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9. PARKS AND RECREATION

EXECUTIVE SUMMARY

The Los Angeles County Department of Parks and Recreation and the Los Angeles City Department of Recreation and Parks provide leadership for healthier communities, environmental stewardship, community connection and partnership in their promotion of social, recreational and cultural opportunities. Citizens of the Los Angeles area are blessed with many beautiful parks, golf courses, and mountain hiking trails. However, many park managers expressed concern that due to economic constraints, maintenance and improvements were limited.

In its 2009-2010 Report, the Los Angeles County Civil Grand Jury (the Grand Jury) expressed concern regarding security especially in those parks which were not equipped with photo camera surveillance and adequate lighting. The 2012-2013 Grand Jury initiated an investigation to determine conditions in some of the parks visited by the 2009-2010 Grand Jury. This investigation was limited to 12 of the 29 parks visited in 2009-2010. As discussed below, conditions in the visited parks have improved significantly and both the City and County are to be commended in this regard.

COMMENDATIONS

- 9.1 The County Department of Parks and Recreation and the City Department of Recreation and Parks** are to be commended for the general level of maintenance and accessibility of the parks visited by the Grand Jury.

RECOMMENDATIONS

- 9.1 The County Department of Parks and Recreation and the City Department of Recreation and Parks** should provide an operations manual to all park managers.
- 9.2 The County Department of Parks and Recreation should display the United States flag** at Bethune Park, DeLongpre Park and Ted Watkins Park.
- 9.3 The County Department of Parks and Recreation should provide** greater security at Kenneth Hahn State Recreation Area.
- 9.4 The Los Angeles City Department of Recreation and Parks should improve restroom facilities at Lincoln Park.**

METHODOLOGY

The Grand Jury created an inspection checklist identifying key criteria for measuring conditions in the parks visited. The checklist included location of a flag pole, restroom maintenance, disability accessibility, playground and trail conditions, irrigation conditions, etc. A copy of the checklist is in the appendix to this report.

The Grand Jury visited the following parks:

- Athens Park, 12603 South Broadway, Los Angeles;
- Bethune Park, 1244 East 61st Street, Los Angeles;
- Bronson Canyon Park, 3200 Canyon Drive, Los Angeles;

DeLongpre Park, 1350 North Cherokee Drive, Los Angeles;
George Washington Carver Park, 1400 East 118th Street, Los Angeles;
Kenneth Hahn State Recreation Area, 4100 South La Cienega Boulevard, Los Angeles;
Ladera Park, 6027 Ladera Park Avenue, Los Angeles;
Lincoln Park, 3501 East Valley Boulevard, Los Angeles;
MacArthur Park, 2230 West 6th Street, Los Angeles;
Jesse Owens Community Regional Park, 9651 South Western Avenue, Los Angeles;
Ted Watkins Park, 1335 East 103rd Street, Los Angeles; and
Yvonne B. Burke Senior & Community Center, 6027 Ladera Park Avenue, Los Angeles.

FINDINGS

The 2009-2010 Grand Jury found that some of the parks visited were poorly lighted, had inoperable irrigation and water circulation equipment, restrooms out of order and staff without name badges. Security and graffiti were also identified as issues. The 2012-2013 Grand Jury saw a very different view. The Grand Jury was usually impressed with the condition of restrooms, lighting, irrigation, graffiti abatement and a reduction in reported gang activity. The Grand Jury did find however that many parks did not have an operations manual.

The Grand Jury notes the following:

Athens Park – facilities at this park were excellent and well maintained. The park also offered “Tiny Tot University,” a children’s program for 3-5 year olds. Management of this park is to be commended for its programs and maintenance.

Bethune Park - the park is well maintained with no evidence of graffiti or gang activity. The Sheriff patrols are regular and effective. In addition to a newly constructed swimming pool, the park offers programs for youth that include computer classes, a Toy Loan program, teen program, snack program and skate and youth karate programs.

Bronson Canyon Park – the park is well maintained with effective speed bumps to control vehicular traffic. A nice playground area for children and no apparent gang activity. The United States flag should be displayed.

DeLongpre Park – the park is well maintained with controls in place to manage issues related to the homeless. The U.S. flag should be displayed.

George Washington Carver Park – this park was well maintained and all facilities were clean and operational.

Kenneth Hahn State Recreation Area – this is a State park and that is managed and operated by the County Department of Parks and Recreation. This park is very inviting for visitors. Routine patrols by the Sheriff’s Department provide security. The park is clean, play grounds are well maintained and pet waste stations are available. A fish-stocked lake is very inviting and families were observed to be enjoying it. The Japanese Garden is very attractive and used for weddings and other special events. The Kenneth Hahn Walking Club offers daily walking in the park and

members also inform park management of trail conditions and any inappropriate activities at the park. The park’s entry kiosk is located a significant distance from the park headquarters. Since entry fees are collected, a higher level of security protection for park personnel working at the park entrance should be provided.

Ladera Park – this park is well maintained and inviting. The Yvonne B. Burke Senior Center is adjacent to the park.

Lincoln Park – this park offers daily exercise programs for seniors but the park itself is in need of improvement. Graffiti was in evidence and the swimming pool has been closed for the past three years. Additional lighting is needed for safety during evening operations. The public restrooms are closed due to vandalism. All plumbing fixtures were stolen and the public does not have access to the restrooms. The Grand Jury recognized significant problems exists at the park which causes major inconveniences to the public

MacArthur Park – the park is located in the center of a large commercial area. The park offers an inviting lake and band shell but maintenance attention should be given to inoperative drinking fountains outside the playground area and to tree trimming. While substantial usage of the park is a good thing, it does make maintenance challenging. Overall, the park is well managed.

Jesse Owens Community Regional Park – the park is quite large and well maintained with a daily swimming pool program. The Sheriff’s Department patrols regularly and there is no evident gang activity.

Ted Watkins Park – the park is well maintained and the park supervisor is very involved in offered activities. No U.S. flag was seen.

Yvonne B. Burke Senior & Community Center - the senior program operates in conjunction with the adjacent Ladera Park. The senior center offers outdoor exercise equipment, special dance classes and a hot soup program, whereby hot soup is provided for a minimal charge of \$1.00. Seniors exercise in the Center and special dance classes are provided. The Center also has an attractive and very clean walking trail. Outdoor exercise equipment is available which the seniors often utilize. The Center is well-maintained.

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REQUIRED RESPONSES

Recommendation	Responding Agency
9.1, 9.2, 9.3, 9.4	Los Angeles County Department of Parks and Recreation
9.1, 9.2, 9.3 9.5	Los Angeles City Department of Recreation and Parks

RECREATION AND PARKS INSPECTION REPORT
LOS ANGELES COUNTY CIVIL GRAND JURY 2012-2013

Date: _____ City or County Park _____
City of _____
Park Name: _____
Address: _____
Inspected by: _____

Facility	Compliance	Non-Compliance
Flag	_____	_____
Security/Public Safety	_____	_____
Maintenance	_____	_____
Restrooms	_____	_____
Drinking Fountain	_____	_____
Playground	_____	_____
Handicap Ramps	_____	_____
Access/Sr. Citizens	_____	_____
Clean	_____	_____

UTILIZATION: Weekdays _____ Weekends _____ Homeless _____ Gang Use _____

REMARKS:

RECOMMENDATIONS

GLENDALE WATER & POWER AND PROPOSITIONS 218 AND 26



COMMITTEE MEMBERS

**Thomas Scheerer – Chair
Albert Handschumacher
Kenneth Howard
Richard Huber
Franklin Wurtzel
Gilbert Zeal**

GLENDALE WATER & POWER AND PROPOSITIONS 218 AND 26

EXECUTIVE SUMMARY

In response to a letter from a concerned citizen, the 2012/2013 Los Angeles County Civil Grand Jury (hereinafter “Grand Jury”) initiated an investigation into whether the City of Glendale (sometimes hereinafter “the City”) could be in violation of Article XIIC and Article XIID of the California Constitution, specifically Propositions 218 and 26, by charging excessive rates and transferring monies from Glendale Water & Power (sometimes hereinafter “GWP”), to the City’s General Fund without the requisite two thirds majority vote of the citizens of Glendale. As a local government within Los Angeles County, the City is within the oversight jurisdiction of the Grand Jury.

The City takes the position that because provisions of the City Charter adopted in the 1940’s authorize a transfer to the City’s General Fund of up to 25 per cent of the operating revenues of Glendale Water & Power, it need not comply with Propositions 218 and 26 which require that utility rates not exceed the cost of providing the service. The Grand Jury is concerned that the City may be erroneously interpreting the requirements of the applicable provisions of the California Constitution and Propositions 218 and 26 and is thus unnecessarily exposing itself to potential legal expense should its actions be challenged. The Grand Jury is also concerned that a proposed Special Election in April 2013 to clarify certain provisions of the City Charter will not immunize the City from its Constitutional compliance obligations.

RECOMMENDATIONS

1. **The City of Glendale obtain an independent legal opinion** from outside legal counsel specializing in municipal tax law regarding its compliance with Propositions 218 and 26.
2. **The City of Glendale hold a special election** and obtain the authorization by two thirds of those voting approving the utility rates charged by Glendale Water & Power and the transfer of funds from Glendale Water & Power to the City’s general fund.
3. **The City of Glendale consider alternate sources** of revenue if it is unable or unwilling to obtain the requisite authorization of the City’s voters as suggested in 2 above.

METHODOLOGY

The Grand Jury received and reviewed a letter and supporting documents from a concerned citizen regarding the City’s transfer of revenues from GWP to the City’s general fund. The Grand Jury met with this concerned citizen as well as several senior representatives of the City of Glendale. The Grand Jury also telephonically interviewed a representative of the Howard Jarvis

Taxpayers Association regarding application of Propositions 218 and 26. The Grand Jury also reviewed a January 6, 2010 report of the Sacramento County Grand Jury, various appellate and trial court decisions interpreting Propositions 218 and 26, Implementation Guides for Proposition 218 and Proposition 26 produced by the League of California Cities, and other materials provided to it by the City of Glendale.

BACKGROUND

Glendale Water & Power provides water and electric service to property owners and citizens of Glendale. Under certain provisions of the City's Charter, the City is permitted to transfer up to 25 per cent of the "Operating Revenue" of the GWP "surplus fund" to the City's general reserve fund. No apparent effort has been made to determine the impact of these transfers on GWP's ability to fund needed repairs and enhancements to its infrastructure. Moreover, the City proposes through an April 2, 2013 special election requiring only a simple majority vote to amend and "clarify" its Charter provisions by deleting reference to and need for a GWP "surplus fund" and other special accounts and to just maintain a general revenue fund and to establish a budgeted item appropriation from GWP equaling 25 per cent of its operating revenues. For the fiscal years 2007/2008 through 2010/2011, the City transferred to its general fund from GWP electric revenues totaling approximately \$75.6 Million and from water revenues approximately \$16.6 Million.

California Voters adopt Propositions 218 and 26

On November 5, 1996, California voters adopted Proposition 218. Called the "Right to Vote on Taxes Act," the proposition addressed a wide range of issues relating to raising and spending public funds, but specifically provided that cities may not charge ratepayers more for the cost of providing utility services nor use revenue from ratepayers for non-utility purposes. Under its provisions, fees for electrical or gas services were exempted. Further, increases in rates required approval of a two thirds majority vote. See also *Howard Jarvis Taxpayers Ass'n v. City of Fresno* (2005) 127 Cal.App.4th 914 (charter-authorized payment in lieu of taxes by water, sewer and trash utilities violated Prop. 218 unless cost justified) and *Howard Jarvis Taxpayers Ass'n v. City of Roseville* (2002) 97 Cal.App.4th 637 (franchise fee charged to water, sewer and trash utilities violated Prop. 218 unless cost justified).

On June 8, 2010, California voters adopted Proposition 26, the Supermajority Vote to Pass New Taxes and Fees Act. Under Proposition 26, gas and electric service fees imposed by public utilities constitute taxes unless they are imposed pursuant to legislation which predates its adoption or complies with one of its exceptions such as a "charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product." Under Proposition 26, the City's transfer of electric revenue to its

general fund is evidence that the electric fees exceed the reasonable cost to provide the service and would be impermissible unless legislation predating adoption of Proposition 26 permitted the transfer.

FINDINGS

The City argues that Propositions 218 and 26 do not apply

In a memorandum dated July 30, 2012, the City has taken the position that a transfer of revenues from GWP is mandated by the City Charter. The City also asserts that GWP rates have been implemented in accordance with a formula that allows up to a 25 per cent transfer to the City General Fund. Finally, the City argues that its transfer of GWP revenue is “grandfathered” and pre-dates the adoption of Propositions 218 and 26.

The Grand Jury is concerned that this analysis is too simplistic and overlooks the City Charter provision that limits the transfer from the “surplus fund” account. The Grand Jury is also concerned that reliance on a 70 year old Charter provision that permits a transfer from operating revenues with no methodology for calculating rates does not satisfy the requirements of Proposition 218 or Proposition 26. Further, the proposed “clarifications” of the City Charter to be submitted to a vote of the citizens of Glendale will not, in the view of the Grand Jury, comply with the requirements of Propositions 218 and 26.

The City of Los Angeles lost in court making a similar argument as the City of Glendale

An argument similar to that asserted by the City was made by the City of Los Angeles in *City of Los Angeles v. All Persons Interested In The Matter of the Validity Of The Transfer Of \$29,931,300 From The Water Revenue Fund To The Reserve Fund (Fiscal Year 2006-2007)* LA Sup. Ct. Case No. BC369238. In its Final Statement of Decision filed July 2, 2009, the court held that Proposition 218 prohibited the City of Los Angeles and its Department of Water and Power from transferring surplus revenue derived from water service fees to Los Angeles for non-water related purposes and that Proposition 218 prohibited Los Angeles and its Department of Water and Power from charging fees for water or water-related services in amounts that generate revenues greater than necessary to provide water-related services to its customers. In so ruling, the Court specifically rejected Los Angeles’ argument that its city charter provisions authorizing such transfers from the Department of Water and Power exempted it from compliance with Proposition 218. The Grand Jury understands that a trial court decision may not be cited as authority in a court filing, but the Grand Jury does find this holding as indicative of the judicial trend in interpreting Propositions 218 and 26.

Fiscal challenges do not justify ignoring constitutional requirements

While the Grand Jury understands the fiscal challenges facing cities such as Glendale, it is not permissible for the City to use Glendale Water & Power as its “piggy bank” to satisfy budgetary shortfalls. Rather, the City should consider alternate revenue sources and or submit its rate structure for GWP to the citizens of Glendale for their approval by a two thirds majority vote in compliance with Propositions 218 and 26.

REQUIRED RESPONSES

City of Glendale

CHEVRON – EL SEGUNDO



COMMITTEE MEMBERS

Frederick Piltz – Chair
James Bradford
David Dahl
Kenneth Howard
Jerome Strofs
Mel Widawski
Franklin Wurtzel

11. CHEVRON – EL SEGUNDO

EXECUTIVE SUMMARY

The 2012 – 2013 Los Angeles County Civil Grand Jury (Grand Jury) investigated the revenues collected by the City of El Segundo (the City) from the oil and gas refinery owned by Chevron. The investigation was prompted by a concern that Chevron received favored tax status which resulted in the City not receiving revenues from Chevron's refinery comparable to other similarly situated cities within California, such as Torrance and Richmond. In addition to projected operating deficits, the Grand Jury investigated the historic and ongoing agreements and negotiations between the City and Chevron addressing a variety of tax revenues. During the course of the Grand Jury investigation, the City announced and approved an agreement with Chevron which the City has projected will lessen or eliminate the anticipated annual deficits for more than a decade. The Grand Jury recommends several actions that the City implement to plan adequately for a stable future fiscal environment and to increase public transparency of financial planning.

RECOMMENDATIONS

11.1 The City should form a citizen's committee of residents to recommend to the City manager long term financial planning that insures continued fiscal stability. Given the fifteen year term of the proposed agreement with Chevron and the resulting apparent fiscal health of the City, waiting until the end of the current Chevron agreement to plan for future budget stability would not best serve the City.

11.2 The City of El Segundo should conduct an annual audit of Chevron's utility use in order to better pursue revenues at the conclusion of the current agreement. This audit should be part of the public record as opposed to the confidential audit performed by a contractor prior to the negotiation of the current Chevron agreement.

METHODOLOGY

The Grand Jury relied upon public City and Chevron agreements and documents posted on the City's web site including previous ordinances and documents related to a 1994 negotiated agreement with Chevron for utility taxes. The posting of these documents resulted from previously filed third party Public Records Act requests. In addition, the Grand Jury attended meetings of the City Council beginning in September 2012 through January 2013 to hear direct public comments and council member deliberations related to the subject of this investigation. The Grand Jury interviewed several previous and current City employees and consultants regarding prior El Segundo - Chevron agreements and the genesis of the City's fiscal situation. The Grand Jury conducted one telephone interview with a resident of El Segundo who came forward to talk to the Grand Jury. Attempts were made to interview members of a firm that had prepared previous revenue analyses for the City, but these attempts were not successful.

BACKGROUND

This investigation into the relationship between the City of El Segundo and Chevron regarding Chevron's refinery operations was prompted by newspaper articles concerning the current and potential future tax revenues generated by Chevron's oil and gas refining operations and the current and future fiscal health of the City. The newspaper articles also focused on personnel issues between the City and its former City Manager in light of these tax issues. That personnel matter is not the focus of this investigation and that issue remains unresolved as of this report.

History of El Segundo

The Chevron El Segundo refinery was built in 1911 and was the second California refinery built by Chevron (then called Standard Oil) - hence the name "El Segundo" which means "The Second" in Spanish. El Segundo is located in the South Bay area of Los Angeles County. With its neighbors to the south, Manhattan Beach, Hermosa Beach, and Redondo Beach, the area is generally composed of a mixture of affluent coastal residential areas and government and defense-based industries which are major local employers. El Segundo reflects this mixed use with the addition of oil refining. The Chevron refinery is by volume the largest single refining operation on the West Coast, currently refining approximately 260,000 barrels of crude oil per day.¹

Demographics

The City of El Segundo, population 18,000 as of the 2010 United States Census, is a general law city incorporated in 1917. Initially, the City was primarily agricultural and industrial. North of the City, small airplane operations were carried out at Mines Field to accommodate the fledgling airline and travel businesses. World War II resulted in the City and neighboring areas becoming heavily developed with war-related defense industries, including airplane research and manufacturing. El Segundo also saw the establishment of an Air Force base within the City as well as the expansion of the airfield north of the City into Los Angeles Municipal Airport, now Los Angeles International Airport (LAX). Today, major national defense contractors and research industries operate within the City including Boeing, Northrop-Grumman, Raytheon, and Aerospace Corporation. Mattel Corporation is also located within the City and is a major employer. Chevron Corporation continues to operate its refinery. Its products include aviation fuel which is sold to airlines via a direct pipeline from the refinery to LAX. Chevron operates the pipeline pursuant to a long term lease agreement with the City.²

The City's Budget and Revenues

El Segundo operates its own police and fire departments. A five member City Council governs the City. The City employs approximately 323 people in a variety of departments headed by a

¹ Information from Wikipedia http://en.wikipedia.org/wiki/El_Segundo,_California

² Information from Wikipedia http://en.wikipedia.org/wiki/El_Segundo,_California

City Manager (El Segundo Comprehensive Annual Financial Report 2011). The City employs outside counsel as its City Attorney. The annual operating budget for the City is approximately \$52 Million (see Table 1). City policy provides for a 17 percent reserve fund within the annual budget and the City currently has an investment portfolio of approximately \$37 Million. In the City Council's September 4, 2012 budget discussion, the City Treasurer and the City Finance Director provided projections of the City revenues and expenditures through 2016 (see Table 2). The 2012 – 2013 City budget projected a structural deficit that was balanced through a variety of means. Projections through 2016 anticipated continuing structural deficits that would require the transfer of funds from investment reserves to the annual budgets unless the City Council took alternative steps. Senior city officials have indicated that the city has reduced expenses over the last few years by reductions in City staffing and by pay concessions from employees in a variety of departments.

Much of the general fund revenue for the City of El Segundo comes from a mix of property tax, sales tax, transient occupancy tax, user utilities tax (gas, water, electricity, telecommunications), and business license fees (Comprehensive Annual Financial Report 2011).

Table 1			
City of El Segundo Budget Revenues			
General Fund Reserves	FY 2011-2012 Adopted Budget	FY 2011-2012 Year End Estimate	FY 2012-2013 Preliminary Budget
Business License	\$10,049,700	\$10,100,000	\$10,306,800
Sales and Use Tax	\$8,650,000	\$7,428,500	\$6,620,000
Sales Tax in Lieu	\$2,736,800	\$2,773,600	\$1,948,900
Property Tax	\$6,162,500	\$5,882,675	\$6,000,000
Transient Occupancy Tax	\$4,207,500	\$4,650,000	\$5,100,000
Charges for Services	\$4,175,500	\$4,243,520	\$4,169,300
Electric Utility Tax	\$3,475,000	\$3,200,000	\$3,200,000
Franchise Tax	\$2,500,000	\$2,437,500	\$2,400,000
Cogeneration Electric	\$1,125,500	\$900,000	\$1,350,000
License and Permits	\$1,399,000	\$1,444,200	\$1,446,200
Gas Utility Tax	\$750,000	\$700,000	\$750,000
Interest on Investments/Rentals	\$985,000	\$325,000	\$240,000
Other Revenues	\$3,857,900	\$4,096,744	\$4,281,100
Total General Fund Revenues Net of Transfers	\$50,073,900	\$48,181,739	\$47,612,300
Transfers In	\$1,600,000	\$1,600,000	\$4,850,000
Total General Fund Revenues	\$51,673,900	\$49,781,739	\$52,192,300
Data from PowerPoint Presentation at El Segundo City Council Meeting December, 2012			

Table 2				
City of El Segundo General Operating Fund Annual Projections				
3-Year Forecast				
(in thousands)	2013	2014	2015	2016
Revenues	\$48,000	\$48,960	\$49,939	\$50,938
Expenditures	\$52,910	\$54,497	\$56,132	\$57,816
Variance	\$(4,910)	\$(5,537)	\$(6,193)	\$(6,878)
Data from PowerPoint Presentation at El Segundo City Council Meeting December, 2012				

The City website describes El Segundo as one of the most business friendly environments in Southern California and has some of the lowest business utility rates in the region. The history of the City indicates mixed success in raising revenues via changes in tax rates which require voter approval.

Recent El Segundo – Chevron Issues

In 2011, the then City Manager was directed to analyze revenues from Chevron as part of a review of the City fiscal process. The City Manager presented the results of his analysis in December 2011 with the recommendation that a ballot measure be drafted to increase revenues from oil refining businesses and chemical businesses within the City (El Segundo City Council meeting minutes December 20, 2011). The City council ultimately decided to pursue a negotiated agreement with Chevron rather than proceed through a ballot process (as reflected in the minutes from city council meetings in December 18, 2012). The results of the negotiation with Chevron were presented in the form of a draft agreement at the City Council meeting in January 2013. The Council directed that a variety of City ordinances be drafted for City Council approval to capture and finalize the agreement. On April 23, 2013 the El Segundo City Council approved the agreement which is expected to provide the City with an approximate increase to general fund revenues of \$134 Million over a period of fifteen years (City Council agenda for April 23, 2013).

The Grand Jury also reviewed a previous negotiated agreement with Chevron completed in 1994 that called for annual audits of Chevron's gas use. During the 1994 negotiations, a confidential audit of gas and other utility use by Chevron was performed by an independent contractor for the City of El Segundo. The audit provision in the agreement allowed for a reopening of the gas utility rates based upon future Chevron gas use. The present negotiated agreement also included a confidential audit by a contractor for the City of El Segundo. Discussions with current City officials indicated that no audits of Chevron's gas use had been done in the years between 1994 and the recent audit. The Grand Jury did not have access to the previous or recent audits.

FINDINGS

Grand Jury Concerns and Conclusions

The Grand Jury was initially concerned with the possibility of conflicts of interest in previous years and the ongoing relationship between Chevron and elected officials relative to the amount of revenues paid by Chevron to the City. Except for two isolated inconsequential instances of Chevron providing opportunities for City Council members to attend a Chevron 100th anniversary event (both declared on Form 700 filings), the Grand Jury could substantiate no evidence of any conflict of interest. Several people interviewed also indicated they could find no evidence of any improprieties occurring in City-Chevron negotiations.

The City of El Segundo does deserve recognition for managing its expenses in a fiscally conservative manner over the years. But like many cities in the last few years, it has had to both cut back on some services to residents and reduce staffing. The City has no long term debt and presently has a reserve fund and investment fund. The Grand Jury finds that the City Council members and City residents are reluctant to address revenue shortfalls and long term projected structural deficits through the ballot process. Instead, they apparently prefer a negotiation process with Chevron, one of its largest businesses and employers. The agreement approved by the City Council on April 23, 2013 addresses many of the revenue issues for the City for the next fifteen years.

Given the great uncertainty in projecting the regional and City economy and fiscal conditions fifteen years into the future, the Grand Jury concludes that the agreement with Chevron is likely the best probable outcome for the City at this time, especially given the City's lack of success at the ballot box when revenue measures have been presented to the voters for approval. The Grand Jury remains somewhat concerned that the City has fiscally "kicked the can down the road" for fifteen years with regard to more stable revenue sources. Further, in light of the above noted general attitude in the City regarding raising taxes, the suggestion that there appears to be a de facto special treatment of Chevron that imposes a disproportionate burden on other major employers in the City cannot be dismissed entirely and is perhaps deserving of analysis by the City.

The Grand Jury found that citizen participation in the budget process is minimal as reflected in the low public attendance at City Council meetings that the Grand Jury attended that focused on the City budget. The Grand Jury did not find active public outreach efforts by the City to inform citizens of budget issues beyond the required notification of agenda items of City Council meetings. Thus, the Grand Jury remains concerned that input of ideas into the long term budget planning strategies for the City are constrained given limited public attendance at the council meetings. Additional ideas and approaches to long term budget strategies could be improved by the City sponsoring additional opportunities for citizens groups with a focus on the budget.

The Grand Jury also finds that the City of El Segundo should conduct annual audits of Chevron's utility use as a basis for future budget planning processes for the City.

Required Responses:

Recommendation Responding Agency

11.1, 11.2 City of El Segundo

**CITIES OF LOS ANGELES COUNTY
FISCAL HEALTH, GOVERNANCE,
FINANCIAL MANAGEMENT AND COMPENSATION**



COMMITTEE MEMBERS

**Kenneth Howard---Chair
James Bradford
David Dahl
Albert Handschumacher**

**Tom Scheerer
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Mel Widawski
Gilbert Zeal**

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CITIES OF LOS ANGELES COUNTY

Fiscal Health, Governance, Financial Management and Compensation

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					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	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

Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	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					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	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									
City	Number of Employees	City Population	Employees by Department / Function						
			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						

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

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.
 - **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.
 - **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.
 - **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.
 - **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.
 - **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.
 - **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

City	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	
	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%	70	(2.6%)	36	3.5%	16	8.1%	1	285.1%	74	(78.3%)	14	80.3%	9	85.5%
Alhambra	12	3.9%	5	6.0%	52	2.48	52	3.77	6	8.1%	34	14.6%	44	1.5%	51	(2.3%)	13	24.3%	47	(5.2%)	67	4.7%	64	0.7%
Arcadia	63	(15.3%)	37	(4.2%)	23	4.31	28	6.92	70	(3.5%)	74	(5.7%)	52	0.0%	58	(5.0%)	34	6.1%	42	(3.5%)	50	19.0%	45	20.3%
Artesia	52	(8.4%)	70	(17.1%)	67	1.77	39	5.05	44	0.8%	37	8.8%	20	8.3%	54	(3.5%)	11	25.3%	51	(7.1%)	31	44.9%	32	35.0%
Azusa	68	(19.8%)	NA	0.0%	71	1.69	NA	0.00	73	(4.8%)	NA	0.0%	30	4.7%	NA	0.0%	3	68.8%	NA	0.0%	83	(15.3%)	67	0.0%
Baldwin Park	16	2.2%	33	(2.8%)	56	2.28	48	4.48	28	2.4%	15	39.9%	23	7.1%	35	3.8%	64	(9.7%)	49	(5.8%)	56	15.3%	56	8.1%
Bell Gardens	33	(2.4%)	46	(7.3%)	41	2.93	25	7.25	72	(4.5%)	10	63.6%	15	10.0%	40	1.7%	36	5.0%	36	(1.9%)	18	73.2%	67	0.0%
Bellflower	25	(.8%)	12	4.1%	36	3.29	46	4.64	5	8.2%	31	15.6%	29	4.7%	44	1.0%	41	2.3%	30	1.5%	20	70.0%	15	63.0%
Beverly Hills	6	5.7%	3	8.5%	51	2.55	63	2.83	8	6.6%	38	8.2%	11	11.8%	9	11.1%	44	0.4%	11	9.4%	33	43.7%	24	45.5%
Bradbury	82	(108.2%)	NA	0.0%	2	49.28	NA	0.00	80	(10.1%)	NA	0.0%	83	(59.2%)	NA	0.0%	76	(23.9%)	NA	0.0%	6	187.6%	67	0.0%
Burbank	54	(1.5%)	69	(16.6%)	32	3.52	40	4.98	56	(.6%)	40	7.9%	74	(15.0%)	68	(13.0%)	61	(7.0%)	58	(14.2%)	43	31.1%	67	0.0%
Calabasas	39	(4.0%)	22	0.2%	35	3.48	57	3.52	15	5.2%	59	(.0%)	33	4.3%	34	3.9%	52	(3.6%)	20	4.5%	13	86.8%	7	94.1%
Carson	58	(11.7%)	74	(24.5%)	48	2.65	74	1.96	78	(9.5%)	73	(4.4%)	24	7.1%	18	7.6%	10	29.3%	4	26.0%	51	18.4%	38	26.4%
Cerritos	55	(10.1%)	35	(3.2%)	45	2.83	6	39.19	61	(1.0%)	12	51.7%	72	(14.1%)	76	(44.0%)	53	(4.2%)	61	(16.1%)	9	103.1%	11	77.9%
Claremont	5	8.5%	9	4.9%	22	4.45	41	4.93	21	3.1%	60	(.2%)	21	8.0%	14	8.7%	17	15.1%	10	14.4%	44	30.9%	34	31.7%
Commerce	61	(12.1%)	31	(2.0%)	72	1.69	76	1.61	74	(5.0%)	42	6.6%	45	1.5%	20	6.6%	47	0.1%	19	5.3%	19	71.8%	12	77.1%
Covina	66	(17.8%)	63	(13.7%)	49	2.61	53	3.69	76	(5.8%)	76	(8.2%)	42	1.9%	59	(5.0%)	23	9.4%	56	(9.2%)	39	36.3%	35	31.1%
Cudahy	84	(170.3%)	58	(12.0%)	82	1.29	14	15.61	84	(72.8%)	1	260.9%	69	(9.8%)	67	(11.9%)	73	(15.6%)	55	(9.2%)	10	103.0%	8	88.5%
Culver City	17	2.1%	68	(15.5%)	69	1.73	38	5.08	34	2.0%	7	80.9%	6	16.4%	53	(3.3%)	9	29.4%	39	(2.6%)	24	61.4%	17	58.4%
Diamond Bar	76	(32.0%)	76	(65.8%)	4	24.92	8	25.49	63	(1.3%)	64	(1.3%)	82	(55.5%)	71	(24.1%)	78	(31.1%)	66	(19.4%)	25	60.2%	18	56.7%
Downey	65	(17.8%)	62	(13.5%)	30	3.76	44	4.74	75	(5.1%)	44	5.7%	70	(10.9%)	62	(8.5%)	66	(9.9%)	60	(14.4%)	57	14.8%	55	8.8%
Duarte	31	(1.6%)	19	1.0%	21	4.46	7	34.15	16	5.1%	22	27.0%	1	42.6%	19	6.7%	4	58.3%	21	3.8%	11	97.4%	6	109.0%
El Monte	56	(10.4%)	28	(1.3%)	19	4.77	33	5.44	43	1.0%	49	4.1%	56	(1.9%)	56	(4.9%)	33	6.2%	32	0.8%	55	16.9%	48	16.3%
El Segundo	35	(3.1%)	61	(13.5%)	16	5.47	47	4.49	65	(1.5%)	72	(3.4%)	60	(4.1%)	60	(7.0%)	51	(3.1%)	67	(19.5%)	62	9.8%	52	14.6%
Gardena	8	4.8%	13	4.1%	42	2.89	62	2.91	55	(.4%)	66	(1.9%)	19	8.5%	31	5.2%	29	7.1%	16	7.5%	70	0.7%	66	0.5%
Glendale	53	(9.1%)	56	(11.2%)	27	3.90	42	4.89	50	0.1%	62	(1.0%)	73	(14.8%)	70	(16.7%)	19	11.3%	70	(55.6%)	36	38.7%	40	23.3%
Glendora	44	(5.6%)	36	(3.9%)	33	3.50	37	5.08	48	0.3%	47	4.7%	28	5.9%	52	(2.6%)	37	4.2%	57	(9.6%)	72	0.0%	67	0.0%
Hawaiian Gardens	32	(2.3%)	NA	0.0%	75	1.52	NA	0.00	52	0.0%	NA	0.0%	59	(3.5%)	NA	0.0%	54	(4.5%)	NA	0.0%	7	120.3%	67	0.0%
Hawthorne	20	1.4%	16	3.4%	79	1.38	67	2.51	13	5.7%	5	118.4%	10	14.0%	7	11.3%	15	19.4%	71	(59.0%)	41	33.1%	37	28.8%
Hermosa Beach	13	3.7%	2	10.7%	12	7.44	31	5.89	39	1.5%	69	(2.4%)	14	10.6%	5	13.6%	18	11.7%	22	3.5%	49	23.2%	41	23.3%
Hidden Hills	70	(23.3%)	8	5.6%	10	10.54	16	12.22	40	1.5%	57	0.2%	79	(32.0%)	21	6.5%	65	(9.8%)	25	2.3%	3	207.2%	2	291.9%
Huntington Park	40	(4.5%)	NA	0.0%	84	0.62	NA	0.00	83	(13.0%)	NA	0.0%	39	2.4%	NA	0.0%	38	3.5%	NA	0.0%	45	30.7%	67	0.0%
Industry	60	(12.0%)	51	(9.6%)	66	1.85	72	2.12	14	5.7%	75	(6.2%)	2	30.0%	41	1.4%	30	6.9%	48	(5.3%)	1	607.2%	1	454.7%
Inglewood	9	4.7%	NA	0.0%	74	1.60	NA	0.00	67	(2.8%)	NA	0.0%	57	(2.7%)	NA	0.0%	68	(12.5%)	NA	0.0%	52	18.3%	67	0.0%
Irwindale	7	5.3%	52	(9.8%)	58	2.25	5	40.08	3	8.5%	14	40.3%	37	3.1%	63	(9.1%)	2	143.7%	63	(17.0%)	72	0.0%	67	0.0%
La Canada Flintridge	3	11.6%	26	(.8%)	50	2.60	65	2.66	10	6.0%	51	1.9%	5	16.6%	11	10.4%	28	7.3%	38	(2.1%)	8	119.3%	5	116.3%
La Habra Heights	1	25.4%	NA	0.0%	8	11.75	NA	0.00	60	(1.0%)	NA	0.0%	49	0.6%	NA	0.0%	48	(.6%)	NA	0.0%	5	195.2%	67	0.0%
La Mirada	27	(1.0%)	29	(1.3%)	65	1.85	17	11.38	2	11.8%	4	128.7%	16	9.6%	2	23.3%	42	2.0%	15	7.6%	17	73.2%	10	85.1%
La Puente	50	(7.7%)	45	(7.0%)	59	2.23	64	2.82	38	1.5%	35	10.4%	63	(5.6%)	6	11.4%	50	(2.8%)	72	(59.6%)	28	54.8%	22	50.6%
La Verne	11	4.3%	25	(.6%)	15	5.48	27	6.94	27	2.4%	54	1.3%	67	(7.7%)	50	(2.3%)	35	6.0%	6	19.3%	72	0.0%	67	0.0%

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

City	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	
	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Lakewood	15	2.4%	21	0.7%	11	8.85	11	17.97	24	2.8%	24	24.5%	27	6.2%	29	5.7%	26	7.6%	17	6.7%	68	3.2%	59	6.5%
Lancaster	69	(21.8%)	49	(9.2%)	28	3.88	10	18.04	64	(1.4%)	23	25.2%	76	(23.3%)	47	(.9%)	74	(17.0%)	69	(38.6%)	46	30.2%	43	21.5%
Lawndale	77	(39.1%)	NA	0.0%	44	2.85	NA	0.00	46	0.5%	NA	0.0%	81	(36.5%)	NA	0.0%	57	(5.6%)	NA	0.0%	16	74.9%	67	0.0%
Lomita	42	(5.1%)	48	(7.8%)	17	4.99	34	5.33	66	(1.7%)	65	(1.5%)	40	2.1%	33	4.0%	69	(13.0%)	24	2.5%	64	8.5%	60	5.1%
Long Beach	26	(.9%)	75	(25.2%)	57	2.25	69	2.39	11	5.9%	53	1.5%	53	(.2%)	38	2.3%	82	(59.1%)	9	15.1%	71	0.2%	62	1.3%
Los Angeles	43	(5.3%)	44	(6.6%)	68	1.74	75	1.77	26	2.7%	48	4.5%	25	6.4%	26	6.1%	16	19.1%	12	9.2%	66	6.5%	58	6.7%
Lynwood	57	(11.5%)	40	(4.9%)	53	2.47	58	3.42	35	1.8%	63	(1.2%)	64	(5.7%)	48	(1.0%)	75	(21.2%)	59	(14.3%)	53	18.2%	47	18.5%
Malibu	73	(29.2%)	55	(11.1%)	38	3.01	61	2.95	49	0.2%	71	(3.3%)	61	(4.2%)	57	(4.9%)	77	(23.9%)	54	(8.7%)	42	31.2%	28	36.2%
Manhattan Beach	10	4.3%	17	3.2%	24	4.12	50	4.07	29	2.4%	45	5.3%	32	4.3%	28	5.7%	24	9.1%	33	(.2%)	37	36.7%	29	35.6%
Monrovia	78	(40.3%)	53	(10.0%)	80	1.30	66	2.65	81	(10.8%)	3	163.7%	78	(31.8%)	72	(27.2%)	71	(14.0%)	76	(374.5%)	84	(27.1%)	76	(27.7%)
Montebello	34	(2.5%)	27	(.9%)	77	1.51	68	2.43	9	6.3%	18	37.5%	77	(25.4%)	74	(31.8%)	83	(174.5%)	2	43.8%	61	10.5%	49	15.9%
Monterey Park	36	(3.2%)	50	(9.4%)	70	1.72	60	3.01	25	2.7%	16	39.6%	58	(3.1%)	45	0.6%	55	(4.5%)	7	18.1%	65	8.3%	57	7.8%
Norwalk	47	(6.9%)	10	4.6%	60	2.20	32	5.70	53	(.1%)	19	33.6%	4	17.6%	17	7.8%	8	36.0%	65	(19.0%)	48	25.4%	36	29.9%
Palmdale	19	1.4%	41	(5.6%)	31	3.73	26	7.13	51	0.1%	32	15.3%	9	14.4%	39	1.8%	12	24.7%	52	(7.1%)	38	36.5%	33	34.6%
Palos Verdes Estates	28	(1.0%)	39	(4.8%)	1	50.47	3	44.98	62	(1.1%)	68	(2.4%)	41	2.1%	32	4.9%	22	9.4%	44	(4.7%)	60	10.7%	50	15.7%
Paramount	62	(12.5%)	38	(4.7%)	61	2.13	22	9.94	77	(6.3%)	17	39.5%	51	0.2%	42	1.4%	5	42.6%	29	1.6%	30	49.9%	23	49.6%
Pasadena	51	(8.3%)	72	(18.0%)	63	2.01	73	2.04	23	3.0%	26	20.7%	22	7.3%	8	11.2%	67	(12.4%)	14	7.7%	78	(.8%)	75	(23.1%)
Pico Rivera	64	(17.1%)	59	(12.4%)	54	2.32	54	3.67	20	3.2%	8	80.9%	68	(8.6%)	49	(1.7%)	60	(6.8%)	31	1.2%	59	11.5%	67	0.0%
Pomona	48	(7.0%)	57	(11.2%)	78	1.48	71	2.22	57	(.7%)	13	41.0%	48	0.9%	24	6.2%	70	(13.0%)	73	(62.2%)	72	0.0%	67	0.0%
Rancho Palos Verdes	4	10.4%	1	11.8%	7	12.25	4	41.90	22	3.0%	29	16.4%	3	25.5%	1	26.2%	49	(2.4%)	18	5.6%	22	66.7%	14	71.4%
Redondo Beach	23	(.0%)	34	(3.0%)	20	4.57	36	5.13	32	2.2%	36	10.0%	34	4.1%	37	2.4%	6	38.0%	37	(1.9%)	72	0.0%	65	0.6%
Rolling Hills	80	(45.6%)	66	(14.3%)	3	36.59	2	45.56	82	(12.9%)	52	1.5%	38	2.6%	69	(16.0%)	39	3.1%	50	(6.4%)	4	206.8%	3	177.0%
Rolling Hills Estates	30	(1.6%)	11	4.5%	9	10.57	19	10.72	31	2.4%	39	8.1%	65	(7.3%)	22	6.3%	72	(15.1%)	8	17.0%	47	28.5%	30	35.2%
Rosemead	71	(26.4%)	71	(17.3%)	64	1.98	15	15.41	4	8.4%	11	56.2%	66	(7.6%)	46	0.4%	63	(9.6%)	41	(3.3%)	26	57.6%	20	56.0%
San Dimas	75	(30.5%)	6	5.9%	25	4.11	20	10.30	33	2.1%	20	33.2%	46	1.3%	36	2.5%	43	1.6%	35	(.9%)	27	55.2%	19	56.1%
San Fernando	49	(7.5%)	30	(1.6%)	39	2.98	43	4.81	58	(.7%)	50	3.0%	80	(32.0%)	73	(30.0%)	84	(704.9%)	75	(99.7%)	81	(4.4%)	74	(10.0%)
San Gabriel	45	(5.8%)	47	(7.7%)	18	4.81	45	4.70	69	(3.4%)	67	(2.2%)	75	(22.2%)	75	(33.4%)	46	0.2%	68	(25.9%)	79	(2.1%)	61	3.5%
San Marino	72	(27.2%)	67	(15.0%)	5	15.44	9	21.50	47	0.4%	58	0.2%	18	9.1%	15	8.7%	62	(8.9%)	64	(18.1%)	15	79.8%	13	72.6%
Santa Clarita	67	(19.7%)	32	(2.4%)	14	6.22	21	10.14	36	1.7%	43	6.1%	7	15.5%	61	(8.0%)	25	7.6%	62	(16.4%)	21	69.7%	16	58.4%
Santa Fe Springs	24	(.7%)	73	(19.0%)	73	1.66	29	6.27	19	3.7%	9	72.8%	71	(11.4%)	65	(11.4%)	31	6.7%	5	25.4%	40	35.4%	25	43.1%
Santa Monica	46	(6.7%)	42	(5.9%)	26	3.98	35	5.28	30	2.4%	30	16.3%	55	(1.7%)	3	23.2%	7	37.0%	3	41.0%	34	40.0%	31	35.1%
Sierra Madre	37	(3.3%)	64	(13.7%)	6	12.97	12	16.57	59	(.8%)	61	(.4%)	12	11.3%	10	10.5%	27	7.5%	53	(7.4%)	23	65.2%	54	12.2%
Signal Hill	81	(64.0%)	65	(14.2%)	76	1.52	18	11.31	41	1.3%	6	101.5%	31	4.5%	25	6.1%	20	9.8%	23	2.5%	35	39.1%	27	41.7%
South El Monte	21	0.2%	15	3.5%	83	1.13	23	9.38	1	100.0%	2	237.1%	50	0.4%	12	9.6%	80	(51.7%)	1	59.7%	69	2.0%	53	13.2%
South Gate	14	2.4%	14	3.6%	47	2.68	56	3.56	7	6.8%	33	14.6%	54	(1.0%)	43	1.2%	32	6.5%	26	2.0%	58	13.2%	46	19.5%
South Pasadena	38	(3.9%)	4	7.7%	55	2.31	70	2.32	17	4.0%	55	0.9%	13	11.2%	30	5.5%	14	20.8%	13	9.0%	29	53.9%	21	55.6%
Temple City	2	12.0%	18	2.2%	13	7.19	13	16.34	12	5.7%	41	7.7%	26	6.3%	27	5.8%	40	2.5%	45	(5.0%)	2	236.1%	42	22.5%
Torrance	18	2.0%	7	5.8%	43	2.88	55	3.66	42	1.2%	27	18.6%	43	1.9%	23	6.2%	58	(6.0%)	27	1.9%	63	9.7%	44	21.4%
Vernon	83	(110.4%)	77	(83.9%)	81	1.29	77	1.14	79	(9.7%)	77	(51.4%)	84	(100.3%)	77	(108.1%)	81	(58.5%)	77	(455.0%)	82	(8.2%)	77	(47.4%)
Walnut	74	(29.3%)	23	(.0%)	34	3.49	1	48.92	54	(.2%)	21	31.7%	35	3.5%	64	(10.3%)	79	(31.7%)	46	(5.2%)	72	0.0%	63	0.7%
West Covina	29	(1.2%)	43	(6.3%)	62	2.07	51	4.00	71	(3.9%)	25	21.8%	62	(5.5%)	66	(11.7%)	59	(6.2%)	40	(2.9%)	54	17.0%	39	24.4%

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria																								
City	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	
	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
West Hollywood	59	(11.8%)	20	1.0%	46	2.78	49	4.23	18	3.9%	46	5.0%	8	14.7%	4	17.4%	21	9.6%	28	1.7%	80	(2.2%)	51	15.6%
Westlake Village	41	(4.6%)	54	(10.9%)	37	3.13	59	3.16	68	(3.3%)	56	0.3%	47	1.2%	13	9.4%	56	(5.4%)	34	(.9%)	12	92.7%	4	139.3%
Whittier	22	(.0%)	60	(12.6%)	40	2.94	30	6.23	37	1.5%	28	18.2%	17	9.3%	55	(4.3%)	45	0.2%	43	(4.4%)	32	43.7%	26	42.0%
Average - All Cities		(12.5%)		(6.2%)		5.45		8.92		0.8%		24.0%		(1.7%)		(1.5%)		(3.8%)		(14.5%)		51.4%		38.3%

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						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
1	La Habra Heights	\$6,456,271	\$4,814,020	\$1,642,251	25.4%	1	Rancho Palos Verdes	\$29,011,389	\$25,599,287	\$3,412,102	11.8%
2	Temple City	\$16,420,245	\$14,450,445	\$1,969,800	12.0%	2	Hermosa Beach	\$31,902,779	\$28,502,703	\$3,400,076	10.7%
3	La Canada Flintridge	\$19,534,017	\$17,277,831	\$2,256,186	11.6%	3	Beverly Hills	\$183,970,715	\$168,405,846	\$15,564,869	8.5%
4	Rancho Palos Verdes	\$28,586,567	\$25,621,465	\$2,965,102	10.4%	4	South Pasadena	\$26,985,579	\$24,903,588	\$2,081,991	7.7%
5	Claremont	\$39,818,642	\$36,444,001	\$3,374,641	8.5%	5	Alhambra	\$77,589,141	\$72,938,495	\$4,650,646	6.0%
6	Beverly Hills	\$175,405,113	\$165,446,753	\$9,958,360	5.7%	6	San Dimas	\$27,917,381	\$26,276,406	\$1,640,975	5.9%
7	Irwindale	\$40,546,295	\$38,405,113	\$2,141,182	5.3%	7	Torrance	\$195,053,630	\$183,716,160	\$11,337,470	5.8%
8	Gardena	\$55,501,464	\$52,863,734	\$2,637,730	4.8%	8	Hidden Hills	\$1,986,620	\$1,876,183	\$110,437	5.6%
9	Inglewood	\$168,424,179	\$160,475,460	\$7,948,719	4.7%	9	Claremont	\$31,059,827	\$29,552,680	\$1,507,147	4.9%
10	Manhattan Beach	\$56,452,978	\$54,010,853	\$2,442,125	4.3%	10	Norwalk	\$67,602,693	\$64,503,803	\$3,098,890	4.6%
11	La Verne	\$43,289,901	\$41,424,471	\$1,865,430	4.3%	11	Rolling Hills Estates	\$7,471,225	\$7,132,456	\$338,769	4.5%
12	Alhambra	\$86,087,510	\$82,733,851	\$3,353,659	3.9%	12	Bellflower	\$36,546,102	\$35,047,877	\$1,498,225	4.1%
13	Hermosa Beach	\$30,816,246	\$29,665,905	\$1,150,341	3.7%	13	Gardena	\$60,252,815	\$57,803,736	\$2,449,079	4.1%
14	South Gate	\$73,042,672	\$71,273,643	\$1,769,029	2.4%	14	South Gate	\$68,837,572	\$66,381,334	\$2,456,238	3.6%
15	Lakewood	\$63,285,286	\$61,764,234	\$1,521,052	2.4%	15	South El Monte	\$17,648,546	\$17,026,023	\$622,523	3.5%
16	Baldwin Park	\$52,944,564	\$51,798,267	\$1,146,297	2.2%	16	Hawthorne	\$102,220,018	\$98,760,719	\$3,459,299	3.4%
17	Culver City	\$133,585,980	\$130,820,129	\$2,765,851	2.1%	17	Manhattan Beach	\$59,435,583	\$57,509,547	\$1,926,036	3.2%
18	Torrance	\$189,407,666	\$185,597,318	\$3,810,348	2.0%	18	Temple City	\$15,820,927	\$15,475,107	\$345,820	2.2%
19	Palmdale	\$141,356,940	\$139,337,830	\$2,019,110	1.4%	19	Duarte	\$19,196,567	\$18,998,341	\$198,226	1.0%
20	Hawthorne	\$186,430,835	\$183,901,004	\$2,529,831	1.4%	20	West Hollywood	\$91,152,934	\$90,237,428	\$915,506	1.0%
21	South El Monte	\$20,521,754	\$20,476,305	\$45,449	0.2%	21	Lakewood	\$54,708,076	\$54,346,475	\$361,601	0.7%
22	Whittier	\$78,336,992	\$78,342,050	(\$5,058)	(.0%)	22	Calabasas	\$30,547,600	\$30,485,913	\$61,687	0.2%
23	Redondo Beach	\$88,177,849	\$88,219,070	(\$41,221)	(.0%)	23	Walnut	\$20,430,639	\$20,435,518	(\$4,879)	(.0%)
24	Santa Fe Springs	\$80,476,230	\$81,024,809	(\$548,579)	(.7%)	24	Agoura Hills	\$17,919,772	\$17,971,461	(\$51,689)	(.3%)
25	Bellflower	\$36,027,628	\$36,332,559	(\$304,931)	(.8%)	25	La Verne	\$38,932,070	\$39,181,093	(\$249,023)	(.6%)
26	Long Beach	\$744,321,000	\$750,896,000	(\$6,575,000)	(.9%)	26	La Canada Flintridge	\$18,415,244	\$18,566,862	(\$151,618)	(.8%)
27	La Mirada	\$48,688,901	\$49,179,035	(\$490,134)	(1.0%)	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						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
28	Palos Verdes Estates	\$17,223,619	\$17,403,826	(\$180,207)	(1.0%)	28	El Monte	\$90,057,014	\$91,259,475	(\$1,202,461)	(1.3%)
29	West Covina	\$95,268,424	\$96,437,051	(\$1,168,627)	(1.2%)	29	La Mirada	\$47,736,944	\$48,379,569	(\$642,625)	(1.3%)
30	Rolling Hills Estates	\$7,712,444	\$7,832,849	(\$120,405)	(1.6%)	30	San Fernando	\$24,146,351	\$24,538,873	(\$392,522)	(1.6%)
31	Duarte	\$34,095,894	\$34,632,208	(\$536,314)	(1.6%)	31	Commerce	\$67,986,383	\$69,373,238	(\$1,386,855)	(2.0%)
32	Hawaiian Gardens	\$25,743,947	\$26,346,129	(\$602,182)	(2.3%)	32	Santa Clarita	\$152,265,233	\$155,915,292	(\$3,650,059)	(2.4%)
33	Bell Gardens	\$36,168,220	\$37,050,365	(\$882,145)	(2.4%)	33	Baldwin Park	\$48,524,783	\$49,903,793	(\$1,379,010)	(2.8%)
34	Montebello	\$66,692,379	\$68,373,345	(\$1,680,966)	(2.5%)	34	Redondo Beach	\$91,638,205	\$94,354,704	(\$2,716,499)	(3.0%)
35	El Segundo	\$56,848,924	\$58,596,145	(\$1,747,221)	(3.1%)	35	Cerritos	\$109,564,187	\$113,114,628	(\$3,550,441)	(3.2%)
36	Monterey Park	\$55,463,357	\$57,263,879	(\$1,800,522)	(3.2%)	36	Glendora	\$30,977,345	\$32,193,962	(\$1,216,617)	(3.9%)
37	Sierra Madre	\$12,843,017	\$13,269,118	(\$426,101)	(3.3%)	37	Arcadia	\$56,153,430	\$58,500,098	(\$2,346,668)	(4.2%)
38	South Pasadena	\$26,638,387	\$27,690,116	(\$1,051,729)	(3.9%)	38	Paramount	\$37,787,256	\$39,563,203	(\$1,775,947)	(4.7%)
39	Calabasas	\$36,731,853	\$38,212,438	(\$1,480,585)	(4.0%)	39	Palos Verdes Estates	\$17,091,040	\$17,908,727	(\$817,687)	(4.8%)
40	Huntington Park	\$63,437,740	\$66,277,764	(\$2,840,024)	(4.5%)	40	Lynwood	\$45,862,239	\$48,097,169	(\$2,234,930)	(4.9%)
41	Westlake Village	\$14,500,353	\$15,172,774	(\$672,421)	(4.6%)	41	Palmdale	\$111,567,854	\$117,835,268	(\$6,267,414)	(5.6%)
42	Lomita	\$10,296,872	\$10,817,426	(\$520,554)	(5.1%)	42	Santa Monica	\$511,734,482	\$542,070,392	(\$30,335,910)	(5.9%)
43	Los Angeles	\$6,318,612,000	\$6,651,535,000	(\$332,923,000)	(5.3%)	43	West Covina	\$85,979,949	\$91,360,471	(\$5,380,522)	(6.3%)
44	Glendora	\$36,854,996	\$38,914,427	(\$2,059,431)	(5.6%)	44	Los Angeles	\$6,576,754,000	\$7,011,640,000	(\$434,886,000)	(6.6%)
45	San Gabriel	\$38,303,555	\$40,538,198	(\$2,234,643)	(5.8%)	45	La Puente	\$15,713,794	\$16,816,779	(\$1,102,985)	(7.0%)
46	Santa Monica	\$396,641,357	\$423,138,169	(\$26,496,812)	(6.7%)	46	Bell Gardens	\$33,200,350	\$35,618,158	(\$2,417,808)	(7.3%)
47	Norwalk	\$89,562,951	\$95,718,805	(\$6,155,854)	(6.9%)	47	San Gabriel	\$36,799,301	\$39,631,027	(\$2,831,726)	(7.7%)
48	Pomona	\$176,700,431	\$189,109,432	(\$12,409,001)	(7.0%)	48	Lomita	\$10,488,783	\$11,312,101	(\$823,318)	(7.8%)
49	San Fernando	\$31,472,500	\$33,826,270	(\$2,353,770)	(7.5%)	49	Lancaster	\$106,994,246	\$116,817,014	(\$9,822,768)	(9.2%)
50	La Puente	\$15,486,398	\$16,674,410	(\$1,188,012)	(7.7%)	50	Monterey Park	\$52,083,910	\$56,967,467	(\$4,883,557)	(9.4%)
51	Pasadena	\$310,528,675	\$336,154,767	(\$25,626,092)	(8.3%)	51	Industry	\$167,355,363	\$183,339,067	(\$15,983,704)	(9.6%)
52	Artesia	\$10,989,185	\$11,914,997	(\$925,812)	(8.4%)	52	Irwindale	\$29,430,380	\$32,307,998	(\$2,877,618)	(9.8%)
53	Glendale	\$296,327,000	\$323,168,000	(\$26,841,000)	(9.1%)	53	Monrovia	\$50,889,132	\$55,958,172	(\$5,069,040)	(10.0%)
54	Burbank	\$230,591,000	\$253,105,000	(\$22,514,000)	(9.8%)	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				

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
82	Bradbury	\$1,276,231	\$2,656,941	(\$1,380,710)	(108.2%)	NA	Inglewood				
83	Vernon	\$43,508,272	\$91,538,194	(\$48,029,922)	(110.4%)	NA	La Habra Heights				
84	Cudahy	\$12,766,738	\$34,508,045	(\$21,741,307)	(170.3%)	NA	Lawndale				

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.

Ratio of Assets to Liabilities – All Funds

The 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.

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, 63 of the 84 cities ratio of total assets to total liabilities were greater than 2.0 in FY 2010-2011. The remaining 21 cities had total asset to total liability ratios less than 2.0. This indicates that several cities solvency may be at risk, as may their ability to meet future obligations. The City of Huntington Park had the lowest ratio at .62. The average ratio of total assets to liabilities was 5.45.

The exhibit also shows that 73 of the 77 cities ratio of total assets to total liabilities was greater than 2.0 in FY 2011-2012. The remaining 4 cities had total asset to total liability ratios less than 2.0. The City of Vernon had the lowest ratio at 1.14. The average ratio of total assets to liabilities was 8.92.

Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio	Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio
1	Palos Verdes Estates	\$88,420,940	\$1,752,074	\$86,668,866	50.47	1	Walnut	\$115,898,582	\$2,369,123	\$113,529,459	48.92
2	Bradbury	\$5,872,368	\$119,172	\$5,753,196	49.28	2	Rolling Hills	\$6,123,294	\$134,391	\$5,988,903	45.56
3	Rolling Hills	\$6,064,186	\$165,740	\$5,898,446	36.59	3	Palos Verdes Estates	\$84,101,994	\$1,869,782	\$82,232,212	44.98
4	Diamond Bar	\$427,954,451	\$17,170,854	\$410,783,597	24.92	4	Rancho Palos Verdes	\$205,133,651	\$4,895,237	\$200,238,414	41.90
5	San Marino	\$213,879,205	\$13,848,139	\$200,031,066	15.44	5	Irwindale	\$180,683,695	\$4,508,093	\$176,175,602	40.08
6	Sierra Madre	\$237,392,680	\$18,307,775	\$219,084,905	12.97	6	Cerritos	\$521,222,864	\$13,299,104	\$507,923,760	39.19
7	Rancho Palos Verdes	\$183,351,452	\$14,962,024	\$168,389,428	12.25	7	Duarte	\$99,124,139	\$2,902,268	\$96,221,871	34.15
8	La Habra Heights	\$13,077,532	\$1,112,685	\$11,964,847	11.75	8	Diamond Bar	\$422,435,232	\$16,574,686	\$405,860,546	25.49
9	Rolling Hills Estates	\$11,410,435	\$1,079,312	\$10,331,123	10.57	9	San Marino	\$209,846,258	\$9,760,547	\$200,085,711	21.50
10	Hidden Hills	\$7,803,640	\$740,696	\$7,062,944	10.54	10	Lancaster	\$1,186,102,650	\$65,739,528	\$1,120,363,122	18.04
11	Lakewood	\$196,928,360	\$22,239,508	\$174,688,852	8.85	11	Lakewood	\$230,380,255	\$12,818,746	\$217,561,509	17.97
12	Hermosa Beach	\$94,678,094	\$12,733,849	\$81,944,245	7.44	12	Sierra Madre	\$232,472,623	\$14,030,072	\$218,442,551	16.57
13	Temple City	\$70,306,143	\$9,784,669	\$60,521,474	7.19	13	Temple City	\$69,449,861	\$4,249,629	\$65,200,232	16.34
14	Santa Clarita	\$1,065,979,745	\$171,394,178	\$894,585,567	6.22	14	Cudahy	\$27,660,302	\$1,772,078	\$25,888,224	15.61
15	La Verne	\$159,341,073	\$29,061,008	\$130,280,065	5.48	15	Rosemead	\$84,020,443	\$5,451,588	\$78,568,855	15.41
16	El Segundo	\$180,643,289	\$32,996,639	\$147,646,650	5.47	16	Hidden Hills	\$7,709,555	\$630,966	\$7,078,589	12.22
17	Lomita	\$54,868,086	\$10,991,133	\$43,876,953	4.99	17	La Mirada	\$215,552,893	\$18,941,473	\$196,611,420	11.38
18	San Gabriel	\$70,957,616	\$14,737,559	\$56,220,057	4.81	18	Signal Hill	\$137,305,258	\$12,138,801	\$125,166,457	11.31
19	El Monte	\$588,985,234	\$123,456,692	\$465,528,542	4.77	19	Rolling Hills Estates	\$12,316,003	\$1,148,403	\$11,167,600	10.72
20	Redondo Beach	\$281,608,087	\$61,583,267	\$220,024,820	4.57	20	San Dimas	\$113,932,782	\$11,061,620	\$102,871,162	10.30
21	Duarte	\$97,086,406	\$21,786,945	\$75,299,461	4.46	21	Santa Clarita	\$1,053,397,301	\$103,905,196	\$949,492,105	10.14
22	Claremont	\$180,897,011	\$40,689,331	\$140,207,680	4.45	22	Paramount	\$144,711,469	\$14,555,553	\$130,155,916	9.94
23	Arcadia	\$250,144,554	\$58,079,723	\$192,064,831	4.31	23	South El Monte	\$19,907,415	\$2,121,622	\$17,785,793	9.38
24	Manhattan Beach	\$233,817,711	\$56,806,938	\$177,010,773	4.12	24	Agoura Hills	\$96,625,546	\$12,809,549	\$83,815,997	7.54
25	San Dimas	\$101,991,554	\$24,826,864	\$77,164,690	4.11	25	Bell Gardens	\$191,871,967	\$26,447,660	\$165,424,307	7.25
26	Santa Monica	\$2,099,921,023	\$527,963,742	\$1,571,957,281	3.98	26	Palmdale	\$990,239,602	\$138,797,258	\$851,442,344	7.13
27	Glendale	\$2,226,232,000	\$570,565,000	\$1,655,667,000	3.90	27	La Verne	\$154,179,006	\$22,230,669	\$131,948,337	6.94

Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio	Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio
28	Lancaster	\$1,201,979,276	\$309,840,170	\$892,139,106	3.88	28	Arcadia	\$211,749,407	\$30,596,842	\$181,152,565	6.92
29	Agoura Hills	\$116,577,048	\$30,528,813	\$86,048,235	3.82	29	Santa Fe Springs	\$224,620,141	\$35,848,313	\$188,771,828	6.27
30	Downey	\$376,504,000	\$100,120,000	\$276,384,000	3.76	30	Whittier	\$324,214,159	\$52,081,755	\$272,132,404	6.23
31	Palmdale	\$999,515,730	\$267,635,592	\$731,880,138	3.73	31	Hermosa Beach	\$96,306,380	\$16,337,945	\$79,968,435	5.89
32	Burbank	\$1,880,182,000	\$534,489,000	\$1,345,693,000	3.52	32	Norwalk	\$274,460,360	\$48,158,429	\$226,301,931	5.70
33	Glendora	\$225,395,493	\$64,330,673	\$161,064,820	3.50	33	El Monte	\$594,012,036	\$109,264,631	\$484,747,405	5.44
34	Walnut	\$120,777,488	\$34,584,543	\$86,192,945	3.49	34	Lomita	\$53,189,162	\$9,981,603	\$43,207,559	5.33
35	Calabasas	\$142,042,050	\$40,792,991	\$101,249,059	3.48	35	Santa Monica	\$2,255,578,274	\$427,105,828	\$1,828,472,446	5.28
36	Bellflower	\$101,310,675	\$30,777,138	\$70,533,537	3.29	36	Redondo Beach	\$300,717,204	\$58,608,458	\$242,108,746	5.13
37	Westlake Village	\$58,313,392	\$18,618,023	\$39,695,369	3.13	37	Glendora	\$204,385,316	\$40,221,117	\$164,164,199	5.08
38	Malibu	\$149,475,186	\$49,713,408	\$99,761,778	3.01	38	Culver City	\$472,606,147	\$93,084,870	\$379,521,277	5.08
39	San Fernando	\$90,834,622	\$30,503,287	\$60,331,335	2.98	39	Artesia	\$20,335,920	\$4,023,492	\$16,312,428	5.05
40	Whittier	\$348,490,082	\$118,356,840	\$230,133,242	2.94	40	Burbank	\$1,815,963,000	\$364,619,000	\$1,451,344,000	4.98
41	Bell Gardens	\$153,430,820	\$52,319,436	\$101,111,384	2.93	41	Claremont	\$170,116,198	\$34,524,762	\$135,591,436	4.93
42	Gardena	\$180,905,947	\$62,498,588	\$118,407,359	2.89	42	Glendale	\$2,059,200,000	\$420,737,000	\$1,638,463,000	4.89
43	Torrance	\$650,556,692	\$226,219,659	\$424,337,033	2.88	43	San Fernando	\$78,474,183	\$16,305,374	\$62,168,809	4.81
44	Lawndale	\$81,868,788	\$28,703,834	\$53,164,954	2.85	44	Downey	\$369,282,000	\$77,836,000	\$291,446,000	4.74
45	Cerritos	\$518,137,390	\$183,360,486	\$334,776,904	2.83	45	San Gabriel	\$68,198,445	\$14,507,466	\$53,690,979	4.70
46	West Hollywood	\$365,313,019	\$131,186,941	\$234,126,078	2.78	46	Bellflower	\$103,767,025	\$22,358,267	\$81,408,758	4.64
47	South Gate	\$376,365,993	\$140,614,854	\$235,751,139	2.68	47	El Segundo	\$183,826,202	\$40,961,299	\$142,864,903	4.49
48	Carson	\$609,443,656	\$229,799,077	\$379,644,579	2.65	48	Baldwin Park	\$190,905,224	\$42,620,143	\$148,285,081	4.48
49	Covina	\$221,644,683	\$84,990,065	\$136,654,618	2.61	49	West Hollywood	\$322,446,228	\$76,195,168	\$246,251,060	4.23
50	La Canada Flintridge	\$109,044,832	\$41,985,623	\$67,059,209	2.60	50	Manhattan Beach	\$241,463,953	\$59,289,301	\$182,174,652	4.07
51	Beverly Hills	\$1,078,152,658	\$422,582,158	\$655,570,500	2.55	51	West Covina	\$330,435,933	\$82,658,973	\$247,776,960	4.00
52	Alhambra	\$296,469,828	\$119,622,630	\$176,847,198	2.48	52	Alhambra	\$276,233,851	\$73,299,805	\$202,934,046	3.77
53	Lynwood	\$238,731,698	\$96,479,834	\$142,251,864	2.47	53	Covina	\$176,604,781	\$47,891,935	\$128,712,846	3.69
54	Pico Rivera	\$347,770,725	\$149,661,007	\$198,109,718	2.32	54	Pico Rivera	\$412,274,202	\$112,231,407	\$300,042,795	3.67

Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio	Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio
55	South Pasadena	\$144,547,447	\$62,543,545	\$82,003,902	2.31	55	Torrance	\$692,737,932	\$189,521,542	\$503,216,390	3.66
56	Baldwin Park	\$188,761,132	\$82,777,566	\$105,983,566	2.28	56	South Gate	\$351,583,719	\$98,888,969	\$252,694,750	3.56
57	Long Beach	\$7,893,542,000	\$3,503,942,000	\$4,389,600,000	2.25	57	Calabasas	\$141,403,315	\$40,198,947	\$101,204,368	3.52
58	Irwindale	\$227,433,081	\$101,140,971	\$126,292,110	2.25	58	Lynwood	\$198,530,985	\$57,991,202	\$140,539,783	3.42
59	La Puente	\$65,715,521	\$29,478,455	\$36,237,066	2.23	59	Westlake Village	\$58,271,190	\$18,459,480	\$39,811,710	3.16
60	Norwalk	\$310,876,969	\$141,534,883	\$169,342,086	2.20	60	Monterey Park	\$181,010,277	\$60,123,631	\$120,886,646	3.01
61	Paramount	\$176,074,523	\$82,761,827	\$93,312,696	2.13	61	Malibu	\$144,784,540	\$49,149,344	\$95,635,196	2.95
62	West Covina	\$393,668,391	\$190,242,427	\$203,425,964	2.07	62	Gardena	\$176,980,217	\$60,851,921	\$116,128,296	2.91
63	Pasadena	\$2,130,027,981	\$1,057,963,954	\$1,072,064,027	2.01	63	Beverly Hills	\$1,096,047,778	\$386,615,376	\$709,432,402	2.83
64	Rosemead	\$101,546,907	\$51,231,316	\$50,315,591	1.98	64	La Puente	\$61,958,667	\$21,939,611	\$40,019,056	2.82
65	La Mirada	\$187,410,425	\$101,432,571	\$85,977,854	1.85	65	La Canada Flintridge	\$109,404,743	\$41,057,351	\$68,347,392	2.66
66	Industry	\$1,318,370,797	\$713,739,635	\$604,631,162	1.85	66	Monrovia	\$147,325,528	\$55,616,717	\$91,708,811	2.65
67	Artesia	\$34,469,124	\$19,520,803	\$14,948,321	1.77	67	Hawthorne	\$210,886,565	\$84,148,643	\$126,737,922	2.51
68	Los Angeles	\$48,314,850,000	\$27,828,798,000	\$20,486,052,000	1.74	68	Montebello	\$187,942,699	\$77,447,983	\$110,494,716	2.43
69	Culver City	\$501,853,833	\$290,221,863	\$211,631,970	1.73	69	Long Beach	\$7,651,596,000	\$3,195,961,000	\$4,455,635,000	2.39
70	Monterey Park	\$206,689,014	\$120,080,758	\$86,608,256	1.72	70	South Pasadena	\$145,516,887	\$62,739,288	\$82,777,599	2.32
71	Azusa	\$309,924,813	\$182,897,208	\$127,027,605	1.69	71	Pomona	\$668,336,761	\$300,869,530	\$367,467,231	2.22
72	Commerce	\$239,293,851	\$141,490,074	\$97,803,777	1.69	72	Industry	\$1,072,760,770	\$505,840,188	\$566,920,582	2.12
73	Santa Fe Springs	\$274,645,725	\$165,374,866	\$109,270,859	1.66	73	Pasadena	\$2,238,931,695	\$1,096,733,295	\$1,142,198,400	2.04
74	Inglewood	\$567,569,063	\$353,685,792	\$213,883,271	1.60	74	Carson	\$123,719,473	\$63,174,711	\$60,544,762	1.96
75	Hawaiian Gardens	\$67,599,243	\$44,331,328	\$23,267,915	1.52	75	Los Angeles	\$49,152,203,000	\$27,736,333,000	\$21,415,870,000	1.77
76	Signal Hill	\$182,250,557	\$120,132,168	\$62,118,389	1.52	76	Commerce	\$218,084,817	\$135,097,508	\$82,987,309	1.61
77	Montebello	\$236,456,171	\$156,110,153	\$80,346,018	1.51	77	Vernon	\$690,600,768	\$608,242,470	\$82,358,298	1.14
78	Pomona	\$798,930,067	\$538,256,843	\$260,673,224	1.48	NA	Azusa				
79	Hawthorne	\$212,647,750	\$154,609,911	\$58,037,839	1.38	NA	Bradbury				
80	Monrovia	\$188,236,546	\$144,333,135	\$43,903,411	1.30	NA	Hawaiian Gardens				
81	Vernon	\$799,130,095	\$617,439,595	\$181,690,500	1.29	NA	Huntington Park				

Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio	Rank	City	Total Assets	Total Liabilities	Net Assets	Asset/Liab Ratio
82	Cudahy	\$34,358,801	\$26,643,892	\$7,714,909	1.29	NA	Inglewood				
83	South El Monte	\$45,102,055	\$39,775,366	\$5,326,689	1.13	NA	La Habra Heights				
84	Huntington Park	\$151,871,161	\$244,914,916	(\$93,043,755)	0.62	NA	Lawndale				

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.

Change in Net Assets – All Funds

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.

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, 52 of the 84 cities total net assets increased during FY 2010-11. The remaining 32 cities net assets declined during FY 2010-11. The exhibit also shows that 58 of the 77 cities total net assets increased during FY 2011-12. The remaining 19 cities net assets declined during FY 2011-12. The average change in net assets was 0.8% in 2010-11, and 24% for FY 2011-12. A positive percentage change indicates that the city's financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets	Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets
1	South El Monte	\$2,663,813	\$5,326,689	\$2,662,876	100.0%	1	Cudahy	\$7,173,952	\$25,888,224	\$18,714,272	260.9%
2	La Mirada	\$76,937,205	\$85,977,854	\$9,040,649	11.8%	2	South El Monte	\$5,276,689	\$17,785,793	\$12,509,104	237.1%
3	Irwindale	\$116,423,063	\$126,292,110	\$9,869,047	8.5%	3	Monrovia	\$34,771,983	\$91,708,811	\$56,936,828	163.7%
4	Rosemead	\$46,401,401	\$50,315,591	\$3,914,190	8.4%	4	La Mirada	\$85,977,854	\$196,611,420	\$110,633,566	128.7%
5	Bellflower	\$65,202,419	\$70,533,537	\$5,331,118	8.2%	5	Hawthorne	\$58,037,839	\$126,737,922	\$68,700,083	118.4%
6	Alhambra	\$163,529,822	\$176,847,198	\$13,317,376	8.1%	6	Signal Hill	\$62,118,389	\$125,166,457	\$63,048,068	101.5%
7	South Gate	\$220,778,915	\$235,751,139	\$14,972,224	6.8%	7	Culver City	\$209,781,126	\$379,521,277	\$169,740,151	80.9%
8	Beverly Hills	\$614,725,670	\$655,570,500	\$40,844,830	6.6%	8	Pico Rivera	\$165,900,924	\$300,042,795	\$134,141,871	80.9%
9	Montebello	\$75,599,044	\$80,346,018	\$4,746,974	6.3%	9	Santa Fe Springs	\$109,270,859	\$188,771,828	\$79,500,969	72.8%
10	La Canada Flintridge	\$63,263,101	\$67,059,209	\$3,796,108	6.0%	10	Bell Gardens	\$101,111,384	\$165,424,307	\$64,312,923	63.6%
11	Long Beach	\$4,145,131,000	\$4,389,600,000	\$244,469,000	5.9%	11	Rosemead	\$50,315,591	\$78,568,855	\$28,253,264	56.2%
12	Temple City	\$57,233,673	\$60,521,474	\$3,287,801	5.7%	12	Cerritos	\$334,776,904	\$507,923,760	\$173,146,856	51.7%
13	Hawthorne	\$54,890,570	\$58,037,839	\$3,147,269	5.7%	13	Pomona	\$260,673,224	\$367,467,231	\$106,794,007	41.0%
14	Industry	\$571,843,610	\$604,631,162	\$32,787,552	5.7%	14	Irwindale	\$125,553,473	\$176,175,602	\$50,622,129	40.3%
15	Calabasas	\$96,242,704	\$101,249,059	\$5,006,355	5.2%	15	Baldwin Park	\$105,983,566	\$148,285,081	\$42,301,515	39.9%
16	Duarte	\$71,674,385	\$75,299,461	\$3,625,076	5.1%	16	Monterey Park	\$86,608,256	\$120,886,646	\$34,278,390	39.6%
17	South Pasadena	\$78,836,763	\$82,003,902	\$3,167,139	4.0%	17	Paramount	\$93,312,696	\$130,155,916	\$36,843,220	39.5%
18	West Hollywood	\$225,262,308	\$234,126,078	\$8,863,770	3.9%	18	Montebello	\$80,346,018	\$110,494,716	\$30,148,698	37.5%
19	Santa Fe Springs	\$105,335,804	\$109,270,859	\$3,935,055	3.7%	19	Norwalk	\$169,342,086	\$226,301,931	\$56,959,845	33.6%
20	Pico Rivera	\$191,918,476	\$198,109,718	\$6,191,242	3.2%	20	San Dimas	\$77,241,648	\$102,871,162	\$25,629,514	33.2%
21	Claremont	\$135,942,150	\$140,207,680	\$4,265,530	3.1%	21	Walnut	\$86,192,945	\$113,529,459	\$27,336,514	31.7%
22	Rancho Palos Verdes	\$163,468,852	\$168,389,428	\$4,920,576	3.0%	22	Duarte	\$75,750,203	\$96,221,871	\$20,471,668	27.0%
23	Pasadena	\$1,040,811,812	\$1,072,064,027	\$31,252,215	3.0%	23	Lancaster	\$894,735,818	\$1,120,363,122	\$225,627,304	25.2%
24	Lakewood	\$169,950,296	\$174,688,852	\$4,738,556	2.8%	24	Lakewood	\$174,688,852	\$217,561,509	\$42,872,657	24.5%
25	Monterey Park	\$84,302,457	\$86,608,256	\$2,305,799	2.7%	25	West Covina	\$203,425,964	\$247,776,960	\$44,350,996	21.8%
26	Los Angeles	\$19,954,256,000	\$20,486,052,000	\$531,796,000	2.7%	26	Pasadena	\$946,405,167	\$1,142,215,257	\$195,810,090	20.7%
27	La Verne	\$127,166,259	\$130,280,065	\$3,113,806	2.4%	27	Torrance	\$424,337,033	\$503,216,390	\$78,879,357	18.6%
28	Baldwin Park	\$103,455,582	\$105,983,566	\$2,527,984	2.4%	28	Whittier	\$230,133,242	\$272,132,404	\$41,999,162	18.2%
29	Manhattan Beach	\$172,842,329	\$177,010,773	\$4,168,444	2.4%	29	Rancho Palos Verdes	\$172,079,069	\$200,238,415	\$28,159,346	16.4%

Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets	Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets
30	Santa Monica	\$1,535,362,226	\$1,571,957,281	\$36,595,055	2.4%	30	Santa Monica	\$1,571,957,281	\$1,828,472,446	\$256,515,165	16.3%
31	Rolling Hills Estates	\$10,091,850	\$10,331,123	\$239,273	2.4%	31	Bellflower	\$70,414,588	\$81,408,758	\$10,994,170	15.6%
32	Redondo Beach	\$215,266,893	\$220,024,820	\$4,757,927	2.2%	32	Palmdale	\$738,666,238	\$851,442,344	\$112,776,106	15.3%
33	San Dimas	\$75,610,910	\$77,164,690	\$1,553,780	2.1%	33	South Gate	\$220,449,150	\$252,694,750	\$32,245,600	14.6%
34	Culver City	\$207,459,913	\$211,631,970	\$4,172,057	2.0%	34	Alhambra	\$177,111,578	\$202,934,046	\$25,822,468	14.6%
35	Lynwood	\$139,691,580	\$142,251,864	\$2,560,284	1.8%	35	La Puente	\$36,237,066	\$40,019,056	\$3,781,990	10.4%
36	Santa Clarita	\$879,262,993	\$894,585,567	\$15,322,574	1.7%	36	Redondo Beach	\$220,008,247	\$242,108,746	\$22,100,499	10.0%
37	Whittier	\$226,622,628	\$230,133,242	\$3,510,614	1.5%	37	Artesia	\$14,988,321	\$16,312,428	\$1,324,107	8.8%
38	La Puente	\$35,699,326	\$36,237,066	\$537,740	1.5%	38	Beverly Hills	\$655,570,500	\$709,432,402	\$53,861,902	8.2%
39	Hermosa Beach	\$80,738,553	\$81,944,245	\$1,205,692	1.5%	39	Rolling Hills Estates	\$10,331,123	\$11,167,600	\$836,477	8.1%
40	Hidden Hills	\$6,960,798	\$7,062,944	\$102,146	1.5%	40	Burbank	\$1,345,693,000	\$1,451,344,000	\$105,651,000	7.9%
41	Signal Hill	\$61,339,935	\$62,118,389	\$778,454	1.3%	41	Temple City	\$60,521,475	\$65,200,232	\$4,678,757	7.7%
42	Torrance	\$419,292,996	\$424,337,033	\$5,044,037	1.2%	42	Commerce	\$77,866,876	\$82,987,309	\$5,120,433	6.6%
43	El Monte	\$461,076,559	\$465,528,542	\$4,451,983	1.0%	43	Santa Clarita	\$894,585,567	\$949,492,105	\$54,906,538	6.1%
44	Artesia	\$14,822,791	\$14,948,321	\$125,530	0.8%	44	Downey	\$275,778,000	\$291,446,000	\$15,668,000	5.7%
45	Agoura Hills	\$85,359,390	\$86,048,235	\$688,845	0.8%	45	Manhattan Beach	\$173,023,924	\$182,174,652	\$9,150,728	5.3%
46	Lawndale	\$52,877,922	\$53,164,954	\$287,032	0.5%	46	West Hollywood	\$234,567,423	\$246,251,060	\$11,683,637	5.0%
47	San Marino	\$199,264,839	\$200,031,066	\$766,227	0.4%	47	Glendora	\$156,845,282	\$164,164,199	\$7,318,917	4.7%
48	Glendora	\$160,580,571	\$161,064,820	\$484,249	0.3%	48	Los Angeles	\$20,486,052,000	\$21,415,870,000	\$929,818,000	4.5%
49	Malibu	\$99,601,111	\$99,761,778	\$160,667	0.2%	49	El Monte	\$465,528,542	\$484,747,405	\$19,218,863	4.1%
50	Glendale	\$1,654,023,000	\$1,655,667,000	\$1,644,000	0.1%	50	San Fernando	\$60,331,335	\$62,168,809	\$1,837,474	3.0%
51	Palmdale	\$731,360,888	\$731,880,138	\$519,250	0.1%	51	La Canada Flintridge	\$67,059,209	\$68,347,392	\$1,288,183	1.9%
52	Hawaiian Gardens	\$23,261,691	\$23,267,915	\$6,224	0.0%	52	Rolling Hills	\$5,898,446	\$5,988,903	\$90,457	1.5%
53	Norwalk	\$169,547,365	\$169,342,086	(\$205,279)	(.1%)	53	Long Beach	\$4,389,600,000	\$4,455,635,000	\$66,035,000	1.5%
54	Walnut	\$86,393,828	\$86,192,945	(\$200,883)	(.2%)	54	La Verne	\$130,280,065	\$131,948,337	\$1,668,272	1.3%
55	Gardena	\$118,827,858	\$118,407,359	(\$420,499)	(.4%)	55	South Pasadena	\$82,003,902	\$82,777,599	\$773,697	0.9%
56	Burbank	\$1,353,345,000	\$1,345,693,000	(\$7,652,000)	(.6%)	56	Westlake Village	\$39,695,369	\$39,811,710	\$116,341	0.3%
57	Pomona	\$262,449,409	\$260,673,224	(\$1,776,185)	(.7%)	57	Hidden Hills	\$7,062,944	\$7,078,589	\$15,645	0.2%
58	San Fernando	\$60,778,589	\$60,331,335	(\$447,254)	(.7%)	58	San Marino	\$199,706,593	\$200,085,711	\$379,118	0.2%

Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets	Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets
59	Sierra Madre	\$220,802,817	\$219,084,905	(\$1,717,912)	(.8%)	59	Calabasas	\$101,249,059	\$101,204,368	(\$44,691)	(.0%)
60	La Habra Heights	\$12,082,251	\$11,964,847	(\$117,404)	(1.0%)	60	Claremont	\$135,916,931	\$135,591,436	(\$325,495)	(.2%)
61	Cerritos	\$338,239,068	\$334,776,904	(\$3,462,164)	(1.0%)	61	Sierra Madre	\$219,400,219	\$218,442,551	(\$957,668)	(.4%)
62	Palos Verdes Estates	\$87,668,455	\$86,668,866	(\$999,589)	(1.1%)	62	Glendale	\$1,655,667,000	\$1,638,463,000	(\$17,204,000)	(1.0%)
63	Diamond Bar	\$416,022,622	\$410,783,597	(\$5,239,025)	(1.3%)	63	Lynwood	\$142,251,864	\$140,539,783	(\$1,712,081)	(1.2%)
64	Lancaster	\$904,318,000	\$891,819,345	(\$12,498,655)	(1.4%)	64	Diamond Bar	\$411,343,266	\$405,860,546	(\$5,482,720)	(1.3%)
65	El Segundo	\$149,895,666	\$147,646,650	(\$2,249,016)	(1.5%)	65	Lomita	\$43,876,953	\$43,207,559	(\$669,394)	(1.5%)
66	Lomita	\$44,653,981	\$43,876,953	(\$777,028)	(1.7%)	66	Gardena	\$118,407,359	\$116,128,296	(\$2,279,063)	(1.9%)
67	Inglewood	\$220,134,814	\$213,883,271	(\$6,251,543)	(2.8%)	67	San Gabriel	\$54,887,950	\$53,690,979	(\$1,196,971)	(2.2%)
68	Westlake Village	\$41,067,970	\$39,695,369	(\$1,372,601)	(3.3%)	68	Palos Verdes Estates	\$84,219,854	\$82,232,212	(\$1,987,642)	(2.4%)
69	San Gabriel	\$58,199,540	\$56,220,057	(\$1,979,483)	(3.4%)	69	Hermosa Beach	\$81,944,245	\$79,968,435	(\$1,975,810)	(2.4%)
70	Arcadia	\$199,030,502	\$192,064,831	(\$6,965,671)	(3.5%)	70	Agoura Hills	\$86,048,235	\$83,815,997	(\$2,232,238)	(2.6%)
71	West Covina	\$211,787,517	\$203,425,964	(\$8,361,553)	(3.9%)	71	Malibu	\$98,924,563	\$95,635,196	(\$3,289,367)	(3.3%)
72	Bell Gardens	\$105,822,495	\$101,111,384	(\$4,711,111)	(4.5%)	72	El Segundo	\$147,836,304	\$142,864,903	(\$4,971,401)	(3.4%)
73	Azusa	\$133,485,442	\$127,027,605	(\$6,457,837)	(4.8%)	73	Carson	\$379,644,579	\$363,110,748	(\$16,533,831)	(4.4%)
74	Commerce	\$102,968,774	\$97,803,777	(\$5,164,997)	(5.0%)	74	Arcadia	\$192,064,831	\$181,152,565	(\$10,912,266)	(5.7%)
75	Downey	\$291,298,000	\$276,384,000	(\$14,914,000)	(5.1%)	75	Industry	\$604,631,162	\$566,920,582	(\$37,710,580)	(6.2%)
76	Covina	\$145,143,945	\$136,654,618	(\$8,489,327)	(5.8%)	76	Covina	\$140,149,595	\$128,712,846	(\$11,436,749)	(8.2%)
77	Paramount	\$99,609,482	\$93,312,696	(\$6,296,786)	(6.3%)	77	Vernon	\$169,354,729	\$82,358,298	(\$86,996,431)	(51.4%)
78	Carson	\$419,286,360	\$379,644,579	(\$39,641,781)	(9.5%)	NA	Azusa				
79	Vernon	\$201,108,074	\$181,690,500	(\$19,417,574)	(9.7%)	NA	Bradbury				
80	Bradbury	\$6,402,883	\$5,753,196	(\$649,687)	(10.1%)	NA	Hawaiian Gardens				
81	Monrovia	\$49,199,339	\$43,903,411	(\$5,295,928)	(10.8%)	NA	Huntington Park				
82	Rolling Hills	\$6,775,878	\$5,898,446	(\$877,432)	(12.9%)	NA	Inglewood				
83	Huntington Park	(\$82,332,367)	(\$93,043,755)	(\$10,711,388)	(13.0%)	NA	La Habra Heights				
84	Cudahy	\$28,414,815	\$7,714,909	(\$20,699,906)	(72.8%)	NA	Lawndale				

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.

General Fund Net Revenue Percent

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.

As the following Exhibit shows, 52 of the 84 cities received more in general fund revenues than they expended on general funded governmental activities during Fiscal Year 2010-11. The remaining 32 cities spent more on these activities than revenue received. The exhibit also shows 46 of the 77 cities received more in general fund revenues than they expended on general funded governmental activities during Fiscal Year 2011-12. The remaining 31 cities spent more on these activities than revenue received. Cities spent an average of 1.7% more than received in revenue in FY 2010-11, and spent 1.5% more than received in revenue in FY 2011-12.

General Funds are used to fund core government activities such as government administration, public safety, transportation, community development, and community services. Each city's general fund is used to provide resources to provide for the basic city services including police, fire, parks, library, and administrative support services. A negative net general fund revenues and percentage means a city's ability to provide these essential services in the future may be at risk, and they may have to make additional reductions in city services.

Exhibit 7: General Fund Revenues, Expenditures and Net Revenues

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
1	Duarte	\$20,672,184	\$11,859,298	\$8,812,886	42.6%	1	Rancho Palos Verdes	\$23,670,857	\$17,460,898	\$6,209,959	26.2%
2	Industry	\$51,331,181	\$35,935,257	\$15,395,924	30.0%	2	La Mirada	\$37,134,080	\$28,488,780	\$8,645,300	23.3%
3	Rancho Palos Verdes	\$22,921,818	\$17,081,270	\$5,840,548	25.5%	3	Santa Monica	\$434,801,117	\$334,088,752	\$100,712,365	23.2%
4	Norwalk	\$51,364,870	\$42,346,732	\$9,018,138	17.6%	4	West Hollywood	\$72,214,859	\$59,640,290	\$12,574,569	17.4%
5	La Canada Flintridge	\$12,797,722	\$10,676,861	\$2,120,861	16.6%	5	Hermosa Beach	\$28,674,890	\$24,769,924	\$3,904,966	13.6%
6	Culver City	\$82,739,285	\$69,164,968	\$13,574,317	16.4%	6	La Puente	\$10,793,192	\$9,563,650	\$1,229,542	11.4%
7	Santa Clarita	\$79,670,171	\$67,322,236	\$12,347,935	15.5%	7	Hawthorne	\$55,129,557	\$48,919,950	\$6,209,607	11.3%
8	West Hollywood	\$68,722,966	\$58,624,426	\$10,098,540	14.7%	8	Pasadena	\$195,589,261	\$173,738,846	\$21,850,415	11.2%
9	Palmdale	\$55,974,288	\$47,890,405	\$8,083,883	14.4%	9	Beverly Hills	\$172,764,744	\$153,657,321	\$19,107,423	11.1%
10	Hawthorne	\$56,575,507	\$48,639,631	\$7,936,146	14.0%	10	Sierra Madre	\$7,979,366	\$7,140,524	\$838,842	10.5%
11	Beverly Hills	\$165,530,333	\$146,061,614	\$19,468,719	11.8%	11	La Canada Flintridge	\$11,839,400	\$10,612,344	\$1,227,056	10.4%
12	Sierra Madre	\$8,169,722	\$7,242,599	\$927,123	11.3%	12	South El Monte	\$10,886,615	\$9,841,361	\$1,045,254	9.6%
13	South Pasadena	\$22,014,073	\$19,547,071	\$2,467,002	11.2%	13	Westlake Village	\$9,920,560	\$8,988,739	\$931,821	9.4%
14	Hermosa Beach	\$27,196,751	\$24,321,633	\$2,875,118	10.6%	14	Claremont	\$21,530,877	\$19,647,490	\$1,883,387	8.7%
15	Bell Gardens	\$23,887,916	\$21,497,729	\$2,390,187	10.0%	15	San Marino	\$21,351,300	\$19,494,858	\$1,856,442	8.7%
16	La Mirada	\$31,266,046	\$28,263,068	\$3,002,978	9.6%	16	Agoura Hills	\$11,308,176	\$10,392,563	\$915,613	8.1%
17	Whittier	\$57,189,318	\$51,856,441	\$5,332,877	9.3%	17	Norwalk	\$38,712,928	\$35,674,163	\$3,038,765	7.8%
18	San Marino	\$21,952,839	\$19,960,981	\$1,991,858	9.1%	18	Carson	\$65,424,619	\$60,481,818	\$4,942,801	7.6%
19	Gardena	\$42,447,638	\$38,830,154	\$3,617,484	8.5%	19	Duarte	\$12,214,688	\$11,398,359	\$816,329	6.7%
20	Artesia	\$7,309,948	\$6,700,829	\$609,119	8.3%	20	Commerce	\$50,069,711	\$46,783,647	\$3,286,064	6.6%
21	Claremont	\$21,598,847	\$19,872,514	\$1,726,333	8.0%	21	Hidden Hills	\$1,754,705	\$1,641,310	\$113,395	6.5%
22	Pasadena	\$195,614,741	\$181,402,037	\$14,212,704	7.3%	22	Rolling Hills Estates	\$6,366,990	\$5,966,474	\$400,516	6.3%
23	Baldwin Park	\$24,076,977	\$22,364,752	\$1,712,225	7.1%	23	Torrance	\$152,938,399	\$143,470,325	\$9,468,074	6.2%
24	Carson	\$61,764,161	\$57,407,400	\$4,356,761	7.1%	24	Pomona	\$76,869,936	\$72,122,780	\$4,747,156	6.2%
25	Los Angeles	\$4,179,291,000	\$3,913,044,000	\$266,247,000	6.4%	25	Signal Hill	\$16,966,997	\$15,928,094	\$1,038,903	6.1%
26	Temple City	\$10,644,685	\$9,972,639	\$672,046	6.3%	26	Los Angeles	\$4,317,334,000	\$4,053,262,000	\$264,072,000	6.1%
27	Lakewood	\$42,507,652	\$39,868,028	\$2,639,624	6.2%	27	Temple City	\$11,091,731	\$10,444,775	\$646,956	5.8%

Exhibit 7: General Fund Revenues, Expenditures and Net Revenues

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
28	Glendora	\$22,684,726	\$21,338,243	\$1,346,483	5.9%	28	Manhattan Beach	\$53,987,382	\$50,930,438	\$3,056,944	5.7%
29	Bellflower	\$23,607,679	\$22,488,247	\$1,119,432	4.7%	29	Lakewood	\$41,824,853	\$39,459,224	\$2,365,629	5.7%
30	Azusa	\$31,960,738	\$30,462,297	\$1,498,441	4.7%	30	South Pasadena	\$22,361,777	\$21,141,001	\$1,220,776	5.5%
31	Signal Hill	\$16,503,772	\$15,763,663	\$740,109	4.5%	31	Gardena	\$44,782,462	\$42,454,549	\$2,327,913	5.2%
32	Manhattan Beach	\$52,027,800	\$49,765,852	\$2,261,948	4.3%	32	Palos Verdes Estates	\$10,775,050	\$10,242,790	\$532,260	4.9%
33	Calabasas	\$20,437,186	\$19,553,214	\$883,972	4.3%	33	Lomita	\$7,606,304	\$7,301,566	\$304,738	4.0%
34	Redondo Beach	\$67,121,270	\$64,350,055	\$2,771,215	4.1%	34	Calabasas	\$19,628,049	\$18,860,625	\$767,424	3.9%
35	Walnut	\$11,794,092	\$11,381,557	\$412,535	3.5%	35	Baldwin Park	\$23,433,623	\$22,548,214	\$885,409	3.8%
36	Agoura Hills	\$11,031,740	\$10,649,354	\$382,386	3.5%	36	San Dimas	\$18,230,694	\$17,775,563	\$455,131	2.5%
37	Irwindale	\$17,891,101	\$17,343,600	\$547,501	3.1%	37	Redondo Beach	\$67,811,693	\$66,183,617	\$1,628,076	2.4%
38	Rolling Hills	\$1,620,797	\$1,578,562	\$42,235	2.6%	38	Long Beach	\$388,538,000	\$379,466,000	\$9,072,000	2.3%
39	Huntington Park	\$30,583,128	\$29,862,365	\$720,763	2.4%	39	Palmdale	\$48,252,632	\$47,398,402	\$854,230	1.8%
40	Lomita	\$7,429,243	\$7,269,805	\$159,438	2.1%	40	Bell Gardens	\$22,483,823	\$22,108,676	\$375,147	1.7%
41	Palos Verdes Estates	\$10,632,711	\$10,406,520	\$226,191	2.1%	41	Industry	\$46,085,842	\$45,418,773	\$667,069	1.4%
42	Covina	\$28,885,879	\$28,329,627	\$556,252	1.9%	42	Paramount	\$23,155,325	\$22,836,405	\$318,920	1.4%
43	Torrance	\$148,890,032	\$146,087,069	\$2,802,963	1.9%	43	South Gate	\$37,427,784	\$36,974,158	\$453,626	1.2%
44	Alhambra	\$50,980,178	\$50,216,870	\$763,308	1.5%	44	Bellflower	\$23,056,942	\$22,816,147	\$240,795	1.0%
45	Commerce	\$47,452,600	\$46,748,647	\$703,953	1.5%	45	Monterey Park	\$32,412,385	\$32,217,428	\$194,957	0.6%
46	San Dimas	\$19,188,807	\$18,938,547	\$250,260	1.3%	46	Rosemead	\$17,078,236	\$17,001,740	\$76,496	0.4%
47	Westlake Village	\$9,570,726	\$9,452,130	\$118,596	1.2%	47	Lancaster	\$54,034,215	\$54,517,133	(\$482,918)	(.9%)
48	Pomona	\$76,597,406	\$75,885,240	\$712,166	0.9%	48	Lynwood	\$27,181,216	\$27,466,586	(\$285,370)	(1.0%)
49	La Habra Heights	\$2,819,878	\$2,803,953	\$15,925	0.6%	49	Pico Rivera	\$32,595,768	\$33,164,063	(\$568,295)	(1.7%)
50	South El Monte	\$9,866,559	\$9,827,652	\$38,907	0.4%	50	La Verne	\$25,272,727	\$25,846,547	(\$573,820)	(2.3%)
51	Paramount	\$22,349,332	\$22,304,041	\$45,291	0.2%	51	Alhambra	\$50,575,102	\$51,754,955	(\$1,179,853)	(2.3%)
52	Arcadia	\$45,970,881	\$45,957,932	\$12,949	0.0%	52	Glendora	\$22,167,417	\$22,736,426	(\$569,009)	(2.6%)
53	Long Beach	\$383,824,000	\$384,441,000	(\$617,000)	(.2%)	53	Culver City	\$70,610,080	\$72,935,927	(\$2,325,847)	(3.3%)
54	South Gate	\$35,321,221	\$35,686,831	(\$365,610)	(1.0%)	54	Artesia	\$7,440,483	\$7,699,562	(\$259,079)	(3.5%)

Exhibit 7: General Fund Revenues, Expenditures and Net Revenues

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
55	Santa Monica	\$266,324,593	\$270,917,006	(\$4,592,413)	(1.7%)	55	Whittier	\$51,724,154	\$53,935,356	(\$2,211,202)	(4.3%)
56	El Monte	\$48,936,211	\$49,864,596	(\$928,385)	(1.9%)	56	El Monte	\$50,425,256	\$52,901,819	(\$2,476,563)	(4.9%)
57	Inglewood	\$91,188,526	\$93,635,491	(\$2,446,965)	(2.7%)	57	Malibu	\$22,864,947	\$23,990,727	(\$1,125,780)	(4.9%)
58	Monterey Park	\$29,370,250	\$30,285,009	(\$914,759)	(3.1%)	58	Arcadia	\$45,795,470	\$48,079,568	(\$2,284,098)	(5.0%)
59	Hawaiian Gardens	\$16,140,191	\$16,710,780	(\$570,589)	(3.5%)	59	Covina	\$28,167,072	\$29,581,412	(\$1,414,340)	(5.0%)
60	El Segundo	\$52,261,377	\$54,408,329	(\$2,146,952)	(4.1%)	60	El Segundo	\$50,276,959	\$53,771,645	(\$3,494,686)	(7.0%)
61	Malibu	\$21,722,890	\$22,641,708	(\$918,818)	(4.2%)	61	Santa Clarita	\$80,248,130	\$86,681,522	(\$6,433,392)	(8.0%)
62	West Covina	\$49,055,522	\$51,760,549	(\$2,705,027)	(5.5%)	62	Downey	\$63,810,000	\$69,232,000	(\$5,422,000)	(8.5%)
63	La Puente	\$9,678,875	\$10,219,907	(\$541,032)	(5.6%)	63	Irwindale	\$15,557,396	\$16,970,554	(\$1,413,158)	(9.1%)
64	Lynwood	\$26,536,562	\$28,057,344	(\$1,520,782)	(5.7%)	64	Walnut	\$10,855,654	\$11,978,785	(\$1,123,131)	(10.3%)
65	Rolling Hills Estates	\$5,780,776	\$6,204,793	(\$424,017)	(7.3%)	65	Santa Fe Springs	\$49,986,372	\$55,669,656	(\$5,683,284)	(11.4%)
66	Rosemead	\$16,477,300	\$17,730,943	(\$1,253,643)	(7.6%)	66	West Covina	\$48,345,460	\$54,019,195	(\$5,673,735)	(11.7%)
67	La Verne	\$23,768,896	\$25,588,297	(\$1,819,401)	(7.7%)	67	Cudahy	\$6,900,915	\$7,723,621	(\$822,706)	(11.9%)
68	Pico Rivera	\$30,222,633	\$32,819,053	(\$2,596,420)	(8.6%)	68	Burbank	\$134,937,000	\$152,537,000	(\$17,600,000)	(13.0%)
69	Cudahy	\$5,930,943	\$6,513,443	(\$582,500)	(9.8%)	69	Rolling Hills	\$1,463,120	\$1,697,941	(\$234,821)	(16.0%)
70	Downey	\$61,269,000	\$67,951,000	(\$6,682,000)	(10.9%)	70	Glendale	\$138,953,000	\$162,117,000	(\$23,164,000)	(16.7%)
71	Santa Fe Springs	\$41,744,050	\$46,483,379	(\$4,739,329)	(11.4%)	71	Diamond Bar	\$17,927,859	\$22,239,717	(\$4,311,858)	(24.1%)
72	Cerritos	\$60,431,960	\$68,949,923	(\$8,517,963)	(14.1%)	72	Monrovia	\$25,206,231	\$32,055,155	(\$6,848,924)	(27.2%)
73	Glendale	\$142,582,000	\$163,698,000	(\$21,116,000)	(14.8%)	73	San Fernando	\$12,144,406	\$15,788,936	(\$3,644,530)	(30.0%)
74	Burbank	\$130,993,000	\$150,679,000	(\$19,686,000)	(15.0%)	74	Montebello	\$33,716,297	\$44,431,004	(\$10,714,707)	(31.8%)
75	San Gabriel	\$25,312,197	\$30,919,864	(\$5,607,667)	(22.2%)	75	San Gabriel	\$24,543,179	\$32,751,441	(\$8,208,262)	(33.4%)
76	Lancaster	\$44,307,303	\$54,631,910	(\$10,324,607)	(23.3%)	76	Cerritos	\$59,970,701	\$86,349,754	(\$26,379,053)	(44.0%)
77	Montebello	\$33,446,847	\$41,947,119	(\$8,500,272)	(25.4%)	77	Vernon	\$27,460,829	\$57,151,710	(\$29,690,881)	(108.1%)
78	Monrovia	\$23,488,715	\$30,958,641	(\$7,469,926)	(31.8%)	NA	Azusa				
79	Hidden Hills	\$1,710,883	\$2,258,156	(\$547,273)	(32.0%)	NA	Bradbury				
80	San Fernando	\$14,724,735	\$19,438,178	(\$4,713,443)	(32.0%)	NA	Hawaiian Gardens				
81	Lawndale	\$11,313,334	\$15,437,446	(\$4,124,112)	(36.5%)	NA	Huntington Park				

Exhibit 7: General Fund Revenues, Expenditures and Net Revenues

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
82	Diamond Bar	\$17,882,284	\$27,804,147	(\$9,921,863)	(55.5%)	NA	Inglewood				
83	Bradbury	\$907,791	\$1,444,788	(\$536,997)	(59.2%)	NA	La Habra Heights				
84	Vernon	\$27,894,119	\$55,868,389	(\$27,974,270)	(100.3%)	NA	Lawndale				

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.

Change in General Fund Balance

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 total 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 than the general fund balance is increasing, if a negative number the general fund balance is decreasing.

As the following Exhibit shows, 47 of the 84 cities had positive changes in their general fund balance in Fiscal Year 2010-11. The remaining 37 cities general fund balance declined. The exhibit also shows 32 of the 77 cities had positive changes in their general fund balance in Fiscal Year 2011-12. The remaining 45 cities general fund balance declined. The average change in general fund balance was -3.8% in 2010-11, and -14.5% for FY 2011-12. A positive percentage change indicates that the city's financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
1	Agoura Hills	\$10,346,064	\$39,846,641	\$29,500,577	285.1%	1	Beverly Hills	\$39,846,641	\$107,208,994	\$67,362,353	169.1%
2	Irwindale	\$27,375,796	\$66,721,671	\$39,345,875	143.7%	2	South El Monte	\$1,836,365	\$2,932,157	\$1,095,792	59.7%
3	Azusa	\$9,656,687	\$16,303,959	\$6,647,272	68.8%	3	Montebello	\$4,975,576	\$7,155,057	\$2,179,481	43.8%
4	Duarte	\$14,583,081	\$23,090,967	\$8,507,886	58.3%	4	Santa Monica	\$295,275,716	\$416,257,281	\$120,981,565	41.0%
5	Paramount	\$14,177,317	\$20,217,152	\$6,039,835	42.6%	5	Carson	\$23,501,291	\$29,618,905	\$6,117,614	26.0%
6	Redondo Beach	\$9,894,077	\$13,654,459	\$3,760,382	38.0%	6	Santa Fe Springs	\$25,249,104	\$31,662,518	\$6,413,414	25.4%
7	Santa Monica	\$215,470,696	\$295,275,716	\$79,805,020	37.0%	7	La Verne	\$8,545,949	\$10,197,783	\$1,651,834	19.3%
8	Norwalk	\$21,682,417	\$29,478,353	\$7,795,936	36.0%	8	Monterey Park	\$13,145,236	\$15,528,130	\$2,382,894	18.1%
9	Culver City	\$38,893,637	\$50,316,015	\$11,422,378	29.4%	9	Rolling Hills Estates	\$2,392,970	\$2,800,565	\$407,595	17.0%
10	Carson	\$18,182,124	\$23,501,291	\$5,319,167	29.3%	10	Long Beach	\$66,993,000	\$77,123,000	\$10,130,000	15.1%
11	Artesia	\$3,163,243	\$3,962,246	\$799,003	25.3%	11	Claremont	\$11,531,871	\$13,191,567	\$1,659,696	14.4%
12	Palmdale	\$23,524,967	\$29,325,007	\$5,800,040	24.7%	12	Los Angeles	\$523,288,000	\$571,684,000	\$48,396,000	9.2%
13	Alhambra	\$8,080,126	\$10,045,306	\$1,965,180	24.3%	13	South Pasadena	\$13,532,500	\$14,754,459	\$1,221,959	9.0%
14	South Pasadena	\$11,199,357	\$13,532,500	\$2,333,143	20.8%	14	Pasadena	\$49,911,540	\$53,775,868	\$3,864,328	7.7%
15	Hawthorne	\$28,888,447	\$34,484,777	\$5,596,330	19.4%	15	La Mirada	\$48,228,160	\$51,887,661	\$3,659,501	7.6%
16	Los Angeles	\$436,484,000	\$520,058,000	\$83,574,000	19.1%	16	Gardena	\$9,267,031	\$9,961,015	\$693,984	7.5%
17	Claremont	\$10,158,269	\$11,688,535	\$1,530,266	15.1%	17	Lakewood	\$55,114,817	\$58,824,823	\$3,710,006	6.7%
18	Hermosa Beach	\$5,241,329	\$5,853,457	\$612,128	11.7%	18	Rancho Palos Verdes	\$18,900,262	\$19,957,249	\$1,056,987	5.6%
19	Glendale	\$120,471,000	\$134,055,000	\$13,584,000	11.3%	19	Commerce	\$48,742,675	\$51,324,280	\$2,581,605	5.3%
20	Signal Hill	\$24,525,625	\$26,926,465	\$2,400,840	9.8%	20	Calabasas	\$16,990,628	\$17,760,172	\$769,544	4.5%
21	West Hollywood	\$68,564,646	\$75,148,519	\$6,583,873	9.6%	21	Duarte	\$23,090,967	\$23,966,286	\$875,319	3.8%
22	Palos Verdes Estates	\$8,528,709	\$9,332,667	\$803,958	9.4%	22	Hermosa Beach	\$5,853,457	\$6,056,563	\$203,106	3.5%
23	Covina	\$10,608,489	\$11,607,880	\$999,391	9.4%	23	Signal Hill	\$26,926,465	\$27,604,374	\$677,909	2.5%
24	Manhattan Beach	\$18,245,833	\$19,904,622	\$1,658,789	9.1%	24	Lomita	\$4,919,713	\$5,041,171	\$121,458	2.5%
25	Santa Clarita	\$77,757,523	\$83,690,219	\$5,932,696	7.6%	25	Hidden Hills	\$5,038,232	\$5,151,627	\$113,395	2.3%
26	Lakewood	\$51,225,124	\$55,114,817	\$3,889,693	7.6%	26	South Gate	\$44,430,290	\$45,305,175	\$874,885	2.0%
27	Sierra Madre	\$5,136,891	\$5,521,717	\$384,826	7.5%	27	Torrance	\$51,737,301	\$52,697,045	\$959,744	1.9%
28	La Canada Flintridge	\$13,975,303	\$14,997,521	\$1,022,218	7.3%	28	West Hollywood	\$74,528,324	\$75,775,059	\$1,246,735	1.7%
29	Gardena	\$8,649,750	\$9,267,031	\$617,281	7.1%	29	Paramount	\$20,217,152	\$20,536,072	\$318,920	1.6%
30	Industry	\$204,929,546	\$219,000,959	\$14,071,413	6.9%	30	Bellflower	\$26,638,103	\$27,034,507	\$396,404	1.5%
31	Santa Fe Springs	\$23,665,295	\$25,249,104	\$1,583,809	6.7%	31	Pico Rivera	\$42,454,939	\$42,945,527	\$490,588	1.2%

Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
32	South Gate	\$41,736,638	\$44,430,290	\$2,693,652	6.5%	32	El Monte	\$27,313,295	\$27,530,762	\$217,467	0.8%
33	El Monte	\$25,716,836	\$27,313,295	\$1,596,459	6.2%	33	Manhattan Beach	\$19,904,622	\$19,860,593	(\$44,029)	(.2%)
34	Arcadia	\$25,198,726	\$26,733,547	\$1,534,821	6.1%	34	Westlake Village	\$15,429,166	\$15,287,538	(\$141,628)	(.9%)
35	La Verne	\$8,061,447	\$8,545,949	\$484,502	6.0%	35	San Dimas	\$30,886,489	\$30,596,789	(\$289,700)	(.9%)
36	Bell Gardens	\$38,147,258	\$40,042,997	\$1,895,739	5.0%	36	Bell Gardens	\$40,042,997	\$39,269,814	(\$773,183)	(1.9%)
37	Glendora	\$16,088,976	\$16,766,521	\$677,545	4.2%	37	Redondo Beach	\$13,654,459	\$13,390,680	(\$263,779)	(1.9%)
38	Huntington Park	\$30,991,807	\$32,074,080	\$1,082,273	3.5%	38	La Canada Flintridge	\$14,997,521	\$14,679,687	(\$317,834)	(2.1%)
39	Rolling Hills	\$3,221,894	\$3,321,129	\$99,235	3.1%	39	Culver City	\$50,316,015	\$48,994,261	(\$1,321,754)	(2.6%)
40	Temple City	\$24,700,378	\$25,313,718	\$613,340	2.5%	40	West Covina	\$29,613,277	\$28,767,970	(\$845,307)	(2.9%)
41	Bellflower	\$27,469,072	\$28,098,159	\$629,087	2.3%	41	Rosemead	\$15,319,072	\$14,821,172	(\$497,900)	(3.3%)
42	La Mirada	\$47,554,646	\$48,527,355	\$972,709	2.0%	42	Arcadia	\$26,733,547	\$25,799,162	(\$934,385)	(3.5%)
43	San Dimas	\$30,419,495	\$30,900,448	\$480,953	1.6%	43	Whittier	\$36,473,307	\$34,873,937	(\$1,599,370)	(4.4%)
44	Beverly Hills	\$97,564,979	\$97,984,156	\$419,177	0.4%	44	Palos Verdes Estates	\$9,332,667	\$8,891,466	(\$441,201)	(4.7%)
45	Whittier	\$36,392,331	\$36,473,307	\$80,976	0.2%	45	Temple City	\$25,313,718	\$24,054,080	(\$1,259,638)	(5.0%)
46	San Gabriel	\$11,160,821	\$11,182,894	\$22,073	0.2%	46	Walnut	\$15,002,607	\$14,215,976	(\$786,631)	(5.2%)
47	Commerce	\$48,716,793	\$48,742,675	\$25,882	0.1%	47	Alhambra	\$9,758,196	\$9,245,955	(\$512,241)	(5.2%)
48	La Habra Heights	\$5,577,027	\$5,546,038	(\$30,989)	(.6%)	48	Industry	\$219,000,959	\$207,304,768	(\$11,696,191)	(5.3%)
49	Rancho Palos Verdes	\$19,373,042	\$18,900,263	(\$472,779)	(2.4%)	49	Baldwin Park	\$17,077,153	\$16,084,269	(\$992,884)	(5.8%)
50	La Puente	\$19,110,833	\$18,569,801	(\$541,032)	(2.8%)	50	Rolling Hills	\$3,321,129	\$3,110,058	(\$211,071)	(6.4%)
51	El Segundo	\$13,034,492	\$12,628,952	(\$405,540)	(3.1%)	51	Artesia	\$3,962,246	\$3,682,488	(\$279,758)	(7.1%)
52	Calabasas	\$17,617,282	\$16,990,628	(\$626,654)	(3.6%)	52	Palmdale	\$31,932,082	\$29,657,651	(\$2,274,431)	(7.1%)
53	Cerritos	\$183,100,074	\$175,341,307	(\$7,758,767)	(4.2%)	53	Sierra Madre	\$5,521,717	\$5,110,444	(\$411,273)	(7.4%)
54	Hawaiian Gardens	\$21,034,418	\$20,095,731	(\$938,687)	(4.5%)	54	Malibu	\$20,352,411	\$18,572,523	(\$1,779,888)	(8.7%)
55	Monterey Park	\$13,762,704	\$13,145,236	(\$617,468)	(4.5%)	55	Cudahy	\$7,530,636	\$6,838,969	(\$691,667)	(9.2%)
56	Westlake Village	\$16,308,401	\$15,429,166	(\$879,235)	(5.4%)	56	Covina	\$11,607,880	\$10,537,723	(\$1,070,157)	(9.2%)
57	Lawndale	\$24,655,831	\$23,275,550	(\$1,380,281)	(5.6%)	57	Glendora	\$16,766,521	\$15,158,169	(\$1,608,352)	(9.6%)
58	Torrance	\$55,023,286	\$51,737,301	(\$3,285,985)	(6.0%)	58	Burbank	\$100,907,000	\$86,565,000	(\$14,342,000)	(14.2%)
59	West Covina	\$31,567,950	\$29,613,277	(\$1,954,673)	(6.2%)	59	Lynwood	\$6,533,260	\$5,601,665	(\$931,595)	(14.3%)
60	Pico Rivera	\$45,530,767	\$42,454,939	(\$3,075,828)	(6.8%)	60	Downey	\$23,227,000	\$19,887,000	(\$3,340,000)	(14.4%)
61	Burbank	\$108,520,000	\$100,907,000	(\$7,613,000)	(7.0%)	61	Cerritos	\$175,341,307	\$147,153,641	(\$28,187,666)	(16.1%)
62	San Marino	\$19,107,936	\$17,399,938	(\$1,707,998)	(8.9%)	62	Santa Clarita	\$83,690,219	\$69,942,023	(\$13,748,196)	(16.4%)

Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
63	Rosemead	\$16,953,956	\$15,319,072	(\$1,634,884)	(9.6%)	63	Irwindale	\$66,721,671	\$55,367,683	(\$11,353,988)	(17.0%)
64	Baldwin Park	\$18,918,838	\$17,077,153	(\$1,841,685)	(9.7%)	64	San Marino	\$17,399,938	\$14,258,891	(\$3,141,047)	(18.1%)
65	Hidden Hills	\$5,585,505	\$5,038,232	(\$547,273)	(9.8%)	65	Norwalk	\$29,478,353	\$23,871,998	(\$5,606,355)	(19.0%)
66	Downey	\$23,119,000	\$20,827,000	(\$2,292,000)	(9.9%)	66	Diamond Bar	\$21,268,415	\$17,144,314	(\$4,124,101)	(19.4%)
67	Pasadena	\$53,177,187	\$46,565,007	(\$6,612,180)	(12.4%)	67	El Segundo	\$12,628,952	\$10,168,440	(\$2,460,512)	(19.5%)
68	Inglewood	\$19,569,028	\$17,131,737	(\$2,437,291)	(12.5%)	68	San Gabriel	\$11,182,894	\$8,289,717	(\$2,893,177)	(25.9%)
69	Lomita	\$5,651,721	\$4,919,713	(\$732,008)	(13.0%)	69	Lancaster	\$63,342,372	\$38,910,226	(\$24,432,146)	(38.6%)
70	Pomona	\$6,535,641	\$5,689,100	(\$846,541)	(13.0%)	70	Glendale	\$134,055,000	\$59,566,000	(\$74,489,000)	(55.6%)
71	Monrovia	\$3,739,203	\$3,216,328	(\$522,875)	(14.0%)	71	Hawthorne	\$34,484,777	\$14,153,974	(\$20,330,803)	(59.0%)
72	Rolling Hills Estates	\$2,816,987	\$2,392,970	(\$424,017)	(15.1%)	72	La Puente	\$18,569,801	\$7,508,388	(\$11,061,413)	(59.6%)
73	Cudahy	\$8,967,448	\$7,567,550	(\$1,399,898)	(15.6%)	73	Pomona	\$5,689,100	\$2,148,019	(\$3,541,081)	(62.2%)
74	Lancaster	\$76,270,787	\$63,342,372	(\$12,928,415)	(17.0%)	74	Agoura Hills	\$41,569,987	\$9,024,831	(\$32,545,156)	(78.3%)
75	Lynwood	\$8,288,968	\$6,533,260	(\$1,755,708)	(21.2%)	75	San Fernando	(\$619,317)	(\$1,236,782)	(\$617,465)	(99.7%)
76	Bradbury	\$2,247,759	\$1,710,762	(\$536,997)	(23.9%)	76	Monrovia	\$3,216,328	(\$8,827,446)	(\$12,043,774)	(374.5%)
77	Malibu	\$26,751,198	\$20,352,411	(\$6,398,787)	(23.9%)	77	Vernon	(\$4,526,031)	(\$25,120,702)	(\$20,594,671)	(455.0%)
78	Diamond Bar	\$30,860,848	\$21,268,415	(\$9,592,433)	(31.1%)	NA	Azusa				
79	Walnut	\$21,952,372	\$15,002,607	(\$6,949,765)	(31.7%)	NA	Bradbury				
80	South El Monte	\$3,802,320	\$1,836,365	(\$1,965,955)	(51.7%)	NA	Hawaiian Gardens				
81	Vernon	\$18,832,079	\$7,809,740	(\$11,022,339)	(58.5%)	NA	Huntington Park				
82	Long Beach	\$163,702,000	\$66,993,000	(\$96,709,000)	(59.1%)	NA	Inglewood				
83	Montebello	(\$6,682,148)	\$4,975,576	\$11,657,724	(174.5%)	NA	La Habra Heights				
84	San Fernando	\$102,384	(\$619,317)	(\$721,701)	(704.9%)	NA	Lawndale				

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.

Unassigned General Fund Reserve

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 (16.6%) 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 facilitate long-term financial planning.

As the exhibit on the following pages shows, 55 of the 84 cities had unassigned general fund reserves greater than 16.6%, or two months, of regular general fund operating expenditures for Fiscal Year 2010-11. The exhibit also shows 47 of the 77 cities had unassigned general fund reserves greater than 16.6%, or two months, of regular general fund operating expenditures for Fiscal Year 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.

Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)									
Fiscal Year 2010-11					Fiscal Year 2011-12				
Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's	Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's
1	Industry	609.4%	\$218,205,140	607.2%	1	Industry	456.4%	\$206,508,950	454.7%
2	Temple City	253.8%	\$23,542,553	236.1%	2	Hidden Hills	313.9%	\$4,791,648	291.9%
3	Hidden Hills	223.1%	\$4,678,424	207.2%	3	Rolling Hills	183.2%	\$3,005,146	177.0%
4	Rolling Hills	210.4%	\$3,265,198	206.8%	4	Westlake Village	170.1%	\$12,525,377	139.3%
5	La Habra Heights	197.8%	\$5,472,642	195.2%	5	La Canada Flintridge	138.3%	\$12,346,098	116.3%
6	Bradbury	118.4%	\$2,710,762	187.6%	6	Duarte	210.3%	\$12,421,537	109.0%
7	Hawaiian Gardens	120.3%	\$20,095,731	120.3%	7	Calabasas	94.2%	\$17,746,565	94.1%
8	La Canada Flintridge	140.5%	\$12,734,288	119.3%	8	Cudahy	88.5%	\$6,838,969	88.5%
9	Cerritos	254.3%	\$71,056,060	103.1%	9	Agoura Hills	86.8%	\$8,883,578	85.5%
10	Duarte	194.7%	\$11,552,824	97.4%	10	La Mirada	182.1%	\$24,253,682	85.1%
11	Westlake Village	163.2%	\$8,761,505	92.7%	11	Cerritos	170.4%	\$67,305,842	77.9%
12	Calabasas	86.9%	\$16,972,163	86.8%	12	Commerce	109.7%	\$36,051,479	77.1%
13	Agoura Hills	374.2%	\$8,547,388	80.3%	13	San Marino	73.1%	\$14,152,605	72.6%
14	San Marino	87.2%	\$15,934,468	79.8%	14	Rancho Palos Verdes	114.3%	\$12,464,439	71.4%
15	Lawndale	150.8%	\$11,560,364	74.9%	15	Bellflower	118.5%	\$14,376,492	63.0%
16	La Mirada	171.7%	\$20,693,194	73.2%	16	Santa Clarita	80.7%	\$50,664,338	58.4%
17	Bell Gardens	186.3%	\$0	73.2%	17	Culver City	67.2%	\$42,583,643	58.4%
18	Commerce	104.3%	\$33,552,248	71.8%	18	Diamond Bar	77.1%	\$12,616,200	56.7%
19	Bellflower	124.9%	\$15,735,669	70.0%	19	San Dimas	172.1%	\$9,976,322	56.1%
20	Santa Clarita	124.3%	\$46,915,238	69.7%	20	Rosemead	87.2%	\$9,519,173	56.0%
21	Rancho Palos Verdes	110.6%	\$11,385,761	66.7%	21	South Pasadena	69.8%	\$11,757,341	55.6%
22	Sierra Madre	76.2%	\$4,721,717	65.2%	22	La Puente	78.5%	\$4,843,455	50.6%
23	Culver City	72.7%	\$42,492,244	61.4%	23	Paramount	89.9%	\$11,335,035	49.6%
24	Diamond Bar	76.5%	\$16,726,964	60.2%	24	Beverly Hills	69.8%	\$69,963,868	45.5%
25	Rosemead	86.4%	\$10,209,075	57.6%	25	Santa Fe Springs	56.9%	\$23,978,015	43.1%
26	San Dimas	163.2%	\$10,451,853	55.2%	26	Whittier	64.7%	\$20,875,491	42.0%
27	La Puente	181.7%	\$5,601,360	54.8%	27	Signal Hill	173.3%	\$6,642,291	41.7%
28	South Pasadena	69.2%	\$10,541,790	53.9%	28	Malibu	77.4%	\$8,680,522	36.2%
29	Artesia	59.1%	\$3,007,803	44.9%	29	Manhattan Beach	39.0%	\$18,134,492	35.6%
30	Whittier	70.3%	\$22,674,738	43.7%	30	Rolling Hills Estates	46.9%	\$2,101,763	35.2%
31	Beverly Hills	67.1%	\$63,862,068	43.7%	31	Santa Monica	124.6%	\$117,225,871	35.1%

Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)									
Fiscal Year 2010-11					Fiscal Year 2011-12				
Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's	Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's
32	Santa Monica	109.0%	\$108,382,191	40.0%	32	Artesia	47.8%	\$2,691,563	35.0%
33	Signal Hill	170.8%	\$6,167,408	39.1%	33	Palmdale	62.6%	\$16,415,346	34.6%
34	Glendale	81.9%	\$63,408,000	38.7%	34	Claremont	67.1%	\$6,227,688	31.7%
35	Manhattan Beach	40.0%	\$18,270,832	36.7%	35	Covina	35.6%	\$9,187,601	31.1%
36	Palmdale	61.2%	\$17,472,584	36.5%	36	Norwalk	66.9%	\$10,668,298	29.9%
37	Covina	41.0%	\$10,284,466	36.3%	37	Hawthorne	28.9%	\$14,100,610	28.8%
38	Santa Fe Springs	54.3%	\$16,439,102	35.4%	38	Carson	49.0%	\$15,971,310	26.4%
39	Cudahy	29.3%	\$6,707,195	33.6%	39	West Covina	53.3%	\$13,187,181	24.4%
40	Hawthorne	70.9%	\$16,077,846	33.1%	40	Glendale	36.7%	\$37,852,000	23.3%
41	Malibu	89.9%	\$7,058,095	31.2%	41	Hermosa Beach	24.5%	\$5,776,500	23.3%
42	Burbank	67.0%	\$46,871,000	31.1%	42	Temple City	230.3%	\$2,352,402	22.5%
43	Claremont	58.8%	\$6,149,503	30.9%	43	Lancaster	71.4%	\$11,700,986	21.5%
44	Huntington Park	107.4%	\$9,153,901	30.7%	44	Torrance	36.7%	\$30,771,557	21.4%
45	Lancaster	115.9%	\$16,502,115	30.2%	45	Arcadia	53.7%	\$9,745,454	20.3%
46	Rolling Hills Estates	38.6%	\$1,766,793	28.5%	46	South Gate	122.5%	\$7,216,043	19.5%
47	Norwalk	69.6%	\$10,736,919	25.4%	47	Lynwood	20.4%	\$5,079,182	18.5%
48	Hermosa Beach	24.1%	\$5,635,231	23.2%	48	El Monte	52.0%	\$8,644,339	16.3%
49	Paramount	30.9%	\$11,120,183	22.3%	49	Montebello	16.1%	\$7,047,301	15.9%
50	Arcadia	58.2%	\$8,711,216	19.0%	50	Palos Verdes Estates	86.8%	\$1,605,774	15.7%
51	Carson	40.9%	\$10,591,610	18.4%	51	West Hollywood	127.1%	\$9,295,313	15.6%
52	Inglewood	18.3%	\$17,131,737	18.3%	52	El Segundo	18.9%	\$7,839,124	14.6%
53	Lynwood	23.3%	\$5,115,452	18.2%	53	South El Monte	29.8%	\$1,294,223	13.2%
54	West Covina	57.2%	\$8,786,221	17.0%	54	Sierra Madre	71.6%	\$870,761	12.2%
55	El Monte	54.8%	\$8,440,216	16.9%	55	Downey	28.7%	\$6,123,000	8.8%
56	Baldwin Park	76.4%	\$3,429,025	15.3%	56	Baldwin Park	71.3%	\$1,826,473	8.1%
57	Downey	30.7%	\$10,070,000	14.8%	57	Monterey Park	48.2%	\$2,505,441	7.8%
58	South Gate	124.5%	\$4,716,524	13.2%	58	Los Angeles	14.1%	\$272,905,000	6.7%
59	Pico Rivera	129.4%	\$3,767,252	11.5%	59	Lakewood	149.1%	\$2,564,755	6.5%
60	Palos Verdes Estates	89.7%	\$1,111,013	10.7%	60	Lomita	69.0%	\$373,356	5.1%
61	Montebello	11.9%	\$4,394,672	10.5%	61	San Gabriel	25.3%	\$1,140,249	3.5%
62	El Segundo	23.2%	\$5,315,133	9.8%	62	Long Beach	20.3%	\$4,857,000	1.3%

Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)									
Fiscal Year 2010-11					Fiscal Year 2011-12				
Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's	Rank	City	GF Balance % of GF Exp's	Unassigned GF Balance	Unassigned GF % of GF Exp's
63	Torrance	35.4%	\$14,156,365	9.7%	63	Walnut	118.7%	\$89,005	0.7%
64	Lomita	67.7%	\$619,957	8.5%	64	Alhambra	17.9%	\$374,673	0.7%
65	Monterey Park	43.4%	\$2,505,441	8.3%	65	Redondo Beach	20.2%	\$383,446	0.6%
66	Los Angeles	13.3%	\$253,882,000	6.5%	66	Gardena	23.5%	\$217,873	0.5%
67	Alhambra	20.0%	\$2,344,568	4.7%	67	Bell Gardens	177.6%	\$0	0.0%
68	Lakewood	138.2%	\$1,258,266	3.2%	67	Burbank	56.8%	\$47,098,000	0.0%
69	South El Monte	18.7%	\$197,862	2.0%	67	Glendora	66.7%	\$0	0.0%
70	Gardena	23.9%	\$257,210	0.7%	67	Irwindale	326.3%	\$0	0.0%
71	Long Beach	17.4%	\$682,000	0.2%	67	La Verne	39.5%	\$0	0.0%
72	Glendora	78.6%	\$0	0.0%	67	Pico Rivera	129.5%	\$0	0.0%
72	Irwindale	384.7%	\$0	0.0%	67	Pomona	3.0%	\$0	0.0%
72	La Verne	33.4%	\$0	0.0%	74	San Fernando	(7.8%)	(\$1,572,548)	(10.0%)
72	Pomona	7.5%	\$0	0.0%	75	Pasadena	31.0%	(\$40,129,137)	(23.1%)
72	Redondo Beach	21.2%	\$0	0.0%	76	Monrovia	(27.5%)	(\$8,874,464)	(27.7%)
72	Walnut	131.8%	\$0	0.0%	77	Vernon	(44.0%)	(\$27,064,820)	(47.4%)
78	Pasadena	25.7%	(\$1,390,808)	(.8%)	NA	Azusa			
79	San Gabriel	36.2%	(\$639,868)	(2.1%)	NA	Bradbury			
80	West Hollywood	128.2%	(\$1,266,412)	(2.2%)	NA	Hawaiian Gardens			
81	San Fernando	(3.2%)	(\$856,695)	(4.4%)	NA	Huntington Park			
82	Vernon	14.0%	(\$4,584,595)	(8.2%)	NA	Inglewood			
83	Azusa	53.5%	(\$4,662,967)	(15.3%)	NA	La Habra Heights			
84	Monrovia	10.4%	(\$8,392,252)	(27.1%)	NA	Lawndale			

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.

FINDINGS – FISCAL HEALTH

1. Most cities expended more than they received in revenues during FY 2011-12.
2. Most cities' total net assets and general fund balances declined during FY 2011-12, and several cities' ratios of total net assets to total liabilities are lower than desirable.

RECOMMENDATIONS – FISCAL HEALTH ¹

1. All cities should adopt financial planning, revenue and expenditure policies to guide city officials to develop sustainable, balanced budgets.
2. All cities should develop a balanced budget and commit to operate within the budget constraints.
3. All cities should not use one-time revenues to fund recurring or on-going expenditures.
4. All cities should adopt a method and practice of saving into a reserve or “rainy day” fund to supplement operating revenue in years of short fall.

¹ See Exhibit 12

GOVERNANCE AND FINANCIAL MANAGEMENT BEST PRACTICES

The current fiscal health of cities is largely due to the economic downturn that began in 2008 and continues. However, the overall governance and management practices of each city contributed to how well each city was prepared for this downturn, and how effectively each has responded. The following sections of this report present information on best practices for local governments in the areas of governance and financial management.

Current practices by the cities are compared to these best practices and recommendations made for improvements. These best practices and recommendations should be useful to the cities in addressing their current financial challenges, and preparing for the future.

The Grand Jury identified best practices for local governments in the areas of governance and financial management to be used as a basis for comparison with the practice of cities. A questionnaire was developed and administered to identify the current practice of cities in each of these areas. As part of this questionnaire cities were requested to provide specific documentation in each of these areas and to provide comments or explanations regarding their responses and policies. In the following sections, the Grand Jury provides information on the best practices identified, and compares the current practices of cities with these best practices.

A copy of the questionnaire is provided in Appendix A of this report. The following table shows each city's response in each area.

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Reponses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual			Fraud / Ethics				Internal Controls / Audit						Gen Fund		Public Reporting					Results		
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services ⁴	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Accg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities
Agoura Hills	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	25	78%	31
Alhambra	Y	Y		Y	N	Y	Y	N	Y	Y	N	N	Y	N	Y	N	Y	N	N	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	21	66%	56
Arcadia	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	Y		Y	Y	Y	Y	N	Y	N	NA	Y	Y	Y	Y	Y	20	63%	65	
Artesia	Y	Y	Y	Y	Y	Y			Y	Y	N	N	Y	Y	Y	Y									N	NA	Y	Y	Y	Y	Y	18	56%	78	
Avalon	N	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	N	NA	Y	N	Y	Y	Y	18	56%	78	
Azusa	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	Y	NA	N	N	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	19	59%	74	
Baldwin Park	*1	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Bell	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	N	N	N	N	N	Y	Y	N	N	NA	Y	N	Y	Y	Y	19	59%	74
Bell Gardens	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N	N	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	20	63%	65	
Bellflower	Y	Y	Y	Y	Y	Y	Y	N	Y		N	Y	Y	N	Y	N	NA	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	21	66%	56	
Beverly Hills	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y		Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Bradbury	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	Y	22	69%	50
Burbank	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	25	78%	31
Calabassas	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Carson	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	Y	Y	Y	N	N	N	Y	N	N	N	Y	N	Y	Y	Y	Y	Y	18	56%	78	
Cerritos	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	28	88%	14	
Claremont	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	23	72%	42	
Commerce	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	23	72%	42	
Compton	N	N	Y	N	N	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	21	66%	56	
Covina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	26	81%	25	
Cudahy	N	N	Y	N	N	Y	Y	N	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	NA	Y	N	Y	N	Y	9	28%	87	
Culver City	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	30	94%	3	
Diamond Bar	Y	N	Y	N	Y	N	Y	N	Y	Y	N	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Downey	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	29	91%	7	
Duarte	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	28	88%	14	

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Reponses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual			Fraud / Ethics				Internal Controls / Audit						Gen Fund		Public Reporting					Results			
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services ⁴	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities	
El Monte	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
El Segundo	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Gardena	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y		N	Y	N	Y	Y	Y	Y	Y	23	72%	42	
Glendale	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	30	94%	3	
Glendora	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	N	Y	N	N	N	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
Hawaiian Gardens	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Hawthorne	N	Y	Y	Y	Y	Y	Y		Y	N		N	Y	N	Y	Y		N	N	Y	Y	Y	N	Y	N	N	NA	Y	Y	Y	Y	Y	20	63%	65	
Hermosa Beach	N	N	Y	Y	Y	N	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Hidden Hills	N	N	Y	N	N	Y	Y	N	Y	N	N	N	N	N	Y	Y	N	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	18	56%	78
Huntington Park	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	N	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	21	66%	56	
Industry	N	N	Y	N	N	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	NA	Y	Y	Y	N	Y	9	28%	87	
Inglewood	N	N	Y	N	Y	N	Y	N	Y	Y	N	Y	Y	N	Y	N	Y	N	Y	N	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	17	53%	83	
Irwindale	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	26	81%	25	
La Canada-Flintridge	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	26	81%	25	
La Habra Heights	N	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	23	72%	42	
La Mirada	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	N	Y	N	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	21	66%	56	
La Puente	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	N	Y	N	Y	Y	N	N			Y	Y	Y	Y	Y	Y	24	75%	36	
La Verne	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	26	81%	25	
Lakewood	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	25	78%	31	
Lancaster	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	24	75%	36	
Lawndale	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	Y	23	72%	42	
Lomita	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	N	N	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Long Beach	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	31	97%	1	
Los Angeles	Y	Y	Y	N ³	N ³	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	27	90%	13	
Lynwood	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Malibu	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	26	81%	25	

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Reponses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual			Fraud / Ethics				Internal Controls / Audit						Gen Fund		Public Reporting					Results		
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services ⁴	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities
Manhattan Beach	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	N	Y	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Maywood	Y	Y	Y	Y	N	Y	N	N	Y	Y	N	N	Y	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	N	N	NA	Y	N	Y	N	N	18	56%	78
Monrovia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	26	81%	25	
Montebello	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N	Y	N	N	Y	N	N	Y	N	Y	Y	Y	Y	Y	19	59%	74	
Monterrey Park	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Norwalk	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	N	N	N	N	Y	N	N	N	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	19	59%	74	
Palmdale	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Palos Verdes Estates	N	Y	Y	N	N	N	Y	N	Y	N	N	N	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	20	63%	65	
Paramount	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	N	NA	Y	Y	Y	Y	Y	21	66%	56	
Pasadena	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	28	88%	14	
Pico Rivera	*1	Y	Y	Y	Y	Y	Y	*1	Y	Y	Y	N	Y	Y	Y	Y	*1	Y	Y	Y	Y	Y	Y	Y	*1	Y	Y	Y	Y	Y	Y	28	88%	14	
Pomona	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Rancho Palos Verdes	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	N	Y	N	N	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	20	63%	65	
Redondo Beach	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	31	97%	1	
Rolling Hills	N	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
Rolling Hills Estates	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Rosemead	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N	Y	N	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	23	72%	42	
San Dimas	N	N	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	23	72%	42	
San Fernando	N	N	N	N	N	Y	Y	N	Y	Y	N	N	Y	N	N	N	N	NA	Y	N	Y	Y	N	N	N	NA	Y	Y	Y	Y	Y	14	44%	85	
San Gabriel	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N	N	NA	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	23	72%	42	
San Marino	Y	N	Y	N	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	N	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	22	69%	50	
Santa Clarita	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	Y	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Santa Fe Springs	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	N	Y	N	N	N	Y	N	Y	N	N	N	N	N	NA	Y	Y	Y	Y	Y	17	53%	83
Santa Monica	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	Y	N	N	N	N	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Sierra Madre	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	N	NA	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	25	78%	31	
Signal Hill	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	30	94%	3	

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Responses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual			Fraud / Ethics				Internal Controls / Audit						Gen Fund		Public Reporting					Results		
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services ⁴	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities
South El Monte	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	N	N	NA	Y	Y	Y	Y	Y	22	69%	50	
South Pasadena	Y	N	Y	N	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	Y			N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	21	66%	56	
Southgate	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	Y	N	Y	N	N	Y	Y	Y	Y	N	Y	NA	Y	Y	Y	Y	Y	21	66%	56	
Temple City	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	25	78%	31	
Torrance	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	28	88%	14	
Vernon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	30	94%	3	
Walnut	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
West Covina	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	NA	Y	Y	Y	Y	Y	14	44%	85	
West Hollywood	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	28	88%	14	
Westlake Village	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N				Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Whittier	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	N	Y	Y	Y	Y	N	N	N	Y	Y	Y	N	N	N	NA	Y	Y	Y	Y	Y	21	66%	56
Positive Responses	62	52	86	74	76	81	86	28	88	71	9	63	68	45	72	54	52	33	36	67	64	80	77	65	18	63	44	88	83	88	85	84			
Percentage	70%	59%	98%	84%	86%	92%	98%	32%	100%	81%	10%	72%	77%	51%	82%	61%	59%	38%	41%	76%	73%	91%	88%	74%	20%	72%	50%	100%	94%	100%	97%	95%			
Average Number and Percentage of Positive Responses																												23	72%						

Notes:

- * A few cities did not provide the requested documentation to support the city's responses, or the documentation provided did not adequately support the city's responses. These responses have been replaced with an *.**
Each city was given numerous opportunities, over several months, to provide the requested documentation.
- Some cities did not respond to some questions. If a question was left blank an answer of No was assumed.
- The Executive of the City of Los Angeles is the elected Mayor. As such, it would not be appropriate for the City Council to establish goals or evaluate the executive's performance.
Responses of No to questions 4 and 5 regarding establishing goals and evaluation of the executive are considered appropriate and positive responses for the City of Los Angeles.
- For all cities a No is considered a positive response for Question 20. Does your city allow the independent auditor to provide non-audit services to the city?

GOVERNANCE PRACTICES

The quality of the leadership of an organization determines its performance and effectiveness. An organization with effective leadership prepares for and quickly resolves issues and challenges, provides clarity of direction and roles and establishes real accountability for the organization.

“Governance” describes the role of the city council in providing leadership for an organization. Governance generally includes responsibility for providing the overall direction for the organization, making key decisions for the organization through policy, and overseeing the organization’s performance. Key tools of effective governance include strategic planning and management including performance measurement and monitoring. The city council in each city is responsible for governing the organization.

Strategic Planning

The role of any city council is to provide strategic focus and direction for the city. Oversight is also an important function for any city council, ensuring that organizational activities are consistent with legal requirements and its own policies and procedures. Since the city council of each city controls the focus and direction of the organization, the risks posed by ineffective leadership are substantial.

Strategic planning is a disciplined effort to produce fundamental decisions and shape and guide what an organization is, what it does and why it does it. When the strategic plan is linked to operations, all groups in the organization have a clear understanding of its purpose, the strategies used to achieve that purpose and the progress being achieved.

The International City/County Management Association (ICMA) is the professional association of city and county managers and administrators. The following excerpt is from the ICMA’s publication: **Strategic Planning: A New Perspective for Public Managers (2002)**.

Strategic thinking and planning is one of the most critical elements of public management. Its purpose is to establish long-term goals, annual objectives, and detailed actions/strategies that address issues related to performance, productivity, required statutory services, and community and personal well-being. Yet even though it is a key factor in the success of any organization, efforts to implement strategic thinking and planning often fail.

In addition the Government Finance Officer’s Association recommends that:

...all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals.(GFOA: Recommended Budget Practice on the Establishment of Strategic Plans (2005)(Budget).

Most cities (62 yes, 24 no, 2 not documented) responded that the city council developed and adopted a strategic plan that articulates the mission, vision, core values and priorities for the city. The Grand Jury asked each city to provide a copy of their strategic plan. In the review of this documentation and comments provided by the cities the Grand Jury found that several cities had developed and adopted comprehensive strategic plans. Other cities developed mission, vision, core values and goals through strategic planning sessions with the city council. These strategic planning efforts include assessments of the city's strengths, weaknesses, opportunities, and threats, and included identification of specific strategies and initiatives with responsibility for completion and timelines. Many of these cities conduct follow-up sessions every six months to monitor and evaluate progress and any changes in priorities. These strategic plans also provide appropriate strategic focus and direction for these cities.

Several cities that responded that they had adopted strategic plans provided documentation of annual or biennial budget goals adopted. While these are important for the budget, they are typically focused on the short term. Budget goals do not provide the appropriate strategic focus for these cities that would be accomplished through a strategic planning effort.

A few cities submitted a copy of the city's general plan as their strategic plan. Every city is required to have a general plan by state law (Government Code section 65300). The purpose of a general plan is to define the city's physical development and focuses primarily on land use. A general plan does not meet any standards for an organizational strategic plan.

Performance Measurement

Performance measurement demonstrates the success of organizational activities in addressing a specific need. Meaningful performance measurement includes a balanced set of indicators, ensures the collection of reliable indicator data, provides for the analysis and reporting of indicator information and drives service improvement efforts and the testing of new initiatives. Performance measures should generally be quantified to allow for comparison of performance from year to year.

The following is an excerpt from the Government Finance Officers Association recommended best practice regarding performance management and indicators:

...program and service performance measures (should) be developed and used as an important component of long term strategic planning and decision making which should be linked to governmental budgeting. Performance measures should:

- *Be based on program goals and objectives that tie to a statement of program mission or purpose;*
- *Measure program outcomes;*
- *Provide for resource allocation comparisons over time;*
- *Measure efficiency and effectiveness for continuous improvement;*
- *Be verifiable, understandable, and timely;*
- *Be consistent throughout the strategic plan, budget, accounting and reporting systems and to the extent practical, be consistent over time;*

- *Be reported internally and externally;*
- *Be monitored and used in managerial decision-making processes;*
- *Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and*
- *Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.* (GFOA: Performance Management: Measurement for Decision Making (2002 and 2007) Budget)

Most of the cities (52 yes, 36 no) also responded that the city council had adopted performance measures on priorities. The Grand Jury asked each city to provide copies of their performance measures or indicators. In reviewing this supporting documentation and comments provided by the cities the Grand Jury found several cities had developed performance indicators tied directly to the strategic goals adopted by the council. Several cities that responded indicated they had developed and reported on performance measures. However, they did not provide any documentation on performance measures. Other cities' performance information was not quantified, or was focused on activities or workload, with little or no information on results or outcomes.

Cities that have not developed and reported on performance measures or indicators to evaluate outcomes on priorities should consider do so. These performance measures should be quantified, focused on results. Information should be provided for several years to allow evaluation of progress over time.

City Council and Executive Relationship

Effective governance requires that formal structures and practices define how the city council carries out its duties. Many city councils develop and document bylaws, policies and procedures that clearly define the role of the city council members. Specific areas in which policies are most often needed include the role of city council members and the executive. The relationship between the city council and management is extremely important.

Cities operate most effectively when there is a clear definition and understanding of the city council's role, management's role and the difference between the two. The city council's role should be to provide policy direction and oversight. Management's role is to execute that direction.

It is also important for city council members to recognize that their authority only exists when acting as a body. Individual members of a city council have no authority to make decisions or direct the city's management or city staff. Only decisions and directives of the city council, acting as a whole, are authoritative and binding.