies and Procedures

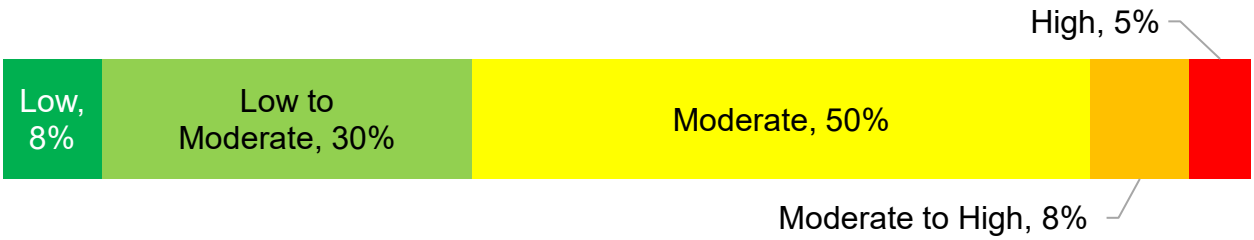


Procurement and Contracting

Public Safety



Reputation and Public Perception



Risk Programs

Service Delivery