

Practical Strategies for Small and Rural Cities to Achieve Financial Resilience and Meaningful Economic Development

The City of Norco Experience

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Typical Small City Challenges

- Narrow revenue bases
- Service level expectations
- Limited staffing capacity
- Aging infrastructure
- Limited access to significant grant opportunities
- Council members may have limited familiarity with local government governance
- Strong desire to maintain unique rural character and appeal

Key takeaway: Small-city leaders can still achieve fiscal resilience, expand the tax base, support business growth, and improve long-term community prosperity while maintaining their small and rural city lifestyle

City of Norco Experience

- Located in Western Riverside County
- Population of approximately 25,000
- Equestrian community with about 100 miles of horse trails
- Unassigned General Fund balance of \$31 million as of June 30, 2025
- Assigned General Fund balance for capital projects of \$13.1 million as of June 30, 2025
- Estimated General Fund operating budget: \$33.4 million for FY 2026–2027
- 83 full-time equivalent employees
- Police, fire, and EMS services provided through contracts

Fiscal Management, Economic Development, and Branding

Comprehensive Review of City Finances

- a. Evaluate revenues, expenditures, reserves, OPEB, and pension liabilities
- b. Identify strengths, weaknesses, opportunities, and threats
- c. Connect fiscal condition to budget and economic development decisions

Fiscal Management, Economic Development, and Branding

Adopt best-practice fiscal policies

- a. Develop and periodically update a long-term financial plan
- b. Balanced budget policy
- c. Build a strong rainy-day reserve to cushion against economic downturns
- d. Adopt a clear policy for the use of one-time revenues
- e. Use Pay-As-You-Go capital improvement planning when feasible – avoid long-term debt
- f. Maintain compliant Investment Policy

Fiscal Management, Economic Development, and Branding

Implement revenue enhancement strategies

- a. Begin with low-hanging fruit: cost allocation plans, fee studies, DIF updates, TOT, and business licenses
- b. Create an economic development plan that preserves community values while enhancing revenues
- c. Use the city's unique brand to attract desired development
- d. Offer meaningful and transparent business incentives
- e. Use public private partnership to develop meaningful projects
- f. Allow sufficient lead time for stakeholder education prior to seeking revenue measures

Fiscal Management, Economic Development, and Branding

Manage current and future expenditures

- a. Contract out appropriate services – public safety, building, public works, park maintenance, etc.
- b. Review organizational alignment and staffing needs – implement internal reorganizations and attrition management as appropriate
- c. Review total compensation levels and make appropriate adjustments
- d. Payoff or pre-fund pension and OPEB liabilities with extra reserves or one-time revenues
- e. Eliminate unnecessary programs