



Benchmarking

A better tool for success than you may think
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William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

Making Change Happen

- Three avenues of support
 - Industry best practices
 - ❖ GFOA
 - ❖ CSMFO
 - ❖ CMTA
 - ❖ CDIAC
 - Credit rating agencies
 - What others do: using benchmarks

From Missouri About This

- Like many of you, I was "from Missouri" (ie, very skeptical!) about the value of "benchmarking" (comparing my city with others).
 - Every agency is unique (especially "my city").
 - After all, 482 cities and thousands of special districts.

But can be powerful

- When carefully prepared, benchmark analysis can be a powerful tool in measuring performance and assessing organizational accountability in wide-range of topics in achieving goals.
 - Community support
 - ❖ Preparing for revenue ballot measure
 - Fiscal policies
 - Revenues: options, fees
 - Staffing
 - Organizational reviews

So, where did this belief come from?



- The Tribune asked:
 - How do City's finances compare to similar communities?
 - And we agreed this was a "fair and reasonable" question and committed to completing this analysis by January 2006.

Let's start at the very beginning ...



- Which Maria tells us is very good place to start.

Why are you doing this?

Key to Success

- Making meaningful comparisons requires carefully selecting
 - Data that will be collected (“metrics”).
 - Benchmark agencies to ensure they represent as close a match to agency as possible, recognizing that “perfect” not possible.

Critical Successful Factors

- Establishing the benchmarks (what will be compared?)
- Identifying the benchmark group
- Collecting data (and ensuring its reliability/comparability)
- Analyzing your agency's current position
- Incorporating results into findings and recommendations

Example: Debt Management Policy

- What to measure?
 - What indicators to use?
 - ❖ Amount of outstanding debt?
 - ❖ Annual debt service?
- Who's the benchmark group?
- Collect and analyze data.
- Incorporate in policy.

1 Establish benchmarks

- What debt to include?
 - General obligation debt only?
 - All tax-secured debt? (short-term notes, special tax, “moral obligations,” tax increment bonds)
 - Revenue bonds? (water, sewer, power, airports, harbors, parking, golf)
 - Capital lease debt? (COPs, lease-revenue bonds, lease-purchase agreements)
 - Pension obligation bonds?

Why are you doing this?

1 Establish benchmarks

- What indicators to use?
 - Outstanding Debt Indicators
 - ❖ Net direct debt as % of assessed value or fair value market value
 - ❖ Net direct debt per capita
 - ❖ Net direct debt as % of personal income per capita
 - ❖ Net direct and overlapping debt per capita
 - ❖ Rate of repayment
 - ◆ % of principal within 5 years
 - ◆ % of principal within 10 years
 - ◆ % of principal within 10 years

① Establish benchmarks

- What indicators to use?
 - Annual Debt Service Indicators
 - ❖ Debt service per capita
 - ❖ Debt service per capita as % of personal income per capita
 - ❖ Debt service as % of General Fund revenues
 - ❖ Debt service as % of operating expenditures
 - ❖ Debt service as % of property tax revenue

On establishing benchmarks

■ Give this significant thought

- Relevant to your purpose.
- Be sure they measure something meaningful.
- Likely to be obtainable from credible sources.
- Identify at front end for credibility.
- Avoid wasted effort.

Why and what almost always more important than how.

■ Credible sources

- Most are on-line
 - ❖ ACFR/audit
 - ❖ Budget
 - ❖ Municipal code
 - ◆ Business tax, purchasing
 - ❖ Adopted policies
 - ◆ Reserves, debt, investments
 - ❖ Other agency web sites
 - ◆ County, State, Federal

Should be reproducible.

② Developing the benchmark group

- Similarity based on key criteria
 - Form of government
 - Population size
 - Demographics: age, income
 - Geography and weather
 - Economy
 - Community characteristics: Central City? Suburb? Rural?
 - Revenue mix and diversity
 - Scope of services delivered

If no one is like you, what makes you special?

Using Per Capita Comparisons

- Simple per capita tempting, but every city has a different story to tell due to:
 - Service level expectations
 - Daytime versus resident service population
 - Fiscal constraints
 - Community demographics
 - Geography
- While imperfect, “per capita” is often the most workable common denominator.
 - But there are others.
- This means using benchmark agencies that are similar.

City of SLO Example: Picking Benchmark Cities

■ General Criteria

- Full-service cities
- County seat (or “big” city for their area)
- Distinct regional identity
- Major employment, commercial, cultural and government centers for their area
- “Quality of life” community
- Midsize cities: populations range from 30,000 to 100,000

■ And share one or more of the following characteristics

- Coastal
- College town
- Tourism is an important part of the city’s economy

Resulting Benchmark Cities

- Davis
- Monterey
- Napa
- Palm Springs
- Santa Barbara
- Santa Cruz
- Ventura

We set the bar high in comparing ourselves to these cities, as they all have well-earned reputations for being well-managed cities.

And Santa Maria Makes 8

- Does not share all of these characteristics.
- But we included Santa Maria as the most comparable city to us in our area.



More Structured Approach

- Similar purpose as SLO
 - Population between 3,500 and 25,000
 - “Sense of place/quality of life” community
 - Coastal location
 - Tourism important (but not large) part of economy
 - Similar scope of services (“hybrid delivery”)
 - ❖ Provides police and parks & recreation
 - ❖ Does not provide fire, library or enterprise services like water, sewer, transit, harbors or airports
 - Reputation for being well-managed/well-governed

Step 1: Population, Location, Tourism

City Population: 3,500 to 25,000			
City	County	Population	% TOT *
Agoura Hills	Los Angeles	20,393	
Albany	Alameda	18,622	0%
American Canyon	Napa	19,693	5%
Anderson	Shasta	10,005	
Angels City	Calaveras	3,840	
Arcata	Humboldt	17,318	10%
Arroyo Grande	San Luis Obispo	17,365	3%
Artesia	Los Angeles	16,579	
Arvin	Kern	19,596	
Atherton	San Mateo	6,917	0%
Auburn	Placer	13,410	
Avalon	Los Angeles	3,771	58%
Avenal	Kings	15,094	
Barstow	San Bernardino	22,839	
Big Bear Lake	San Bernardino	5,051	
Bishop	Inyo	3,893	

Step 2: Service Scope

Candidate Benchmark Cities: Scope of Services														
City	1-1-2011 Population	Police	Fire	Parks & Recreation	Library	Enterprise Operations								
						Water	Sewer	Solid Waste	Parking	Transit	Airport	Ports/ Harbor	Electric	Golf
Located Directly on Coast/Bay														
Arcata	17,318	x		x		x	x	x		x				
Avalon	3,771	1	x	x			x	x		x		x		
Brisbane	4,328	x	x	x		x	x							
Capitola	9,974	x		x										
Carmel-By-The-Sea*	3,738	x	x	x	x									
Carpinteria	13,104	1		x										
Coronado	23,011	x	x	x	x		x	x						x
Crescent City	7,512	x	x	x		x	x							
Del Mar	4,187	1	x	x		x	x							
El Segundo	16,708	x	x	x		x	x	x		x	x			x
Emeryville	10,125	x	x	x			x							
Fort Bragg	7,308	x	3	1		x								
Fortuna	11,977	x		x		x	x			x				
Half Moon Bay	11,415	2		x			x							
Hermosa Beach	19,557	x	x	x			x		x	x				
Laguna Beach	22,792	x	x	x			x	x	x	x				
Larkspur*	12,014	7	x	x	x									
Malibu	12,683	3		x										
Marina*	19,808	x	x	x	x						x			
Milbrae	21,714	x	x	x	x	x	x							
Morro Bay	10,329	x	x	x		x	x					x		
Pacific Grove*	15,114	x	4	x	x		x							x
Pismo Beach*	7,708	x	3	x		x	x		x					
Sausalito	7,116	x	x	x	x		x							

Step 3. Finalists

Top 20 Finalists											
City	County	Population	Key Service Differences from Capitola					On-Line		GFOA-CSMFO Award	
			Contract/ Joint Police	Fire	Library	Water	Sewer	Budget	Audit Reports	Budget	Audit Reports
Calistoga	Napa	5,188		X		X	X	X	X		
Carmel	Monterey	3,738		X	X			X	X		
Carpinteria	Santa Barbara	13,104	X					X	X	CSMFO	GFOA
Del Mar	San Diego	4,187	X	X		X	X	X	X	Both	GFOA
Half Moon Bay	San Mateo	11,415	*					X	X		GFOA
Healdsburg	Sonoma	11,475		X		X	X	X	X		
Laguna Beach	Orange	22,792		X		X	X	X	X		
Larkspur	Marin	12,014	X	X	X			X	X		
Malibu	Los Angeles	12,683	X					X	X		GFOA
Marina	Monterey	19,808		X	X			X	X		
Morro Bay	San Luis Obispo	10,329		X		X	X	X	X		
Pacific Grove	Monterey	15,114		X			X	X	X		
Pismo Beach	San Luis Obispo	7,708		X		X	X	X	X		GFOA
Sausalito	Marin	7,116		X	X		X	X	X		
Sepastopol	Sonoma	7,423		X		X	X	X	X		
Scotts Valley	Santa Cruz	11,640					X	X	X		GFOA
Solana Beach	San Diego	12,945	X	X			X	X	X	GFOA	GFOA
Sonoma	Sonoma	10,711	X	X		X		X	X		
St. Helena	Napa	5,849		X	X	X	X	X	X		GFOA
Tiburon	Marin	9,031						X			

Quality, not quantity



Benchmark City Selection

- What makes Wasco unique?
 - Population (28,000)
 - Location: Central Valley
 - Demographics/Economy
 - ❖ Large Latino population (77%)
 - ❖ Agriculture, corrections
 - Services
 - ❖ Contract for police and fire
 - ❖ Animal regulation
 - ❖ Parks & recreation provided by special district
 - ❖ Water, wastewater, solid waste

Finding Best Match: 6 to 8 Cities

■ Cities in California	482
■ 20,000 to 40,000 population	91
■ Central California (including Wasco)	14

Selection Criteria

- Population between 20,000 and 40,000
- Central Valley location
- Similar services
- Similar sized organizations
 - Expenditures \$24 million to \$49 million
 - City expenditures of \$35.3 million
- Favorable governance reputation

Cities Between 20,000 to 40,000, Central California

Table 1

City	County	Pop	% Latino	Services					GFOA Awards	
				Police	Fire	Park/Rec	Water	Sewer	Budget	Audit
Arvin	Kern	22,178	92.7%	x		x		x		
Atwater	Merced	31,470	52.6%	x	x	x	x	x		
Corcoran	Kings	21,832	62.6%	x	x	x	x	x		
Dinuba	Tulare	25,328	84.4%	x	x	x	x	x	x	x
Galt	Sacramento	26,489	42.8%	x		x	x	x		x
Lathrop	San Joaquin	24,936	42.6%	x		x	x	x		x
Lemoore	Kings	26,257	40.0%	x	Volunteer	x	x	x		x
Oakdale	Stanislaus	23,807	26.1%	x	x	x	x	x		
Patterson	Stanislaus	23,764	58.6%	x	x	x	x	x		
Reedley	Fresno	26,666	76.3%	x	x	x	x	x		
Riverbank	Stanislaus	25,318	52.1%	Contract		x	x	x		
Sanger	Fresno	27,094	80.5%	x	x	x	x	x		
Shafter	Kern	20,886	80.3%	x		x	x	x		
Wasco	Kern	27,955	76.7%	Contract	Contract		x	x		

Benchmark Cities

- Dinuba (25,328)
 - Galt (26,489)
 - Lathrop (24,936)
 - Lemoore (26,527)
 - Riverbank (25,318)
 - Shafter (20,886)
- Dinuba, Galt, Lathrop and Lemoore
 - GFOA award for excellence in financial reporting
 - Dinuba: GFOA award for distinguished budget presentation
 - Riverbank
 - Only one contracting for police services
 - Shafter
 - Neighboring city



Benchmark City Selection

- Similar population: between 7,500 and 25,000 population (Pacific Grove: 15,498)
- Coastal location
- Tourism important component of local economy
- Distinct sense of place
- Similar scope of services
- Reputation for being well-managed and using “best practices”

Selection Summary

Cities in California	482
7,500 to 25,000	129
Coastal	36
TOT Ratio at Least 10%	18

Benchmark Cities

- Capitola (10,162)
- Carpinteria (13,943)
- Coronado (24,453)
- Fort Bragg (7,772)
- Half Moon Bay (12,591)
- Hermosa Beach (19,616)
- Laguna Beach (23,505)
- Malibu (12,742)
- Marina (21,528)
- Morro Bay (10,762)
- Pismo Beach (8,247)
- Scotts Valley (12,163)

What makes Monterey “special?”

■ Demographics/Economy

- 28,600 population
- Coastal
- Historic
- Destination tourism
- Regional commercial center
- Advanced education
 - ❖ Defense Language Institute
 - ❖ Naval Postgraduate School
 - ❖ Middlebury Institute of International Studies
 - ❖ CSU Monterey
 - ❖ Monterey Peninsula College
- Distinct sense of place

■ Organization

- Full-service city
 - ❖ But don't do water and wastewater
- Conference center
- Museums
- Harbor
- Parking
- Presidio contract

Finding Best Match: 6 to 8 Cities

■ Cities in California	482
■ 15,000 to 95,000 population	254
■ Of these: coastal	28

Coastal Cities: 15,000 to 95,000

City	Population	Full Service				Special Service					
		Police	Fire	Planning	Parks/Rec	Library	Parking (1)	Marina	Comm Prom (1)	Museums	Conf Ctr
Alameda	79,277	x	x	x	x	x	x				
Arcata	18,169	x		x	x	x					
Benicia	27,501	x	x	x	x	x		x			
Dana Point (2)	33,415			x	x				x		
East Palo Alto	30,545	x	x	x	x						
El Segundo	16,646	x	x	x	x	x					
Foster City	33,201	x	x	x	x						
Goleta (2)	31,235			x	x	x					
Hermosa Beach	19,801	x	x	x	x		x				
Laguna Beach	23,617	x	x	x	x		x				
Manhattan Beach	35,297	x	x	x	x		x				
Marina	20,982	x	x	x	x	x					
Monterey	28,610	x	x	x	x	x	x	x	x	x	x
Mountain View	77,925	x	x	x	x	x	x				
Newport Beach	84,270	x	x	x	x	x		x			
Pacific Grove	15,352	x	x	x	x	x			x		
Pacifica	37,806	x	x	x	x						
Port Hueneme	22,702	x	x	x	x						
Rancho Palos Verdes (2)	43,041			x	x						
San Juan Capistrano (2)	36,085			x	x						
San Leandro (3)	87,700	x		x	x	x	x				
San Luis Obispo	46,117	x	x	x	x		x		x		
Santa Barbara	93,190	x	x	x	x	x	x	x	x		
Santa Cruz	64,632	x	x	x	x	x	x		x		
Santa Monica	93,640	x	x	x	x	x	x				
Seal Beach (3)	25,078	x		x	x		x	x			
Seaside	34,071	x	x	x	x						
Suisun City	29,091	x	x	x	x			x	x		

Billy's Tentative Picks

First Round Draft Choices	
Benicia	27,501
San Luis Obispo	46,117
Santa Cruz	64,632
Mountain View	77,925
Newport Beach	84,270
Santa Barbara	93,190
Santa Monica	93,640



Selection Criteria

- **Goal:** Select six to eight benchmark agencies in California that best match the following six criteria:
 - Independent special district
 - Provides wastewater and/or solid waste services
 - Revenues between \$10 million to \$40 million
 - Management/governance reputation

State Controller's Report on Special Districts

- 580 special districts in the waste disposal business (wastewater and solid waste)
- 39 are independent districts (appointed or elected governing body, not governed by City or County) with annual waste disposal revenues between \$8 million and \$49 million
 - When all revenues are considered (such as water), many are much larger than this

Finalist Agencies: Audited Results, FYE 2014

Agency	Operating Revenues			Other	Total	FTEs
	Wastewater	Solid Waste	Water	Revenues	Revenues	
Alameda County Waste Mgt Authority (1)		18,075,025		4,175,906	22,250,931	*
Central Marin Sanitation Agency	16,333,444			88,240	16,421,684	43.0
Costa Mesa Sanitary District	*	*	*	*	*	*
Delta Diablo Sanitation District	28,875,568	437,394		5,586,152	34,899,114	*
Dublin San Ramon Service District	22,904,298		30,575,807	14,470,063	67,950,168	113.0
East Valley Water District (2)	16,552,666		15,351,609	384,546	32,288,821	69.0
El Dorado Irrigation District	21,358,767		27,147,844	21,344,951	69,851,562	215.0
Elsinore Valley Municipal Water District	22,831,226		48,018,729	13,125,018	83,974,973	163.0
Fairfield-Suisun Sewer District	22,867,455			161,265	23,028,720	60.5
Goleta Sanitary District	10,435,974			404,065	10,840,039	35.0
Inland Empire Utilities Agency (3)	47,663,463			69,877,224	117,540,687	290.0
Irvine Ranch Water District	58,109,000		66,321,000	112,402	124,542,402	352.0
Jurupa Community Services District	16,289,249		31,702,852	22,654,886	70,646,987	145.5
Las Virgenes Municipal Water District	16,552,269		41,176,525	1,964,185	59,692,979	118.0
Monterey Regional Waste Management Dist (3)		20,634,277		201,925	20,836,202	109.0
Monterey Regional Water Pollution Control Agency	24,811,231			1,022,694	25,833,925	77.5
Moulton-Niguel Water District	17,135,446		35,509,194	35,634,903	88,279,543	115.0
Napa Sanitation District	21,127,447			506,391	21,633,838	49.0
Novato Sanitary District	15,551,513	297,586		2,114,622	17,963,721	21.0
Ojai Valley Sanitary District	7,971,672			935,280	8,906,952	21.0
Oro Loma Sanitary District	18,306,664			773,881	19,080,545	45.0
Padre Dam Municipal Water District	16,016,064		43,035,859	8,013,211	67,065,134	*
Ross Valley Sanitary District	15,011,376			5,852,325	20,863,701	38.0
Salinas Valley Solid Waste Authority (3)		15,980,945		56,799	16,037,744	49.0
Santa Ana Watershed Project Authority	11,243,430			3,085,758	14,329,188	24.0
Santa Margarita Water District	19,033,220		36,178,908	44,549,390	99,761,518	122.0
Silicon Valley Clean Water	33,530,273			2,845,129	36,375,402	80.6
South Coast Water District	12,210,786		18,850,612	7,473,241	38,534,639	87.0
South Orange County Wastewater Authority (3)	18,702,350		36,614		18,738,964	61.0
South Tahoe Public Utility District	12,697,141		10,122,282	6,293,066	29,112,489	92.0
Union Sanitary District	46,509,437			180,041	46,689,478	128.5
Vallecitos Water District	15,128,763		26,031,460	17,908,515	59,068,738	
Vallejo Sanitation and Flood Control District	26,338,682			4,176,948	30,515,630	85.0
Victor Valley Wastewater Reclamation Authority	10,744,312			8,366,759	19,111,071	41.0
West Bay Sanitary District (2)	19,517,078			181,922	19,699,000	27.0
West County Wastewater District	14,510,806			1,353,550	15,864,356	57.0
Western Municipal Water District	10,002,414		92,288,569	30,242,132	132,533,115	133.0
Western Placer Waste Management Authority	*	*	*	*	*	*
Yucaipa Valley Water District	10,984,358		10,421,030	2,618,656	24,024,044	57.0

Selected Benchmark Agencies

- Fairfield-Suisun Sewer District
- Monterey Regional Waste Management District
- Monterey Regional Water Pollution Control Agency
- Salinas Valley Solid Waste Authority
- South Tahoe Public Utility District
- Vallejo Sanitation and Flood Control District
- West County Waste Water District
- Yucaipa Valley Water District



Five Benchmark Agencies

■ Criteria

- Independent, fire-only special districts
 - ❖ Not governed by City Council or County Board of Supervisors: Independently appointed or elected Board of Directors
- Multi-million budgets
- Multiple fire stations
- Not primarily staffed by volunteers

■ Agencies

- Chino Valley Fire Protection District
- El Dorado County Fire Protection District
- Fresno County Fire Protection District
- Orange County Fire Authority
- San Ramon Valley Fire Protection District

State of California Resources



■ Demographic Research Unit

- <http://www.dof.ca.gov/research/demographic/Estimates>



■ State Controller's Reports

- http://www.sco.ca.gov/ard_locrep_annual_financial.html

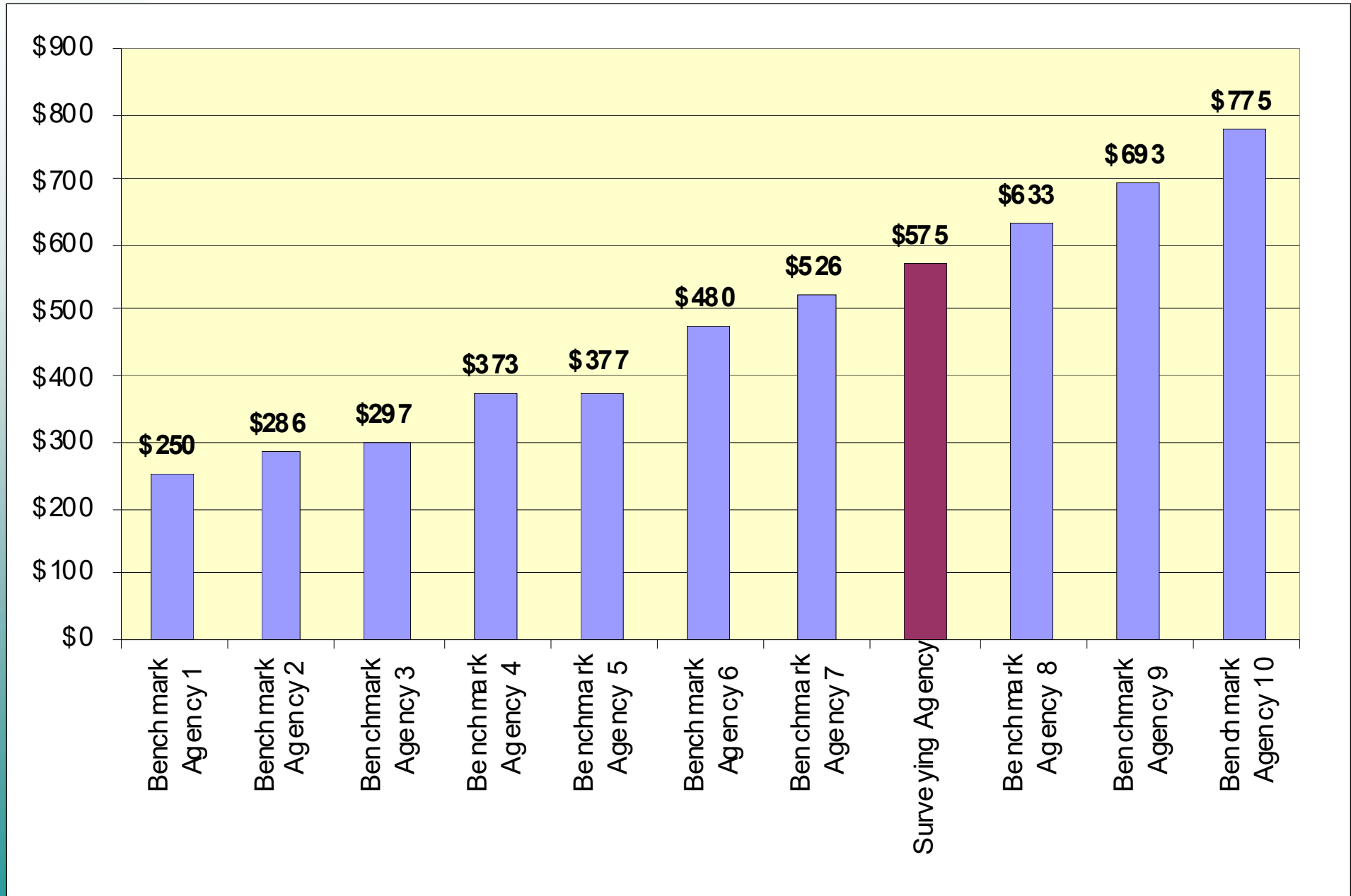
③ Collect Data

- For debt management, ACFR/audit likely to include most (if not all) of the needed information
 - May also want to review debt management policy
 - ❖ That they have one should be a selection factor in assessing if they're well-managed/well-governed.

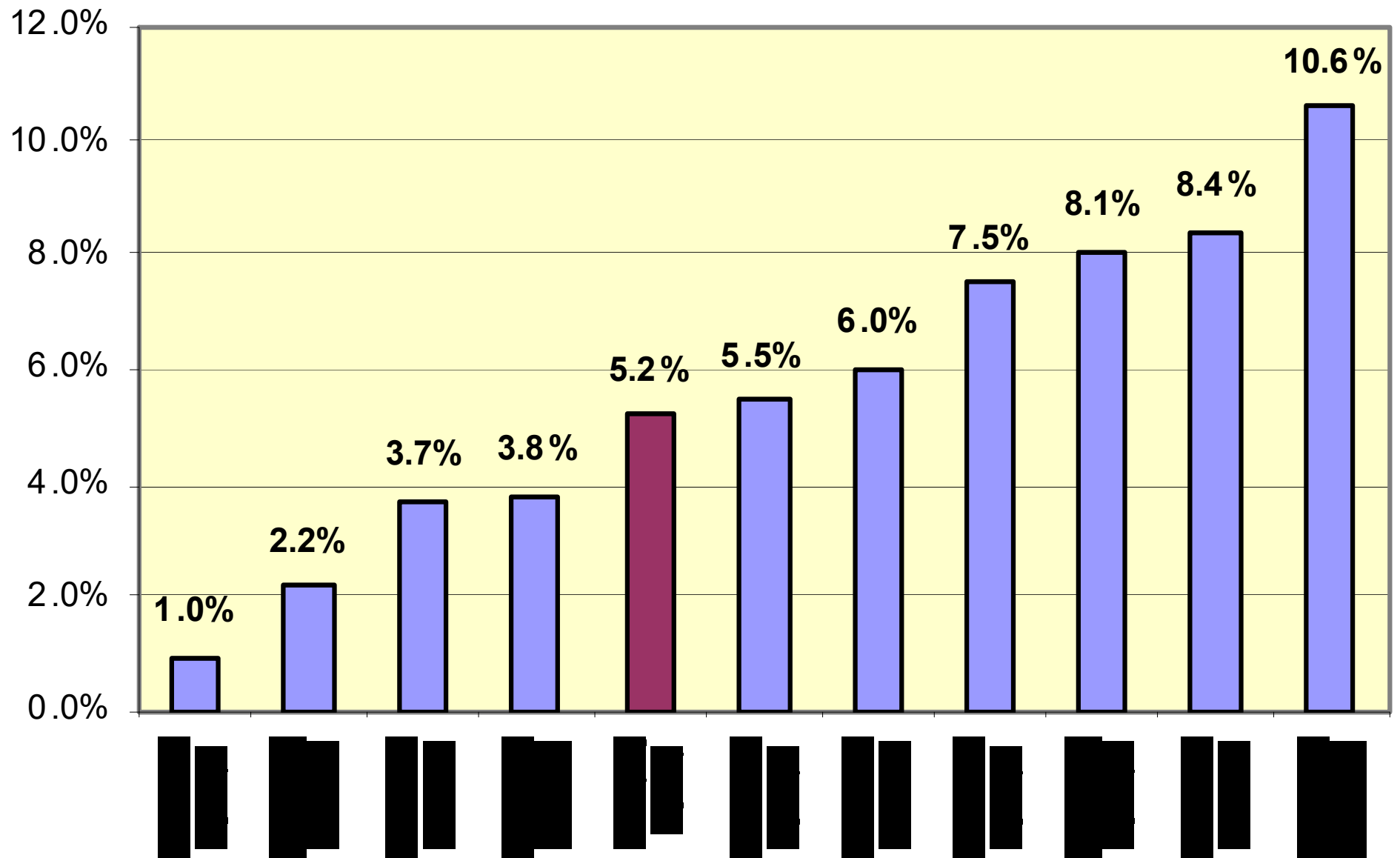
④ Analyze/Compare

- Present results and compare with you.

Sample Net Direct Debt Per Capita



Sample Annual Debt Service as % of Revenues



Key Takeaway

- Be informed by what others do, but don't be driven by it.
 - Don't let others determine your fiscal condition.
- But helps frame reasonable range of options.

⑤ Incorporate into Fiscal Policies

- Where do you want to be relative to benchmark?
 - For example, debt service as a percentage of general fund revenue. (This ratio measures the extent to which debt service requirements potentially limit budgetary flexibility.)
 - ❖ *Debt service should not exceed 8% of general fund revenue.*

Real-World Examples

- Community
 - Performance Measurement: Preparing for revenue ballot measure
- Policies
- Revenues
- Staffing
- Organizational Reviews

MEASURING OUR PERFORMANCE

Using Benchmarks to Assess Our Fiscal Accountability

January 2006



Clear Purpose

- Prepare for possible revenue ballot measure
 - How do we compare financially with similar cities?
 - How do our “service outcomes” compare with similar cities?
 - ❖ *Service costs are one thing; value for cost – service outcomes – is another.*
 - How have City workloads and staffing changed over time?
 - Has City adopted and implemented “best practices” in wisely managing public resources entrusted to us?

EDITORIAL

OPINION OF THE TRIBUNE

City to taxpayers: We hear you!

Praise to SLO city manager for affirming his commitment to provide valuable information to the public on proposed sales tax measure

Results Summary

■ Financial: General Fund Focus

Compare favorably with benchmark cities in virtually all areas

- Lower than average operating costs.
- Lower than average staffing levels.
- Lower than average debt levels.
- The lowest ratio of support costs in administrative departments.
- Prudent reserve levels.
- Lower than average salary and benefit costs.

Results Summary

■ Service Outcomes

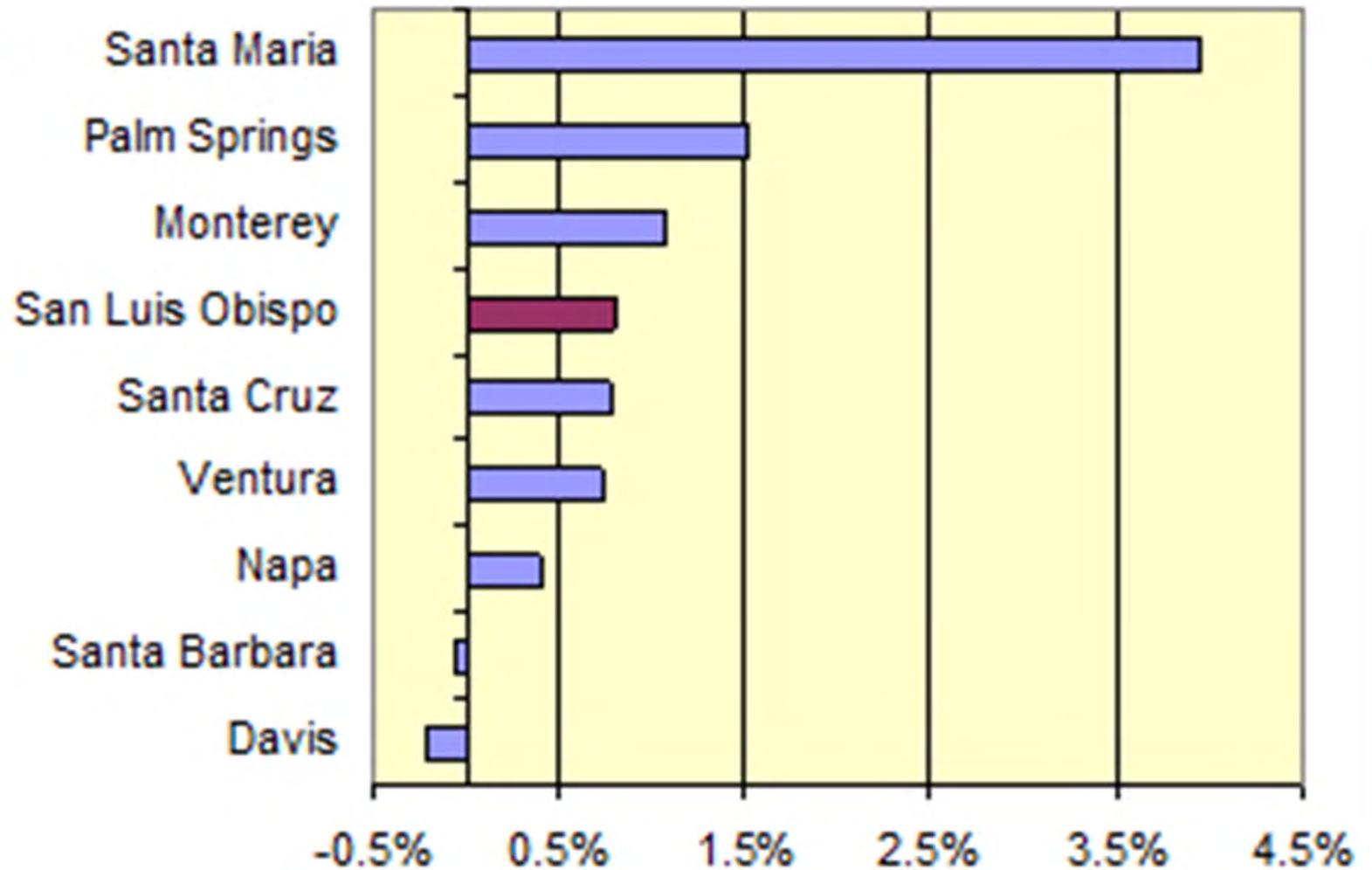
- Among the safest of the benchmark communities
 - ❖ Many reasons for this, and we believe that the effectiveness of our Police Department is one of them.
- However, higher incidence of injury auto collisions
 - ❖ This is an area of concern, especially since traffic enforcement is one of the areas we've had to cut back in balancing our budget.

Results Summary

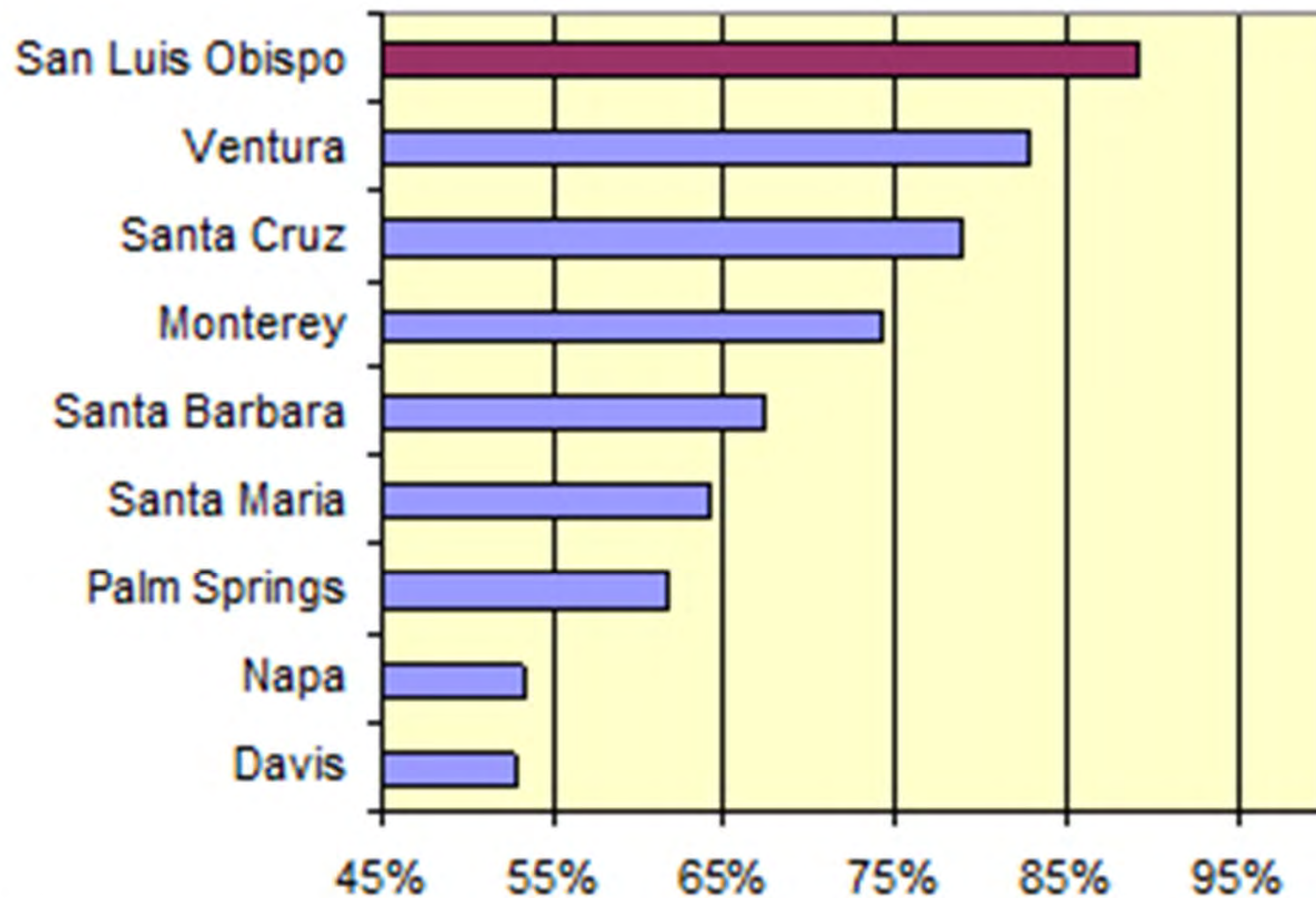
■ Service Outcomes

- Our pavement condition is one of the best.
 - ❖ Our pavement management plan has made a difference.
 - ❖ But if we continue on our current course – where we have cut back on paving expenditures by 67% (from \$3 million annually to \$1 million) – this will no longer be the case. In a few short years, our pavement condition will be even worse than it was in 1998 when we began the program.

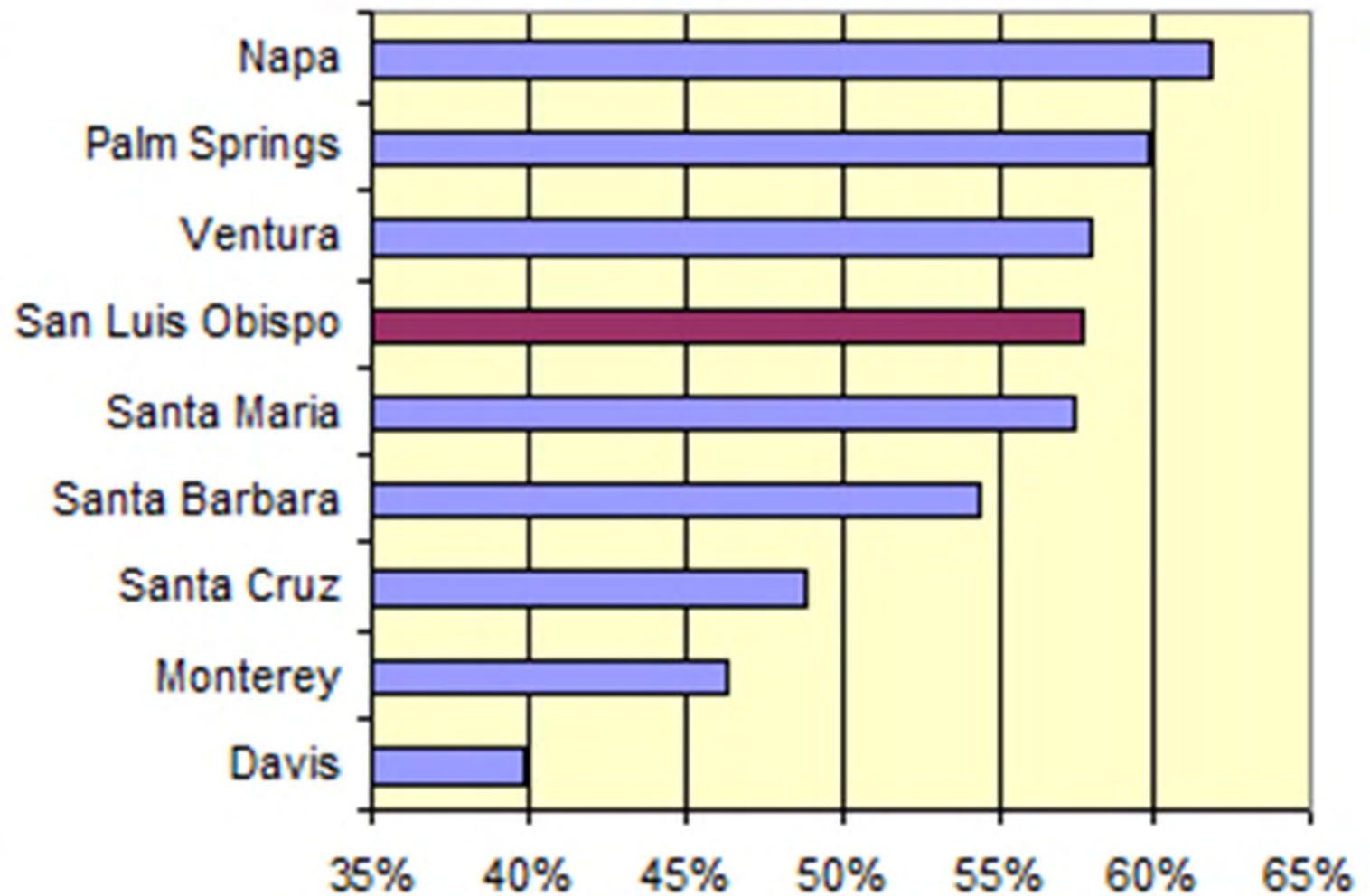
Population Change: 2004 to 2005



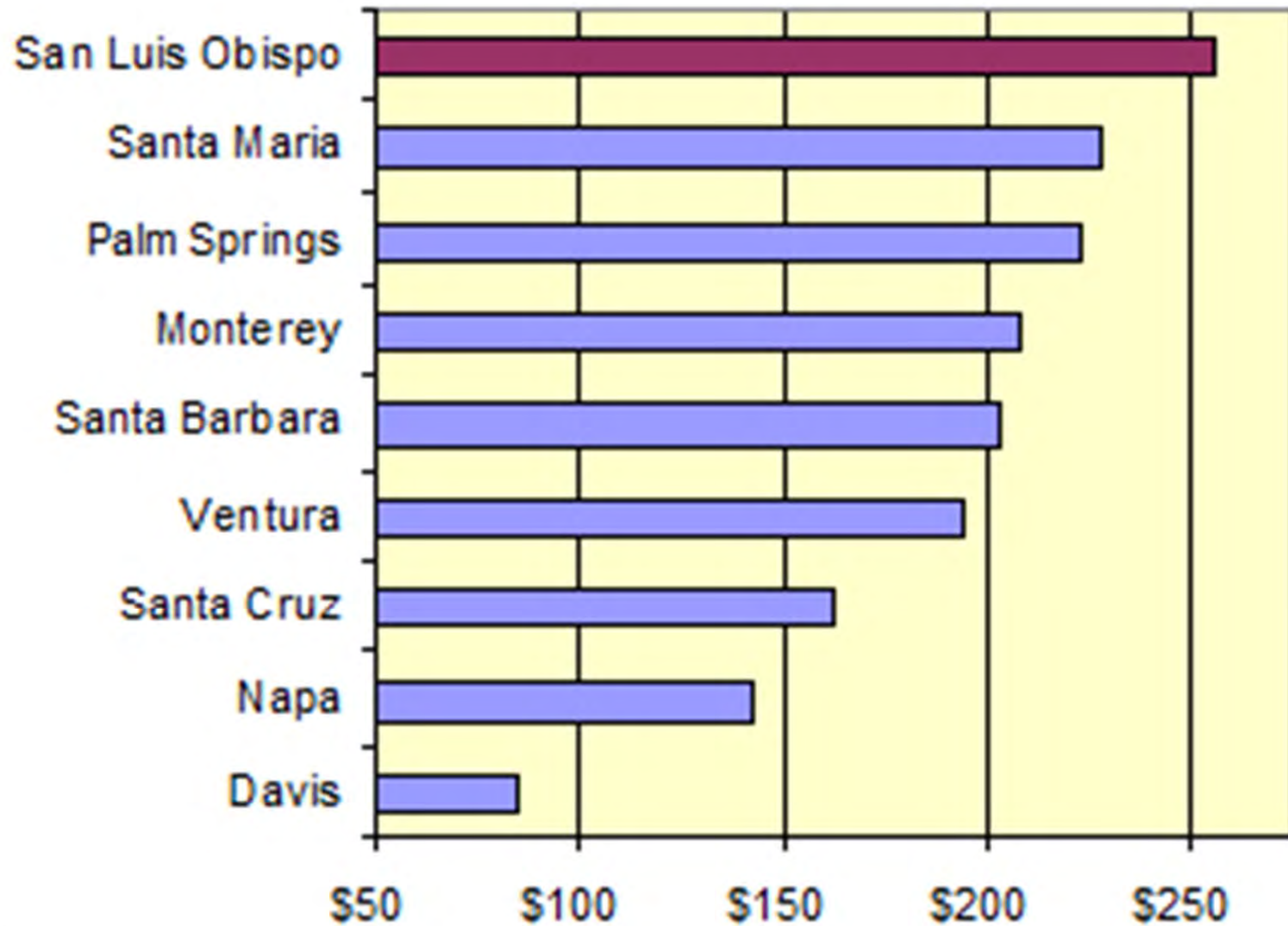
**Reliance on the General Fund:
% of General Fund to All Govt Fund Revenues**



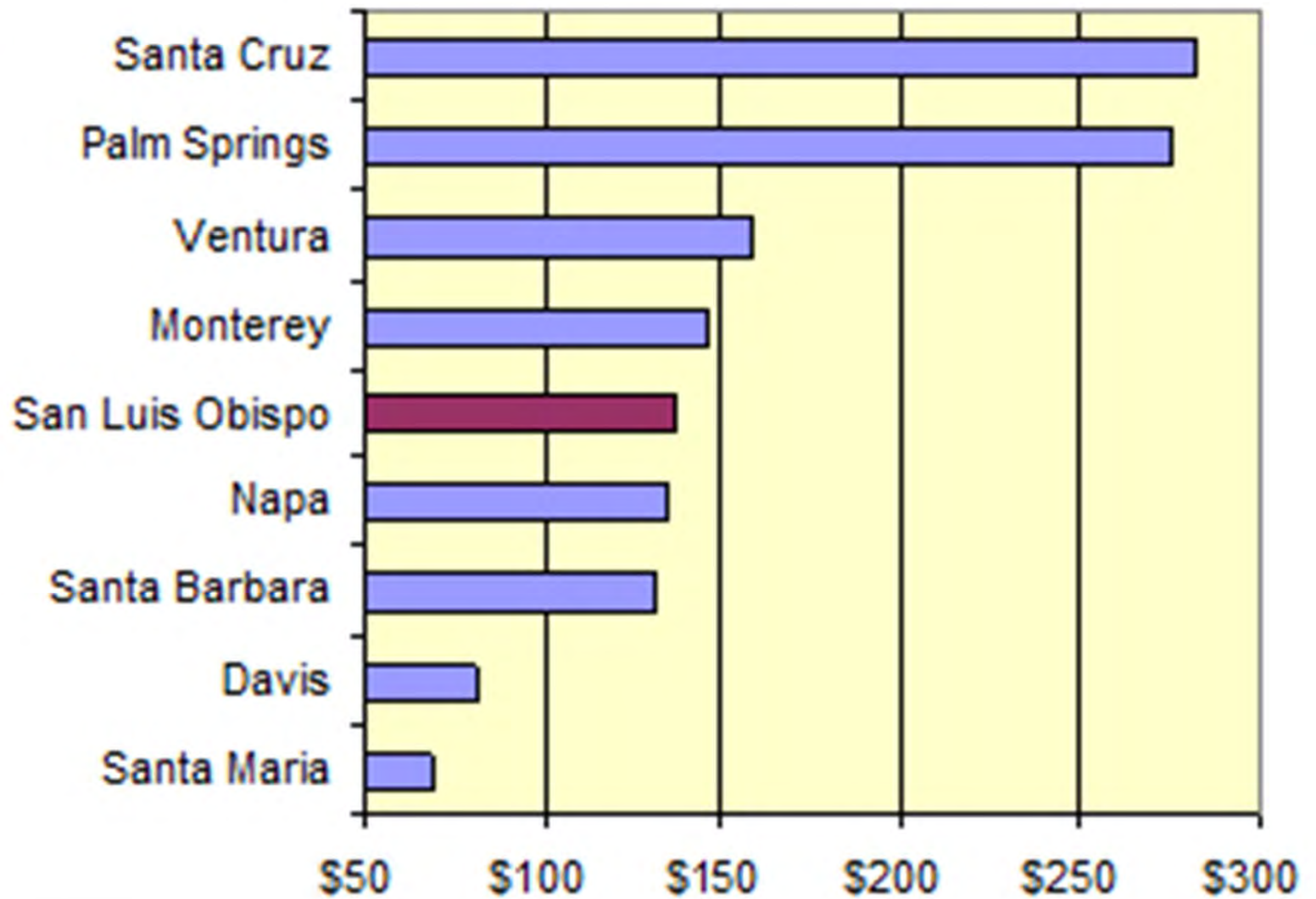
**Sales Tax, Property Tax & TOT:
% of Total General Fund Revenues**

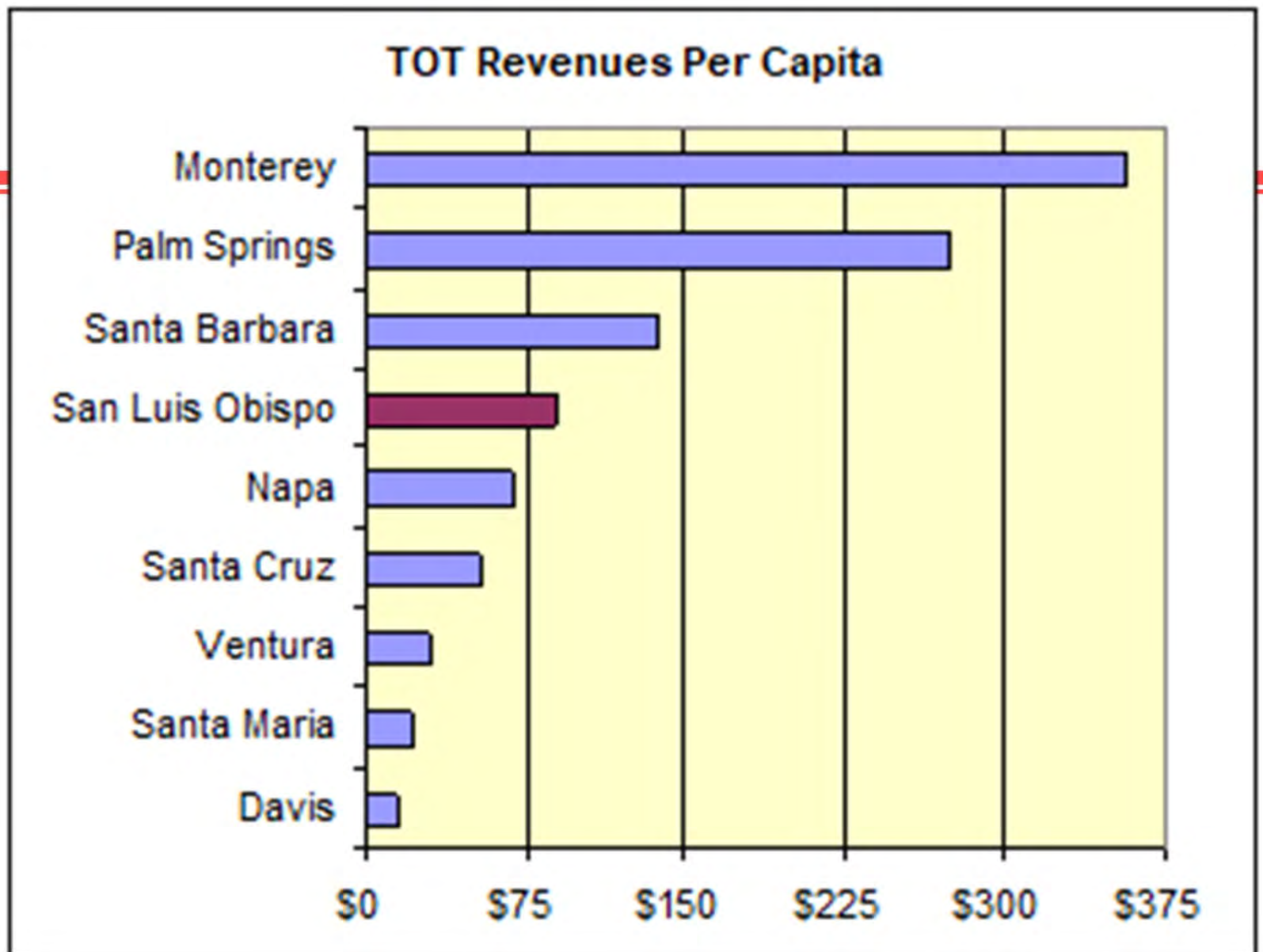


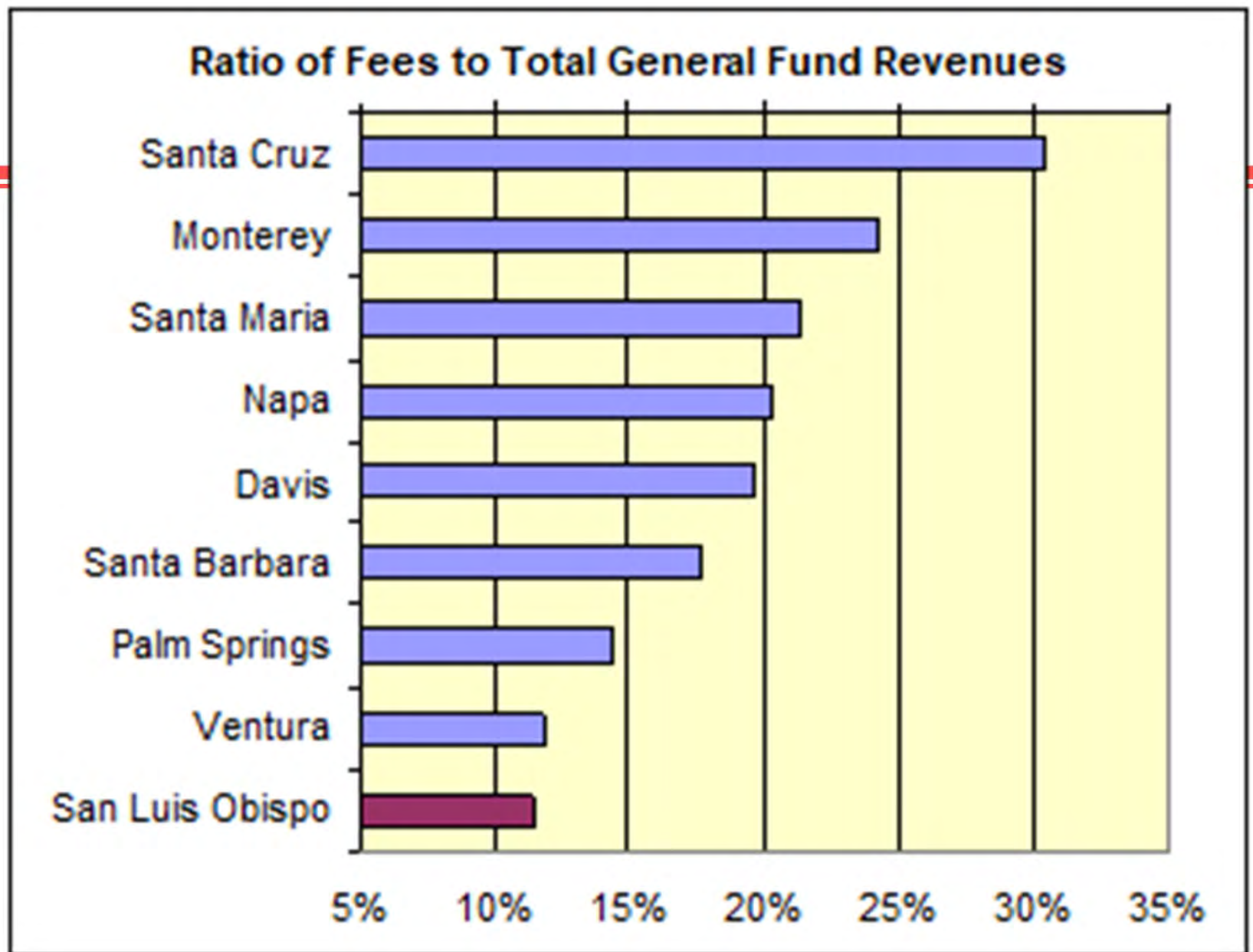
Sales Tax Revenues Per Capita



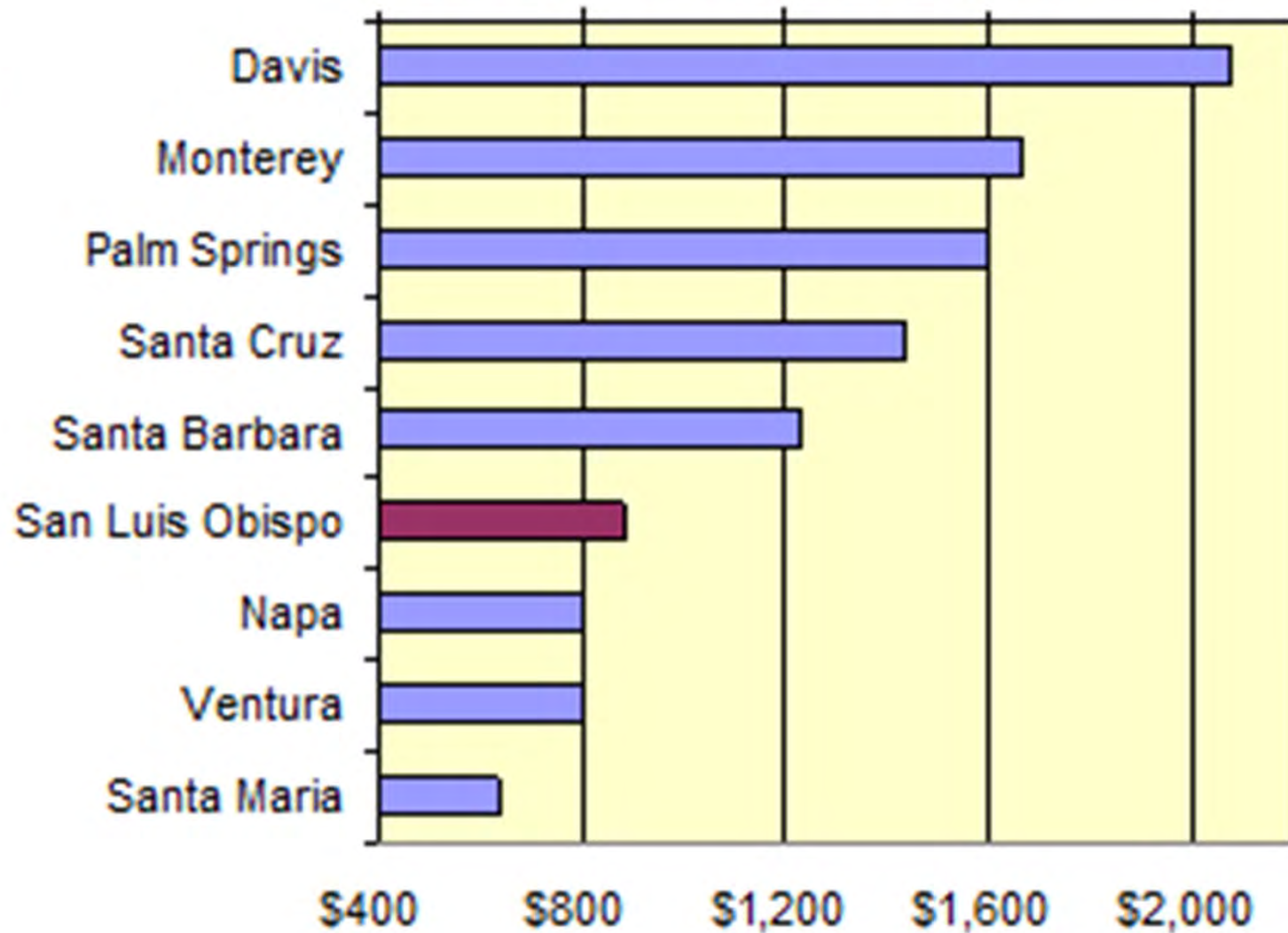
Property Tax Revenues Per Capita



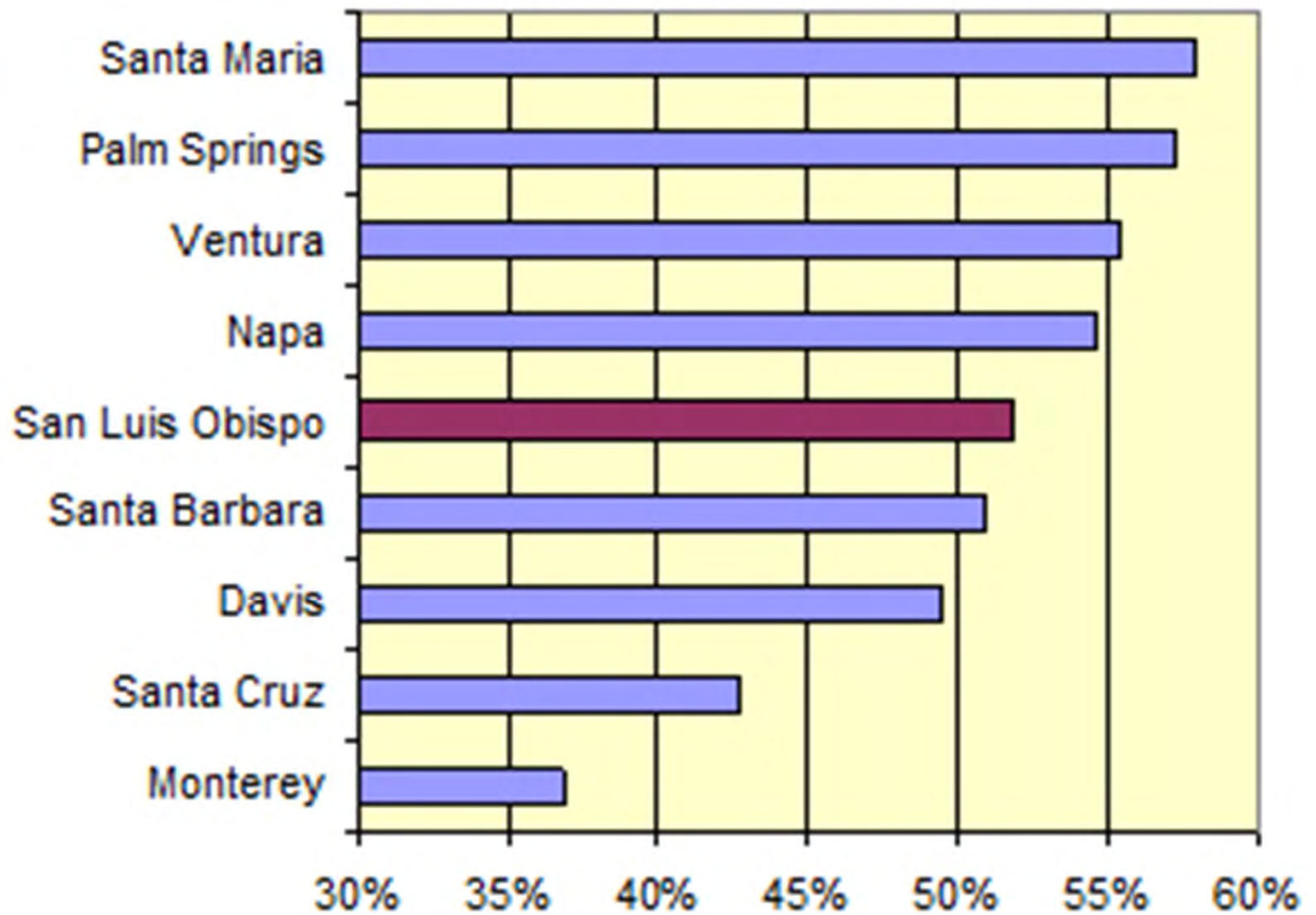




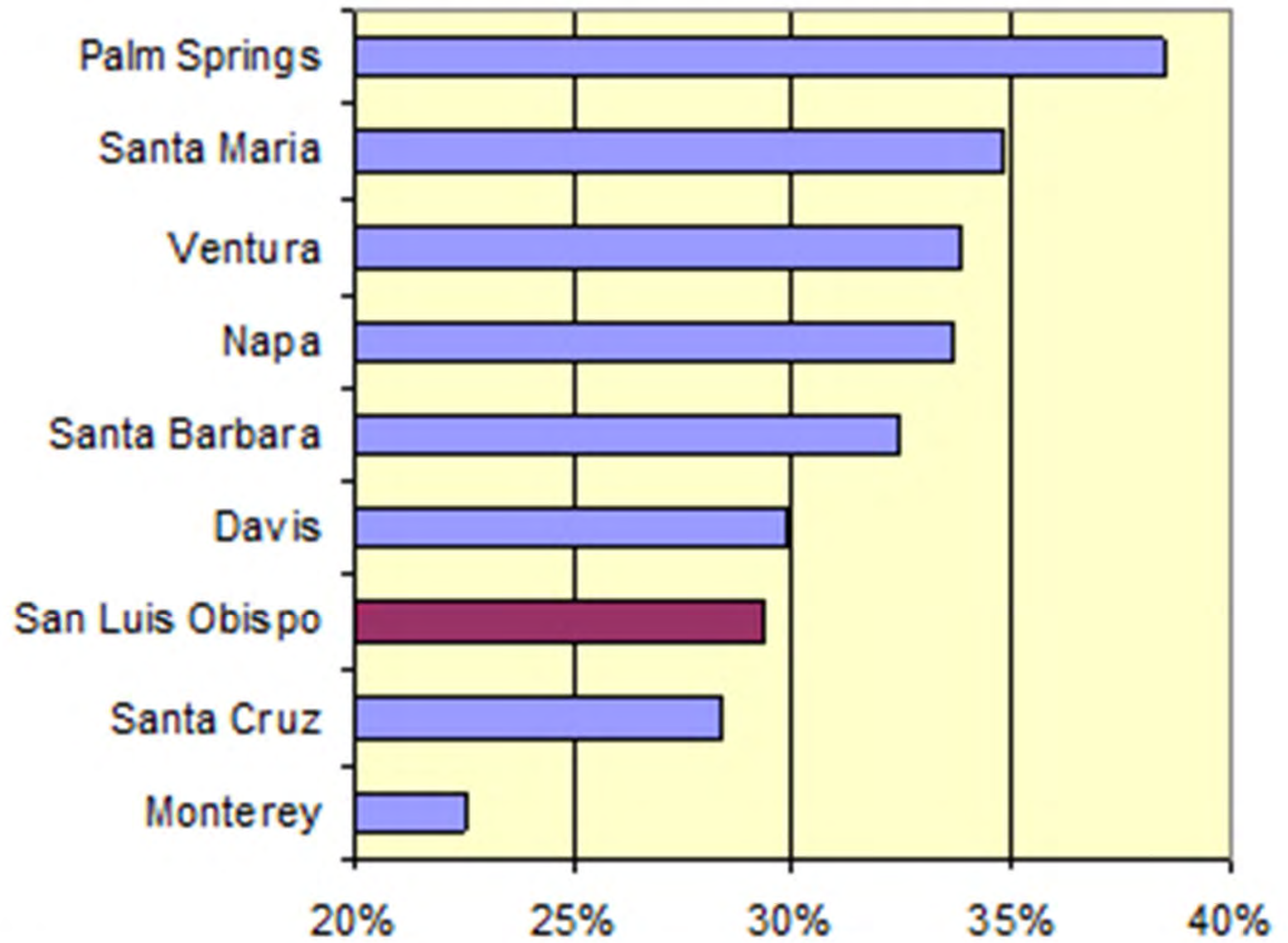
Governmental Costs Per Capita



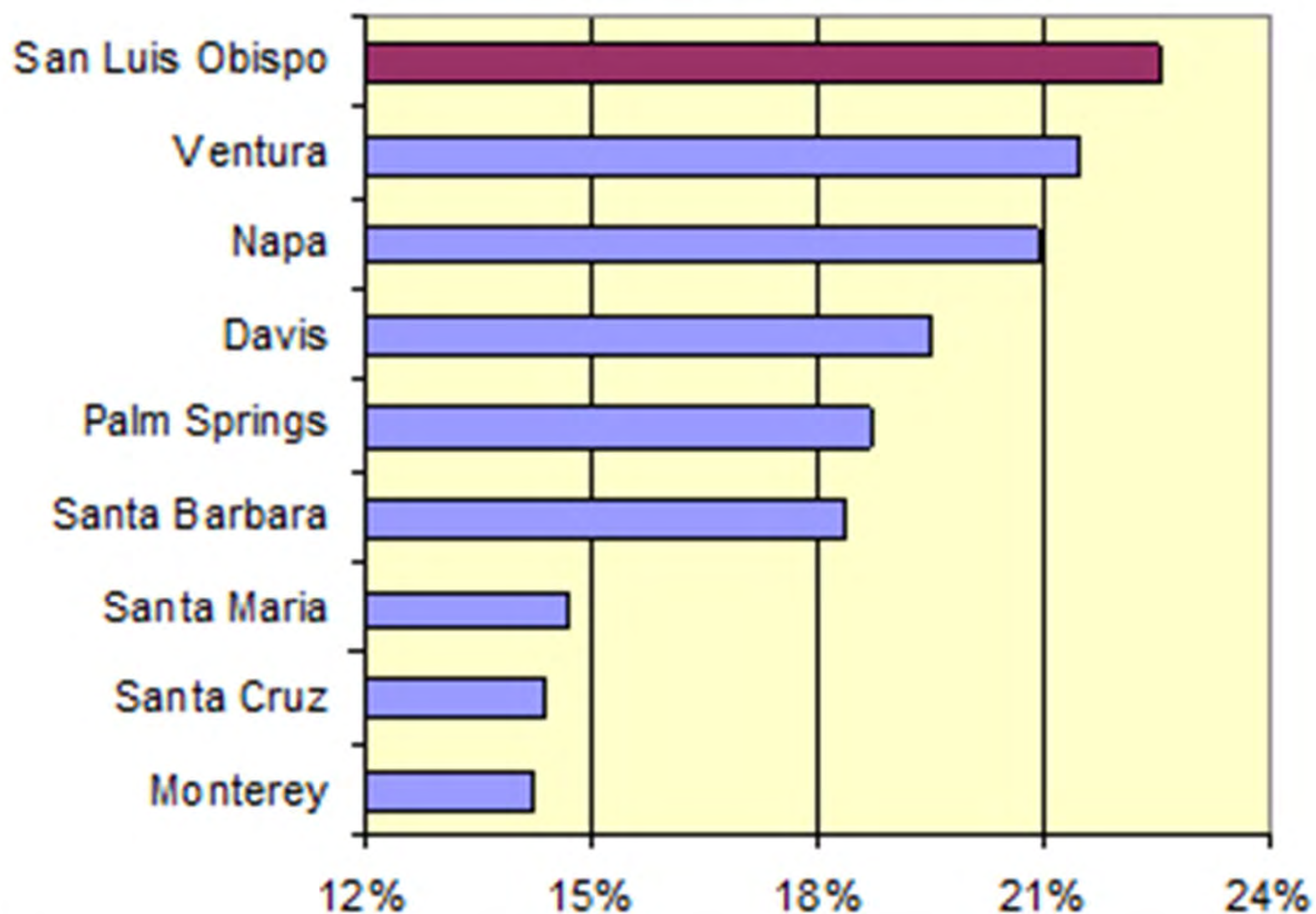
General Fund Allocations to Public Safety



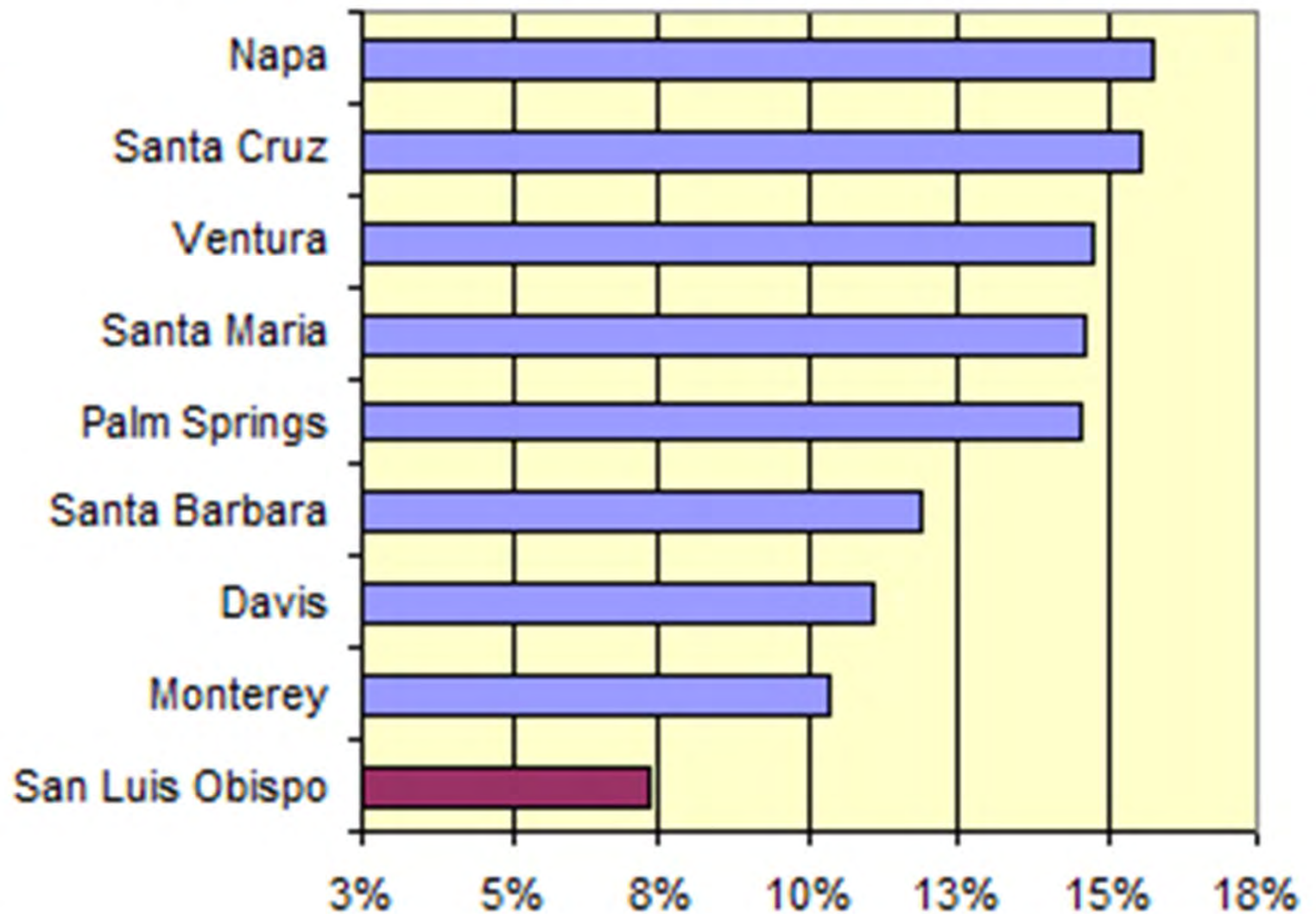
Allocation of General Fund Resources to Police



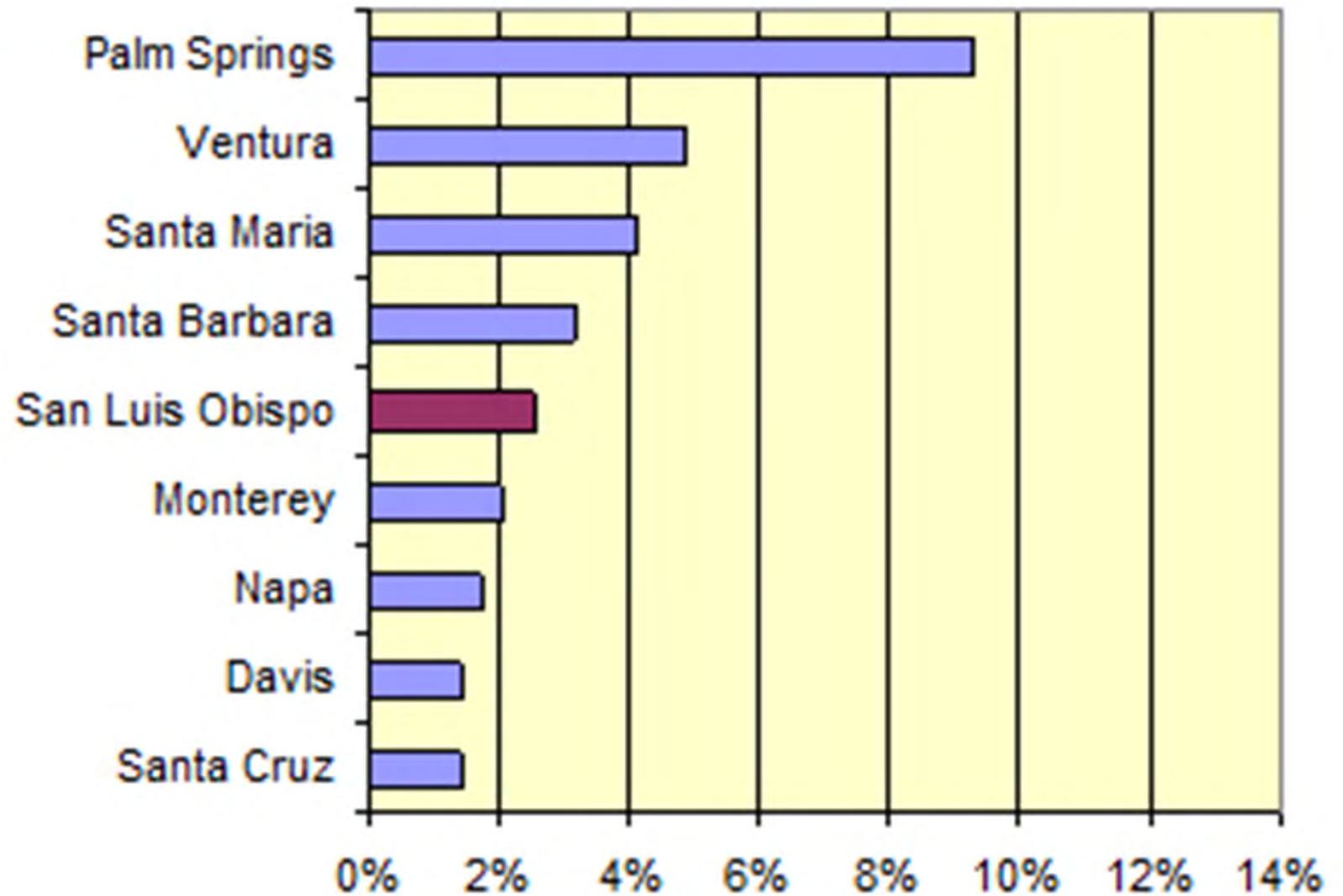
Allocation of General Fund Resources to Fire



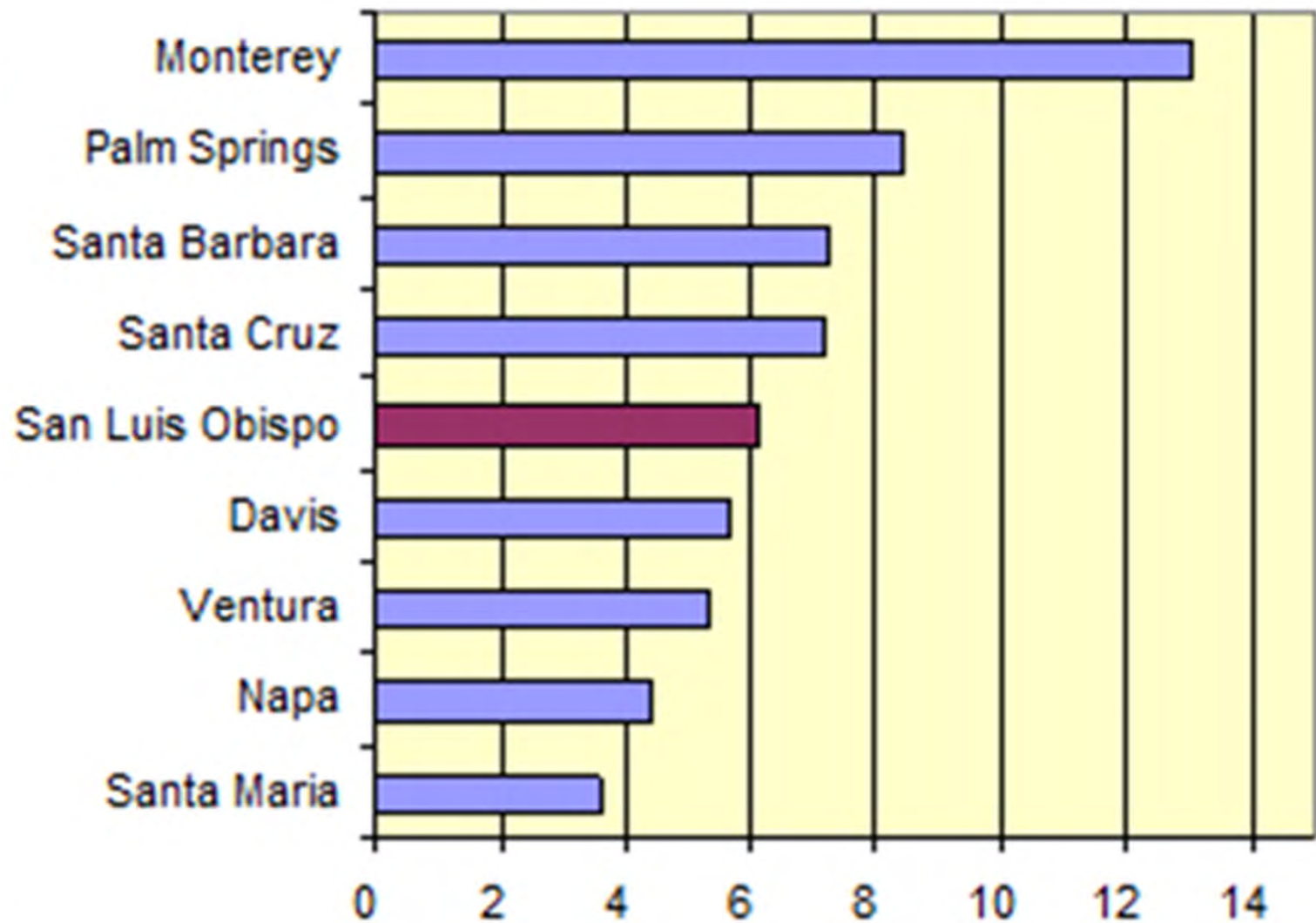
General Fund Allocations to Support Services



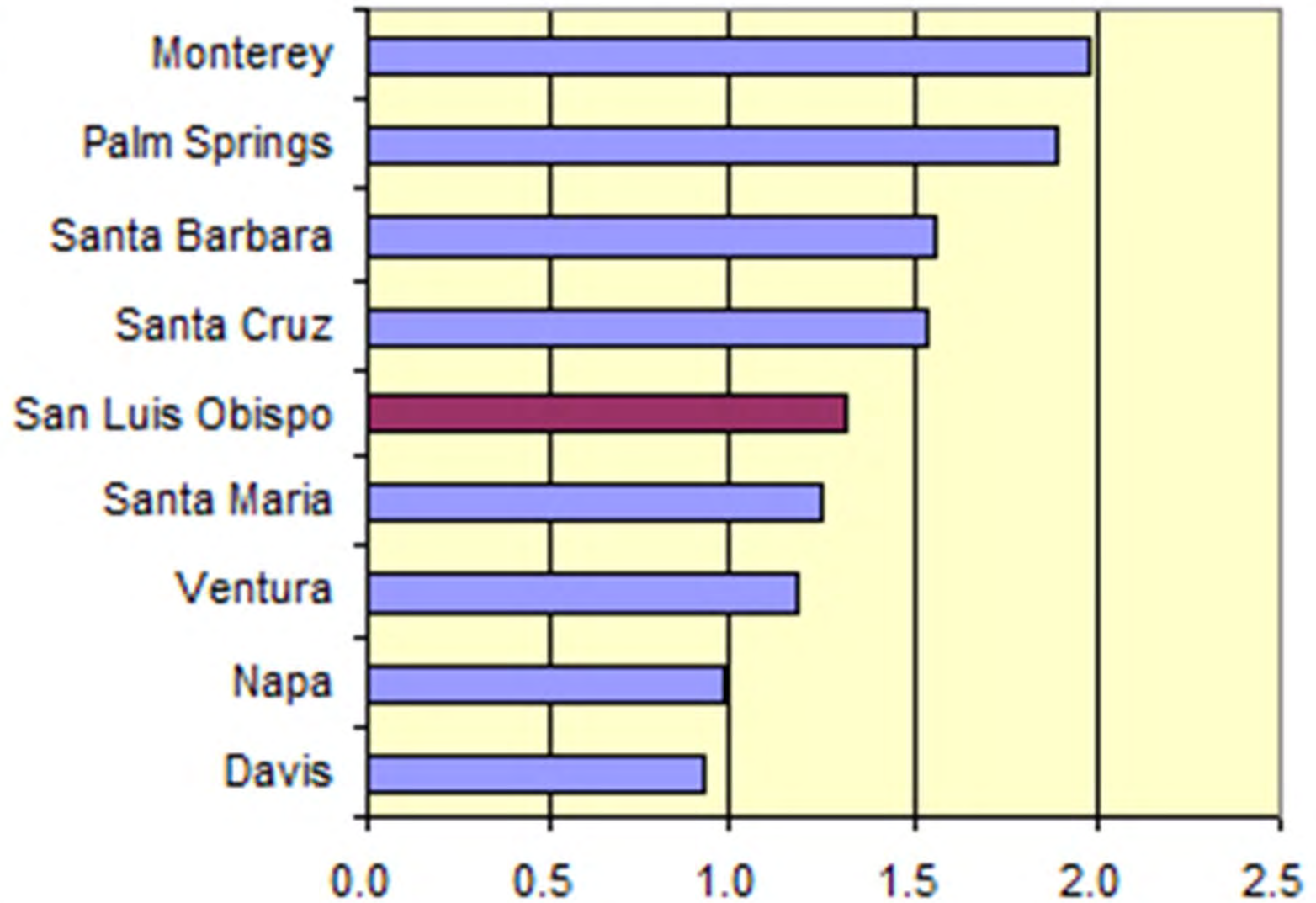
Ratio of Interest Costs to Governmental Costs

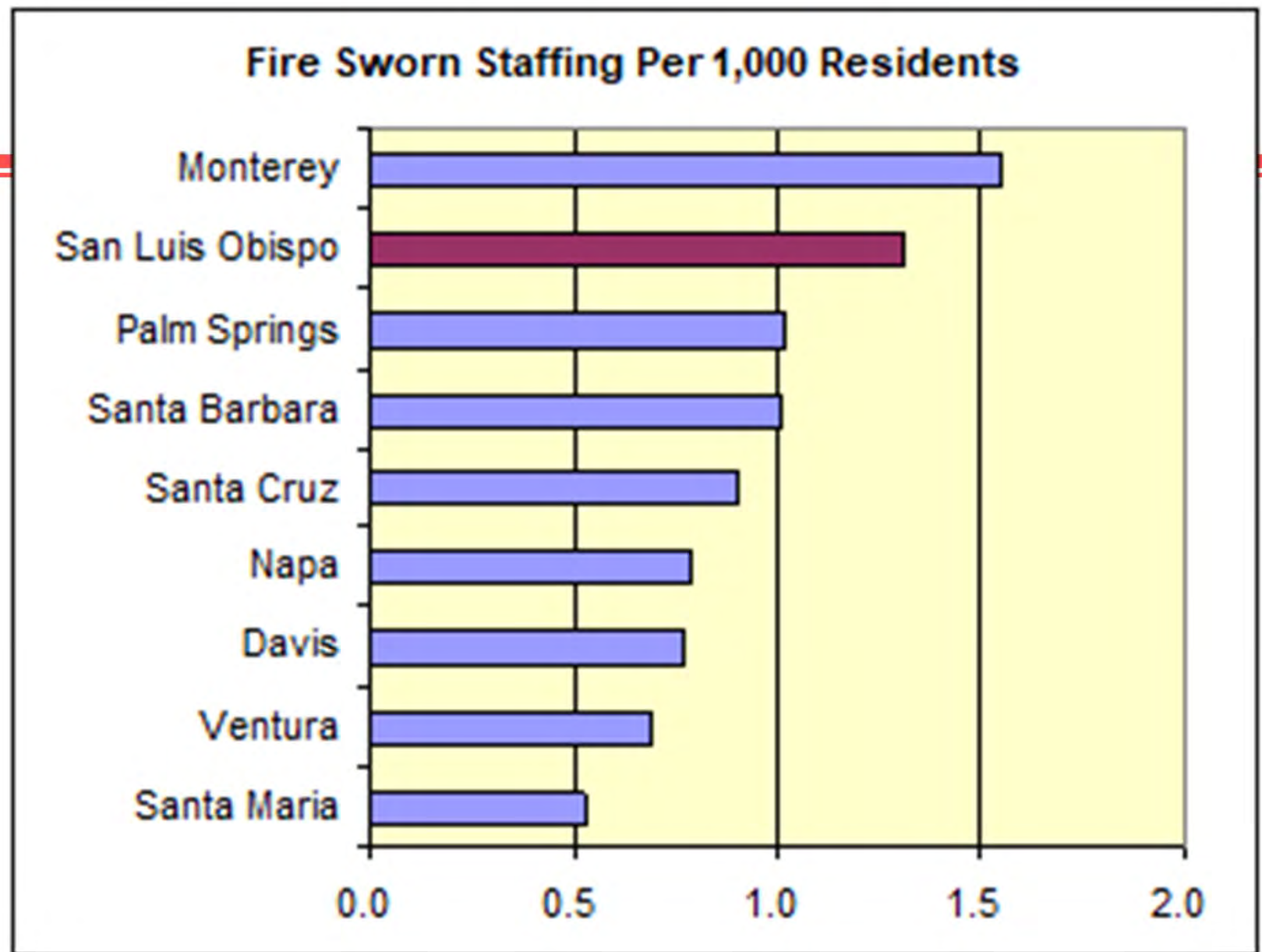


General Fund Staffing Per 1,000 Residents

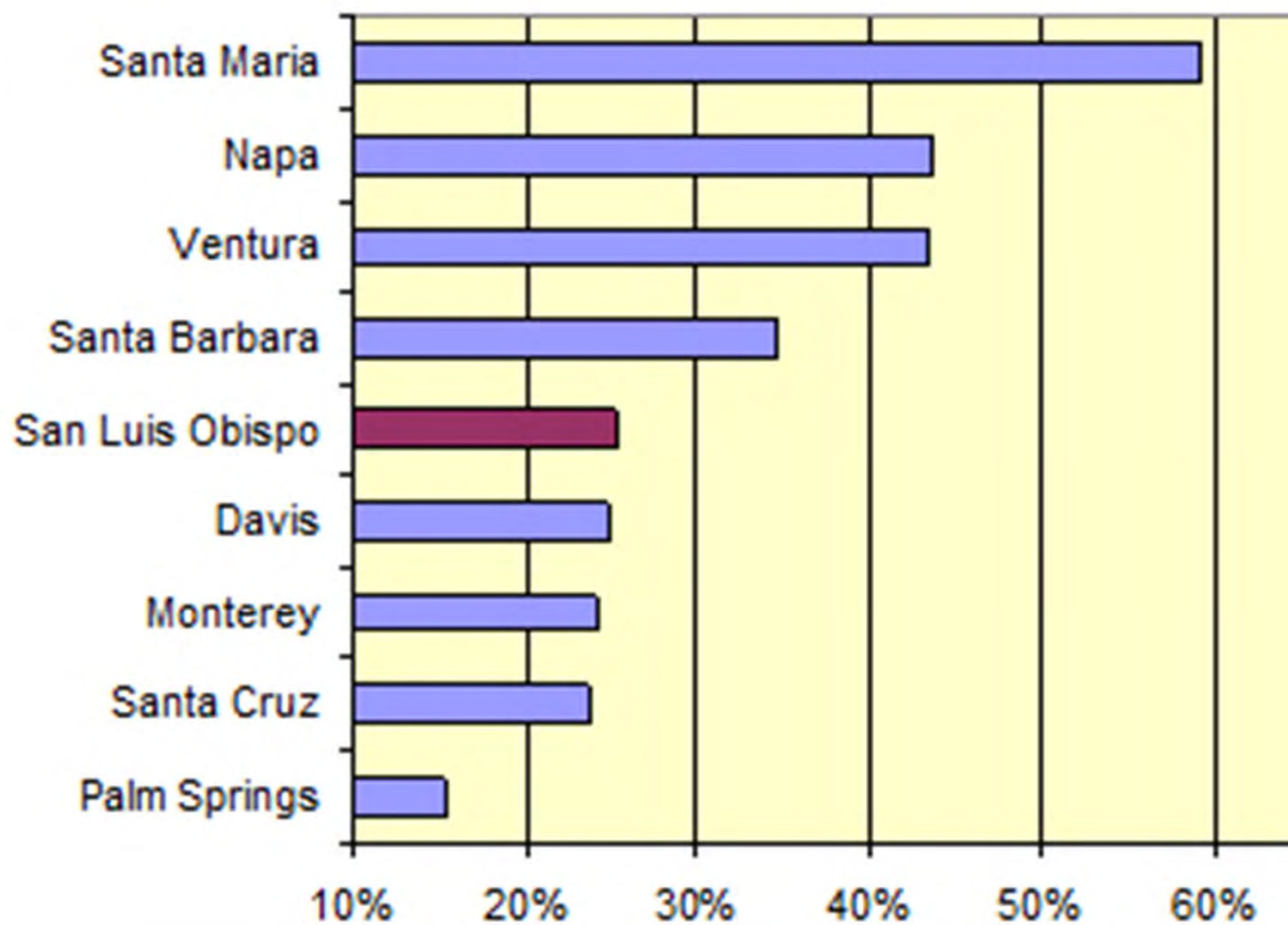


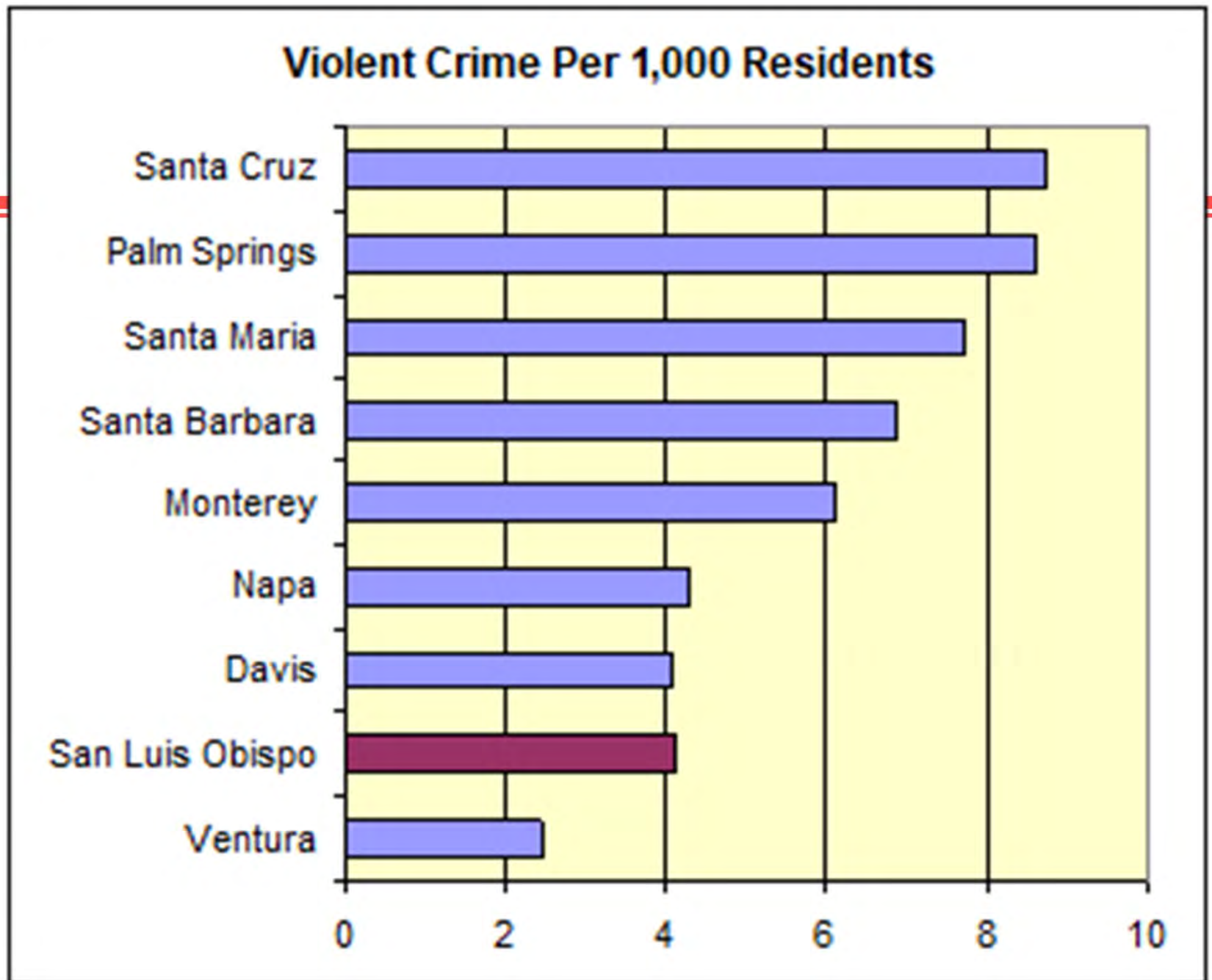
Police Sworn Staffing Per 1,000 Residents





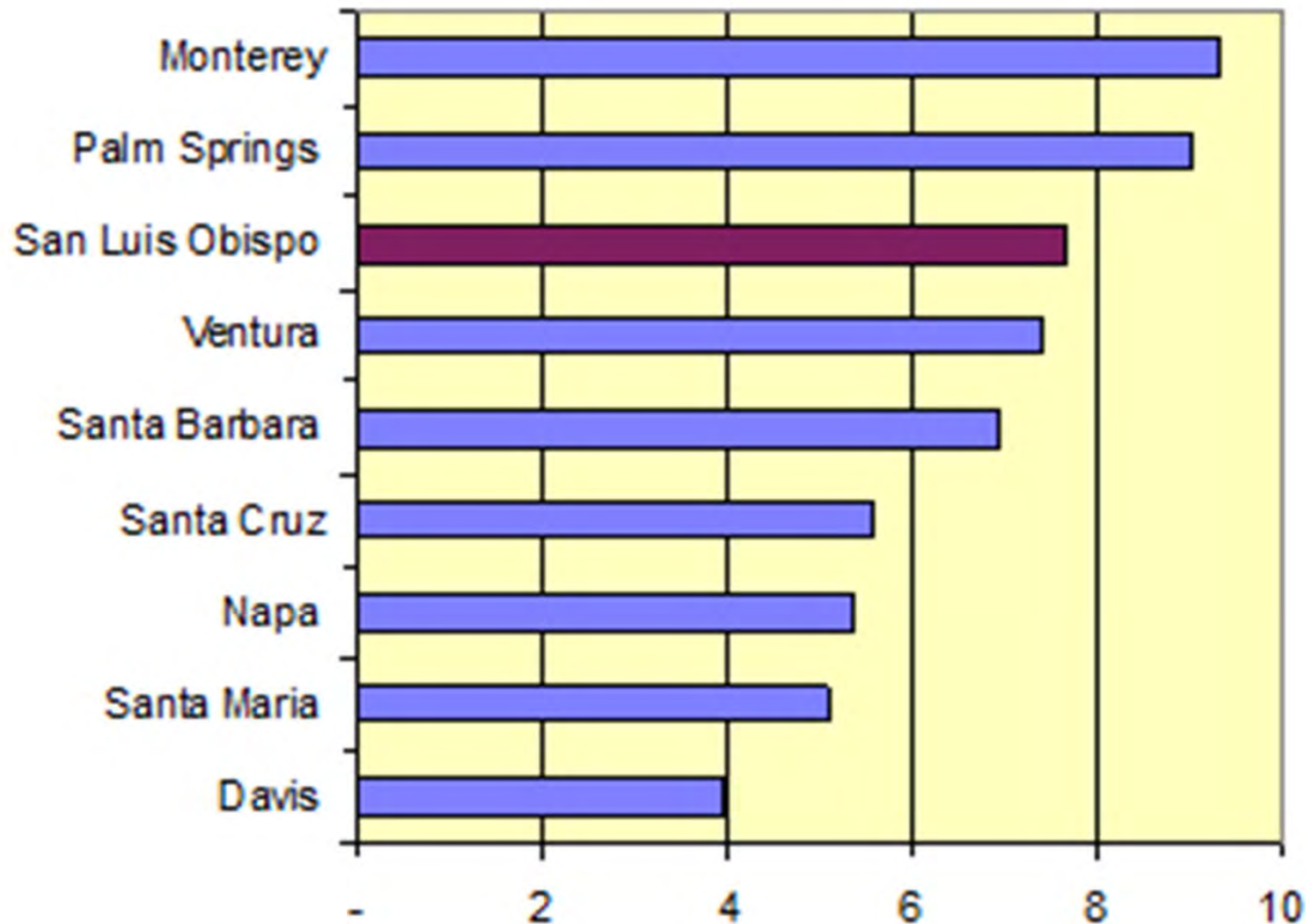
Ratio of General Fund Reserves to Operating Costs





Source: Federal Bureau of Investigations, Uniform Crime Report

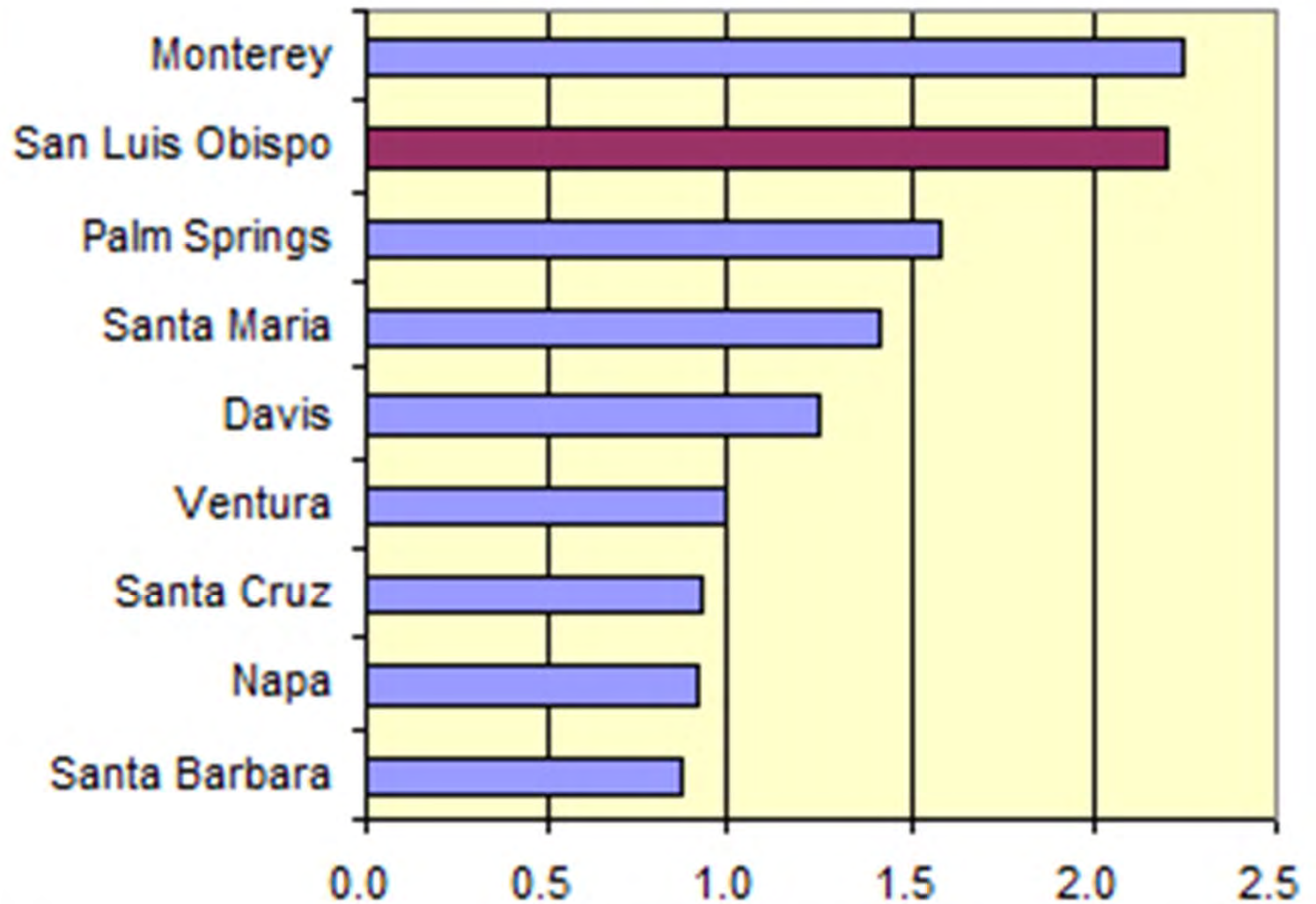
Collisions with Injuries Per 1,000 Residents



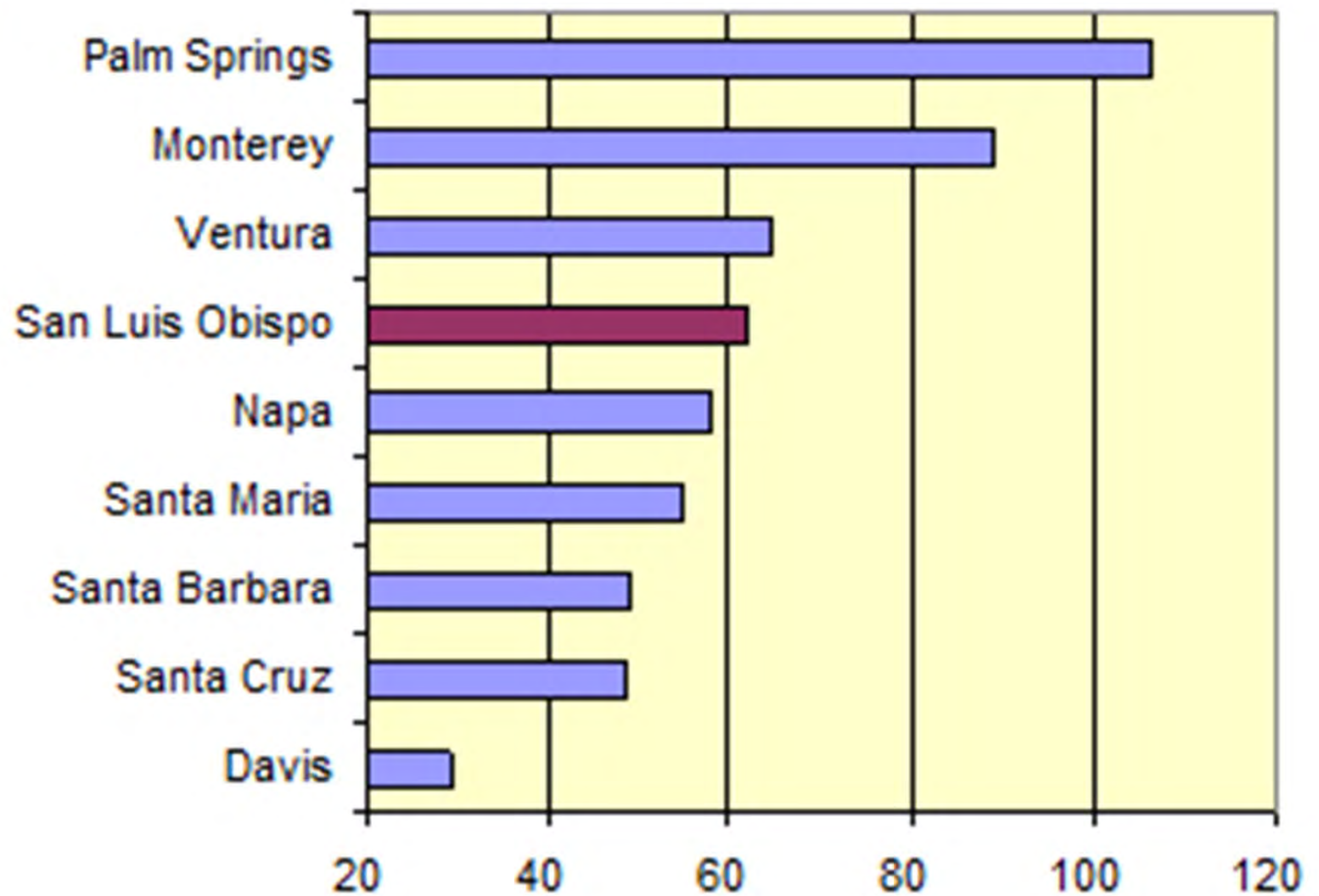
Traffic enforcement one of the areas we've had to cut back in balancing budget.

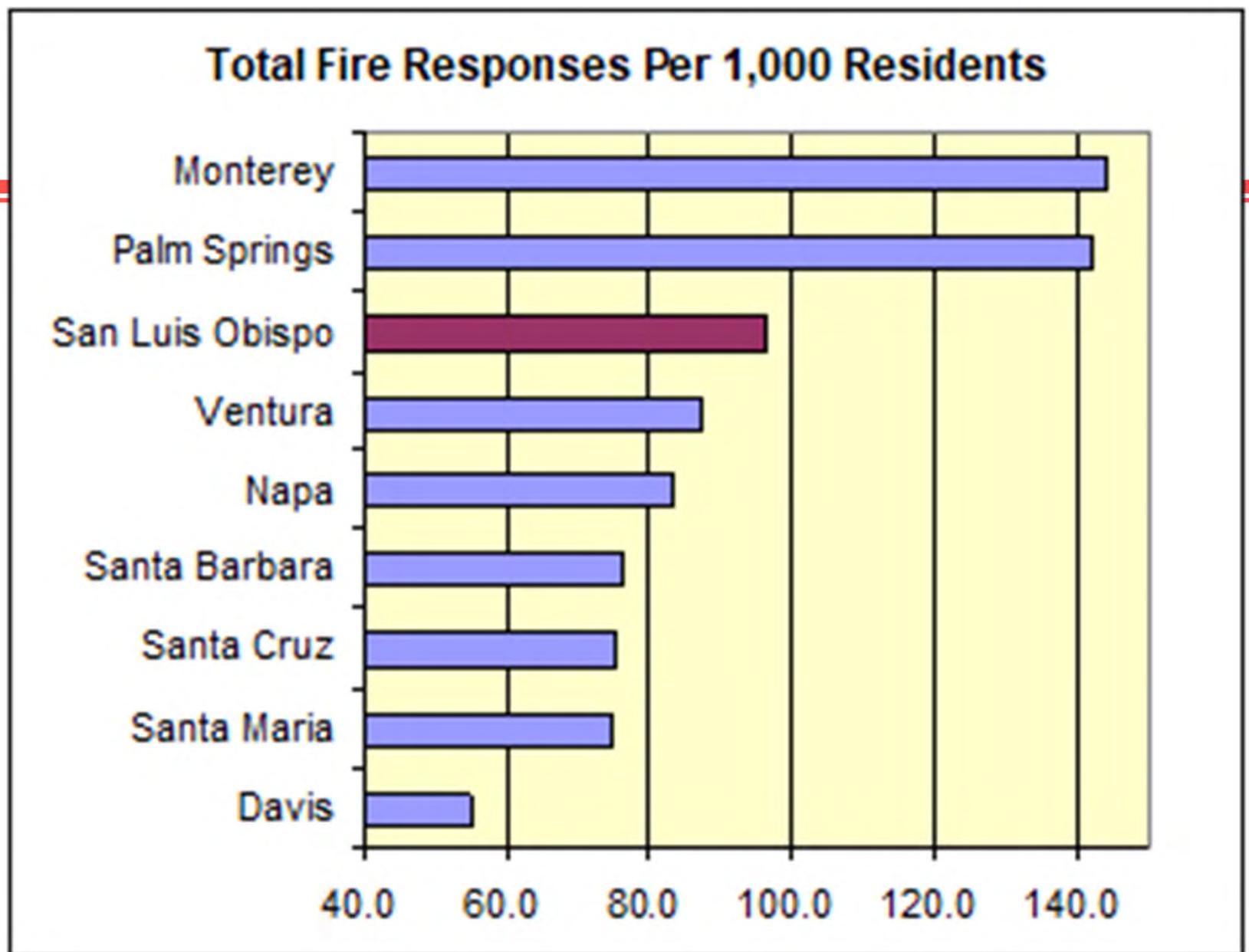
Source: State of California, Office of Traffic Safety

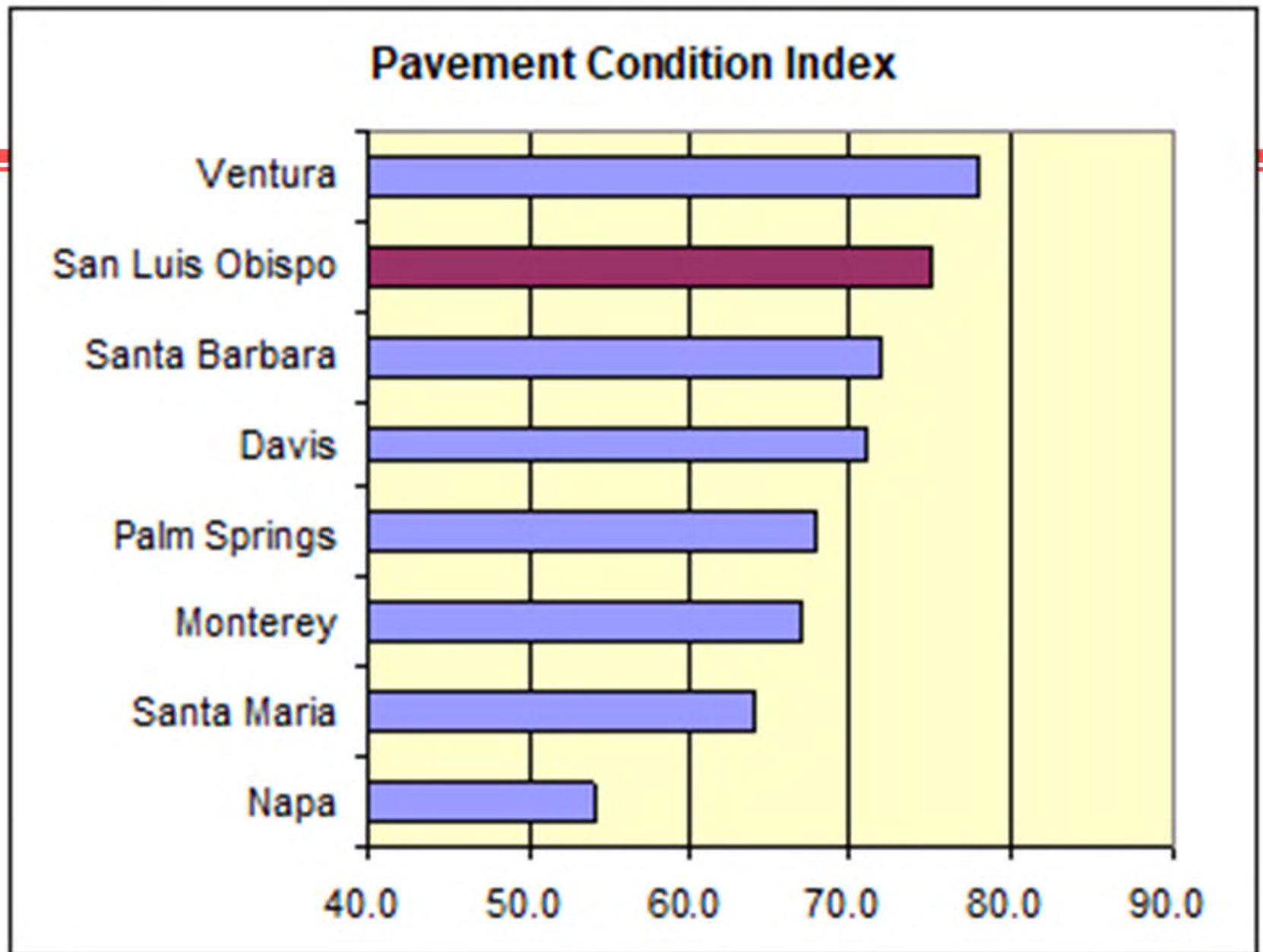
Structure Fires Per 1,000 Residents



Medical Emergencies Per 1,000 Residents





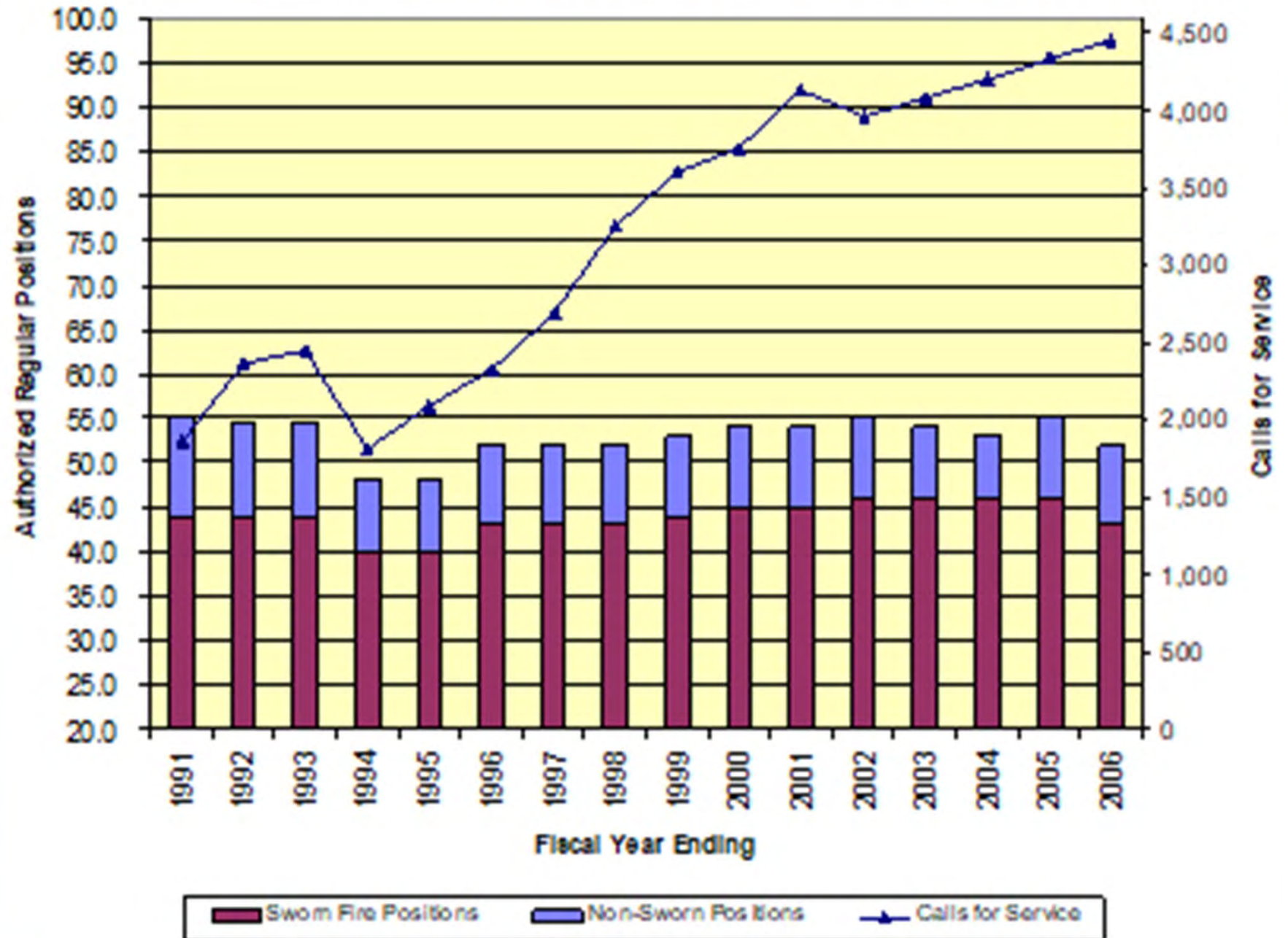


Yes, but we've cut way back on this.

Other Measures

- Trends
 - Staffing and workloads

Fire Regular Staffing and Calls for Service: Last 15 Years

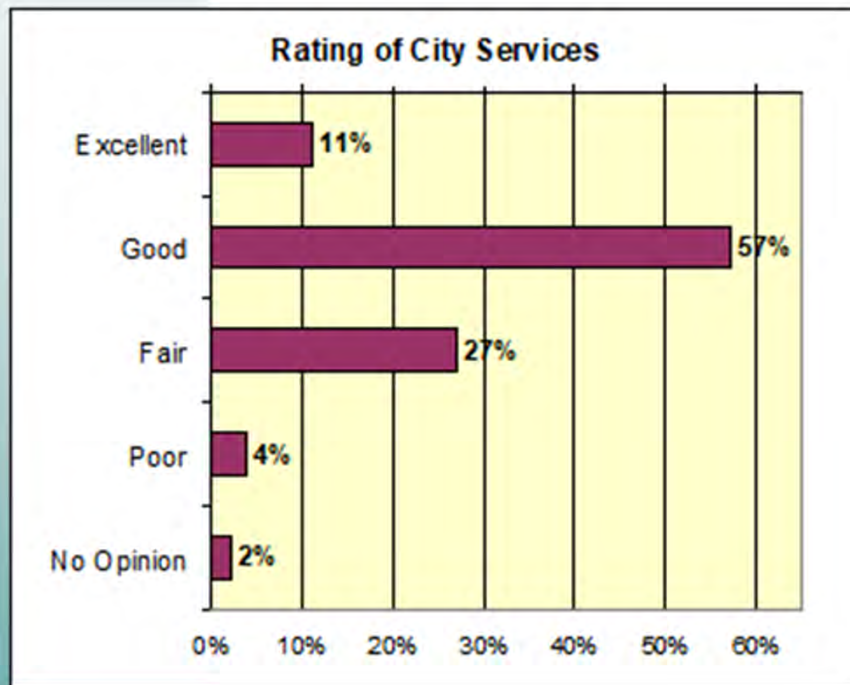


Other Measures



- Extensive use of best practices
 - Multi-year budgeting.
 - Long-term fiscal forecasts.
 - Integrating goal-setting into budget process.
 - Fiscal contingency plans.
 - Use of GAAP and “clean” audits by independent certified public accountants.
 - Effective ongoing monitoring of financial condition.
 - Long-term capital improvement plans.
 - Use of comprehensive fiscal policies as the foundation for decision-making.

Other Measures



- Partnerships and Collaborations
 - Private sector
 - Other agencies (school districts, County, Cal Poly, SLOCOG, others)
 - Non-profit agency partnerships
- Public Opinion Research

Pretty cool result ...

SLO often does more, spends less than other cities, analysis shows



ONLINE
EXTRA

Visit sanluisobispo.com to read a copy of the city's fiscal responsibility study.

By LESLIE GRIFFY
THE TRIBUNE

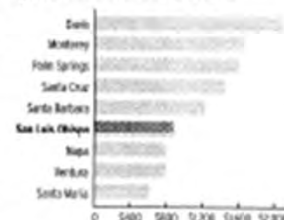
San Luis Obispo tends to spend less than similar California cities while providing better services, according to a report compiled by city officials at The Tribune's request.

The Tribune's Editorial Board, which oversees the newspaper's opinion and commentary, asked for the comparison data last fall when the city announced it would consider increasing the sales tax. The Tribune Editorial Board reasoned that the information would help voters assess how well the city uses its existing resources — and ultimately

Please see FINANCES, A6

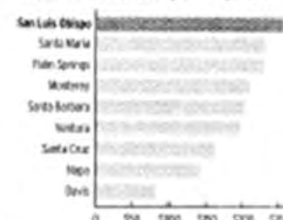
HOW SLO'S FINANCES COMPARE: EIGHT CALIFORNIA CITIES SERVE AS BENCHMARKS

SLO pays less per capita for governmental services ...



SOURCE: City of San Luis Obispo

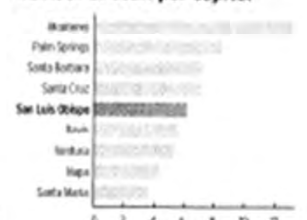
... but the city earns the most from sales taxes per capita ...



... and collects a lower ratio of revenues from fees ...



... while employing a mid-range number of staff per capita.



TRIBUNE GRAPHIC

Pretty cool result in Capitola, too ...



Santa Cruz Sentinel
NEWS

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Home News **Nation & World**

Capitola fares well in performance study

By JONDI GUMZ
jgumz@santacruzsentinel.com

POSTED: 09/24/12, 12:01 AM PDT 0 COMMENTS

CAPITOLA -- As the city prepares to ask voters Nov. 6 to approve a permanent quarter-cent sales tax to restore reserves depleted by flooding in 2011, supporters have evidence that city revenues are being used wisely.

A study by municipal financial consultant Bill Statler comparing Capitola operations with six other cities reputed to be well-run found Capitola "consistently compares favorably with the benchmark cities, and in several cases, it is the 'best in class.' "

Policies

- Reserves
- Purchasing

An Example of the Power of Policies

Fund Balance Survey: 1996

City	Policy?	If Yes, Description	Actual
Arroyo Grande	No		1%
Atascadero	No		1%
Grover Beach	Yes	20% of operating	20%
Morro Bay	Yes	27.5% of operating	15%
Paso Robles	Yes	15% of operating	13%
Pismo Beach	No		-14%
San Luis Obispo	Yes	20% of operating	21%

Situation Ten Years Later

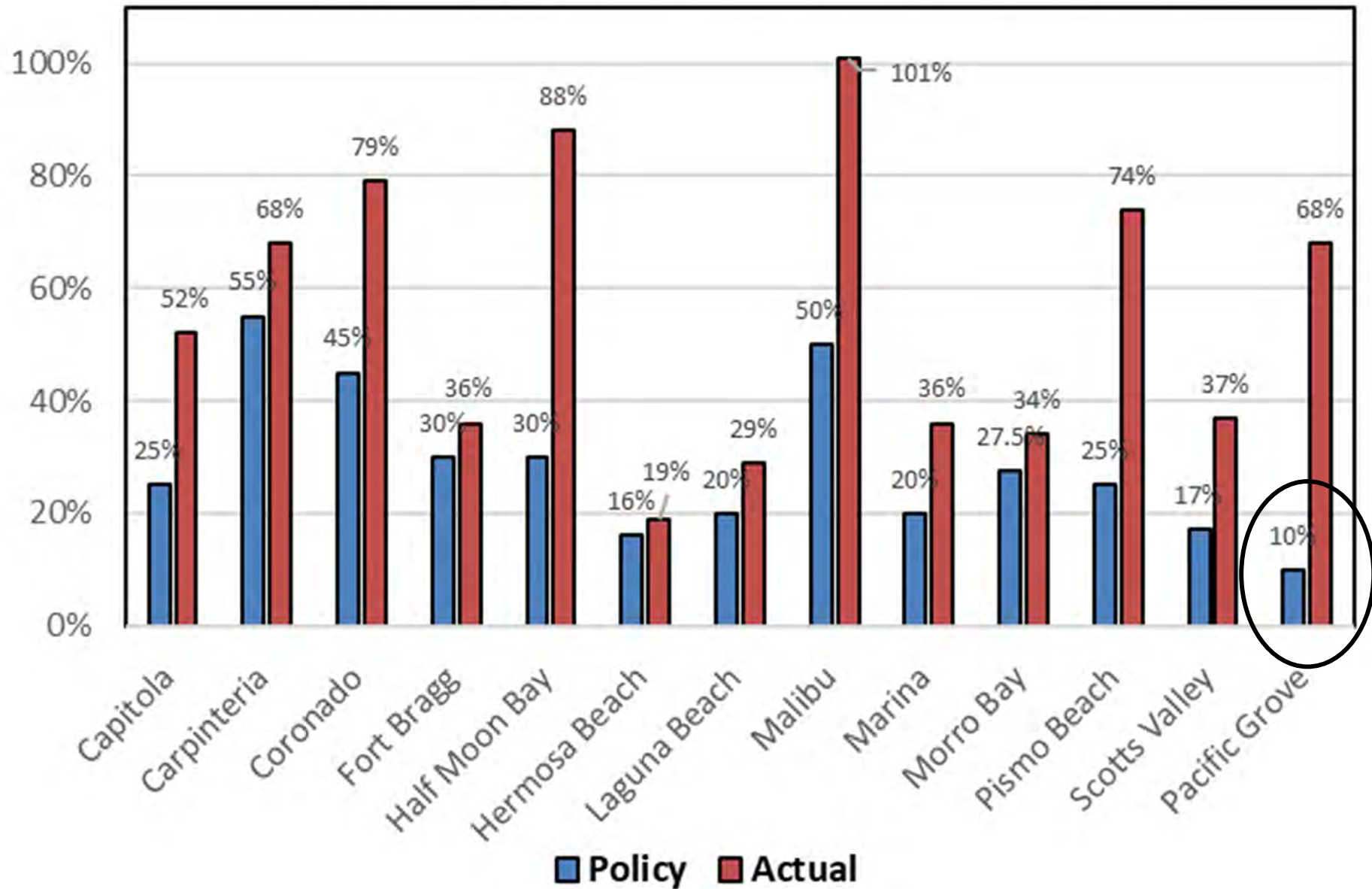
Based on Adopted 2006-07 Budget

City	Policy?	If Yes, Description	Actual
Arroyo Grande	Yes	20% of Operating	20%
Atascadero *	Yes	Narrative Assessment	44%
Grover Beach	Yes	20% of Operating	23%
Morro Bay	Yes	27.5% of Operating	14%
Paso Robles	Yes	15% of Operating	39%
Pismo Beach	Yes	15% of Operating	15%
San Luis Obispo	Yes	20% of Operating	21%

* *Actual Shown as Percent of Operating Budget*



General Fund Operating Reserves: Policy Vs Actual



Other Reserve Nuances

- Besides “target,” also want to survey
 - What is the “reserve?”
 - How is it defined?
 - What’s the base?
 - How is it reported?
 - When can it be used?
 - How should it be restored?
 - How does it compare to actual?

Defining Reserves

- General Fund Balance (GASB 54)
 - Nonspendable
 - Restricted
 - Unrestricted
 - ❖ Committed
 - ❖ Assigned
 - ❖ Unassigned

How should it be reported?

What it's for?

■ Operating Reserve

- Economic uncertainties
- Contingencies for unforeseen operating or capital needs
- Strategic opportunities
- Cash flow

■ Other Reserves

- Insurance
- Fleet replacement
- Equipment/IT replacement
- Facilities
- Encumbrances/carryovers
- Unfunded pension and OPEC obligations

What's the base?

■ Expenditures

- All expenditures
 - ❖ Operating, capital, debt service
 - ❖ All expenditures and transfers out
- Operating expenditures
 - ❖ Operating, debt service, transfers out

■ Revenues

- Total
- Recurring

■ Impact: same amount

- Higher base: lower target
- Lower base: Higher target



Purchasing

- The “what”
 - Construction projects
 - Supplies
 - O&M contract services
 - Consultant services
- The “when”
 - Dollar threshold
 - Award authority
- The “how”
 - Process
- The “who”



Benchmark City Comparisons

Supplies and Equipment

Typical Features	Open Market	Informal	Formal
Process	No Specific	3 Verbal/Written Quotes	IFB/Sealed Bids
Award Authority	Department Head	Finance/City Mgr	Council
Award Docmntion	Invoice	Purchase Order	Formal Contract
Shafter (1990)	Less than \$1,000	\$1,000 to \$10,000	More than \$10,000
Galt (1997)	Less than \$2,000	\$2,000 to \$30,000	More than \$30,000
Lathrop (2002)	Less than \$2,500	\$2,500 to \$75,000	More than \$75,000
Lemoore (2016)	Less than \$10,000	\$10,000 to \$50,000	More than \$50,000
Riverbank (2008)	Less than \$30,000	No process	More than \$30,000
Dinuba (2021)	Less than \$35,000	\$35,000 to \$85,000	More than \$85,000
Wasco (1999)	Less than \$500	\$500 to \$10,000	More than \$10,000



Benchmark City Comparisons

Consultant Services

Dinuba (2021)	Same as supplies and equipment
Galt (1997)	Not specifically addressed
Lathrop (2002)	Not specifically addressed
Lemoore (2016)	Not specifically addressed
Riverbank (2008)	Not specifically addressed
Shafter (1990)	Same as supplies and equipment
Wasco (1999)	Not specifically addressed

Fee Studies

- Revenue options
- Development fees

Revenue Options

- Is it in place now?
 - New source or increase to existing one?
- Who pays it?
- How much revenue would it generate?
- What's required to implement it?
- How can it be used?
- Why is it an appropriate funding source?
- How would these revenues be collected?
- How would it affect revenue diversity and stability?
- When could it be effective?
- What approval steps required under Proposition 218 and other State requirements?
- Any other special implementation issues?
- Who else has it?
 - How does this compare with benchmark" cities?



TOT

TOT Rates: Comparison Cities	
Chowchilla	10%
Dinuba	10%
Escalon	10%
Galt	10%
Gonzales	8%
King City	10%
Ripon	10%
Sanger	4%
Soledad	6%
Winters	10%
Greenfield	8.0%



Business Tax

City	Primary Tax Basis	Business License Tax Revenues	% of General Fund Revenues	Revenues Per Capita
Chowchilla *	Gross Receipts	\$98,000	1.4%	\$8.17
Dinuba	Gross Receipts	230,000	2.2%	9.72
Escalon	Gross Receipts	38,000	1.4%	5.19
Galt	Employees	101,000	1.2%	4.16
Gonzales	Gross Receipts	50,000	1.2%	5.96
King City	Employees	78,000	1.6%	5.90
Ripon	Employees	125,000	1.5%	8.41
Sanger	Gross Receipts	115,000	1.2%	4.62
Soledad *	Gross Receipts	57,000	0.9%	3.56
Winters	Flat Fee	26,000	0.6%	3.73
Greenfield	Flat Rate	25,000	0.5%	1.48



UUT

Utility User Tax Rates: Comparison Cities	
City	UUT Rate*
Chowchilla	-
Dinuba	7.0%
Escalon	-
Galt	-
Gonzales	4.0%
King City	2.0%
Ripon	-
Sanger	5.0%
Soledad	5.0%
Winters	5.0%
Greenfield	3.0%

On most utilities: several cities levy a lower rate on some utilities and not at all on others.

	2016 Revenues*	% Total Revenues	SFR Rate Per Unit
Calleguas Municipal Water District	\$2,989	2.3%	\$2,235
Contra Costa Water District	-	-	-
East Bay Municipal Utilities District	-	-	-
Inland Empire Utilities Agency			
Water	997	0.5%	1,527
Wastewater	24,910	13.0%	6,671
Metropolitan Water District	-	-	-
San Diego County Water Authority	15,839	2.6%	5,250
San Francisco Public Utilities Commission			
Water	2,057	0.2%	1,859
Wastewater	7,244	0.8%	5,006
Zone 7 Water Agency, Alameda County Water District			
Water	39,135	32.8%	40,770
Flood Protection	7,409	6.2%	\$1/sq ft of imperv surf

* In thousands

Staffing

- Per total staff
- Per expenditures
- Per capita

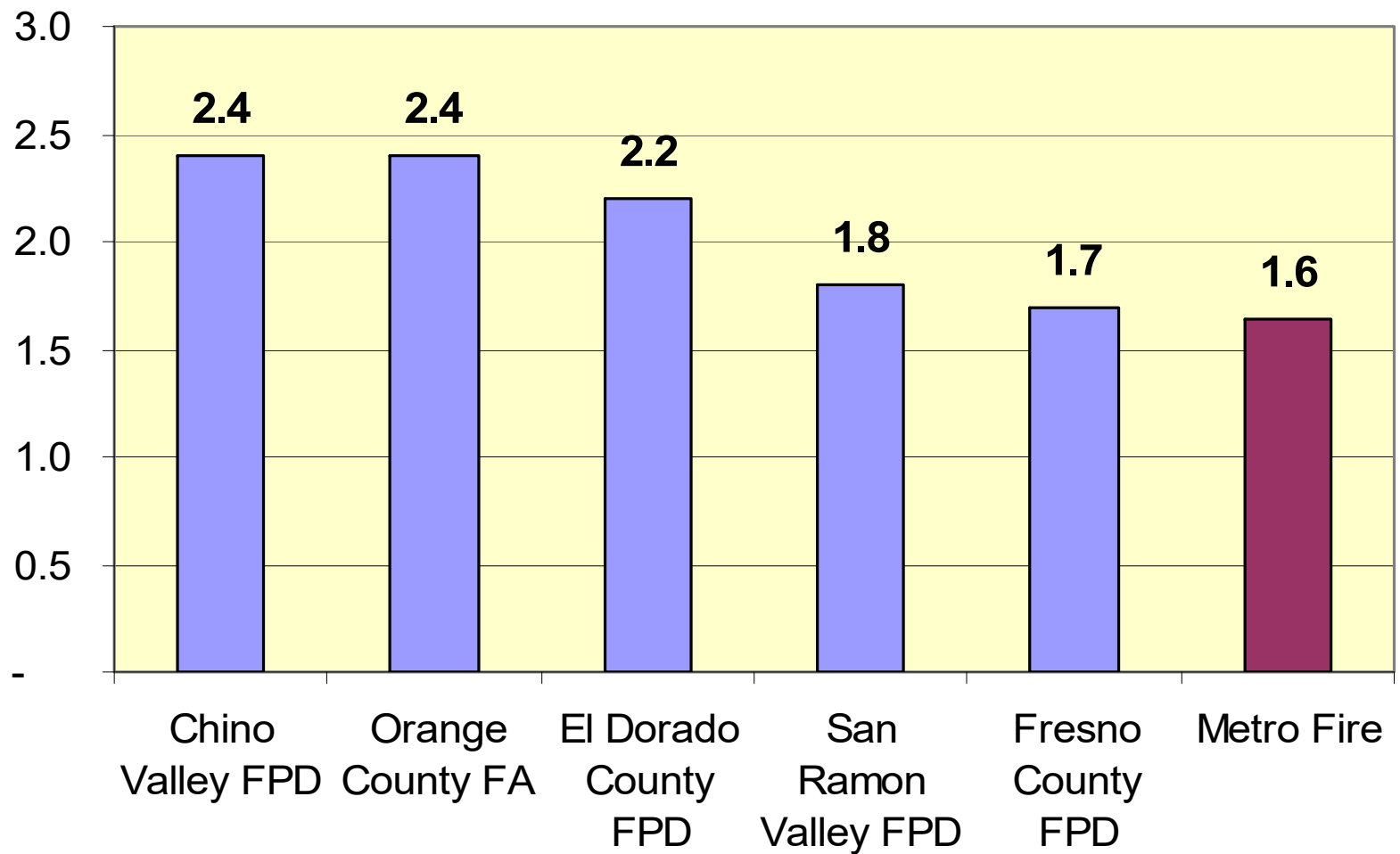


Presenting Issue

- Audit recommended adding two FTEs
- Budget added them
- Administrative Services Director wanted to be sure before recruiting
 - Addressed other issues as well

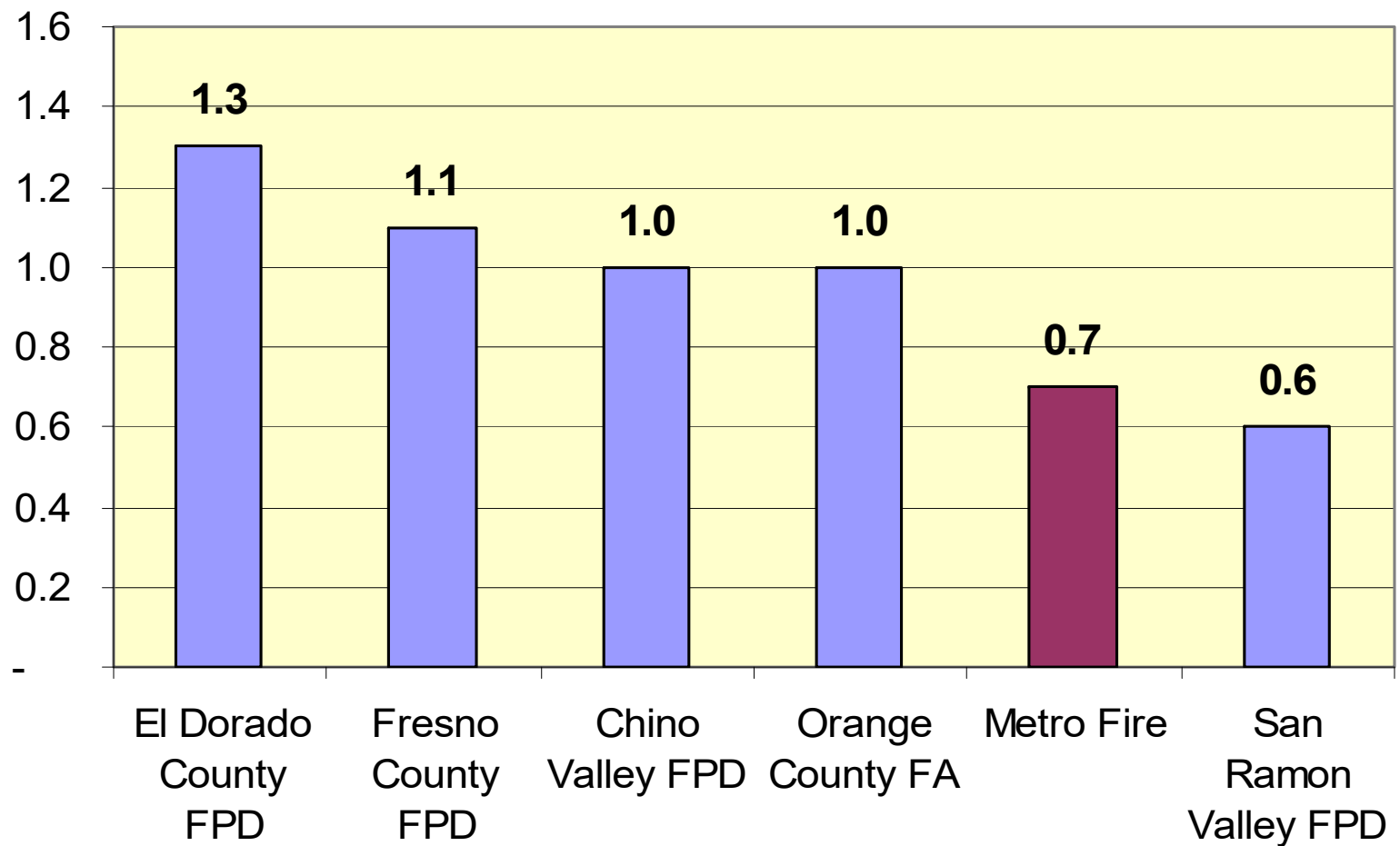


Finance Staffing Per 100 Regular Staff



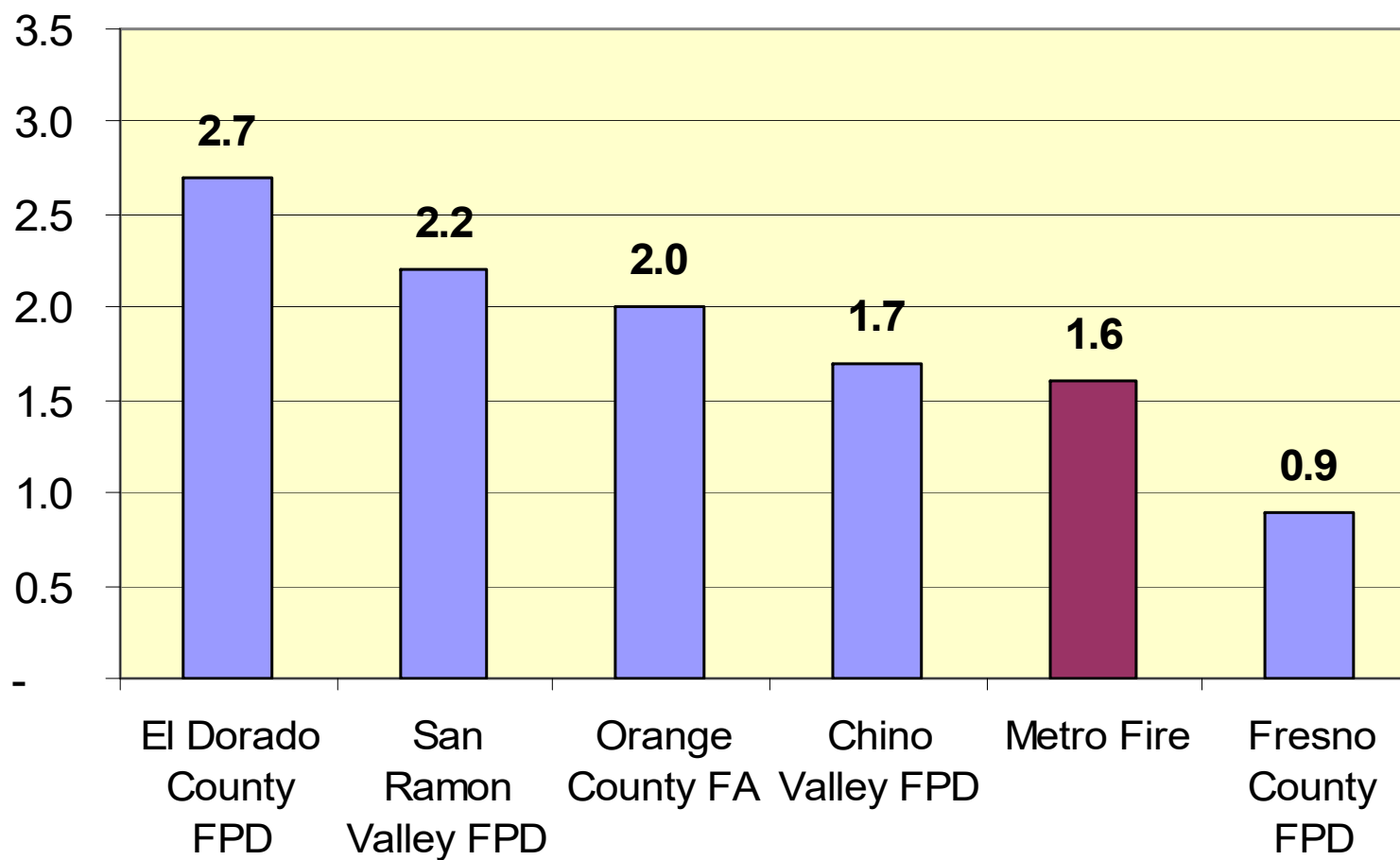


Finance Staffing Per \$100,000 of Budget





Finance Staffing Per 100,000 Service Population





Key Finding

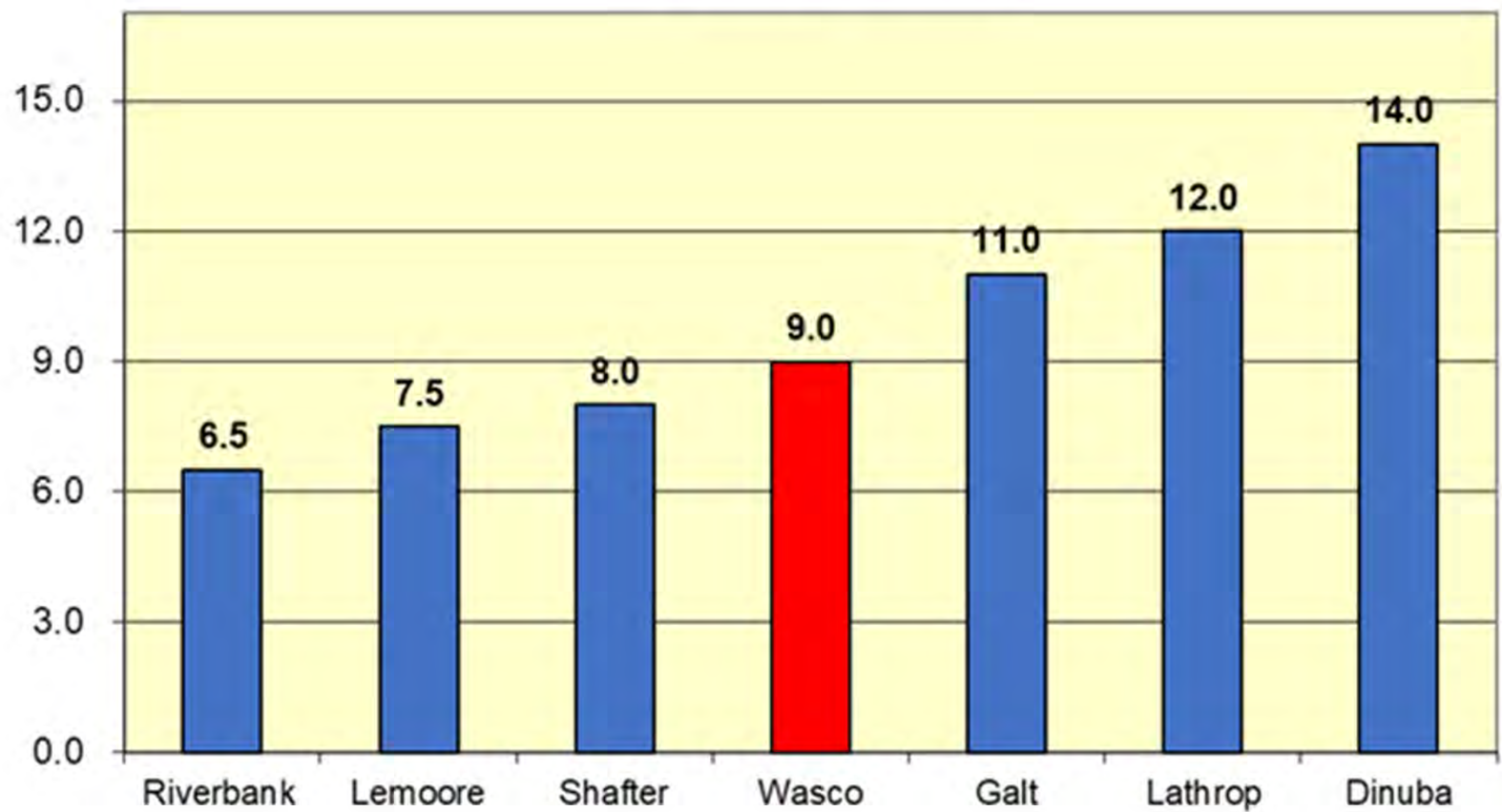
- Even with 2 new positions, still below average staffing

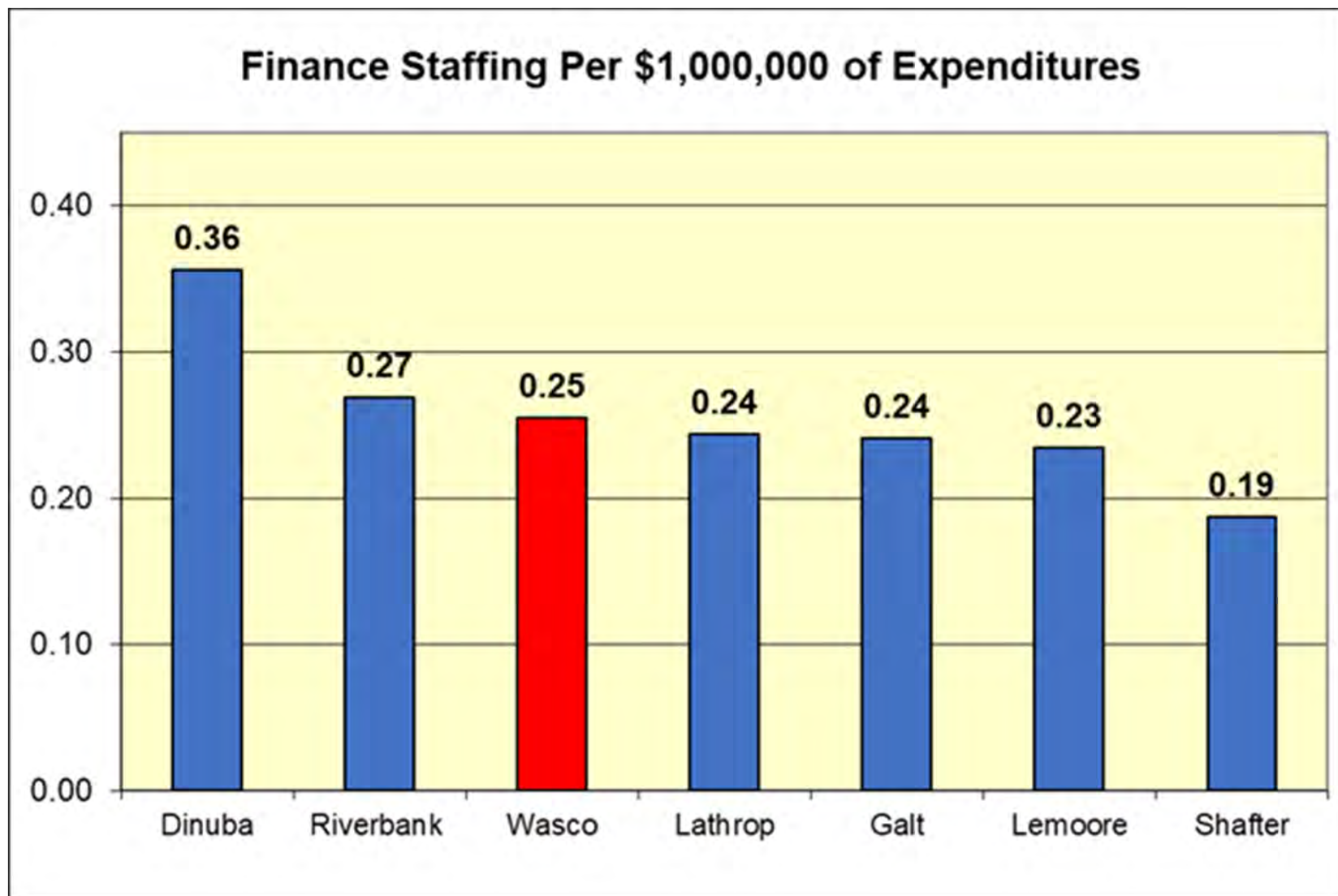


Presenting Issue

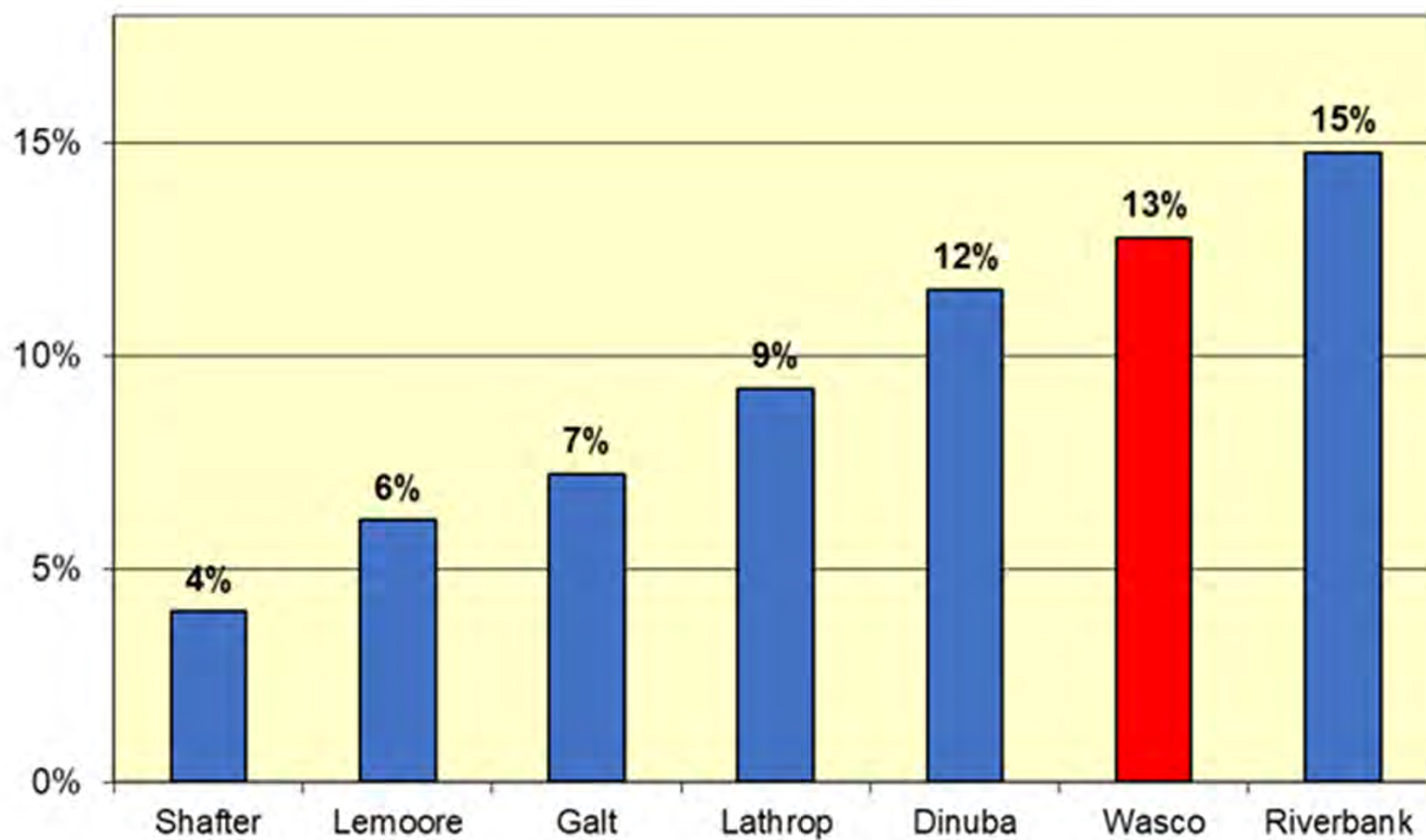
- City Manager wanted Finance organizational review before recruitment
 - Roadmap of issues
 - Director characteristics
 - Staffing part of this review

Finance Staffing





Finance Staffing Ratio to Total Staff



Organizational Reviews

- Always more than just “benchmarking”
 - Document review
 - ❖ Audit, budget, policies
 - Current organization
 - ❖ Scope of services
 - Staff and stakeholder surveys and interviews
 - Secret sauce: judgment



Key Issue

- Preparation for PW Director recruitment
- Focus: Public Work, Utilities and Engineer Organization

Utilities

Table 5. Utilities Organization

	Water		Sewer		
	Part of Public Works	Reports to City Manager	Part of Public Works	Reports to City Manager	Reports to City Engineer
Coming	X		X		
Fort Bragg	X		X		
Jackson	X			X	
Lakeport	X		X		
Nevada City	X		X		
Orland	X		X		
Sebastopol	X		X		
Yreka	X		X		
Willits		X			X

City Engineer

Table 6. City Engineer		
	Contract	In-House
Coming	*	
Fort Bragg	x	
Jackson	*	
Lakeport		*
Nevada City	x	
Orland	x	
Sebastopol	**	
Yreka	x	
Willits		*

x Engineering function part of Public Works

* Engineering function reports to City Manager

** Director of Engineering not City Engineer (nor a registered civil engineer) reports to City Manager

Focused Organizational Review

- Preparation for Plans/Public Works
Dept Head (Deputy CM) recruitment
 - Plans/Public Works
 - ❖ Planning, Building, City Engineer and Streets, Facilities and Parks Maintenance
 - Community Services
 - ❖ Recreation, museums, sports center, conference center, wharf/marina and parking

Service	Benicia	Mountain View	Newport Beach	San Luis Obispo	Santa Barbara	Santa Cruz	Santa Monica	Monterey
Recreation	Parks & Community Services (PCS)	Community Services (CS)	Recreation & Senior Services	Parks & Recreation (P&R)	Parks & Recreation (P&R)	Parks & Recreation (P&R)	Community & Cultural Services (CS)	Community Services (CS)
Park Maintenance	PCS	CS	Municipal Operations (MOD)	Public Works (PW)	P&R	P&R	Public Works (PW)	Plans/Public Works (P/PW)
Library	Library	Library	Library	-	Library	See Note	Library	Library
Conference Center	-	-	-	-	-	-	-	CS
Parking	-	Public Works (PW)/Police/Community Development (CD)	Finance/Police	PW	PW	Public Works (PW)	Planning & Community Development (CD)	CS
Harbor/Marina/Wharf	PCS	-	Public Works (PW)	-	Waterfront	-	Public Works (PW)	CS
Planning	Community Development (CD)	CD	Community Development (CD)	Community Development (CD)	Community Development (CD)	Plans & Community Development (CD)	CD	P/PW
Building & Safety	CD	CD	CD	CD	CD	CD	CD	P/PW
Engineering: General/CIP	Public Works (PW)	PW	Public Works (PW)	PW	Public Works (PW)	Public Works (PW)	Public Works (PW)	P/PW
Engineering: Development Review	PW	PW	PW	PW	PW	PW	PW	P/PW
Engineering: Traffic	PW	PW	PW	PW	PW	PW	PW	P/PW
Streets	PW	PW	MOD	PW	PW	PW	PW	P/PW
Building Maintenance	PCS	PW	MOD	PW	PW	PW	PW	P/PW

Conference Center

City	Department
Fresno	Contract: SMG
Modesto	Community & Economic Development
Ontario	Contract: SMG
Palm Springs	Contract: SMG
Santa Clara	Contract: Chamber of Commerce
South San Francisco	Conference Center Authority
Visalia	City Manager's Office

Pricing Analysis for the Monterey Conference Center:

17 comparison agencies: six outside of California and four much larger centers (San Francisco, San Diego, San Jose and Sacramento); seven centers (similar to Monterey) and their organizational home.

Key Takeaways

- Can be powerful if carefully prepared
 - Be clear on why
 - What are going to measure?
 - Who are you going to measure against?
 - Be informed by results but not driven by them

Th-th-th-that's all folks!



- For follow-up questions or information, send me an email at: bstatler@pacbell.net

William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

Questions?

