

FINANCIAL HEALTH INDICATORS

Finance Department

Financial Performance and Budget Committee

May 10, 2023

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PURPOSE



Ability to perform a key mission to provide Financial Health Indicators to open dialogue and provide clear and useful information



Discussion of financial condition based on 3 basic questions and 11 measures to evaluate financial condition



Each question evaluates Riverside's services to its residents



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FINANCIAL POSITION

CAN THE CITY PAY ITS BILLS NOW?

- **FHI #1 General Fund Reserve Ratio** – Building up reserves which is useful in identifying deteriorating fund balance reserves.
- **FHI #2 General Fund Liquidity Ratio** – Ability to pay expenses which is useful in identifying City's ability to pay bills on time.



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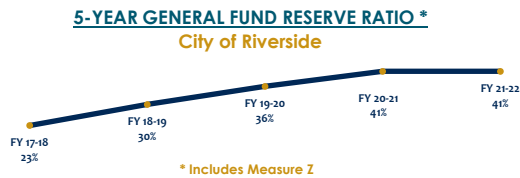
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FHI #1 GENERAL FUND RESERVE RATIO

A declining fund balance reserve can be a sign of fiscal stress. This indicator is important in identifying a trend of a deteriorating fund balance reserves as well as how rapidly it is deteriorating. A **higher ratio** suggests larger reserves for dealing with unexpected resource needs in the long run.



FY 21-22 GENERAL FUND RESERVE RATIO – COMPARABLE CITIES



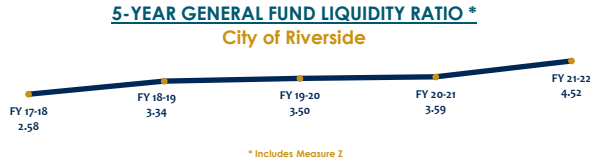
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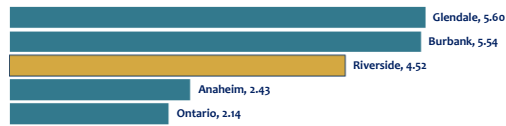
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FHI #2 GENERAL FUND LIQUIDITY RATIO

A declining ratio indicates a city does not have sufficient cash available to meet its current obligations as they come due. This indicator is important in identifying a trend of deteriorating cash as well as how rapidly it is deteriorating. A **higher ratio** suggests a greater capacity for paying off short-term obligations.



FY 21-22 GENERAL FUND LIQUIDITY RATIO – COMPARABLE CITIES



FINANCIAL PERFORMANCE CAN THE CITY'S REVENUES COVER ITS EXPENSES?

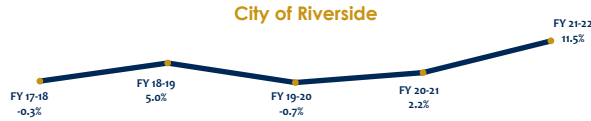
- **FHI # 3 General Government Growth in Net Position Ratio** – Change in Net Assets where a growth in net position indicates City can pay its expenses with its revenue and establish appropriate reserves for future allocation.
- **FHI # 4 General Government Operating Margin Ratio** – City services are more self-sufficient through charges, fees, and grants.
- **FHI # 5 General Government Own Source Revenue Ratio** – Reliance on tax dollars versus the City's reliance on federal and state grants.



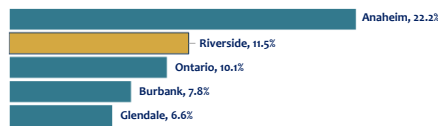
FHI #3 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

Revenues from programs ideally should cover the expenses that are incurred for those programs, otherwise reserves may need to be used to meet the needs. A **higher ratio** suggests that annual costs are adequately funded, and the financial condition is improving.

5-YEAR GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO



FY 21-22 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO – COMPARABLE CITIES



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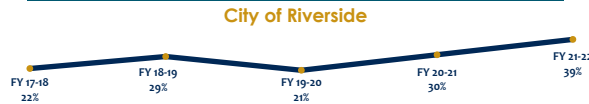
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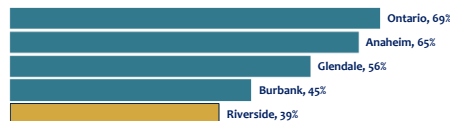
FHI #4 GENERAL GOVERNMENT OPERATING MARGIN RATIO

A city charges for services and may receive grants and aid from other governments (e.g. Federal and State). A **higher ratio** suggests basic government services are more self-sufficient through charges, fees, and grants and less reliant on general tax dollars to fund program expenditures.

5-YEAR GENERAL GOVERNMENT OPERATING MARGIN RATIO



FY 21-22 GENERAL GOVERNMENT OPERATING MARGIN RATIO – COMPARABLE CITIES



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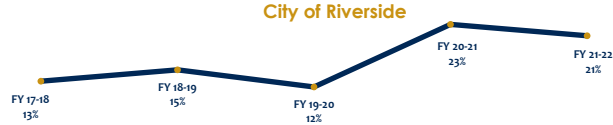
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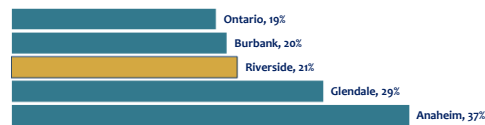
FHI #5 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

Revenues from grants are used to support some City functions. Other functions, such as public safety, are mainly funded by general tax dollars. This ratio illustrates the extent to which government revenues were supported by grants. A **lower ratio** suggests that the City is not heavily reliant on grants and more reliant on general tax dollars and charges for services.

5-YEAR GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO



FY 21-22 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO – COMPARABLE CITIES



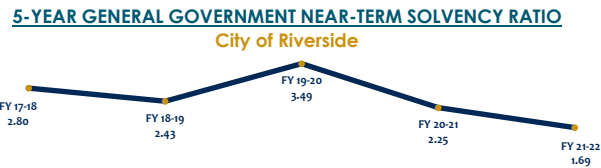
LONG-TERM SOLVENCY CAN THE CITY PAY ITS BILLS IN THE FUTURE?

- **FHI # 6 General Government Near-Term Solvency Ratio** – Ability to pay obligations with annual revenues where fewer number of years of annual revenue needed to pay City obligations the stronger its financial condition.
- **FHI # 7 General Government Debt, Pension Liability & Other Post-Employment Benefits (OPEB) Burden per Resident** – Amount of liability per resident where lower liability per capita results in smaller debt, pension, and OPEB burden on taxpayers.

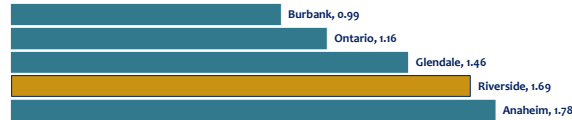


FHI #6 GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO

This ratio demonstrates a City's ability to pay a larger portion of its debts with annual revenues. A **lower ratio** indicates a stronger financial condition.



FY 21-22 GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO – COMPARABLE CITIES



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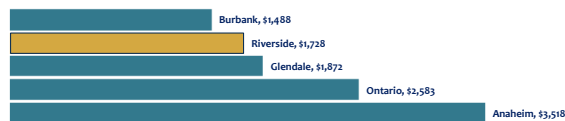
FHI #7 GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO

Lower debts, pension liability, and other post-employment benefits (OPEB) per capita result in a smaller debt burden on taxpayers. A **lower ratio** indicates a stronger financial condition.

5-YEAR GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO
City of Riverside



FY 21-22 GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO – COMPARABLE CITIES



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LONG-TERM SOLVENCY- CONTINUED

- **FHI # 8 Governmental Funds Coverage Ratio** – A larger portion of expenses used for debt means the City is less able to spend money on services and capital improvements.
- **FHI # 9 Enterprise Funds Coverage Ratio** – Availability of resources for Enterprise Funds to make bond payments.
- **FHI # 10 General Government Capital Asset Value Ratio** – Change in value of capital assets where if City doesn't replace or renovate its capital assets, value over time decreases.
- **FHI # 11 Enterprise Funds Capital Asset Age Ratio** – Percentage of Enterprise Funds capital assets that have been depreciated.



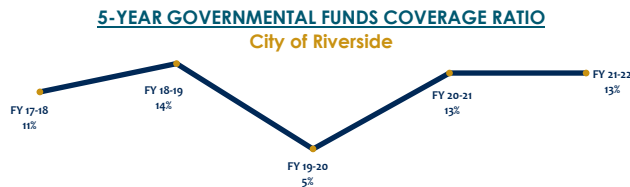
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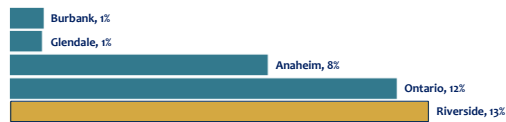
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FHI #8 GOVERNMENTAL FUNDS COVERAGE RATIO

A city has principal and interest payments on debts. The lower the amount of these payments compared to all the other expenditures it has, the stronger its financial condition. A **lower ratio** indicates a stronger financial condition.



FY 21-22 GOVERNMENTAL FUNDS COVERAGE RATIO – COMPARABLE CITIES



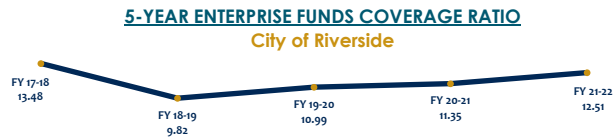
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FHI #9 ENTERPRISE FUNDS COVERAGE RATIO

Just like a city's governmental services need to pay their debts (i.e., bonds) in the long-term, a city's enterprise funds need to do so as well. The City's Enterprise Funds include Electric, Water, Sewer, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment Funds. A **higher ratio** indicates a stronger financial condition.

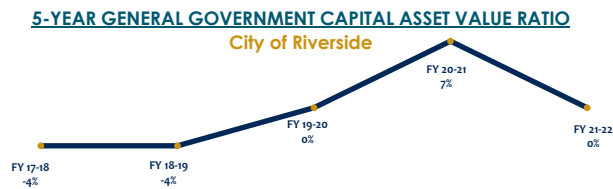


FY 21-22 ENTERPRISE FUNDS COVERAGE RATIO – COMPARABLE CITIES

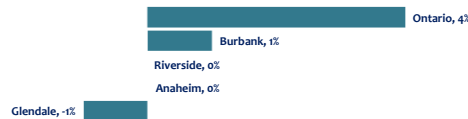


FHI #10 GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO

Capital assets include land, buildings, vehicles, and public infrastructure. Most of the City's capital assets decrease in value over time due to depreciation. A negative ratio means that the overall value of a city's assets decreased over the year indicating some assets may need to be renovated or replaced. A **higher ratio** indicates a stronger financial condition.

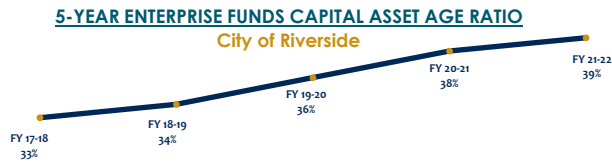


FY 21-22 GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO – COMPARABLE CITIES

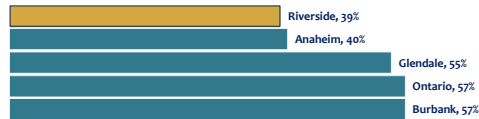


FHI #11 ENTERPRISE FUNDS CAPITAL ASSET AGE RATIO

Depreciable capital assets include buildings, vehicles, and public infrastructure. Assets are depreciated over their useful life as they age, and their value is reduced. A **lower ratio** indicates Enterprise Funds capital assets are newer and may not require as much replacement and/or maintenance costs compared to older capital assets.



FY 21-22 ENTERPRISE FUNDS CAPITAL ASSET AGE RATIO – COMPARABLE CITIES



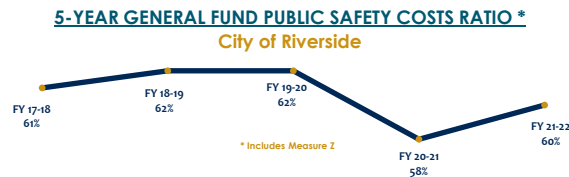
RESOURCE ALLOCATION (For informational purposes only)

- **Indicator # 12 General Fund Public Safety Costs Ratio** – Compares and determines the funding level of the General Fund public safety costs.

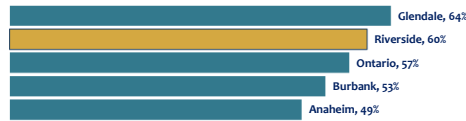


INDICATOR #12 GENERAL FUND PUBLIC SAFETY COSTS RATIO

This ratio compares the total costs of the General Fund public safety, which includes police and fire, to the total General Fund expenditures and transfers out. A **higher ratio** indicates more funds are dedicated to public safety.



FY 21-22 GENERAL FUND PUBLIC SAFETY COSTS RATIO – COMPARABLE CITIES



STRATEGIC PLAN ALIGNMENT

Strategic Priority No. 5 – High Performing Government

Goal 5.2 Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and improve access to and delivery of financially sustainable city services.

Goal 5.3 Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision making.



STRATEGIC PLAN ALIGNMENT

Strategic Priority No. 5 – High Performing Government

Goal 5.4 Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Goal 5.5 Foster a culture of safety, well-being, resilience, and sustainability across the city organization.



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STRATEGIC PLAN ALIGNMENT

Cross-Cutting Threads



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RECOMMENDATIONS

That the Financial Performance and Budget Committee receive and provide input on the Financial Health Indicators.

