



# Highlights

## Financial Condition Defined

Financial condition can be broadly defined as a local government's ability to finance its services on a continuing basis. More specifically, financial condition refers to a government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change.

## 10-Point Test for Assessing Financial Condition

- The test consisted of 10 financial ratios, calculated for San Diego and six cities of similar size (Philadelphia, Phoenix, San Antonio, Dallas, San Jose, and Austin). To provide additional context, the results were compared over a 10-year period (FY 2007 – 2016).
- For each ratio, scores for San Diego and the benchmark cities were based upon awarding 2 points for results in the top quartile, 1 point for the second quartile, no points for the third quartile and -1 point for the last quartile.
- The financial data used to calculate the ratios originate from the Comprehensive Annual Financial Reports from San Diego and the benchmark cities.
- The ten ratios were developed independent of city management and provide an independent view of the City's finances.

## Going Forward

While the ten-year trend from 2007 to 2016 is positive for all the City's financial ratios, we identified some short-term changes that management should consider monitoring more closely. These include Liquidity, Solvency, and Net Change in Capital Asset Value.

For more information, contact City Auditor, Eduardo Luna, at (619)533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov)

City of San Diego, Office of the City Auditor

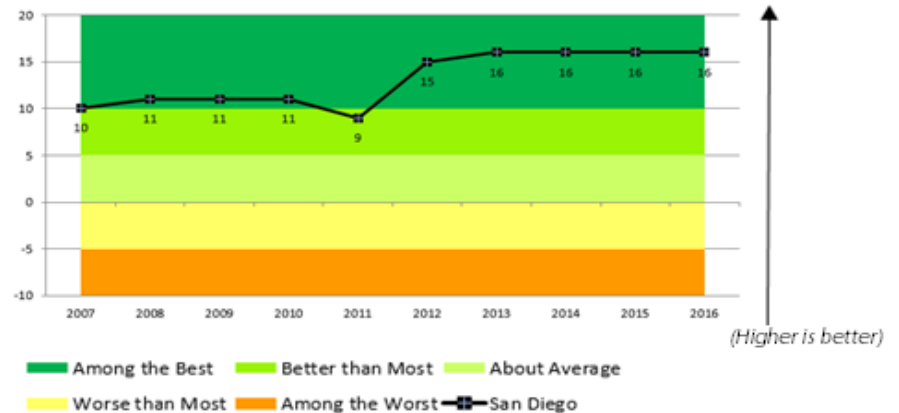
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## City's Financial Condition

*San Diego's Financial Condition Remains Stable for Fiscal Years 2015 and 2016*

## What OCA Found

San Diego's financial condition scored among the best compared to the benchmark cities, improving over the last ten years as the scores trended upward as shown below. In FY 2012, increases in the metrics for Liquidity, Financial Performance, Solvency, Gov't Activities Revenues, and Debt Coverage created the jump to a higher bar for the City of San Diego. The City has been stable at a level of 16 points from FY 2013 to 2016.



San Diego's highest scores for the 10-year period were related to debt and primary government revenues, while the lowest scores were in liquidity and capital assets, based on the scale of -10 being the lowest and 20 points being the highest.

Ratio	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Short-Run Financial Position	1	1	1	1	1	1	1	1	1	1	10
Liquidity	-1	-1	0	0	1	2	1	1	1	1	5
Financial Performance	1	2	1	1	0	2	2	2	2	2	15
Solvency	1	1	1	1	1	2	2	2	2	2	15
Primary Government Revenues	2	2	1	2	2	2	2	2	2	2	19
Governmental Activities Revenues	1	1	1	0	0	1	2	2	2	2	12
Primary Government Debt Burden Per Capita	2	2	2	2	2	2	2	2	2	2	20
Governmental Funds Debt Coverage	1	2	2	2	1	2	2	2	2	2	18
Enterprise Funds Debt Coverage	2	2	2	2	2	2	1	1	1	2	17
Net Change in Capital Assets	0	-1	0	0	-1	-1	1	1	1	0	0
<b>Annual Totals</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	

The City's Chief Financial Officer stated, "The Mayor and Council have consistently adhered to strong financial policies and practices allowing the City to continue to build upon its firm financial standing. In addition to maintaining cash reserves to protect the City from economic downturns and unforeseen events, the City adopts a structurally balanced budget each year, maintains strong expenditure controls, conducts long-term financial planning and adheres to responsible and equitable debt practices."

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