Show Me The Money

Evaluating and Explaining Your City's Financial Condition

CalCities Conference | October 16, 2024

Richmond Vice Mayor Claudia Jimenez, St. Helena Vice Mayor Eric Hall, Author, Former Finance Director Mark Moses, and St. Helena City Manager Anil Comelo.

Agenda

1. Challenges in communicating fiscal status
2. Competing stakeholder perspective on information
3. Role of financial metrics
4. Meeting stakeholder needs

Eric Hall, St. Helena Vice Mayor

- Public sector – 4 years on city council
- Private sector – 35 years business management and consulting

St. Helena – A Tale of Two Cities

- World renowned enclave
- High household income
- Highly educated
- Great assets

- Residents demanding high-touch services
- History of poor decision-making
- Incomplete/misuse of data
- Lack of long-term thinking and fiscal planning

Claudia Jimenez, Richmond Vice Mayor

- Public sector – 4 years on city council
- Community organizer and architect

Richmond – Focus on Residents

- Multi-year strategy to address community needs and aspirations
- Budgets represent collective values
- Investment in arts, culture, libraries, & people
- Input and collaboration with community groups and union to address systemic issues

Differing perspectives

Labor groups/advocates for new projects:

- Prioritize near-term needs
- Discounting debt
- Discounting deferred maintenance
- Aggressive revenue projections
- OK with status quo operations

Fiscally cautious individuals/groups:

- Emphasis on long-term resources
- Concern for debt
- Concern for deferred maintenance
- Conservative revenue projections
- Challenge status quo operations

Traditional Assessment Approaches…

- Focus on static financial metrics
- Strive to maintain the status quo
- Go through the motions of refining goals
- Accept incomplete information
- Accept “balanced budgets” without regard for how they were balanced
- Never break from the *scarcity mode*

A new approach to fiscal assessment

- Don’t chase metrics; data doesn’t tell you what to do
- Address *scarcity* at a fundamental level
- From path of least resistance to outcome-based exploration
- Financial assessment that provides a basis for action

Financial Cause and Effect

- Costs are driven by Activities
- Activities emerge from organizational Goals
- Goals are justified by the Mission

- Vague missions open the door to mission creep & ongoing scarcity
- Weak fiscal policies cater to short-term perspective
- Path of least resistance leaves operational methods unchallenged

Assumptions and Data

- Timeframe: short-term? mid-term? long-term?
- Reality check: Is projected revenue growth reasonable?
- Sustainability: Relying on one-time revenue or serial tax increases?
- Technical: Have all relevant info (e.g. deferred maintenance)?
- Operations: Challenged the status quo service delivery system?

Clarifying Goals

Organizations get stuck in the status quo because their goals are so vague, they have no clear standard by which they can terminate or phase out activities that are not serving the residents and business owners.

Action Steps

1. Refine organization’s goals, so they are specific, delimited, and actionable.
2. Vague, feelgood and symbolic goals doom the organization to scarcity.
3. Rigorously vet the organization's activities
4. Expect the financial assessment to be a bit messy. There is no reasonable way for an organization recovering from budget scarcity to reduce a fiscal assessment to a simple score.

Financial Assessment Checklist

1. Current information: financial statements
2. Complete information: deferred maintenance
3. Financial metrics (debt, revenue, etc.)
4. Revisit mission
5. Inventory activities
6. Operational review

Takeaways

- Activities drive costs and the organization’s mission sets the stage for whether activities proliferate
- Have honest community level discussion on values and needs
- Timely and complete information to inform decisions
  - Financial statements
  - Inventory <u>all</u> obligations
- Mission sufficiently specific to decide appropriate activities
- Proactively manage organizational chart and operational methods

Use of Metrics

- Date of the financial audit opinion letter
- Cost of deferred maintenance for water, wastewater, parks, & buildings
- Funded ratio for pension and OPEB
- 17% General Fund Reserve
- Replacement funds for equipment/vehicles replacement fund, IT upgrade
- DiagnosingFinancialCondition.pdf (GFOA)

City Manager Best Practices

- Induce broader conversation about community goals & needs
- Schedule council goal setting meetings & strategic planning
- Educate the community about the city’s finances and metrics
- Use community and council input to recommend policy alternatives
- Monitor key metrics and outcomes to evaluate & adjust

Questions

Helpful Links

- **Introducing the California Municipal Financial Health Diagnostic.**
- Financial Management for Elected Officials
- Financial Management Checklist for Elected City Officials
- Municipal Fiscal-Health Contingency Planning
- Forecasting for an Uncertain Fiscal Future

A new approach to fiscal assessment