CITIES OF LOS ANGELES COUNTY

FISCAL HEALTH, GOVERNANCE, FINANCIAL MANAGEMENT AND COMPENSATION

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EXECUTIVE SUMMARY

The Los Angeles County Civil Grand Jury (Grand Jury) requested information from all 88 incorporated cities in Los Angeles County to determine the fiscal health of those cities. It also sought to determine if the cities were following the "best practices" for governance and financial management, as established by the Government Financial Officers Association (GFOA). This report expands on a previous investigation from the 2011-2012 Grand Jury that studied the 23 charter cities in the County and follows reports in the media of California cities in financial distress. This report also looks at the issue of employee compensation and recent legislation. (Government Code section 8546.10.)

Fiscal health of cities in Los Angeles County has been severely impacted by the economic downturn that began in 2008. The cities have responded to the downturn and have made substantial efforts to reduce costs consistent with reduced revenues. For example, most cities have improved their asset to liability ratio and have increased their total net assets.

Governance describes the role of a city council in providing leadership for a city. There should be a strategic plan for planning and performance measurements. While most cities responded that they have adopted performance measures to evaluate progress on priorities, only a few had documented such measures. Cities must develop and report on performance measures. These measures should be focused on results, and information should be provided for several years to evaluate progress.

Effective governance also requires a definition of roles and relationships, especially between the city council and city executive. It is important for city councils to provide clear direction for the city executive, and evaluate the executive with performance reviews. A best practice is to develop a detailed description of the city council-executive relationship. This can improve the effectiveness of both. The Grand Jury found that all cities have adopted or are in the process of adopting a conflict of interest policy, and an investment policy.

Financial management describes the process responsible for managing and protecting the resources of the city and is directly related to fiscal health. Effective fiscal management requires adequate systems of internal controls to insure funds are used for intended purposes. Along with interviewing members of the Los Angeles County Treasurer-Tax Collector's office, the Grand Jury has studied the extensive "Best Practices and Advisories" from the GFOA. This nationally recognized association has developed best practices to provide guidance on sound financial management. Many city officers in Los Angeles County are members of this organization, which is a leader in establishing responsible policy. These best practices served as a basis for evaluating the fiscal management practices of the cities.

Compensation for city employees who earned over $200,000 per year is also addressed in this report.

New legislation (AB187, codified as Government Code section 8546.10) permits the California State Auditor to investigate high risk cities, but requires legislative funding.

BACKGROUND

There have been recent problems in the cities of Bell, and Vernon. In addition, there are fears of bankruptcy in the city of Duarte and other cities. One of the most important obligations of the Grand Jury is as a government watchdog. Last year's Grand Jury undertook the "Charter Cities' Fiscal Health, Governance and Management Practices" investigation. Of the twenty-five (25) Charter cities within Los Angeles County, twenty-three (23) Charter cities were chosen because their greater autonomy allows for greater potential for abuse. The recommendations resulting from this investigation and the implementation progress are presented in Appendix D. None of the sixty-three (63) "General Law" cities within Los Angeles County were investigated in last year's report. This year's 2012-2013 Grand Jury decided to expand the investigation to all 88 cities within Los Angeles County including all Charter and General Law cities as the current economy has increased the risk of bankruptcies. [City of Bell, Los Angeles Times Feb. 24, 2011], [City of Vernon, The Economist May 7, 2011], [City of Duarte, CBSLA.com July 31, 2012]

METHODOLOGY

The following outlines the methodology used for this investigation:

1. Obtained and reviewed the Comprehensive Annual Financial Report (CAFR) or Financial Statements for each of the 88 cities, if available.

2. Developed financial ratios and criteria to rate the financial health of the cities.

3. Ranked the cities based on the financial ratios and criteria.

4. Identified best practices criteria related to governance and financial management.

5. Developed and administered a questionnaire (both hard copy and online) to each of the general law cities as well as the charter cities of Los Angeles and Long Beach. This questionnaire was used to identify their current practices related to governance, and financial management.

6. Developed and administered a questionnaire (both hard copy and online) to each of the 23 charter cities included in the previous investigation. This questionnaire was used to update previous responses, and identify changes in their governance and financial management practices since the previous questionnaire.

7. Reviewed and analyzed each city's response to the questionnaire.

8. Requested supporting documentation and explanations of responses for each section of the questionnaire.

9. Reviewed responses to the questionnaire, supporting documentation, and explanations and developed findings.

10. Reviewed the reasonableness of salaries and compensation as obtained from the California State Controller's Office.

DISCUSSION

Fiscal Health

Cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008 and continues. The cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues.

- Most cities expended more than they received in **total revenues** in all funds for both FY's 2010-11 and 2011-12. The percentage of expenditures over revenues did decline, from 12.5% in FY 2010-11 to 6.2% in FY 2011-12. There are also signs cities' financial health is improving in terms of net assets. Most cities (63 of 84) had a **ratio of total assets to liabilities** greater than 2.0 in FY 2010-11, with an average ratio of 5.45. This improved for FY 2011-12, with even more cities (73 of 77) with a ratio greater than 2.0, and an average ratio of 8.92.

- Most cities also had improvements in their **total net assets** during both FY 2010-11 and FY 2011-12. Most cities' (53 of 84) total net assets increased in FY 2010-11, and even more cities' (58 of 77) total net assets increased in FY 2011-12. The average change in net assets was 1.2% for FY 2010-11, and 24% for FY 2011-12.

- For **city general funds**, most cities (52 of 84) received more in revenues than they spent on general fund governmental activities during Fiscal Year 2010-11. On average, cities spent 1.7% more than received in general fund revenues. Most cities (46 of 77) also received more in revenues than spent on these activities during FY 2011-12. On average, cities spent 1.5% more than received in general fund revenues.

- The **city general fund balance** also increased for most cities (47 of 84) in FY 2010-11. The general fund balance increased for fewer than half the cities (32 of 77) for FY 2011-12. On average, city general fund balance declined 3.8% in FY 2010-11, and declined 14.5% in FY 2011-12.

- Most cities (55 of 84) had an **unassigned general fund reserve** for emergencies and other unforeseen needs equal to 2 months of regular general fund revenues as recommended in FY 2010-11. Most cities (47 of 77) also had such a reserve in FY 2011-12. The average unassigned general fund reserves percentage of regular general fund operating expenditures was 51.4% in FY 2010-11, and 38.3% in FY 2011-12.

Governance Practices

Governance describes the role of a city council in providing leadership for an organization.

- **Strategic planning** is a key tool for the city council to provide the overall direction for the city, and overseeing the city's performance. Several cities had developed comprehensive strategic plans. Others held regular strategic planning sessions with the city council to discuss strategic issues and provide needed direction. Many other cities focused on short-term or budget related goals, which do not provide the appropriate strategic focus and direction for these cities. Cities that have not developed and adopted a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for the city should do so.

- Another key tool is **performance measures** or indicators to evaluate progress on priorities. Most cities said they had adopted performance measures or indicators, but only a few cities provided documentation. Cities that have not developed and reported on performance measures or indicators to evaluate progress on priorities should do so. These performance measures should be quantified, focused on results, and information should be provided for several years to allow evaluation of progress over time.

- **Formal definitions of roles and relationships** are critical to effective governance, especially for the city council and executive (city manager or city administrator). It is also important for city councils to provide clear direction for the executive through specific goals and objectives and performance reviews of the executive. All cities had defined basic roles and provided the legal framework for the city council and executive through the charter and / or municipal code. A best practice is to go beyond this basic framework and develop a more detailed description of the relationship. This more extensive "governance framework" can improve the cohesion and effectiveness of both the city council and the executive. City councils should develop a "governance" policy that more specifically defines the relationship between the council and executive. City councils that do not develop specific annual goals for the city's executive and conduct meaningful evaluations annually should do so.

- **Adopting appropriate policies** is another key element of effective governance. Two policies that cities are required to adopt by California Government Code are a "Conflict of Interest" policy and an "Investment" policy. All cities have adopted or are in the process of adopting a "Conflict of Interest" policy, and all have adopted an "Investment" policy.

Financial Management Practices

Financial management within each city is responsible for managing and protecting the financial resources and assets of the city. Effective financial management requires adequate systems of internal controls to ensure funds are used for intended purposes, and transparency and reliability

of financial reporting. The Government Finance Officers Association developed recommended best practices to provide guidance on sound financial management practices.

These best practices in each of the following areas served as the basis for evaluating the financial management practices of the cities:

- **Establishing an audit committee** is a best practice for the city council to provide independent review and oversight of financial reporting processes, internal controls, and independent auditors. Most cities have not established a formal audit committee with the responsibility for monitoring and overseeing financial reporting. Cities should formally establish an audit committee and make it directly responsible for the work of the independent auditor.

- **Annual independent audits** are required by each city and are important in preserving the integrity of public finance functions and maintaining the public's confidence. All cities require their auditors to comply with independence standards and most select their auditors through a competitive process. Most also preclude the auditor from providing non-audit services. Cities should continue requiring compliance with standards of independence for the external auditor. Cities that do not currently select the auditor through a competitive process should do so. Cities that allow the auditor to provide non-audit services should ensure appropriate review and approval of those services.

- **Formal documentation of accounting policies and procedures** is an essential component in providing effective controls over accounting and financial reporting. Several cities did not have documented accounting policies and procedures, and most of those that did could improve their documentation and maintenance of accounting policies and procedures. Cities should review and update accounting policies and procedures to ensure they are appropriately detailed and define the specific authority and responsibility of employees. Cities should also establish a policy requiring policies and procedures to be reviewed annually and updated at least once every three years.

- Most **fraud, abuse, and questionable practices** are identified through reporting by employees or members of the public. The Government Finance Officers Association recommends establishment of policies and procedures to encourage and facilitate reporting of fraud, abuse and questionable practices. This should include a formal ethics policy, and practical mechanisms for confidential and anonymous reporting. Several cities had very comprehensive and detailed policies and procedures including definitions of fraud and abuse, clear responsibilities for employees and management personnel, and guidelines and steps for investigating allegations and reporting the results. However, most cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices. Cities should review and update policies and procedures for reporting fraud, abuse, and questionable practices including a practical mechanism, such as a hot line, to permit the confidential, anonymous reporting of concerns.

- **Internal controls** are important to safeguard city assets from error, loss, theft, misuse, misappropriation, and fraud. The Government Finance Officers Association recommends internal controls over financial management be documented, provide practical means for

employees to report management override of controls, periodic evaluation of internal control procedures, and development of corrective action plans to address identified weaknesses. Two cities had developed comprehensive procedures for internal controls. However, most cities provided no specific documentation of internal control procedures, or made minor mention of internal controls procedures as part of their financial and accounting policies and procedures. Most cities also relied on their external auditor for internal control reviews during the annual audit. These reviews are typically limited to review of internal controls over financial reporting and compliance, and do not include an opinion on internal controls. Internal controls to ensure there are adequate procedures in place to protect public funds are the responsibility of city financial management. Cities should develop comprehensive procedures for internal controls over financial management.

- The **internal audit** function serves as an additional level of control and helps improve the overall control and risk environment. Most cities do not have a formal internal audit function. Several state that, given the small size of their city, an internal audit function and staff could not be justified. All cities should establish a formal internal audit function.

- **Setting aside adequate funds** is necessary for use in emergencies, revenue shortages, or budget imbalances. The Government Finance Officers Association recommends that governments establish a formal policy on the level of unrestricted or unassigned fund balance that should be maintained in the general fund, and that this balance should provide no less than two months of regular general fund operating revenues or expenditures. Many cities do not have such a policy, and most who do have not established a minimum of two months of regular general fund operating revenues or expenditures. Cities that do not have policies and procedures regarding general fund unrestricted or unassigned fund balance should develop such policies.

- **Ensuring transparency and reliability of financial reporting** is a key responsibility of financial management. Financial statements and information provide the public with information on how their city is using its resources, as well as the financial stability and health of the city. The Government Finance Officers Association recommends maintaining an adequate accounting system, issue timely financial statements and a Comprehensive Annual Financial Report (CAFR) in compliance with standards, and make the information readily accessible to the general public on the city's website. All cities maintain an adequate accounting system, most issue timely financial statements and a CAFR, and most make the CAFR available on the city website. Cities that have not developed and published a CAFR should do so. Cities that have not published financial reports on the city's website should do so.

Summary of Fiscal Health and Best Practices Results

The following exhibit shows a summary of each city's average ranking and number and percentage of positive responses to the best practices questionnaire. For financial health, each

city's rank on each of the six criteria for financial health is averaged for both FY 2011 and FY 2012. The best practices questionnaire included a total of 32 possible positive responses. The number and percentage of positive responses for each city is presented, as well as the ranking of each city compared to all the other cities.

Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results					
	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
City	FY 2011	FY 2012			
Agoura Hills	34	36	25	78%	31
Alhambra	32	42	21	66%	55
Arcadia	49	47	20	63%	64
Artesia	38	47	18	56%	78
Avalon	NA	NA	18	56%	78
Azusa	55	NA	19	59%	73
Baldwin Park	41	39	29	91%	7
Bell	36	NA	19	59%	73
Bell Gardens	26	37	20	63%	64
Bellflower	26	30	21	66%	55
Beverly Hills	55	25	27	84%	20
Bradbury	53	NA	22	69%	49
Burbank	31	57	25	78%	31
Calabasas	45	33	27	84%	20
Carson	49	47	18	56%	78
Cerritos	22	34	28	88%	14
Claremont	53	28	23	72%	41
Commerce	49	33	23	72%	41
Compton	67	NA	21	66%	55
Covina	27	57	26	81%	25
Cudahy	55	34	9	28%	87
Culver City	61	37	30	94%	3
Diamond Bar	14	51	20	63%	64
Downey	44	55	29	91%	7
Duarte	48	16	28	88%	14
El Monte	37	41	22	69%	49
El Segundo	43	60	27	84%	20
Gardena	44	42	23	72%	41
Glendale	47	57	30	94%	3
Glendora	30	49	22	69%	49
Hawaiian Gardens	24	NA	19	59%	73
Hawthorne	45	34	20	63%	64
Hermosa Beach	55	28	24	75%	36

	Financial Health		Best Practices Questionnaire		
Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results					
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
City	**FY 2011**	**FY 2012**			
Hidden Hills	29	22	18	56%	78
Huntington Park	55	NA	21	66%	55
Industry	30	48	9	28%	87
Inglewood	17	NA	17	53%	83
Irwindale	29	44	26	81%	25
La Canada Flintridge	28	33	26	81%	25
La Habra Heights	48	NA	23	72%	41
La Mirada	38	13	21	66%	55
La Puente	29	41	24	75%	36
La Verne	60	38	26	81%	25
Lakewood	54	27	25	78%	31
Lancaster	50	40	24	75%	36
Lawndale	50	NA	23	72%	41
Lomita	41	44	20	63%	64
Long Beach	56	51	31	97%	1
Los Angeles	57	44	27	90%	13
Lynwood	26	53	29	91%	7
Malibu	79	54	26	81%	25
Manhattan Beach	57	34	20	63%	64
Maywood	52	NA	18	56%	78
Monrovia	37	58	26	81%	25
Montebello	27	40	19	59%	73
Monterey Park	36	39	29	91%	7
Norwalk	48	30	19	59%	73
Palmdale	51	37	29	91%	7
Palos Verdes Estates	54	39	20	63%	64
Paramount	62	29	21	66%	55
Pasadena	18	45	28	88%	14
Pico Rivera	31	45	28	88%	14
Pomona	41	51	29	91%	7
Rancho Palos Verdes	42	11	20	63%	64
Redondo Beach	49	41	31	97%	1
Rolling Hills	42	40	22	69%	49
Rolling Hills Estates	65	22	27	84%	20
Rosemead	55	34	23	72%	41
San Dimas	37	23	23	72%	41
San Fernando	28	58	14	44%	85
San Gabriel	43	61	23	72%	41
San Marino	33	38	22	69%	49
Santa Clarita	27	39	24	75%	36

Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results					
	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
City	FY 2011	FY 2012			
Santa Fe Springs	47	34	17	53%	83
Santa Monica	51	24	20	63%	64
Sierra Madre	35	42	25	78%	31
Signal Hill	28	27	30	94%	3
South El Monte	16	18	22	69%	49
South Gate	45	36	21	66%	55
South Pasadena	82	32	21	66%	55
Temple City	58	31	25	78%	31
Torrance	56	31	28	88%	14
Vernon	39	77	30	94%	3
Walnut	44	36	27	84%	20
West Covina	32	44	14	44%	85
West Hollywood	55	33	28	88%	14
Westlake Village	41	37	24	75%	36
Whittier	36	40	21	66%	55

Employee Compensation

Until recently, there has been a lack of transparency and accountability for actual annual compensation for some city employees. In 2010 reports revealed that some administrators in the cities of Bell and Vernon were receiving disproportionately high compensation. In response to these reports, the State Controller began requiring counties, cities, and special districts to report government compensation to be posted on the Controller's website to promote transparency.

The information provided includes the approved salary range, as well as the actual compensation received by each employee as reported to the U.S. Internal Revenue Service. City councils and members of the public should annually review the actual compensation received by employees of their city. The taxable compensation for employees receiving over $200,000 in 2011 is listed by city and position title in Appendix C of this report.

As part of this investigation the Grand Jury requested information on city employee compensation for those employees receiving over $200,000 in taxable compensation in calendar year 2011. The following exhibit shows the number of employees receiving over $200,000 in taxable compensation for each of the cities. The exhibit also shows the population of each city, and the number of employees with taxable compensation over $200,000 by department or function.

Exhibit 2: Employees with Compensation over $200,000 With City Population and Employee Department / Function			Employees by Department / Function						
City	Number of Employees	City Population	City Manager	Legal	Finance	Fire	Police	Water & Power	Other
Agoura Hills	1	23,387	1						
Alhambra	1	89,501	1						
Arcadia	1	56,719	1						
Avalon	1	3,559				1			
Azusa	3	49,207	1				1		1
Bell Gardens	1	77,312	1						
Bellflower	1	47,002	1						
Beverly Hills	64	36,224	1		4	21	18	9	11
Burbank	14	108,469	1	2		4	2	5	
Calabasas	1	23,788	1						
Carson	1	98,047							1
Cerritos	1	54,946	1						
Claremont	1	37,608	1						
Commerce	1	13,581							1
Compton	1	99,769	1						
Covina	2	49,622	1				1		
Cudahy	1	26,029							1
Culver City	14	40,722	2	1	1	5	3	1	1
Diamond Bar	1	61,019	1						
Downey	9	113,715	3			4	1		1
Duarte	1	23,124	1						
El Monte	5	126,464	1				4		
El Segundo	10	17,049				7	3		
Gardena	1	61,927	1						
Glendale	15	207,902	1	2		6	4	2	
Glendora	1	52,830	1						
Hawaiian Gardens	1	15,884	1						
Hawthorne	3	90,145	1	1			1		
Hermosa Beach	2	19,599	1			1			
Huntington Park	1	64,219					1		
La Mirada	1	50,015	1						
Lancaster	2	145,875	1					1	
Long Beach	15	494,709	2	1		6	1	1	4
Los Angeles	411	4,094,764		11	1	115	20	224	40
Lynwood	2	73,295	2						

City	Number of Employees	City Population	Employees by Department / Function						
			City Manager	Legal	Finance	Fire	Police	Water & Power	Other
Malibu	1	13,765	1						
Manhattan Beach	19	36,773	1				16	1	1
Monrovia	1	39,984	1						
Norwalk	1	109,817	1						
Palmdale	3	152,622	1	1					1
Pasadena	8	151,576	4	1		1	1	1	
Pico Rivera	1	66,967	1						
Pomona	2	163,683					2		
Redondo Beach	7	68,105	1	1		4	1		
Rosemead	1	57,756	1						
San Dimas	1	36,946	1						
San Fernando	1	25,366					1		
San Gabriel	1	42,984	1						
Santa Clarita	2	177,641	2						
Santa Fe Springs	13	17,929				13			
Santa Monica	64	92,703	2	17	1	29	12	1	2
Signal Hill	1	11,465	1						
Temple City	1	35,892	1						
Torrance	34	149,717	2	1	1	8	19		3
Vernon	5	96		1	1	1			2
Walnut	1	32,659	1						
West Covina	6	112,890	1			3	2		
West Hollywood	5	37,805	2		1				2
Westlake Village	1	8,872	1						
Whittier	1	87,128	1						
Totals	772		61	40	10	245	99	245	72

Exhibit 2: Employees with Compensation over $200,000 With City Population and Employee Department / Function

Sources:
Compensation Information: California State Controller's Office "Government Compensation in California." (http://publicpay.ca.gov).
City Population: California Department of Finance, January 2010.
Note: Cities not listed did not have any employees with taxable compensation over $200,000.

The taxable compensation for all employees receiving over $200,000 in 2011 is listed, by city and position title, in Appendix C of this report.

DETAILED ANALYSIS

FISCAL HEALTH

Cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008. Property tax revenues received by these cities have declined substantially consistent with the decline in property values and the reduction in the sale and turnover of real property. Sales tax revenues have also declined substantially, with consumers reducing their spending in response to new economic realities and loss of consumer confidence.

At the same time, the cost of funding public pensions for city employees has been impacted as well. The annual cost of pension obligations is partially determined by the earnings of pension funds, primarily the California Public Employees Retirement System (CALPERS). With the economic decline came market corrections, and substantial reductions in the investment earnings of CALPERS. This resulted in increased rates and costs for cities to fund their employee pension obligations.

The Public Employees' Pension Reform Act of 2013 took effect on January 1, 2013. The reforms in this law mainly affect new employees hired after its effective date. Most new workers will have to work until age 67 to receive full benefits. Police and firefighters will have to work until age 57 to receive a maximum benefit that is less than what most safety workers currently receive. The amount of salary that qualifies for pension benefits will be capped at just under $114,000 per year for workers who are covered by Social Security and just over $136,000 for those who are not. Another important provision is equal cost sharing between the employer and the employee. New employees will pay at least half the cost of their pensions. Current employees who are not paying half may be required to pay more in the future. (Source: California Public Employees' Retirement System)

Cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues. These efforts include hiring and pay freezes for employees, furlough days for existing employees, increased cost to employees for benefits (health care and retirement), and in some cases significant employee layoffs. In some cases cities have also reduced the level of service provided to the community, with reduced hours of operations and other reductions for some services.

To evaluate the financial health of the cities we obtained and reviewed the Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for each city for Fiscal Years 2010-11 and 2011-12, the most recent years of audited financial reporting available. We were able to obtain this information from 82 of the 88 cities. The cities of Avalon, Bell, Compton, Cudahy, La Habra Heights, and Maywood are in the process of completing their financial statements and audits for these fiscal years.

We developed criteria for evaluating the fiscal health of these cities, and compiled and analyzed the information from the financial statements. Most of the cities had two primary types of activities – governmental and proprietary or business-type activities. Governmental activities include the core government activities such as government administration, public safety,

transportation, community development, and community services. These activities are reflected in each city's general fund. Proprietary or business-type activities include operating public utilities (electrical power, water, parking, refuse collection, etc.) or other non-governmental activities.

It is important to note that all financial information reported here is as presented by each city in their financial statements audited by each city's independent financial auditor.

The following are the criteria used, with definitions and explanations of each. Three of the criteria are applied to all city funds, and three of the criteria are applied only to city general funds.

- **All Funds** include each city's general fund as well as any other funds for proprietary or business-type activities which include operating public utilities (electrical power, water, parking, refuse collection, etc.) or other non-governmental type activities.

    o **Net Revenue Percent** is the percent of all revenues remaining after all city expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental funds by each city. If a city spends less than received the net revenues and percentage would be positive. If a city spends more than received in revenues the net revenues and percentage would be negative. The net revenue percent is calculated by dividing net revenues by total revenues.

    o **Ratio of Assets to Liabilities** is the total assets of a city divided by the total liabilities of a city. City assets include funds available for use by the city, as well as the value of any capital assets such as land, buildings and improvements, machinery and equipment, and infrastructure. Liabilities include accounts payable and long-term debt such as bonds, certificates of participation, pension obligations, and insurance claims. Net assets are the total city assets less total city liabilities. The ratio of assets to liabilities is calculated by dividing a city's total assets by its total liabilities. This ratio is an indicator of a city's solvency and ability to meet long-term obligations, including financial obligations to creditors, employees, taxpayers, and suppliers; as well as its service obligations to its residents. Ideally, cities would at minimum, have twice as many assets as liabilities. This would give them an asset to liability ratio of 2.0 or better.

    o **Change in Net Assets** is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city assets minus total city liabilities. This change indicates the extent to which total city assets are increasing or decreasing. Ideally, city net assets would be stable or increasing. Declining net assets indicate cities are spending down their assets in order to meet current financial obligations. The change in net assets is calculated by subtracting the previous fiscal year's net assets for each city from the current year's net assets. If the result is a positive number the net assets are increasing, if a negative number the net assets are decreasing.

- **General Funds** are used to fund core government activities such as government administration, public safety, transportation, community development, and community services.

  o **General Fund Net Revenue Percent** is the percent of all general fund revenues remaining after all city general fund expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental general funds by each city. If a city spends less than received the general fund net revenues and percentage would be positive. If a city spends more than received in revenues the net general fund revenues and percentage would be negative. The general fund net revenue percent is calculated by dividing general fund net revenues by total general fund revenues.

  o **Change in General Fund Balance** is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city general fund balance. This change indicates the extent to which a city's general funds are increasing or decreasing. Ideally, city net general fund balance would be stable or increasing. A declining general fund balance indicates cities are spending down their general fund in order to meet current financial obligations. The change in general fund balance is calculated by subtracting the previous fiscal year's general fund balance for each city from the current year's general fund balance. If the result is a positive number the general fund balance is increasing, if a negative number the general fund balance is decreasing.

  o **Unassigned General Fund Balance** is the portion of a city's general fund balance that is not assigned for a specific use and, therefore, available for appropriation. The Government Finance Officers Association recommends each city have an unassigned general fund reserve of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. These are funds that have been formally set aside for use in emergencies, revenue shortages, or budget imbalances, as well as provide stable tax rates, maintain government services, and to facilitate long-term financial planning.

The exhibits on the following pages provide an overview of the results of the financial information and criteria developed for each city. This includes the actual financial health criteria (ratio or percentage), as well as how each city compares or ranks against each of the other cities in Los Angeles County. This information is provided for both Fiscal Years 2010-11 and 2011-12. More information on each of these fiscal health criteria, and the results of the comparison, is contained within the sections following this exhibit.

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria

	All Funds												General Fund												
	Net Revenue Percent				Ratio of Assets to Liabilities				Change in Net Assets				General Fund Net Revenue				Change in General Fund Balance				Unassigned General Fund Balance			
	FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12	
City	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Agoura Hills	79	(41.5%)	24	(.3%)	29	3.82	24	7.54	45	0.8%	45	0.8%	45	0.8%	45	0.8%	45	0.8%	45	0.8%	45	0.8%	45	0.8%
Alhambra	12	3.9%	5	6.0%	52	2.48	52	3.77	6	8.1%	6	8.1%	6	8.1%	6	8.1%	6	8.1%	6	8.1%	6	8.1%	6	8.1%
Arcadia	63	(15.3%)	37	(4.2%)	23	4.31	28	6.92	70	(3.5%)	70	(3.5%)	70	(3.5%)	70	(3.5%)	70	(3.5%)	70	(3.5%)	70	(3.5%)	70	(3.5%)
Artesia	52	(8.4%)	70	(17.1%)	67	1.77	39	5.05	44	0.8%	44	0.8%	44	0.8%	44	0.8%	44	0.8%	44	0.8%	44	0.8%	44	0.8%
Azusa	68	(19.8%)	NA	0.0%	71	1.69	NA	0.00	73	(4.8%)	73	(4.8%)	73	(4.8%)	73	(4.8%)	73	(4.8%)	73	(4.8%)	73	(4.8%)	73	(4.8%)
Baldwin Park	16	2.2%	33	(2.8%)	56	2.28	48	4.48	28	2.4%	28	2.4%	28	2.4%	28	2.4%	28	2.4%	28	2.4%	28	2.4%	28	2.4%
Bell Gardens	33	(2.4%)	46	(7.3%)	41	2.93	25	7.25	72	(4.5%)	72	(4.5%)	72	(4.5%)	72	(4.5%)	72	(4.5%)	72	(4.5%)	72	(4.5%)	72	(4.5%)
Bellflower	25	(.8%)	12	4.1%	36	3.29	46	4.64	5	8.2%	5	8.2%	5	8.2%	5	8.2%	5	8.2%	5	8.2%	5	8.2%	5	8.2%
Beverly Hills	6	5.7%	3	8.5%	51	2.55	63	2.83	8	6.6%	8	6.6%	8	6.6%	8	6.6%	8	6.6%	8	6.6%	8	6.6%	8	6.6%
Bradbury	82	(108.2%)	NA	0.0%	2	49.28	NA	0.00	80	(10.1%)	80	(10.1%)	80	(10.1%)	80	(10.1%)	80	(10.1%)	80	(10.1%)	80	(10.1%)	80	(10.1%)
Burbank	54	(1.5%)	69	(16.6%)	32	3.52	40	4.98	56	(.6%)	56	(.6%)	56	(.6%)	56	(.6%)	56	(.6%)	56	(.6%)	56	(.6%)	56	(.6%)
Calabasas	39	(4.0%)	22	0.2%	35	3.48	57	3.52	15	5.2%	15	5.2%	15	5.2%	15	5.2%	15	5.2%	15	5.2%	15	5.2%	15	5.2%
Carson	58	(11.7%)	74	(24.5%)	48	2.65	74	1.96	78	(9.5%)	78	(9.5%)	78	(9.5%)	78	(9.5%)	78	(9.5%)	78	(9.5%)	78	(9.5%)	78	(9.5%)
Cerritos	55	10.1%	35	(3.2%)	45	2.83	6	39.19	61	(1.0%)	61	(1.0%)	61	(1.0%)	61	(1.0%)	61	(1.0%)	61	(1.0%)	61	(1.0%)	61	(1.0%)
Claremont	5	8.5%	9	(4.9%)	22	4.45	41	4.93	21	3.1%	21	3.1%	21	3.1%	21	3.1%	21	3.1%	21	3.1%	21	3.1%	21	3.1%
Commerce	61	(12.1%)	31	(2.0%)	72	1.69	76	1.61	74	(5.0%)	74	(5.0%)	74	(5.0%)	74	(5.0%)	74	(5.0%)	74	(5.0%)	74	(5.0%)	74	(5.0%)
Covina	66	(17.8%)	63	(13.7%)	49	2.61	53	3.69	76	(5.8%)	76	(5.8%)	76	(5.8%)	76	(5.8%)	76	(5.8%)	76	(5.8%)	76	(5.8%)	76	(5.8%)
Cudahy	84	(170.3%)	58	(12.0%)	82	1.29	14	15.61	84	(72.8%)	84	(72.8%)	84	(72.8%)	84	(72.8%)	84	(72.8%)	84	(72.8%)	84	(72.8%)	84	(72.8%)
Culver City	17	2.1%	68	(15.5%)	69	1.73	38	5.08	34	2.0%	34	2.0%	34	2.0%	34	2.0%	34	2.0%	34	2.0%	34	2.0%	34	2.0%
Diamond Bar	76	(32.0%)	4	65.8%	4	24.92	8	25.49	63	(1.3%)	63	(1.3%)	63	(1.3%)	63	(1.3%)	63	(1.3%)	63	(1.3%)	63	(1.3%)	63	(1.3%)
Downey	65	(17.8%)	62	(13.5%)	30	3.76	44	4.74	75	(5.1%)	75	(5.1%)	75	(5.1%)	75	(5.1%)	75	(5.1%)	75	(5.1%)	75	(5.1%)	75	(5.1%)
Duarte	31	(1.6%)	19	1.0%	21	4.46	7	34.15	16	5.1%	16	5.1%	16	5.1%	16	5.1%	16	5.1%	16	5.1%	16	5.1%	16	5.1%
El Monte	56	(10.4%)	28	(1.3%)	19	4.77	33	5.44	43	1.0%	43	1.0%	43	1.0%	43	1.0%	43	1.0%	43	1.0%	43	1.0%	43	1.0%
El Segundo	35	(3.1%)	61	(13.5%)	16	5.47	47	4.49	65	(1.5%)	65	(1.5%)	65	(1.5%)	65	(1.5%)	65	(1.5%)	65	(1.5%)	65	(1.5%)	65	(1.5%)
Gardena	8	4.8%	13	4.1%	42	2.89	62	2.91	55	(.4%)	55	(.4%)	55	(.4%)	55	(.4%)	55	(.4%)	55	(.4%)	55	(.4%)	55	(.4%)
Glendale	53	(9.1%)	56	(11.7%)	27	3.90	42	4.89	50	0.1%	50	0.1%	50	0.1%	50	0.1%	50	0.1%	50	0.1%	50	0.1%	50	0.1%
Glendora	44	(5.6%)	36	(3.9%)	33	3.50	75	5.08	48	0.3%	48	0.3%	48	0.3%	48	0.3%	48	0.3%	48	0.3%	48	0.3%	48	0.3%
Hawaiian Gardens	32	(2.3%)	NA	NA	75	1.52	NA	0.00	52	0.0%	52	0.0%	52	0.0%	52	0.0%	52	0.0%	52	0.0%	52	0.0%	52	0.0%
Hawthorne	20	1.4%	16	3.4%	79	1.38	67	2.51	13	5.7%	13	5.7%	13	5.7%	13	5.7%	13	5.7%	13	5.7%	13	5.7%	13	5.7%
Hermosa Beach	13	3.7%	2	10.7%	12	7.44	31	5.89	39	1.5%	39	1.5%	39	1.5%	39	1.5%	39	1.5%	39	1.5%	39	1.5%	39	1.5%
Hidden Hills	70	(23.3%)	8	5.6%	10	10.54	16	12.22	40	1.5%	40	1.5%	40	1.5%	40	1.5%	40	1.5%	40	1.5%	40	1.5%	40	1.5%
Huntington Park	40	(4.5%)	NA	0.0%	84	0.62	NA	0.00	83	(13.0%)	83	(13.0%)	83	(13.0%)	83	(13.0%)	83	(13.0%)	83	(13.0%)	83	(13.0%)	83	(13.0%)
Industry	60	(12.0%)	51	(9.6%)	66	1.85	72	2.12	14	5.7%	14	5.7%	14	5.7%	14	5.7%	14	5.7%	14	5.7%	14	5.7%	14	5.7%
Inglewood	9	4.7%	NA	0.0%	74	1.60	NA	0.00	67	(2.8%)	67	(2.8%)	67	(2.8%)	67	(2.8%)	67	(2.8%)	67	(2.8%)	67	(2.8%)	67	(2.8%)
Irwindale	7	5.3%	52	(9.8%)	58	2.25	5	40.08	3	8.5%	3	8.5%	3	8.5%	3	8.5%	3	8.5%	3	8.5%	3	8.5%	3	8.5%
La Canada Flintridge	3	11.6%	26	(.8%)	50	2.60	65	2.66	10	6.0%	10	6.0%	10	6.0%	10	6.0%	10	6.0%	10	6.0%	10	6.0%	10	6.0%
La Habra Heights	1	25.4%	NA	0.0%	8	11.75	NA	0.00	60	(1.0%)	60	(1.0%)	60	(1.0%)	60	(1.0%)	60	(1.0%)	60	(1.0%)	60	(1.0%)	60	(1.0%)
La Mirada	27	(1.0%)	29	(1.3%)	65	1.85	17	11.38	2	11.8%	2	11.8%	2	11.8%	2	11.8%	2	11.8%	2	11.8%	2	11.8%	2	11.8%
La Puente	50	(7.7%)	45	(7.0%)	59	2.23	64	2.82	38	1.5%	38	1.5%	38	1.5%	38	1.5%	38	1.5%	38	1.5%	38	1.5%	38	1.5%
La Verne	11	4.3%	25	(.6%)	15	5.48	27	6.94	27	2.4%	27	2.4%	27	2.4%	27	2.4%	27	2.4%	27	2.4%	27	2.4%	27	2.4%
Lakewood	15	2.4%	21	0.7%	11	8.85	11	17.97	24	2.8%	24	2.8%	24	2.8%	24	2.8%	24	2.8%	24	2.8%	24	2.8%	24	2.8%

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria

All Funds / General Fund

City	Net Rev % FY10-11 Rank	Percent	Net Rev % FY11-12 Rank	Percent	Ratio Assets/Liab FY10-11 Rank	Ratio	FY11-12 Rank	Ratio	Chg Net Assets FY10-11 Rank	Percent	FY11-12 Rank	Percent	GF Net Rev FY10-11 Rank	Percent	FY11-12 Rank	Percent	Chg GF Bal FY10-11 Rank	Percent	FY11-12 Rank	Percent	Unassigned GF Bal FY10-11 Rank	Percent	FY11-12 Rank	Percent
Lancaster	69	(21.8%)	49	(9.2%)	28	3.88	10	18.04	64	(1.4%)	64	(1.4%)	64	(1.4%)	64	(1.4%)	64	(1.4%)	64	(1.4%)	64	(1.4%)	64	(1.4%)
Lawndale	77	(39.1%)	NA	0.0%	44	2.85	NA	0.00	46	0.5%	46	0.5%	46	0.5%	46	0.5%	46	0.5%	46	0.5%	46	0.5%	46	0.5%
Lomita	42	(5.1%)	48	(7.8%)	17	4.99	34	5.33	66	(1.7%)	66	(1.7%)	66	(1.7%)	66	(1.7%)	66	(1.7%)	66	(1.7%)	66	(1.7%)	66	(1.7%)
Long Beach	26	(.9%)	75	(25.2%)	57	2.25	69	2.39	11	5.9%	11	5.9%	11	5.9%	11	5.9%	11	5.9%	11	5.9%	11	5.9%	11	5.9%
Los Angeles	43	(5.3%)	44	(6.6%)	68	1.74	75	1.77	26	2.7%	26	2.7%	26	2.7%	26	2.7%	26	2.7%	26	2.7%	26	2.7%	26	2.7%
Lynwood	57	(11.5%)	40	(4.9%)	53	2.47	58	3.42	35	1.8%	35	1.8%	35	1.8%	35	1.8%	35	1.8%	35	1.8%	35	1.8%	35	1.8%
Malibu	73	(29.2%)	55	(11.1%)	38	3.01	61	2.95	49	0.2%	49	0.2%	49	0.2%	49	0.2%	49	0.2%	49	0.2%	49	0.2%	49	0.2%
Manhattan Beach	10	4.3%	17	3.2%	24	4.12	50	4.07	29	2.4%	29	2.4%	29	2.4%	29	2.4%	29	2.4%	29	2.4%	29	2.4%	29	2.4%
Monrovia	78	(40.3%)	53	(.9%)	80	1.30	66	2.65	81	(10.8%)	81	(10.8%)	81	(10.8%)	81	(10.8%)	81	(10.8%)	81	(10.8%)	81	(10.8%)	81	(10.8%)
Montebello	34	(2.5%)	27	(.9%)	77	1.51	68	2.43	9	6.3%	9	6.3%	9	6.3%	9	6.3%	9	6.3%	9	6.3%	9	6.3%	9	6.3%
Monterey Park	36	(3.2%)	50	(9.4%)	70	1.72	60	3.01	25	2.7%	25	2.7%	25	2.7%	25	2.7%	25	2.7%	25	2.7%	25	2.7%	25	2.7%
Norwalk	47	(6.9%)	10	4.6%	60	2.20	32	5.70	53	(1%)	53	(1%)	53	(1%)	53	(1%)	53	(1%)	53	(1%)	53	(1%)	53	(1%)
Palmdale	19	1.4%	41	(5.6%)	31	3.73	26	7.13	51	0.1%	51	0.1%	51	0.1%	51	0.1%	51	0.1%	51	0.1%	51	0.1%	51	0.1%
Palos Verdes Estates	28	(1.0%)	39	(4.8%)	1	50.47	3	44.98	62	(1.1%)	62	(1.1%)	62	(1.1%)	62	(1.1%)	62	(1.1%)	62	(1.1%)	62	(1.1%)	62	(1.1%)
Paramount	62	(12.5%)	38	(4.7%)	61	2.13	22	9.94	77	(6.3%)	77	(6.3%)	77	(6.3%)	77	(6.3%)	77	(6.3%)	77	(6.3%)	77	(6.3%)	77	(6.3%)
Pasadena	51	(8.3%)	72	(18.0%)	63	2.01	73	2.04	23	3.0%	23	3.0%	23	3.0%	23	3.0%	23	3.0%	23	3.0%	23	3.0%	23	3.0%
Pico Rivera	64	(17.1%)	59	(12.4%)	54	2.32	54	3.67	20	3.2%	20	3.2%	20	3.2%	20	3.2%	20	3.2%	20	3.2%	20	3.2%	20	3.2%
Pomona	48	(7.0%)	57	(11.2%)	78	1.48	71	2.22	57	(.7%)	57	(.7%)	57	(.7%)	57	(.7%)	57	(.7%)	57	(.7%)	57	(.7%)	57	(.7%)
Rancho Palos Verdes	4	10.4%	1	11.8%	5	12.25	4	41.90	22	3.0%	22	3.0%	22	3.0%	22	3.0%	22	3.0%	22	3.0%	22	3.0%	22	3.0%
Redondo Beach	23	(.0%)	34	(3.0%)	20	4.57	36	5.13	32	2.2%	32	2.2%	32	2.2%	32	2.2%	32	2.2%	32	2.2%	32	2.2%	32	2.2%
Rolling Hills	80	(45.0%)	66	(14.3%)	3	36.59	2	45.56	82	(12.9%)	82	(12.9%)	82	(12.9%)	82	(12.9%)	82	(12.9%)	82	(12.9%)	82	(12.9%)	82	(12.9%)
Rolling Hills Estates	30	(1.6%)	11	4.5%	9	10.57	19	10.72	31	2.4%	31	2.4%	31	2.4%	31	2.4%	31	2.4%	31	2.4%	31	2.4%	31	2.4%
Rosemead	71	(26.4%)	71	(17.3%)	64	1.98	15	15.41	4	8.4%	4	8.4%	4	8.4%	4	8.4%	4	8.4%	4	8.4%	4	8.4%	4	8.4%
San Dimas	75	(30.5%)	6	5.9%	25	4.11	20	10.30	33	2.1%	33	2.1%	33	2.1%	33	2.1%	33	2.1%	33	2.1%	33	2.1%	33	2.1%
San Fernando	49	(7.5%)	30	(1.6%)	39	2.98	43	4.81	58	(.7%)	58	(.7%)	58	(.7%)	58	(.7%)	58	(.7%)	58	(.7%)	58	(.7%)	58	(.7%)
San Gabriel	46	(5.8%)	47	(7.7%)	18	4.81	45	4.70	69	(3.4%)	69	(3.4%)	69	(3.4%)	69	(3.4%)	69	(3.4%)	69	(3.4%)	69	(3.4%)	69	(3.4%)
San Marino	72	(27.2%)	67	(15.0%)	5	15.44	9	21.50	47	0.4%	47	0.4%	47	0.4%	47	0.4%	47	0.4%	47	0.4%	47	0.4%	47	0.4%
Santa Clarita	67	(19.7%)	32	(2.4%)	14	6.22	21	10.14	36	1.7%	36	1.7%	36	1.7%	36	1.7%	36	1.7%	36	1.7%	36	1.7%	36	1.7%
Santa Fe Springs	24	(.7%)	73	(19.0%)	73	1.66	29	6.27	19	3.7%	19	3.7%	19	3.7%	19	3.7%	19	3.7%	19	3.7%	19	3.7%	19	3.7%
Santa Monica	46	(6.7%)	42	(5.9%)	26	3.98	35	5.28	30	2.4%	30	2.4%	30	2.4%	30	2.4%	30	2.4%	30	2.4%	30	2.4%	30	2.4%
Sierra Madre	37	(3.3%)	64	(13.7%)	6	12.97	12	16.57	59	(.8%)	59	(.8%)	59	(.8%)	59	(.8%)	59	(.8%)	59	(.8%)	59	(.8%)	59	(.8%)
Signal Hill	81	(64.0%)	65	(14.2%)	76	1.52	18	11.31	41	1.3%	41	1.3%	41	1.3%	41	1.3%	41	1.3%	41	1.3%	41	1.3%	41	1.3%
South El Monte	21	0.2%	15	3.5%	83	1.13	23	9.38	1	100.0%	1	100.0%	1	100.0%	1	100.0%	1	100.0%	1	100.0%	1	100.0%	1	100.0%
South Gate	14	2.4%	14	3.6%	47	2.68	56	3.56	7	6.8%	7	6.8%	7	6.8%	7	6.8%	7	6.8%	7	6.8%	7	6.8%	7	6.8%
South Pasadena	38	(3.9%)	4	7.7%	55	2.31	70	2.32	17	4.0%	17	4.0%	17	4.0%	17	4.0%	17	4.0%	17	4.0%	17	4.0%	17	4.0%
Temple City	2	12.0%	18	(2.2%)	13	7.19	13	16.34	12	5.7%	12	5.7%	12	5.7%	12	5.7%	12	5.7%	12	5.7%	12	5.7%	12	5.7%
Torrance	18	2.0%	7	5.8%	43	2.88	55	3.66	42	1.2%	42	1.2%	42	1.2%	42	1.2%	42	1.2%	42	1.2%	42	1.2%	42	1.2%
Vernon	83	(110.4%)	77	(83.9%)	81	1.29	77	1.14	79	(9.7%)	79	(9.7%)	79	(9.7%)	79	(9.7%)	79	(9.7%)	79	(9.7%)	79	(9.7%)	79	(9.7%)
Walnut	74	(29.3%)	23	1.0%	34	3.49	1	48.92	54	(.2%)	54	(.2%)	54	(.2%)	54	(.2%)	54	(.2%)	54	(.2%)	54	(.2%)	54	(.2%)
West Covina	29	(1.2%)	43	(6.3%)	62	2.07	51	4.00	71	(3.9%)	71	(3.9%)	71	(3.9%)	71	(3.9%)	71	(3.9%)	71	(3.9%)	71	(3.9%)	71	(3.9%)
West Hollywood	59	(11.8%)	20	1.0%	46	2.78	49	4.23	18	3.9%	18	3.9%	18	3.9%	18	3.9%	18	3.9%	18	3.9%	18	3.9%	18	3.9%

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria

	All Funds												General Fund												
	Net Revenue Percent				Ratio of Assets to Liabilities				Change in Net Assets				General Fund Net Revenue				Change in General Fund Balance				Unassigned General Fund Balance			
	FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12	
City	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Westlake Village	41	(4.6%)	54	(10.9%)	37	3.13	59	3.16	68	(3.3%)	68	(3.3%)	68	(3.3%)	68	(3.3%)	68	(3.3%)	68	(3.3%)	68	(3.3%)	68	(3.3%)
Whittier	22	(0%)	60	(12.6%)	40	2.94	30	6.23	37	1.5%	37	1.5%	37	1.5%	37	1.5%	37	1.5%	37	1.5%	37	1.5%	37	1.5%
Average - All Cities		(12.5%)		(6.2%)		5.45		8.92		0.8%		0.8%		0.8%		0.8%		0.8%		0.8%		0.8%		0.8%

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.
Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.
Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

Net Revenue Percent – All Funds

Net Revenue Percent is the percent of all revenues remaining after all city expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental funds by each city. If a city spends less than received the net revenues and percentage would be positive. If a city spends more than received in revenues the net revenues and percentage would be negative. The net revenue percent is calculated by dividing net revenues by total revenues.

All Funds include each city's general fund as well as any other funds for proprietary or business-type activities which could include operating public utilities (power, water, parking, refuse collection, etc.) or other non-governmental type activities.

As the following Exhibit shows, only 21 of the 84 cities spent less on all activities (governmental and business) during Fiscal 2010-11 than revenue received. The remaining 61 cities spent more than they received in revenue. Both the cities of Vernon and Bradbury spent more than twice what was received in revenues. On average, cities expended 12.5% more than they received in revenue during FY 2010-11.

The exhibit also shows that only 22 of the 77 cities spent less on all activities (governmental and business) during Fiscal 2011-12 than revenue received. The remaining 55 cities spent more than they received in revenue. The City of Vernon spent nearly 84% more than it received in revenue. On average, cities expended 6.2% more than they received in revenue during FY 2011-12.

Cities cannot sustain a pattern of spending more than received in revenue, and essentially not living within their means during the fiscal year. Cities can balance their budgets by spending down reserve funds, liquidating city assets, or increasing city debt or liabilities. Cities may also have to make even more substantial reductions in city services.

Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)

Fiscal Year 2010-11

Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue
1	La Habra Heights	$6,456,271	$4,814,020	$1,642,251	25.4%
2	Temple City	$16,420,245	$14,450,445	$1,969,800	12.0%
3	La Canada Flintridge	$19,534,017	$17,277,831	$2,256,186	11.6%
4	Rancho Palos Verdes	$28,586,567	$25,621,465	$2,965,102	10.4%
5	Claremont	$39,818,642	$36,444,001	$3,374,641	8.5%
6	Beverly Hills	$175,405,113	$165,446,753	$9,958,360	5.7%
7	Irwindale	$40,546,295	$38,405,113	$2,141,182	5.3%
8	Gardena	$55,501,464	$52,863,734	$2,637,730	4.8%
9	Inglewood	$168,424,179	$160,475,460	$7,948,719	4.7%
10	Manhattan Beach	$56,452,978	$54,010,853	$2,442,125	4.3%
11	La Verne	$43,289,901	$41,424,471	$1,865,430	4.3%
12	Alhambra	$86,087,510	$82,733,851	$3,353,659	3.9%
13	Hermosa Beach	$30,816,246	$29,665,905	$1,150,341	3.7%
14	South Gate	$73,042,672	$71,273,643	$1,769,029	2.4%
15	Lakewood	$63,285,286	$61,764,234	$1,521,052	2.4%
16	Baldwin Park	$52,944,564	$51,798,267	$1,146,297	2.2%
17	Culver City	$133,585,980	$130,820,129	$2,765,851	2.1%
18	Torrance	$189,407,666	$185,597,318	$3,810,348	2.0%
19	Palmdale	$141,356,940	$139,337,830	$2,019,110	1.4%
20	Hawthorne	$186,430,835	$183,901,004	$2,529,831	1.4%
21	South El Monte	$20,521,754	$20,476,305	$45,449	0.2%
22	Whittier	$78,336,992	$78,342,050	($5,058)	(.0%)
23	Redondo Beach	$88,177,849	$88,219,070	($41,221)	(.0%)
24	Santa Fe Springs	$80,476,230	$81,024,809	($548,579)	(.7%)
25	Bellflower	$36,027,628	$36,332,559	($304,931)	(.8%)
26	Long Beach	$744,321,000	$750,896,000	($6,575,000)	(.9%)
27	La Mirada	$48,688,901	$49,179,035	($490,134)	(1.0%)

Fiscal Year 2011-12

Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue
1	Rancho Palos Verdes	$29,011,389	$25,599,287	$3,412,102	11.8%
2	Hermosa Beach	$31,902,779	$28,502,703	$3,400,076	10.7%
3	Beverly Hills	$183,970,715	$168,405,846	$15,564,869	8.5%
4	South Pasadena	$26,985,579	$24,903,588	$2,081,991	7.7%
5	Alhambra	$77,589,141	$72,938,495	$4,650,646	6.0%
6	San Dimas	$27,917,381	$26,276,406	$1,640,975	5.9%
7	Torrance	$195,053,630	$183,716,160	$11,337,470	5.8%
8	Hidden Hills	$1,986,620	$1,876,183	$110,437	5.6%
9	Claremont	$31,059,827	$29,552,680	$1,507,147	4.9%
10	Norwalk	$67,602,693	$64,503,803	$3,098,890	4.6%
11	Rolling Hills Estates	$7,471,225	$7,132,456	$338,769	4.5%
12	Bellflower	$36,546,102	$35,047,877	$1,498,225	4.1%
13	Gardena	$60,252,815	$57,803,736	$2,449,079	4.1%
14	South Gate	$68,837,572	$66,381,334	$2,456,238	3.6%
15	South El Monte	$17,648,546	$17,026,023	$622,523	3.5%
16	Hawthorne	$102,220,018	$98,760,719	$3,459,299	3.4%
17	Manhattan Beach	$59,435,583	$57,509,547	$1,926,036	3.2%
18	Temple City	$15,820,927	$15,475,107	$345,820	2.2%
19	Duarte	$19,196,567	$18,998,341	$198,226	1.0%
20	West Hollywood	$91,152,934	$90,237,428	$915,506	1.0%
21	Lakewood	$54,708,076	$54,346,475	$361,601	0.7%
22	Calabasas	$30,547,600	$30,485,913	$61,687	0.2%
23	Walnut	$20,430,639	$20,435,518	($4,879)	(.0%)
24	Agoura Hills	$17,919,772	$17,971,461	($51,689)	(.3%)
25	La Verne	$38,932,070	$39,181,093	($249,023)	(.6%)
26	La Canada Flintridge	$18,415,244	$18,566,862	($151,618)	(.8%)
27	Montebello	$57,758,906	$58,306,019	($547,113)	(.9%)

Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)

Fiscal Year 2010-11

Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue
28	Palos Verdes Estates	$17,223,619	$17,403,826	($180,207)	(1.0%)
29	West Covina	$95,268,424	$96,437,051	($1,168,627)	(1.2%)
30	Rolling Hills Estates	$7,712,444	$7,832,849	($120,405)	(1.6%)
31	Duarte	$34,095,894	$34,632,208	($536,314)	(1.6%)
32	Hawaiian Gardens	$25,743,947	$26,346,129	($602,182)	(2.3%)
33	Bell Gardens	$36,168,220	$37,050,365	($882,145)	(2.4%)
34	Montebello	$66,692,379	$68,373,345	($1,680,966)	(2.5%)
35	El Segundo	$56,848,924	$58,596,145	($1,747,221)	(3.1%)
36	Monterey Park	$55,463,357	$57,263,879	($1,800,522)	(3.2%)
37	Sierra Madre	$12,843,017	$13,269,118	($426,101)	(3.3%)
38	South Pasadena	$26,638,387	$27,690,116	($1,051,729)	(3.9%)
39	Calabasas	$36,731,853	$38,212,438	($1,480,585)	(4.0%)
40	Huntington Park	$63,437,740	$66,277,764	($2,840,024)	(4.5%)
41	Westlake Village	$14,500,353	$15,172,774	($672,421)	(4.6%)
42	Lomita	$10,296,872	$10,817,426	($520,554)	(5.1%)
43	Los Angeles	$6,318,612,000	$6,651,535,000	($332,923,000)	(5.3%)
44	Glendora	$36,854,996	$38,914,427	($2,059,431)	(5.6%)
45	San Gabriel	$38,303,555	$40,538,198	($2,234,643)	(5.8%)
46	Santa Monica	$396,641,357	$423,138,169	($26,496,812)	(6.7%)
47	Norwalk	$89,562,951	$95,718,805	($6,155,854)	(6.9%)
48	Pomona	$176,700,431	$189,109,432	($12,409,001)	(7.0%)
49	San Fernando	$31,472,500	$33,826,270	($2,353,770)	(7.5%)
50	La Puente	$15,486,398	$16,674,410	($1,188,012)	(7.7%)
51	Pasadena	$310,528,675	$336,154,767	($25,626,092)	(8.3%)
52	Artesia	$10,989,185	$11,914,997	($925,812)	(8.4%)
53	Glendale	$296,327,000	$323,168,000	($26,841,000)	(9.1%)
54	Burbank	$230,591,000	$253,105,000	($22,514,000)	(9.8%)

Fiscal Year 2011-12

Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue
28	El Monte	$90,057,014	$91,259,475	($1,202,461)	(1.3%)
29	La Mirada	$47,736,944	$48,379,569	($642,625)	(1.3%)
30	San Fernando	$24,146,351	$24,538,873	($392,522)	(1.6%)
31	Commerce	$67,986,383	$69,373,238	($1,386,855)	(2.0%)
32	Santa Clarita	$152,265,233	$155,915,292	($3,650,059)	(2.4%)
33	Baldwin Park	$48,524,783	$49,903,793	($1,379,010)	(2.8%)
34	Redondo Beach	$91,638,205	$94,354,704	($2,716,499)	(3.0%)
35	Cerritos	$109,564,187	$113,114,628	($3,550,441)	(3.2%)
36	Glendora	$30,977,345	$32,193,962	($1,216,617)	(3.9%)
37	Arcadia	$56,153,430	$58,500,098	($2,346,668)	(4.2%)
38	Paramount	$37,787,256	$39,563,203	($1,775,947)	(4.7%)
39	Palos Verdes Estates	$17,091,040	$17,908,727	($817,687)	(4.8%)
40	Lynwood	$45,862,239	$48,097,169	($2,234,930)	(4.9%)
41	Palmdale	$111,567,854	$117,835,268	($6,267,414)	(5.6%)
42	Santa Monica	$511,734,482	$542,070,392	($30,335,910)	(5.9%)
43	West Covina	$85,979,949	$91,360,471	($5,380,522)	(6.3%)
44	Los Angeles	$6,576,754,000	$7,011,640,000	($434,886,000)	(6.6%)
45	La Puente	$15,713,794	$16,816,779	($1,102,985)	(7.0%)
46	Bell Gardens	$33,200,350	$35,618,158	($2,417,808)	(7.3%)
47	San Gabriel	$36,799,301	$39,631,027	($2,831,726)	(7.7%)
48	Lomita	$10,488,783	$11,312,101	($823,318)	(7.8%)
49	Lancaster	$106,994,246	$116,817,014	($9,822,768)	(9.2%)
50	Monterey Park	$52,083,910	$56,967,467	($4,883,557)	(9.4%)
51	Industry	$167,355,363	$183,339,067	($15,983,704)	(9.6%)
52	Irwindale	$29,430,380	$32,307,998	($2,877,618)	(9.8%)
53	Monrovia	$50,889,132	$55,958,172	($5,069,040)	(10.0%)
54	Westlake Village	$15,173,722	$16,828,541	($1,654,819)	(10.9%)

Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)

		Fiscal Year 2010-11						Fiscal Year 2011-12			
Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue	Rank	City	Total Revenues	Total Expenditures	Net Total Revenues	% Net Revenue
55	Cerritos	$101,044,955	$111,246,026	($10,201,071)	(10.1%)	55	Malibu	$28,421,773	$31,565,940	($3,144,167)	(11.1%)
56	El Monte	$91,497,196	$101,031,712	($9,534,516)	(10.4%)	56	Glendale	$258,957,000	$287,936,000	($28,979,000)	(11.2%)
57	Lynwood	$51,010,935	$56,896,279	($5,885,344)	(11.5%)	57	Pomona	$147,673,782	$164,237,168	($16,563,386)	(11.2%)
58	Carson	$106,849,098	$119,326,096	($12,476,998)	(11.7%)	58	Cudahy	$10,981,676	$12,298,062	($1,316,386)	(12.0%)
59	West Hollywood	$93,069,529	$104,010,240	($10,940,711)	(11.8%)	59	Pico Rivera	$63,549,162	$71,405,949	($7,856,787)	(12.4%)
60	Industry	$192,308,249	$215,346,063	($23,037,814)	(12.0%)	60	Whittier	$68,696,215	$77,344,117	($8,647,902)	(12.6%)
61	Commerce	$75,567,672	$84,678,025	($9,110,353)	(12.1%)	61	El Segundo	$56,220,110	$63,791,780	($7,571,670)	(13.5%)
62	Paramount	$50,529,929	$56,826,715	($6,296,786)	(12.5%)	62	Downey	$77,559,000	$88,020,000	($10,461,000)	(13.5%)
63	Arcadia	$61,191,647	$70,570,837	($9,379,190)	(15.3%)	63	Covina	$37,960,839	$43,156,145	($5,195,306)	(13.7%)
64	Pico Rivera	$61,415,487	$71,893,503	($10,478,016)	(17.1%)	64	Sierra Madre	$11,182,144	$12,712,931	($1,530,787)	(13.7%)
65	Downey	$81,960,000	$96,542,000	($14,582,000)	(17.8%)	65	Signal Hill	$27,749,195	$31,682,253	($3,933,058)	(14.2%)
66	Covina	$44,510,982	$52,454,325	($7,943,343)	(17.8%)	66	Rolling Hills	$1,634,820	$1,868,965	($234,145)	(14.3%)
67	Santa Clarita	$133,197,193	$159,438,000	($26,240,807)	(19.7%)	67	San Marino	$22,782,822	$26,206,773	($3,423,951)	(15.0%)
68	Azusa	$45,373,595	$54,357,111	($8,983,516)	(19.8%)	68	Culver City	$107,089,835	$123,637,733	($16,547,898)	(15.5%)
69	Lancaster	$112,223,448	$136,732,232	($24,508,784)	(21.8%)	69	Burbank	$212,012,000	$247,189,000	($35,177,000)	(16.6%)
70	Hidden Hills	$1,941,845	$2,393,563	($451,718)	(23.3%)	70	Artesia	$10,236,246	$11,988,734	($1,752,488)	(17.1%)
71	Rosemead	$32,963,479	$41,668,718	($8,705,239)	(26.4%)	71	Rosemead	$30,363,930	$35,614,356	($5,250,426)	(17.3%)
72	San Marino	$23,745,622	$30,214,969	($6,469,347)	(27.2%)	72	Pasadena	$296,816,607	$350,327,610	($53,511,003)	(18.0%)
73	Malibu	$25,842,406	$33,393,351	($7,550,945)	(29.2%)	73	Santa Fe Springs	$68,735,329	$81,778,621	($13,043,292)	(19.0%)
74	Walnut	$20,725,302	$26,788,349	($6,063,047)	(29.3%)	74	Carson	$99,831,047	$124,270,497	($24,439,450)	(24.5%)
75	San Dimas	$31,327,423	$40,866,676	($9,539,253)	(30.5%)	75	Long Beach	$678,093,000	$848,789,000	($170,696,000)	(25.2%)
76	Diamond Bar	$25,035,214	$33,040,359	($8,005,145)	(32.0%)	76	Diamond Bar	$26,330,887	$43,649,908	($17,319,021)	(65.8%)
77	Lawndale	$21,006,256	$29,229,256	($8,223,000)	(39.1%)	77	Vernon	$35,483,086	$65,241,372	($29,758,286)	(83.9%)
78	Monrovia	$55,044,292	$77,249,492	($22,205,200)	(40.3%)	NA	Azusa				
79	Agoura Hills	$22,136,934	$31,318,579	($9,181,645)	(41.5%)	NA	Bradbury				
80	Rolling Hills	$1,805,117	$2,627,724	($822,607)	(45.6%)	NA	Hawaiian Gardens				
81	Signal Hill	$32,521,138	$53,326,400	($20,805,262)	(64.0%)	NA	Huntington Park				