

Municipal Financial Health Diagnostic: The Rancho Cucamonga Experience



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League of California Cities
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About Rancho Cucamonga

- Population of 172,000
- Incorporated 1977 (Post Prop 13 city)
- Operating budget of \$110 million
- Total budget of \$222 million all funds, including capital
- More than 100+ different funds comprise the City budget



Why try the diagnostic?



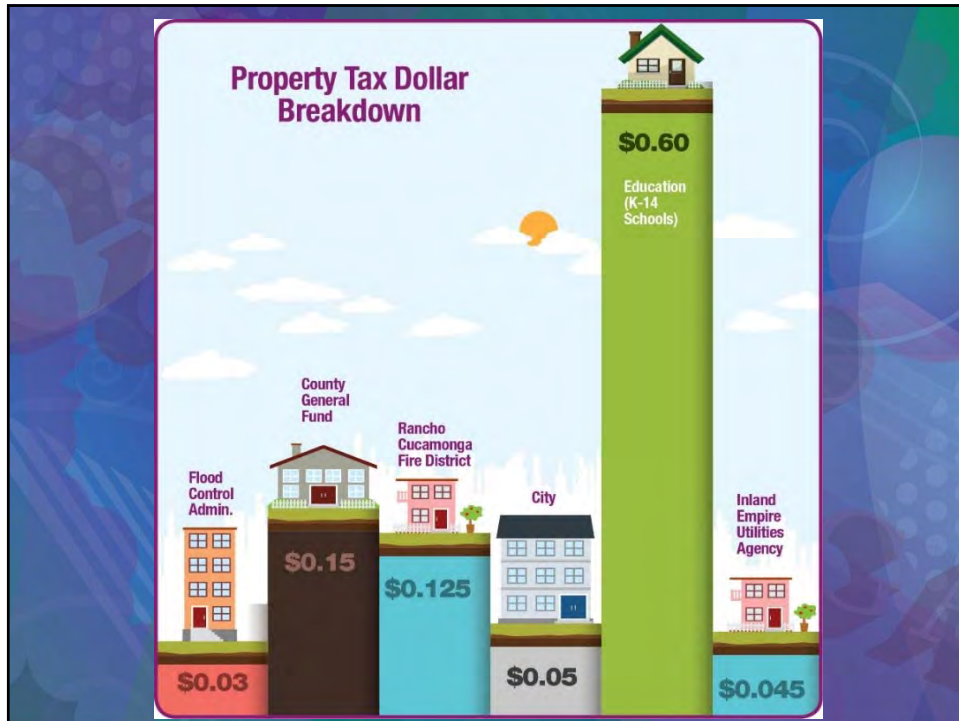
Mayor Dennis Michael, League 1st Vice President



'cause
he said
so.

What really prompted the Municipal Financial Health Diagnostic?

- FY 15/16 Budget theme: Preparing for the future and investing in our community
- Three straight years of positive revenue growth and concerns about how deep the recovery really went
- Some underlying issues with special funds (pre-Prop 218) that were now coming for potential votes regarding increases



Measuring Fiscal Health

- Determining fiscal health is not just a matter of numbers
 - “Torture numbers and they will confess to anything.” Greg Easterbrook
- Requires analysis, forecasting, and proper context for measure to be meaningful
 - League tool intended to be a positive reinforcement of a job well done, or a kind of early-warning system for financial problems
 - Helpful for transparency with the community
 - Helpful for internal conversations with personnel

Overview of the Diagnostic

13 indicators of fiscal health for the General Fund to evaluate. Some examples include:

- Any recurring deficits or increasing liabilities
- Use of short-term budget-balancing measures
- Pension fund liabilities
- Public service level deficiencies
- Various other measurements

What Did We Learn?

- Allow sufficient time for analysis
- Discuss assumptions ahead of time and agree upon approach
- It takes time depending on your financial structure to input all the data
- Make sure you understand what the results are telling you, rather than fearing anything not green
- Determine communication plan ahead of time
- Excellent fiscal planning tool

The California Municipal Financial Health Diagnostic
Data Gathering Worksheet
 City of Rancho Cucamonga
 General Fund (001 only)

Data Component	Source of Data	Use for Indicator	Year-2	PriorYr	CurrentYr (estimated)	Next Year (projected)	Years2 (projected)	Year project
Year (e.g., 2013-14, etc.)			2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2015-
a Gross current revenues	CAFR: Statement of Revenues and Expenditures 'total revenues'	1a	61,813,441	64,699,696	68,032,401	67,551,540	70,926,117	73,056
b Transfers in	CAFR: Statement of Revenues and Expenditures 'total revenues'		1,417,930	1,375,360	1,115,300	1,185,360	1,244,826	1,281
c Revenues restricted to capital improvements (by law or contract)	Staff analysis		-	-	-	-	-	-
d Revenues legally restricted to special purposes	Staff analysis		-	-	-	-	-	-
Net operating revenues	line "a" plus line "b" minus line "c" minus line "d"	1b,1c	63,331,371	66,075,056	67,947,101	68,736,840	73,745	74,336
Net operating revenues equals gross revenues and transfers in, minus capital improvements, minus revenues legally restricted to special purposes.								

Score: Good-Green: not an issue of concern.

40.93% 40.96%

5 General fund subsidies of other funds

Year	2012-2013	current year 2013-2014	2014-2015 projected	2015-2016 projected	2016-17 projected
Subsidy costs as a percent of expenditures	2.02%	2.77%	3.25%	3.33%	3.34%

Score: Warning-Red: Increasing or over 5%.
 Caution-Yellow: Has increased but is projected to stabilize or decline.
 Good-Green: not an issue of concern.

6 Constraints on Budgetary Discretion

Do charter provisions or other legal commitments (contracts, court decisions, settlements) restrict the city council's authority?

- Binding arbitration: required submission of a dispute to a third person whose decision is obligatory.
- Formulas require minimum employee compensation, hiring or staffing levels, or spending levels or require the agreement of others.
- General fund is pledged as support, or public facilities as security, for non-general fund debt.
- Others: restrictions on contracting out, voter-approved tax expiring.

Score: Warning-Red: Yes - restrictions.
 Caution-Yellow: Yes but minimal/workable.
 Green - no restrictions

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Rancho Cucamonga's Diagnostic Results

City of Rancho Cucamonga General Fund (001 only)
 The California Municipal Financial Health Diagnostic
Financial Health Indicators - Summary

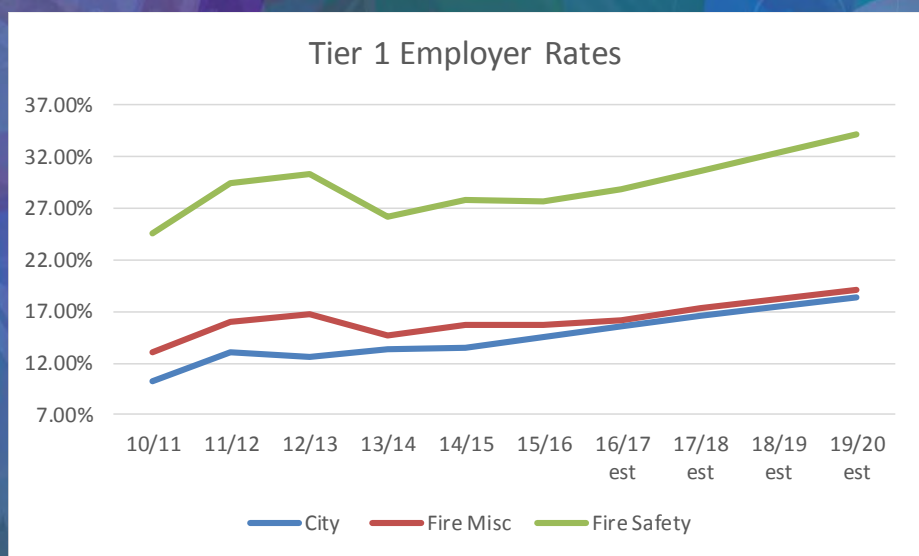
Indicator	Rating
1. Net Operating deficit / surplus	Healthy
2. Fund balance	Healthy
3. Liquidity	Healthy
4. Fixed costs & labor costs	Caution
5. General fund subsidies of other funds	Caution
6. Constraints on budgetary discretion	Healthy
7. Balancing the budget with temporary funds	Healthy
8. Balancing the budget with borrowing	Healthy
9. Balancing the budget by deferring employee compensation costs	Healthy
10. Balancing the budget with backloaded debt service payments	Healthy
11. Funding operating costs with non-recurring development revenues	Healthy
12. Timeliness and accuracy of financial reports	Healthy
13. Service level solvency	Healthy

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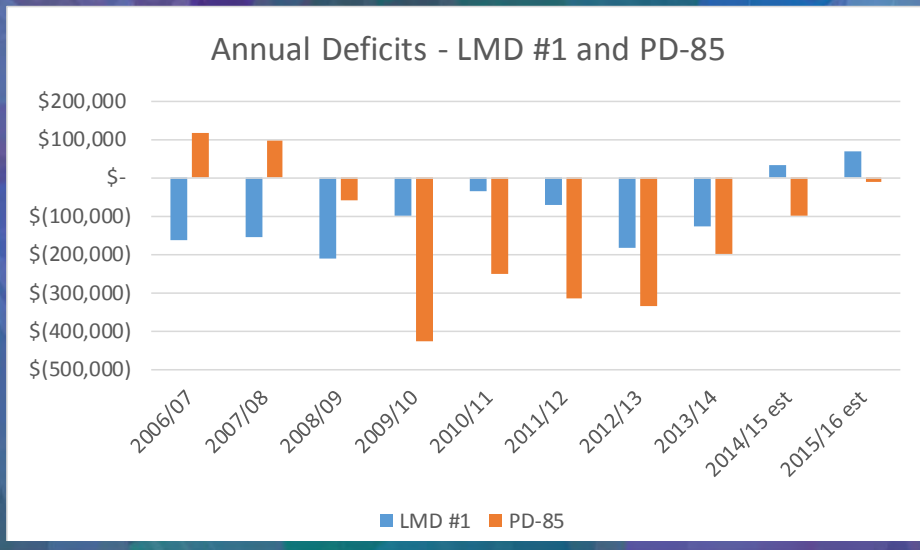
Rancho's Diagnostic Results

- City General Fund is in a *very healthy condition* in 11 of the 13 categories
- Illustrated importance of budgeting for reserves
- Some notes of caution for the future in two categories
 - Fixed costs and labor costs
 - Utilities, fuel, medical and pension costs
 - General fund subsidies of other funds
 - Ongoing challenges in certain underlying special districts that have not yet been resolved
 - Continuous long-term contributions to balance Sports Complex (Enterprise Fund)

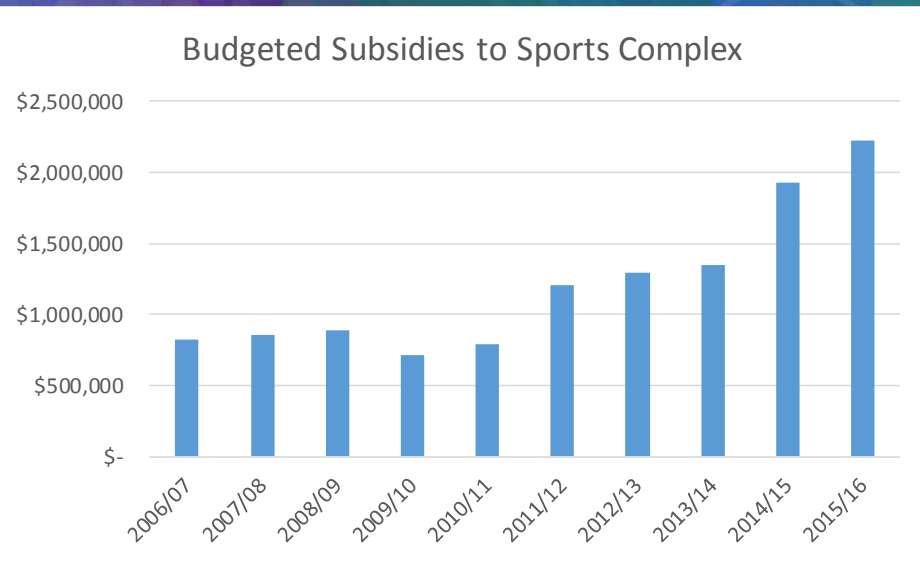
Historic PERS Rates



Deficits in Key Landscaping Assessment Districts (pre-Prop 218)



Budgeted Subsidies to Sports Complex



Other Observations

- Most valuable component - 3rd party, independent standard for the evaluation lends credibility to the results
- Not terribly labor intensive – about 10 hours of total time to research, discuss approaches, compile data
- For the future - League should continue to refine definitions, consider adding benchmarking among cities

What's next?

- Publishing the Diagnostic Report Card on our City's website
- Incorporated into our final budget document
- Annual updates to track progress over time



