FINANCIAL HEALTH INDICATORS

Finance Department

Finance Committee
May 14, 2025

PURPOSE

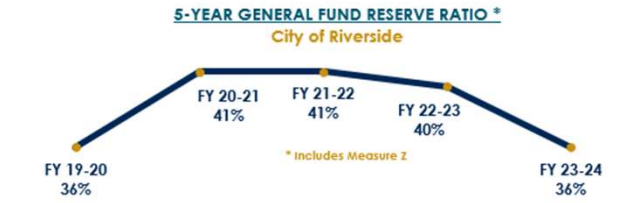
- Perform a key mission to provide Financial Health Indicators to open dialogue and provide clear and useful information.
- Discuss financial condition based on 3 basic questions and 11 measures used to evaluate financial condition.
- Each question evaluates Riverside's services to its residents.

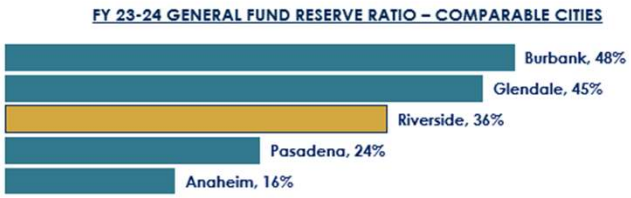
FINANCIAL POSITION
CAN THE CITY PAY ITS BILLS NOW?

- **FHI #1 General Fund Reserve Ratio** – Indicates changes in reserves, which is useful in identifying deteriorating fund balance reserves.
- **FHI #2 General Fund Liquidity Ratio** – Identifies changes in available cash, which is useful in identifying the City's ability to pay bills on time.

FHI #1 GENERAL FUND RESERVE RATIO

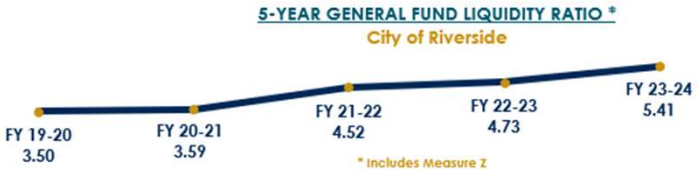
A declining fund balance reserve can be a sign of fiscal stress. This indicator is important in identifying a trend of a deteriorating fund balance reserves as well as how rapidly it is deteriorating. A **higher ratio** suggests larger reserves available to address unexpected resource needs in the long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

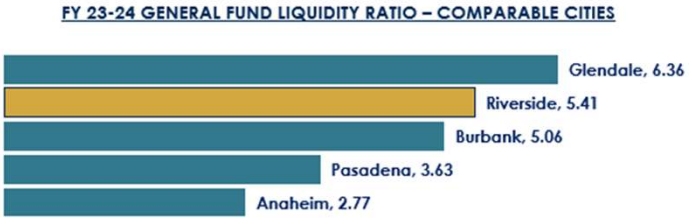




FHI #2 GENERAL FUND LIQUIDITY RATIO

A negative ratio may indicate 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.





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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 the City can pay its expenses with its revenue and establish appropriate reserves for future allocation.
- **FHI # 4 General Government Operating Margin Ratio** – Illustrates to what degree City services are self-sufficient through charges, fees, and grants.
- **FHI # 5 General Government Own Source Revenue Ratio** – Indicates reliance on tax dollars versus the City's reliance on federal and state grants.

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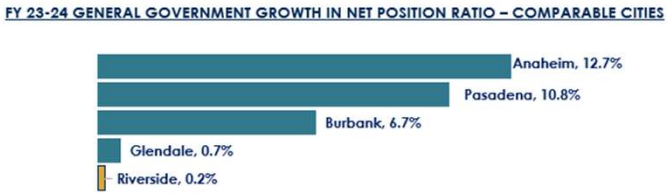
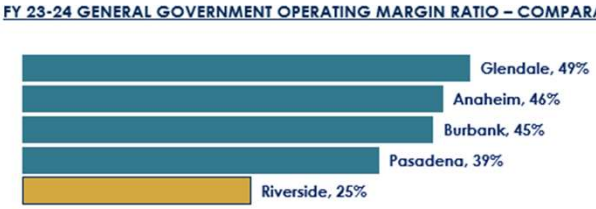
FHI #3 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

Ideally, revenues from programs should cover the expenses incurred for those programs, otherwise reserves may be required to cover the excess costs. A **higher ratio** suggests that annual costs are adequately funded; and an increasing ratio indicates an improving financial condition.



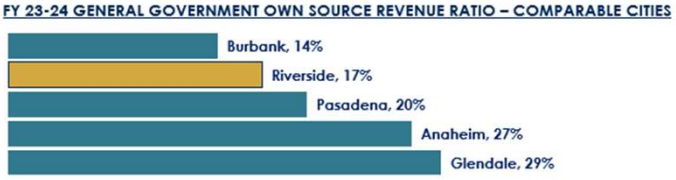
FHI #4 GENERAL GOVERNMENT OPERATING MARGIN RATIO

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



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 is more reliant on general tax dollars and charges for services.



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

- **FHI # 6 General Government Near-Term Solvency Ratio** – Measures ability to pay obligations with annual revenues; the 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.

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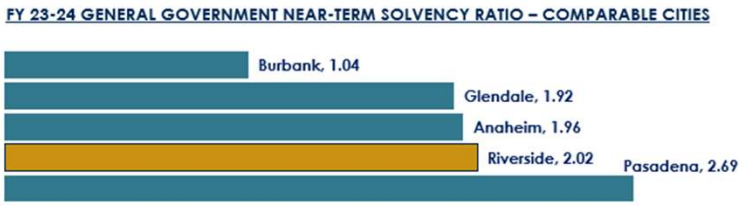
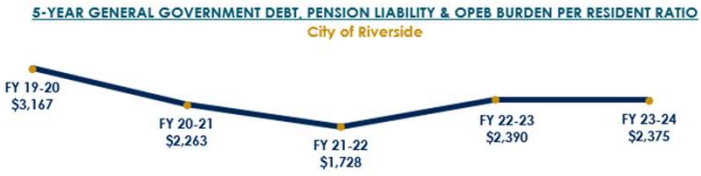
FHI #6 GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO

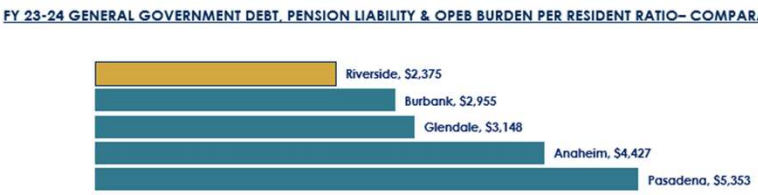
This ratio demonstrates a City's ability to pay a larger portion of its debts with annual revenues. A **lower ratio** indicates a stronger financial condition.



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.



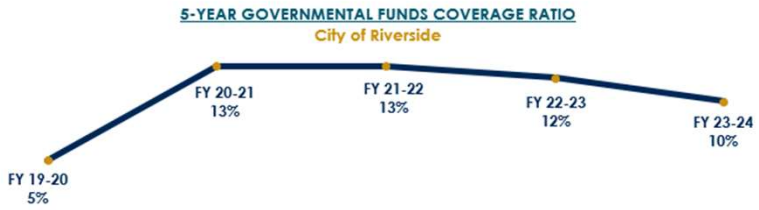


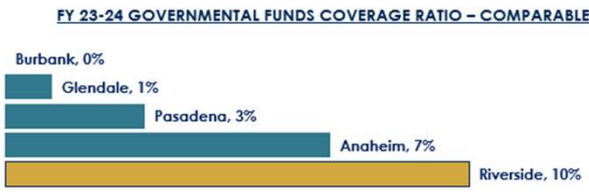
LONG-TERM SOLVENCY- CONTINUED

- **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, asset value over time decreases.
- **FHI # 11 Enterprise Funds Capital Asset Age Ratio** – Percentage of Enterprise Funds capital assets that have been depreciated.

FHI #8 GOVERNMENTAL FUNDS COVERAGE RATIO

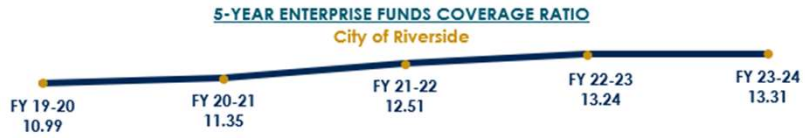
A city has principal and interest payments on debts. The lower the amount of these payments compared to all its other expenditures, the stronger its financial condition. A **lower ratio** indicates a stronger financial condition.

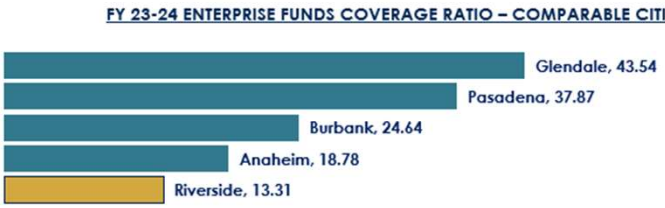




FHI #9 ENTERPRISE FUNDS COVERAGE RATIO

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





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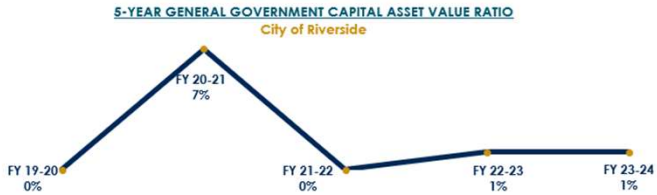
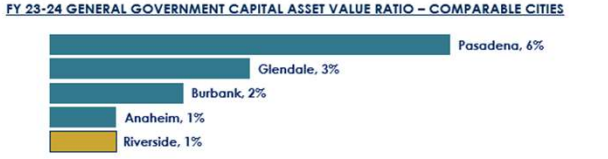
FHI #10 GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO

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 declining 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.





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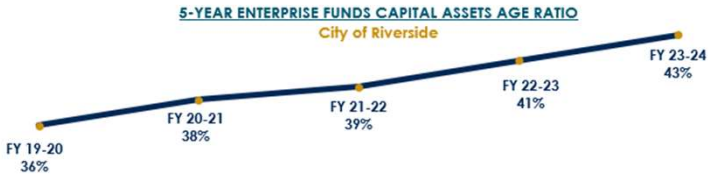
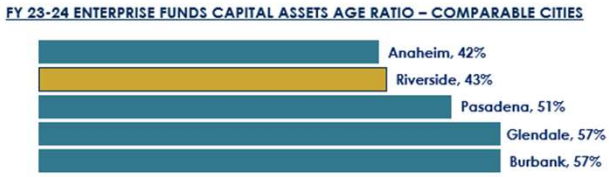
FHI #11 ENTERPRISE FUNDS CAPITAL ASSET AGE RATIO

Depreciable capital assets include buildings, vehicles, and public infrastructure. These assets are depreciated over their useful life as they age, resulting in a reduction in their value. 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.



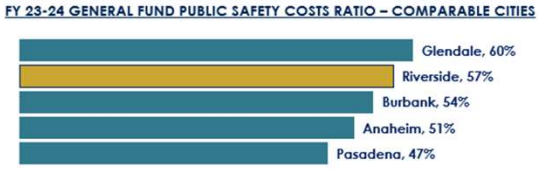


RESOURCE ALLOCATION (For informational purposes only)

- **Informational Indicator - General Fund Public Safety Costs Ratio** – Compares and determines the funding level of General Fund public safety costs in relation to total General Fund expenditures and transfers out.

INFORMATIONAL INDICATOR: GENERAL FUND PUBLIC SAFETY COSTS RATIO

This ratio compares the total costs of 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.



STRATEGIC PLAN ALIGNMENT

STRATEGIC PRIORITY 5 - HIGH PERFORMING GOVERNMENT

CROSS-CUTTING THREADS

- Community Trust
- Equity
- Innovation
- Fiscal Responsibility
- Sustainability and Resiliency

RECOMMENDATION

That the Finance Committee receive, provide input on, and recommend that the City Council receive and file the Financial Health Indicators discussed herein.