

# City of Rolling Hills Estates California



## Fiscal Health Report 2005-06 through 2014-15



Prepared by  
Administrative Services Department

# Fiscal Health Report



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# Fiscal Health Report

## Administrative Services Department

March 5, 2016

Mayor and Members of City Council:

Staff is pleased to submit for your review the Fiscal Health Report, which includes the results of operations for Fiscal Year (FY) 2014-15. The purpose of this report is to provide the City Council and staff a view of the City's financial condition over time so that we can ensure its future fiscal health.

Briefly, the Fiscal Health Report is a financial monitoring system that computes a number of "factors" and compares the results over time. This system is based on the monitoring systems of the International City Managers Association (ICMA) and the Government Finance Officers Association (GFOA) of the United States and Canada, using selected relevant factors for the City of Rolling Hills Estates.

### **How the System Works**

Trends are color-coded for easy reference: green is favorable; blue is favorable/stable; yellow is stable; orange is unfavorable/stable; and red is unfavorable. A summary sheet of all factors is presented on page III.

Several factors use population as a component of the formula. The intent is to show if revenues and expenditures are keeping pace with population growth, which might increase the demand for services. While the City's population increased slightly to 8,223 in 2014-15, which is slightly higher over 10 years from 8,191 in 2005-06, however, the population average for 10 years is 8,136. The per capita formula is still valid for purposes of establishing a relationship between the factors.

It is also important to view the factors in relation to each other. Therefore, an unfavorable trend in expenditures combined with a favorable trend in revenues may not raise immediate concern. On the other hand, stable or declining revenues combined with increasing expenditures could flag a potential problem.

## **Highlights**

Over the ten-year period, Sales Tax continues to be one of the City's largest revenue sources along with Property Tax revenue. As anticipated, the City's total sales tax in FY 2014-15 was up slightly comparable with the previous couple of years, and, the "Triple Flip" ends in FY 2015-16, which deducts one-quarter of traditional sales tax revenue and supplements the loss with "Property Tax in lieu of Sales Tax." Our conservative sales tax assumptions for FY 2015-16 reflect a flat trend line compared to FY 2014-15 actual revenues.

The City's largest individual source of revenue over the ten-year period has been Property Tax. Property tax revenues continued to grow, however, revenues increased by \$186,326 or 10.7%, over the previous fiscal year. In FY 2014-15, the Assessor's office estimated an increase of net local roll of 6.13%. Overall, the property values appear to remain stable, as there is a high demand to live in this area.

Total General Fund operating expenditures decreased by \$7,255 attributable to maintaining flat General Government expenditures taking into account Public Safety, planning, and water costs.

The General Fund expenditures per capita were less than the revenues per capita as the economy and development is high in the City, however, expenditures are closely monitored.

Public Safety continues to be a top service priority and the second highest category of operating expenditures at \$1,748,434. The cities of Rolling Hills, Rolling Hills Estates and Rancho Palos Verdes jointly contract with the County Sheriff for police protection and detective services. Under the agreement, each city's cost is based on an incident formula. The cost for the City of Rolling Hills Estates is 28% of the total regional cost.

The City has only two Enterprise Funds with the Equestrian (municipal stables) and Tennis Operations. The equestrian operations are now being managed by a concessionaire and no longer listed in this report. Furthermore, the Equestrian Enterprise Fund will be closed once the negative fund balance has been eliminated by the concessionaire fees. Secondly, the Tennis Enterprise Fund will be closed and transferred into the General Fund in Fiscal Year 2015-16 as previously authorized by City Council.

Overall, as reflected in the results of the FY 2014-15 financial audit, the City continues to perform fiscally well through prudent financial planning and careful monitoring of the budget items.



**Douglas R. Prichard**  
City Manager



**Michael C. Whitehead**  
Administrative Services Director

**Factor Summary Sheet**

<b>Factor No.</b>	<b>Factor</b>	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>
1.	Revenue per Capita	Unfavorable/Stable	Unfavorable/Stable	Stable	Favorable
2.	Sales Tax per Capita	Unfavorable/Stable	Unfavorable/Stable	Unfavorable/Stable	Stable
3.	Motor Vehicle in Lieu Fees per Capita	Stable	Stable	Stable	Stable
4A.	General Fund Operating Expenditures per Capita	Favorable	Favorable	Favorable	Favorable
4B.	Public Safety Expenditures per Capita	Favorable	Stable	Stable	Stable
4C.	General Fund Revenues & Expenditures per Capita	Stable	Stable	Stable	Favorable
5A.	Fringe Benefits as Percent of Wages	Favorable	Favorable	Favorable	Favorable
5B.	Personnel Costs as Percent Total General Fund Operating Expenditures	Favorable	Favorable	Favorable	Favorable
6.	Operating Position	Unfavorable/Stable	Unfavorable/Stable	Favorable	Favorable
7.	Property Assessed Values	Favorable	Favorable	Favorable	Favorable
8A.	Property Taxes per Capita	Favorable	Favorable	Favorable	Favorable
8B.	Property Taxes as Percent of General Fund Revenue	Favorable	Favorable	Favorable	Favorable
9.	Building Permit Revenues and Building Inspection Expenditures	Favorable	Favorable	Favorable	Favorable
10.	Capital Project Expenditures Compared to Total Expenditures	Stable	Stable	Stable	Stable
11.	General Fund Capital Project Expenditures per Capita	Stable	Stable	Favorable	Favorable
12.	Subsidy: Tennis Fund	Favorable	Favorable	Favorable	Favorable

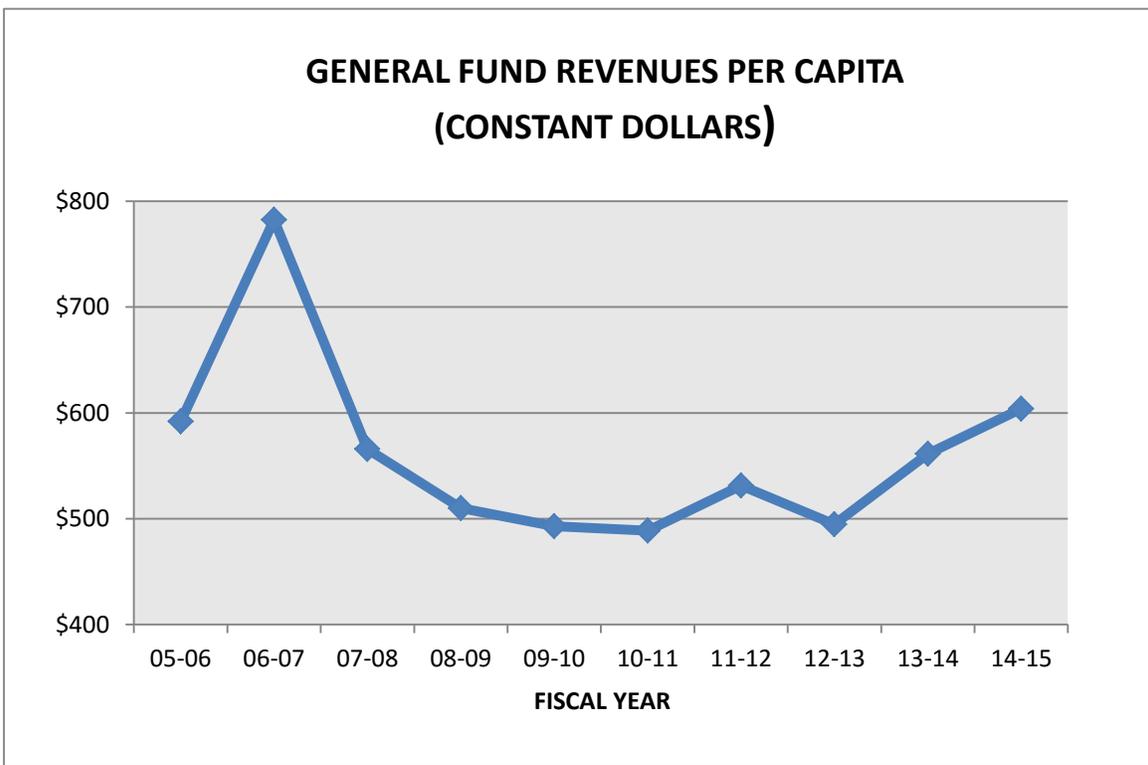
**LEGEND**

 Favorable	 Favorable/Stable	 Stable	 Unfavorable/Stable	 Unfavorable
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## Factor 1 - Revenue per Capita

DESCRIPTION - This factor is designed to show whether revenues are keeping pace with growth in the community. A municipality struggles to maintain existing levels of services when revenues are decreasing. The primary source of General Fund revenue was sales tax revenue, and now the primary source is property taxes. FY 2006-07 large jump with disposition of City right of way property and this should not be considered a trend, however, this factor increases from the prior year.

This factor should be watched closely in conjunction with Factor 4, which is operating expenditures per capita.



FORMULA = 
$$\frac{\text{Total Operating Revenue/CPI}}{\text{Population}}$$

Warning Sign: Decreasing Operating Revenue Per Capita

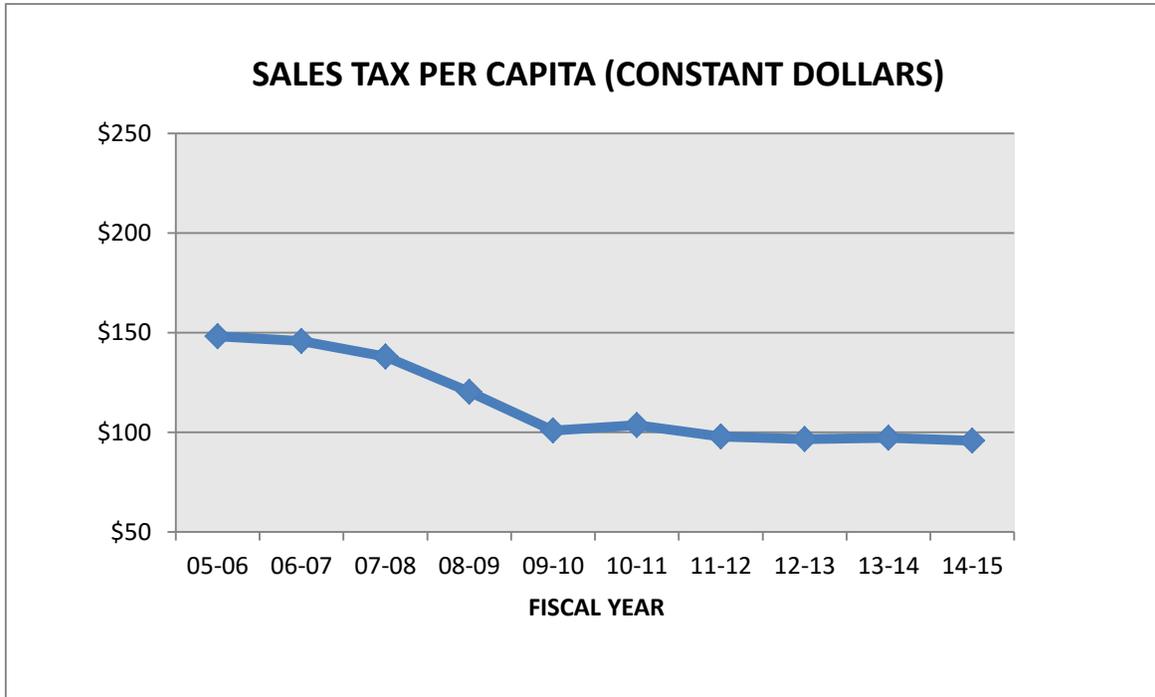
**TREND:**

■ **FAVORABLE/STABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 2 - Sales Tax per Capita

DESCRIPTION - Since the sales tax constitutes such a large percentage of the general fund revenue, this factor is annually examined, relative to the population of Rolling Hills Estates. A favorable trend occurs when sales tax increases compared to the population. Decreasing sales tax, without the loss of a major retailer or economic downturn, might indicate the City is losing its share of retail activity. The City receives 1% of total sales tax collected, however the State Board of Equalization charges the City a 1% administration fee.



FORMULA =  $\frac{\text{Sales Tax Revenue/CPI}}{\text{Population}}$

Warning Sign: Decreasing Sales Tax and Increasing or Stable Population

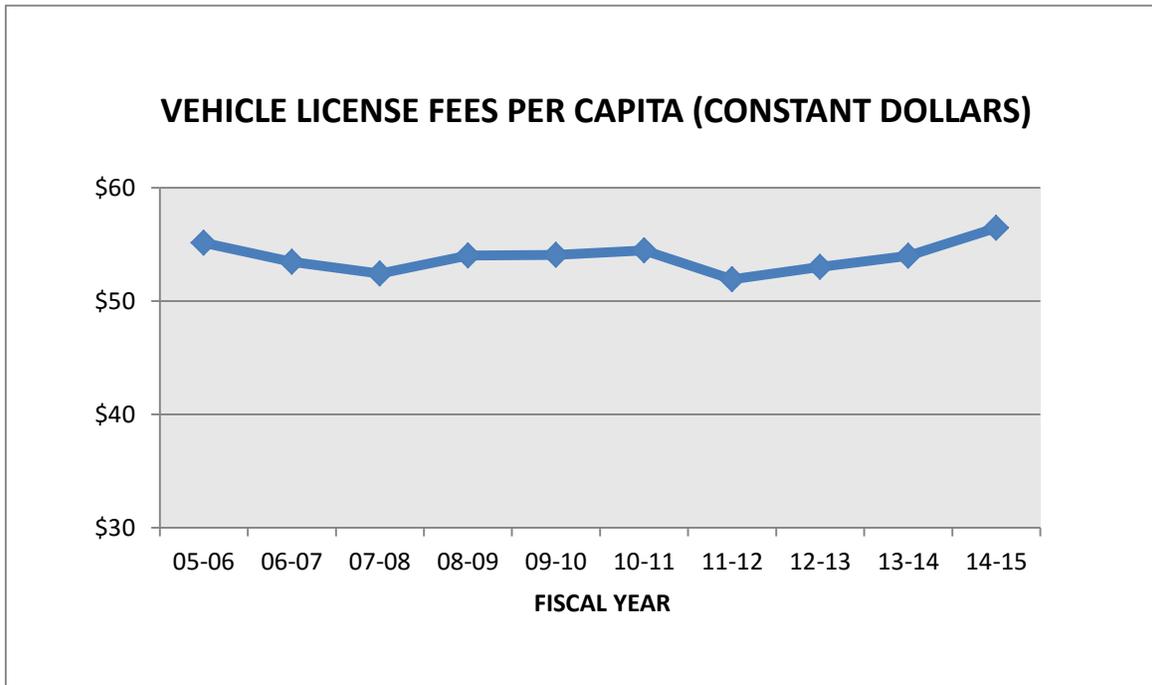
**TREND:**

**STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable

### Factor 3 - Motor Vehicle in Lieu Fees per Capita

DESCRIPTION - This factor is designed to show whether the city is becoming heavily dependent on revenues from other levels of government. VLF revenue was eliminated by the State in FY 2011-12, and now replaced with Motor Vehicle in Lieu payments that constitutes a range of from 6.8% to 11.1% of total General Fund revenues. The State balanced budget shortfalls by borrowing VLF backfill revenue. The graph indicates the \$120,000 in VLF backfill revenue that was borrowed by the State in FY 2003-04, and in 2004-05 the sale of the City's VLF Gap Loan for \$121,354. This graph includes the Triple Flip of Property Tax in lieu of VLF fees account.



FORMULA = 
$$\frac{\text{State Subvention Revenue/CPI}}{\text{Population}}$$

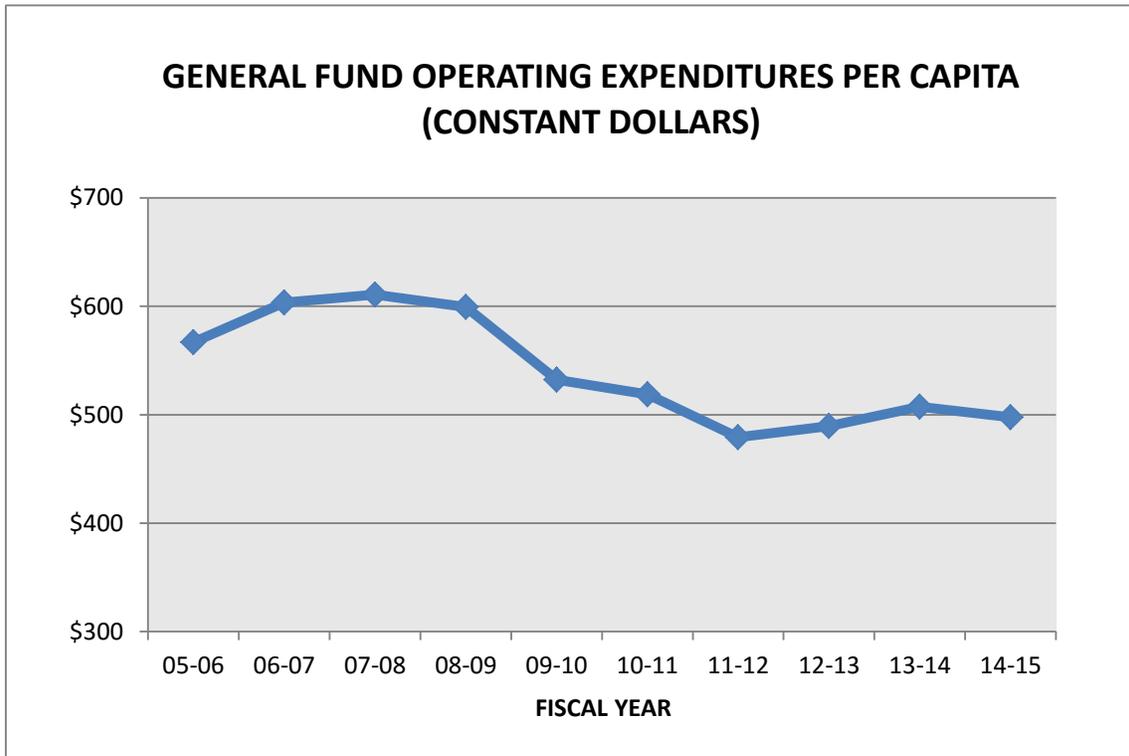
Warning Sign: State Subvention Revenue Decreasing and Increasing or Stable Population

**TREND:**  
 **STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable
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## Factor 4A – General Fund Operating Expenditures per Capita

DESCRIPTION - This factor is designed to show the cost-per-person of providing City services. Total General Fund operating expenditures decreased \$7,255 or -0.11% to the prior year. Overall, General Fund operating expenditures per capita exhibit a favorable and stable trend in these economic times.



FORMULA = 
$$\frac{\text{Total Gen. Fund Operating Expenditures/CPI}}{\text{Population}}$$

Warning Sign: Significantly Increasing Operating Expenditures Per Capita, Especially When Combined With a Stable or Unfavorable Trend in Factor 1 - Revenues Per Capita

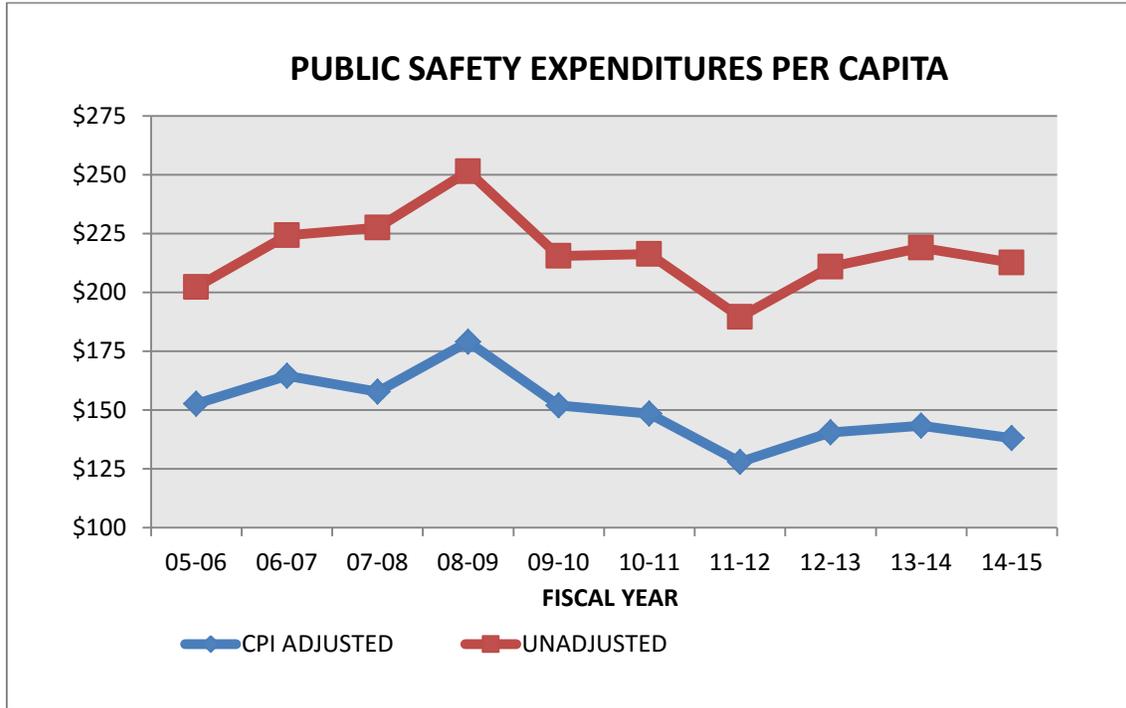
**TREND:**

  **FAVORABLE/STABLE**

<span style="background-color: green; color: white; padding: 2px;"> </span> Favorable	<span style="background-color: blue; color: white; padding: 2px;"> </span> Favorable/Stable	<span style="background-color: yellow; color: black; padding: 2px;"> </span> Stable	<span style="background-color: orange; color: black; padding: 2px;"> </span> Unfavorable/Stable	<span style="background-color: red; color: white; padding: 2px;"> </span> Unfavorable
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## Factor 4B - Public Safety Expenditures per Capita

DESCRIPTION - Since Public Safety expenditures represent the second highest level of expenditures and remain a top service priority of the City, this item is examined separately. The City's share under the regional policing formula is 28% of the total regional cost. Public Safety expenditures in FY 2014-15 were \$1,748,434, and the graph demonstrates displays actual expenditures and expenditures adjusted for inflation.



FORMULA = 
$$\frac{\text{Public Safety Expenditures}}{\text{CPI}} \div \text{Population}$$

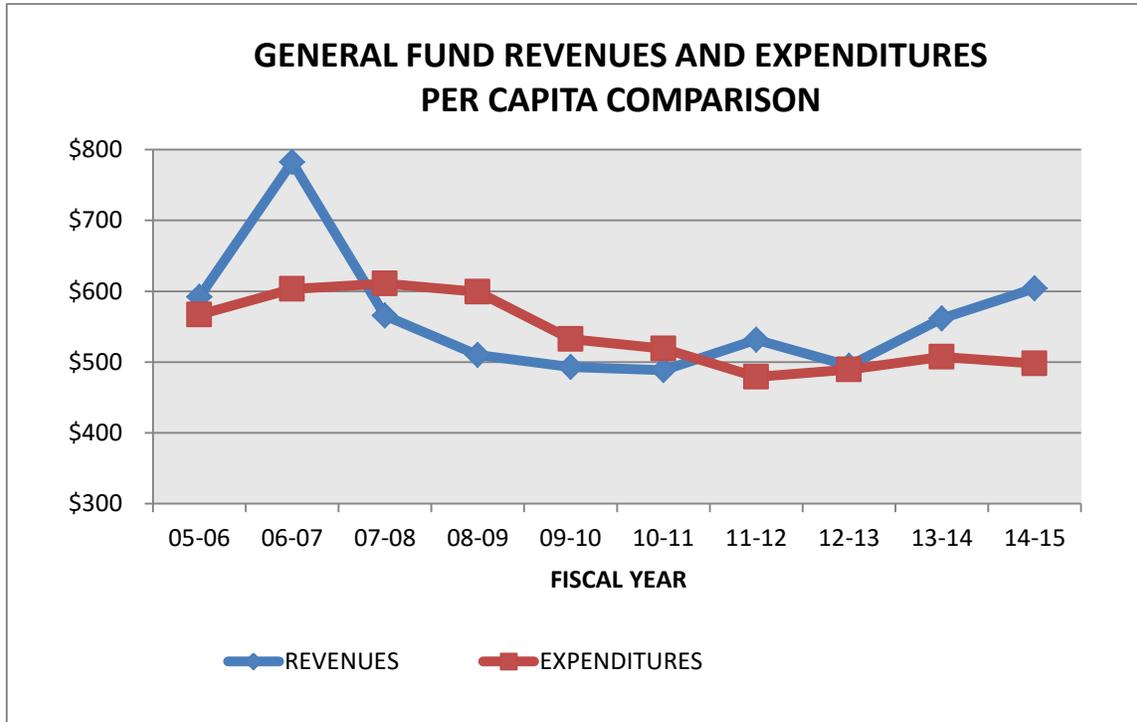
Warning Sign: Significantly Increasing Per Capita Expenditures

**TREND:**  
 **STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable
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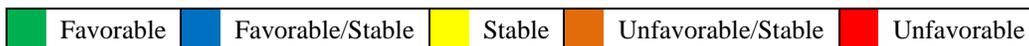
## Factor 4C - General Fund Revenues and Expenditures per Capita

DESCRIPTION - This table shows Factors 1 and 4 combined and provide a graphic display of their relationship. The City has received additional revenue over the past 20 years from the Sanitation District methane recovery project, the Chandler surcharge, the increase of the City's share of Property Tax revenue from Los Angeles County, and sales tax. Expenditures also increased during these periods, as funding was available to do projects that were delayed in previous years. In 2006-07, real property sale resulted in additional revenues and the spike shown on the chart.



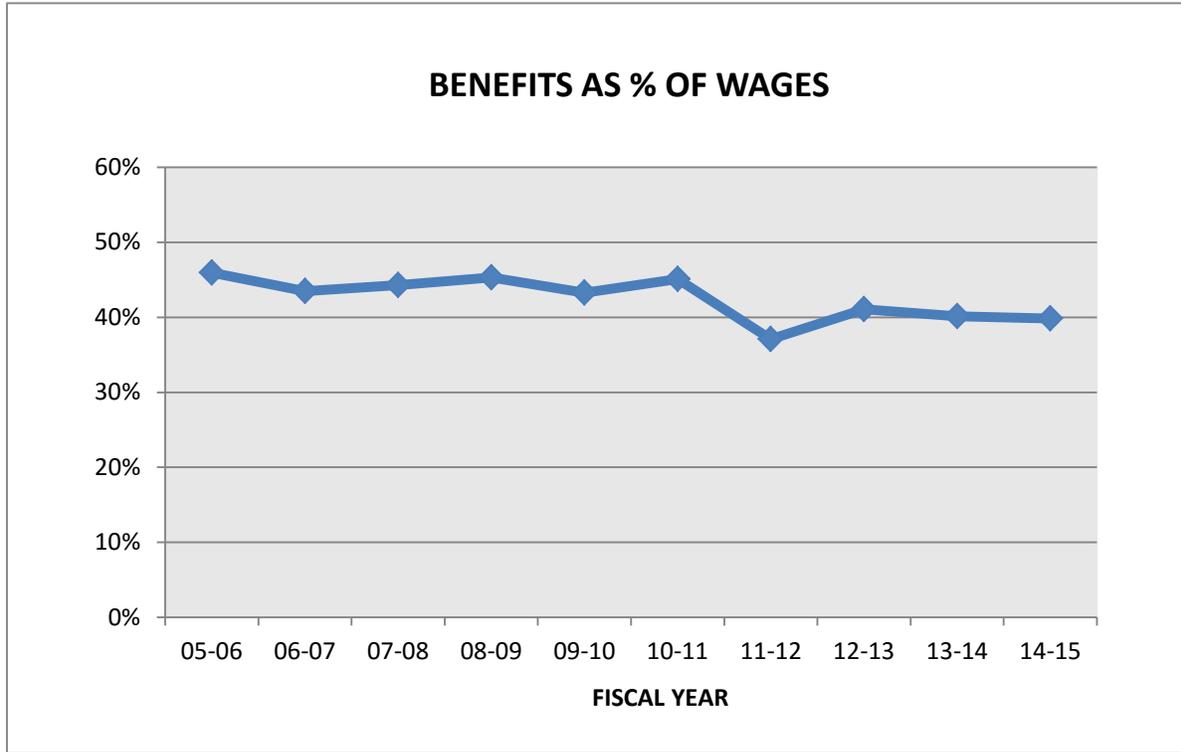
Warning Sign: Significantly Increasing Per Capita Expenditures (In Red) Combined With Stable Or Declining Per Capita Revenues (In Blue).

**TREND:**  
■ **FAVORABLE/STABLE**



## Factor 5A - Benefits Costs as a Percent of Total Wages

DESCRIPTION - This factor is designed to reflect the benefits costs on a municipality's finances. Decreased costs for worker's compensation insurance, and full-time staff paying the employee's 7% share of PERS helped decrease benefits costs. Following increases resulting from poor PER's portfolio performance in the early part of this decade, however, rate smoothing has stabilized this factor. Additionally, in an attempt to address cost overall in personnel, some full time staff positions will remain vacant, which can increase the percentage as benefits remain the same for hourly employees.



FORMULA = 
$$\frac{\text{Total Benefits Costs}}{\text{Total Wages}}$$

Warning Sign: Unexpected Increasing Benefits Costs Compared To Total Wages

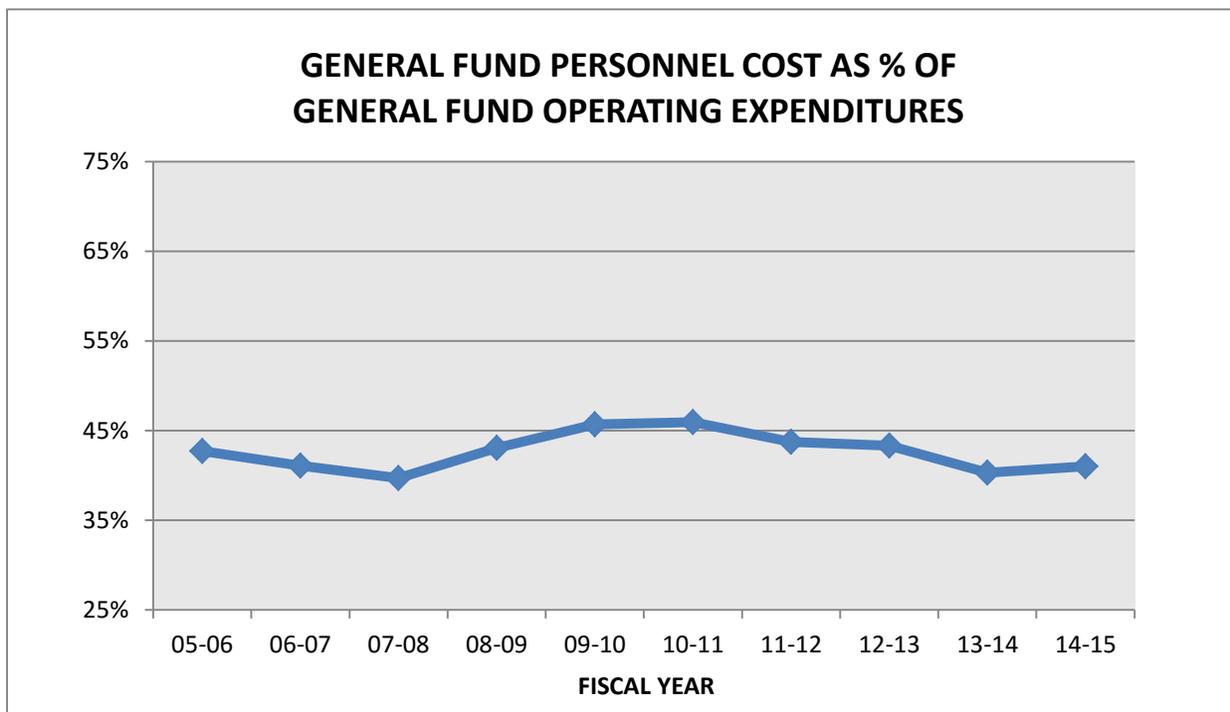
**TREND:**  
■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 5B - Personnel Costs as Percent of Total General Fund Operating Expenditures

DESCRIPTION - This factor is designed to show the percentage of total operating expenditures devoted to personnel costs. Personnel costs include wages, salaries and benefits such as health insurance and pension costs. This factor should be examined with factor 5A - benefits. A Favorable/Stable trend occurs when personnel costs as a percentage of total General Fund operating expenditures remain fairly constant while recognizing any personnel changes. As expenditures were decreased during the economic recession and the vacancies of full-time positions will cause an up-tick in the percentage.

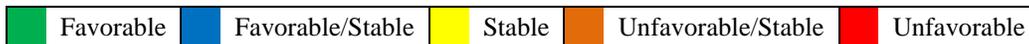
Note this factor for the past nine years has measured the relationship of personnel costs to operating expenditures whereas prior Fiscal Health Reports compared personnel costs with total expenditures.



**TREND:**



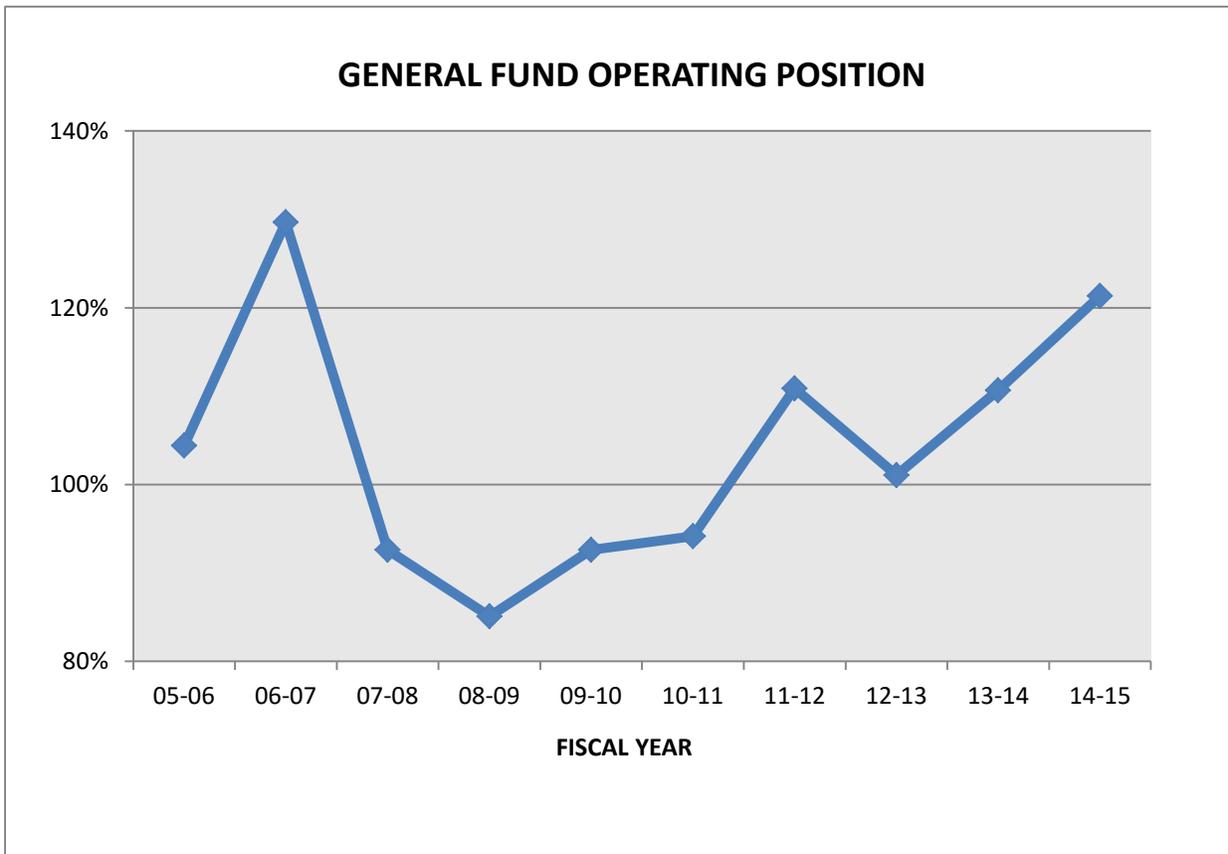
**FAVORABLE**



## Factor 6 - Operating Position

DESCRIPTION - This factor is designed to demonstrate whether a municipality needs to draw on fund balance to fund current operations. In this factor, 100% means the City broke even, a number greater than 100% means the City had an operating surplus; and less than 100% means the City was operating at a deficit; and 100% is the break-even point.

The extraordinary result in FY 06-07 was due to the recognition of the full value of the sale of the City right-of-way on Palos Verdes Drive East. The FY 14-15 result remains with a healthy operating surplus and a conservative budgeting approach with the recovering economy.

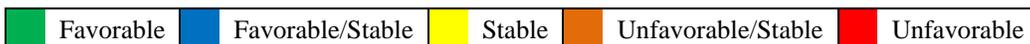


FORMULA = 
$$\frac{\text{General Operating Revenues}}{\text{General Fund Operating Expenditures}}$$

Warning Sign: Increasing Amount of General Fund Operating Deficits

**TREND:**

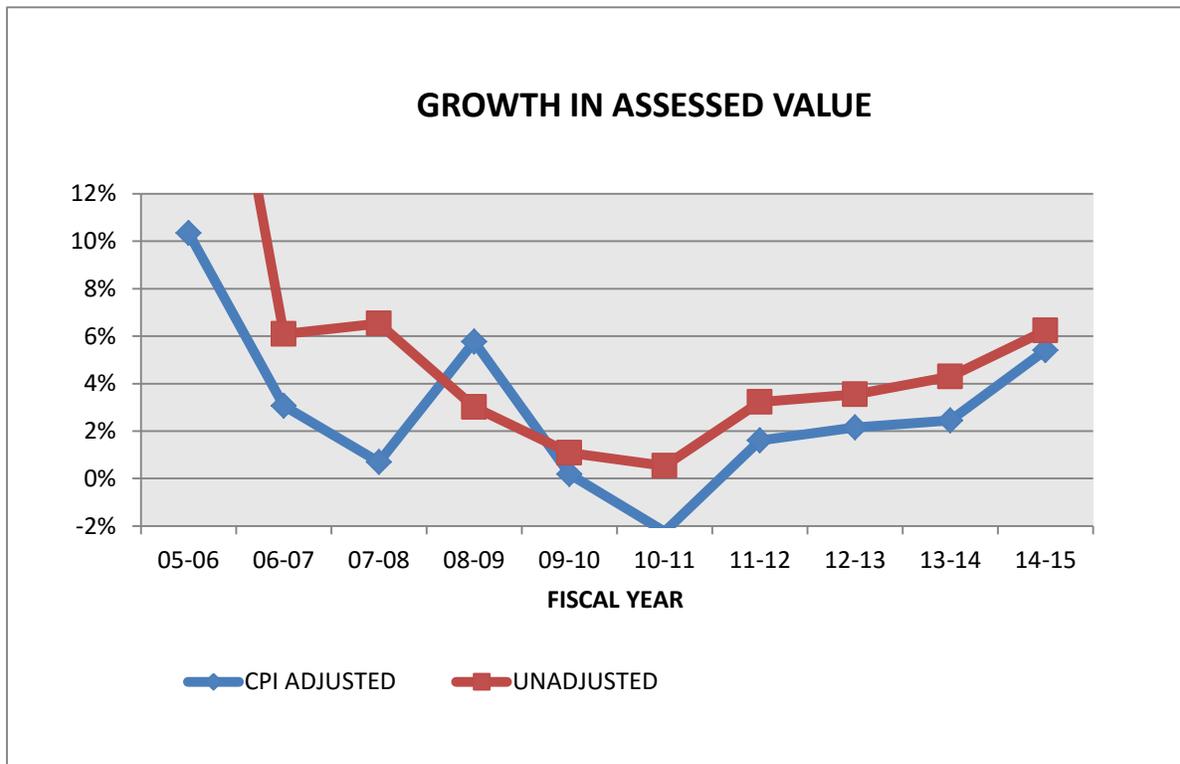
■ **FAVORABLE**



## Factor 7 - Property Assessed Values

DESCRIPTION - This factor measures the growth of assessed property values. While the City does not levy a property tax, it does receive the maximum level of AB 1197 property tax revenue. The AB8 apportionment formula is a countywide formula whereby the City receives a share of the countywide 1% property tax based on the City's proportional share of the total countywide value of assessed, non-exempt property values. Future increases in this revenue source are to be determined by increases in the assessment roll.

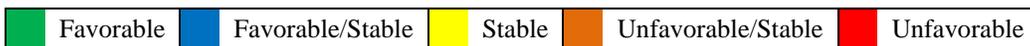
In fiscal year 2014-15 the City's assessed value increased by 6.2%, and according to the Assessor's estimates, an increase of 6.13% is estimated for 2015-16. Overall, the real estate market is rebounding, however, property values within the City continue to rise with the demand to live in this area.



FORMULA = 
$$\frac{\text{Current Year AV minus Last Year's AV/CPI}}{\text{Last Year's AV}}$$

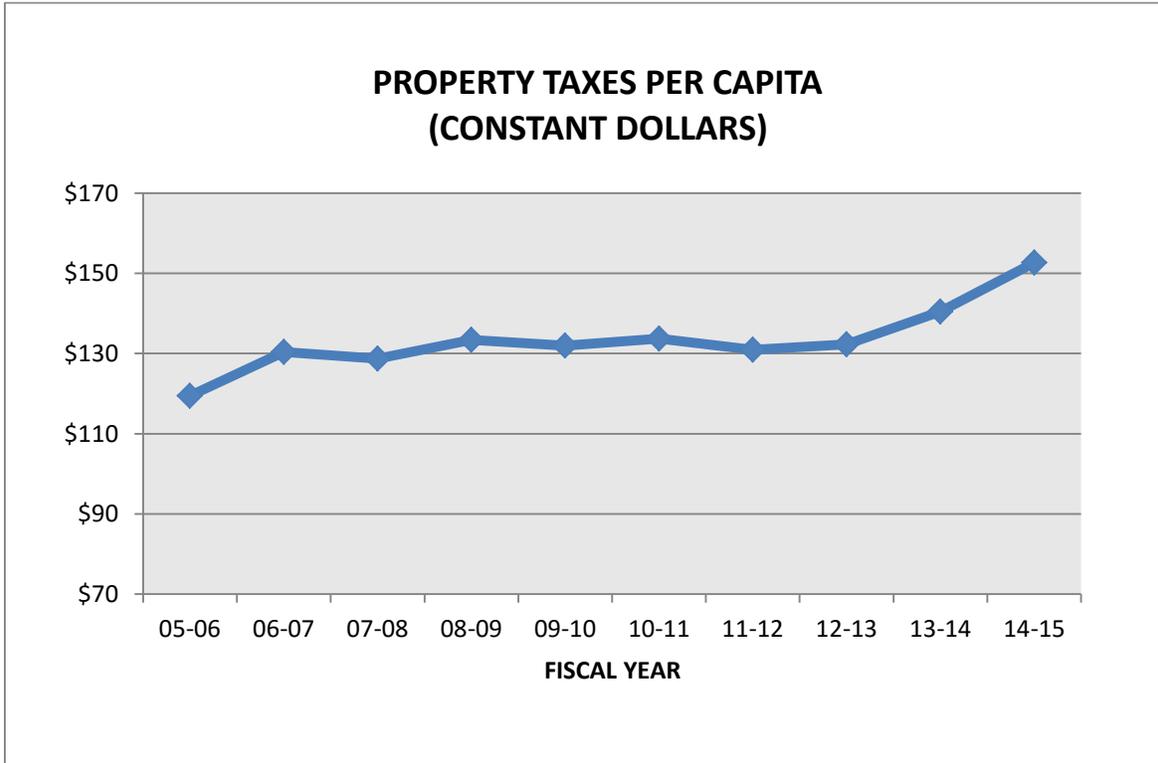
Warning Sign: Decreasing Growth of Assessed Value

**TREND:**  
■ **FAVORABLE**



## Factor 8A - Property Taxes per Capita

DESCRIPTION - This factor measures the City's share of AB 1197 property taxes received from Los Angeles County. Since the City's share is part of the County's pool of 7% of the 1% Los Angeles County share, future property taxes will only change by changes in assessment roll. It should be noted that the City has very little control over this revenue source, since Los Angeles County levies the property tax. The healthy increases in assessed values (Factor 11) translate into higher property taxes.



FORMULA = 
$$\frac{\text{Property Tax Revenue}}{\text{Population}}$$

Warning Sign: Decreasing Property Tax Revenue

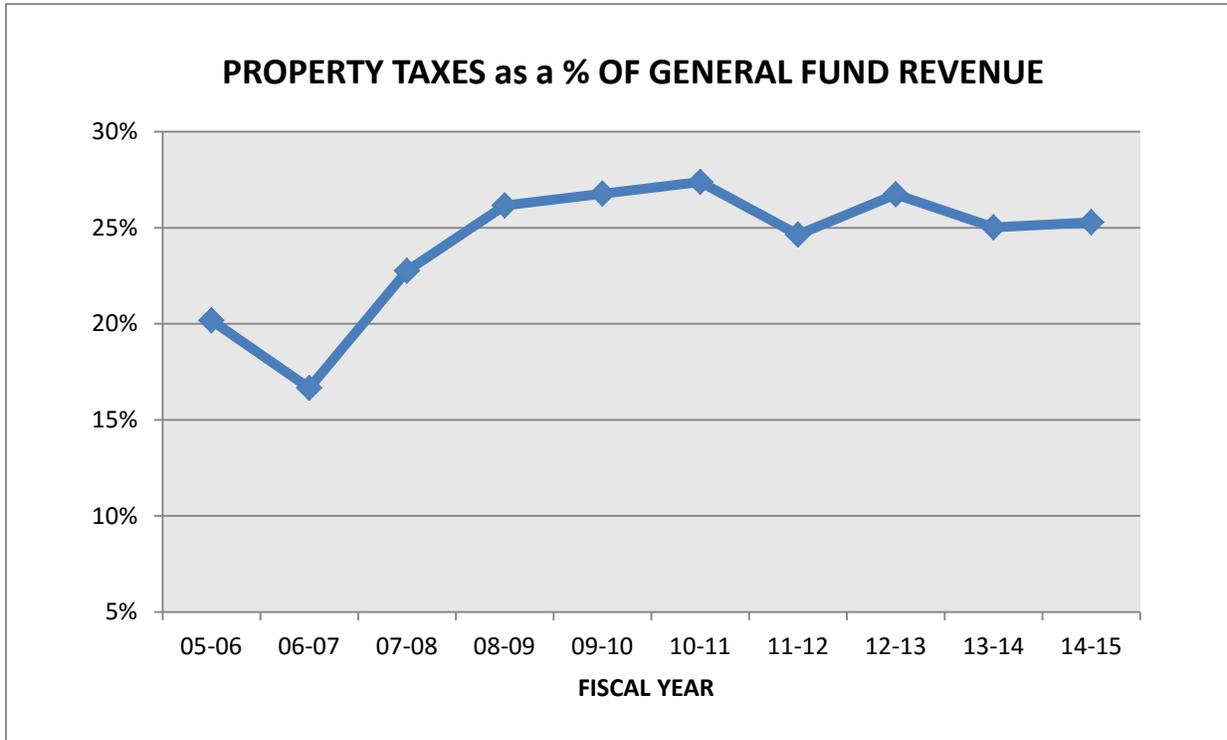
**TREND:**

■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 8B - Property Taxes as Percentage of General Fund Revenue

DESCRIPTION - This factor represents the percentage of General Fund revenue that is generated from Property Tax revenue. However, other revenue sources will affect this factor as can be seen over the prior years. It is good to monitor it as a percentage of total revenue, and this factor should remain favorable in future years. In FY 2005-06 Property Tax Revenue was 20.2% of General Fund Revenue, and in FY 2014-15, Property Tax represented 25.3% of total revenue as sales tax revenues are flat but building permits have increased in revenue.

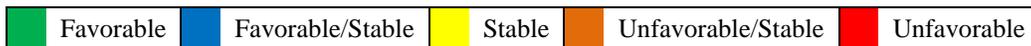


FORMULA = 
$$\frac{\text{Property Tax Revenue}}{\text{Total General Fund Revenue}}$$

Warning Sign: Decreasing Property Tax Revenue as Percent of Total Revenue

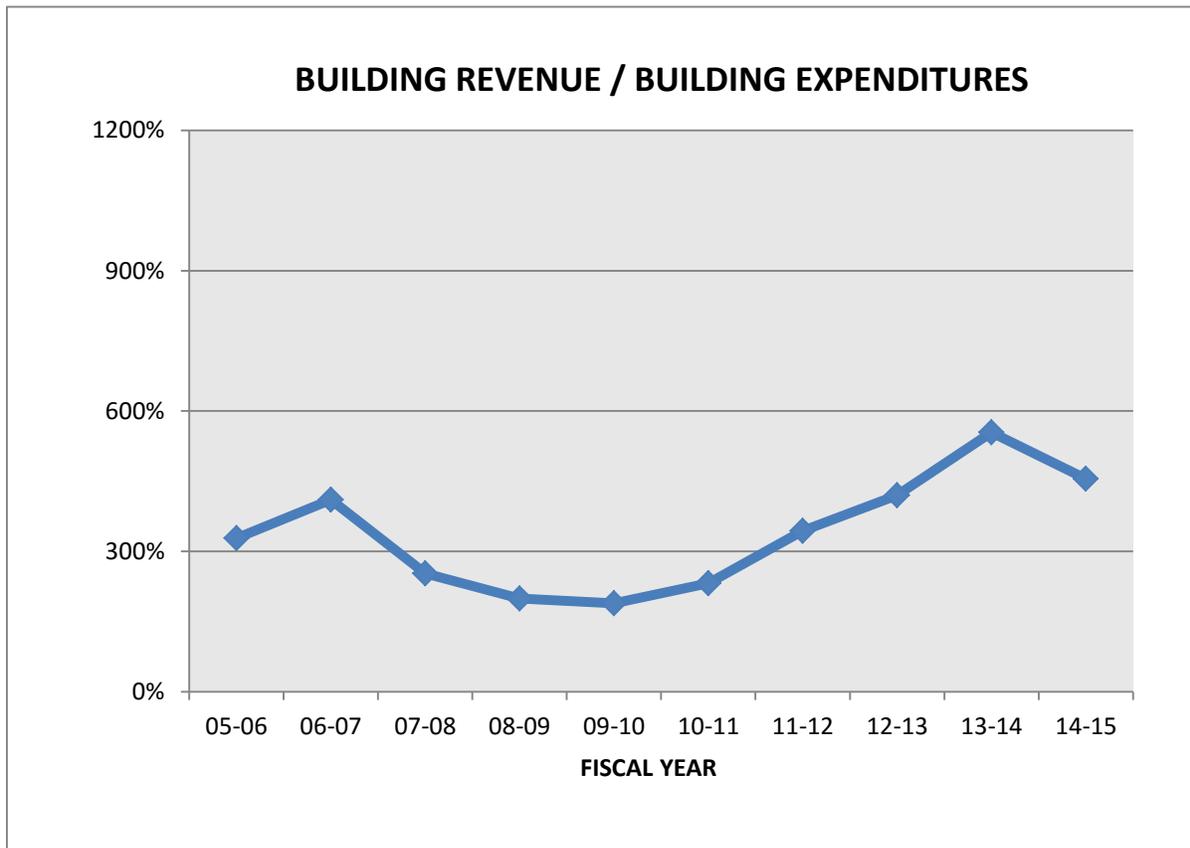
### TREND:

■ **FAVORABLE/STABLE**



## Factor 9 – Building Permit Revenues and Building Inspection Expenditures

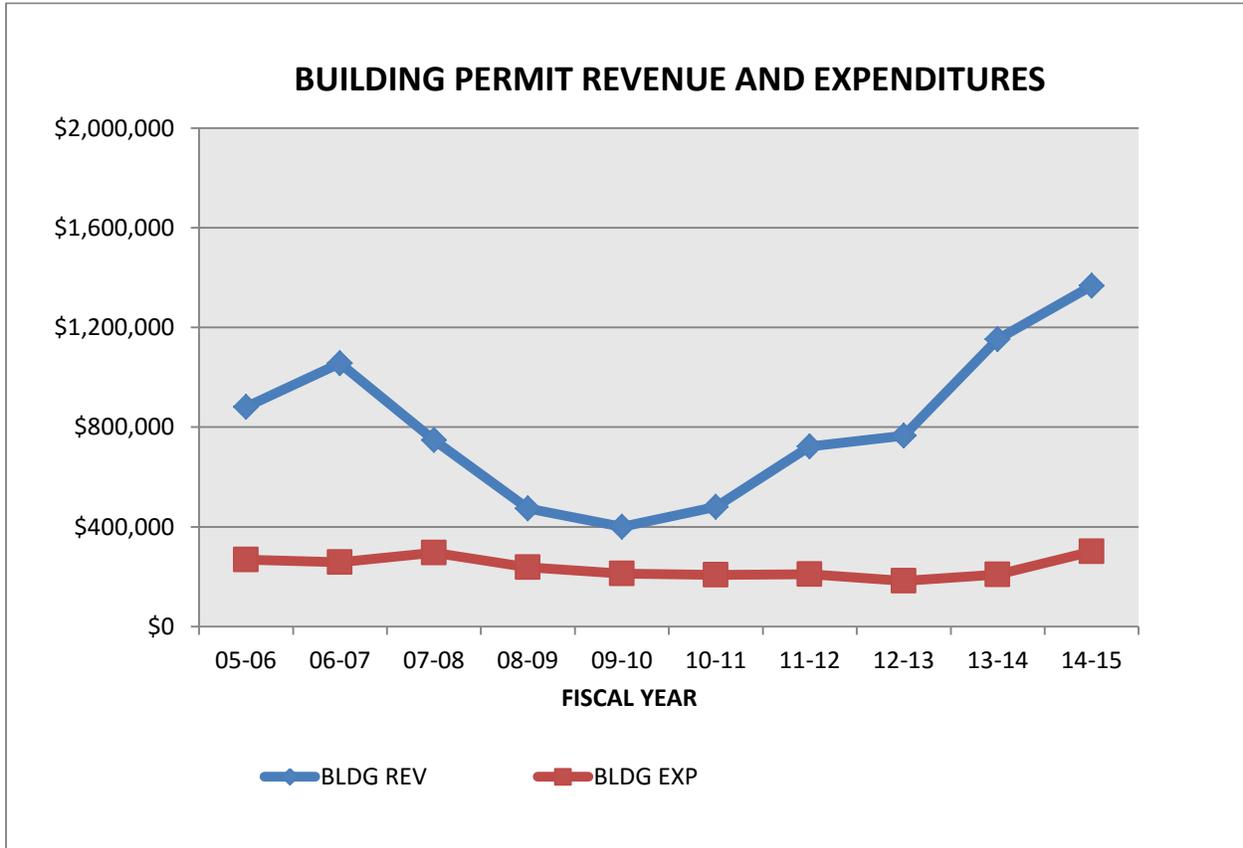
DESCRIPTION - This factor compares the City's revenue from plan check and building inspection fees (accounts 3230) to related expenditures for plan check and building inspection services (account 4510-437). A fee study that was conducted lowered the return from a 3:1 to a 2.5:1, and graphs do not reflect the loss of revenue due to discounted fees for such as solar and roof replacement permits. Administrative and overhead costs are not included in these expenditures. The revenue and expenditure levels vary, depending on the building activity of a particular fiscal year. This factor provides 2 graphic displays of the relationship between the revenues and the expenditures (% and total dollar) and shows the overall level of private sector building activity over the past ten fiscal years.



Warning Sign: Decreasing Building Permit Revenues When Compared To Increasing Building Permit Expenditures

*(Factor 12 is continued on the following page.)*

Building Permit Revenues have risen to historic levels, and surpassing the banner year in FY 06-07. Building Permit and Inspection revenues are anticipated to increase further in FY 2015-16.

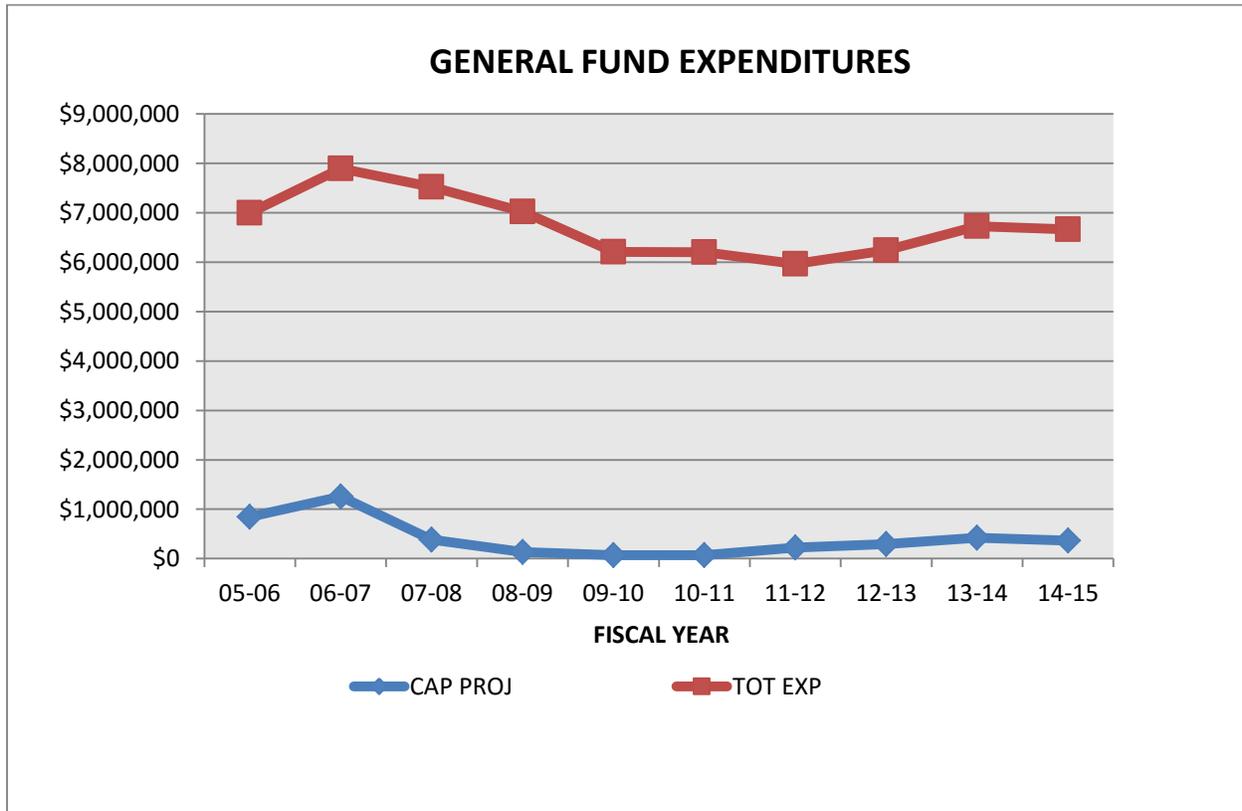


**TREND:**  
■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 10 – General Fund Capital Project Expenditures Compared To Total Fund Expenditures

DESCRIPTION - This factor compares the City's capital outlays in the General Fund to total Fund expenditures. Such capital outlays are financed using the operating surpluses of prior fiscal years (no debt is incurred, thus keeping capital costs lower). This factor provides a graphic display of the fiscal health of the General Fund to provide for both capital expenditures and the costs of current operations.



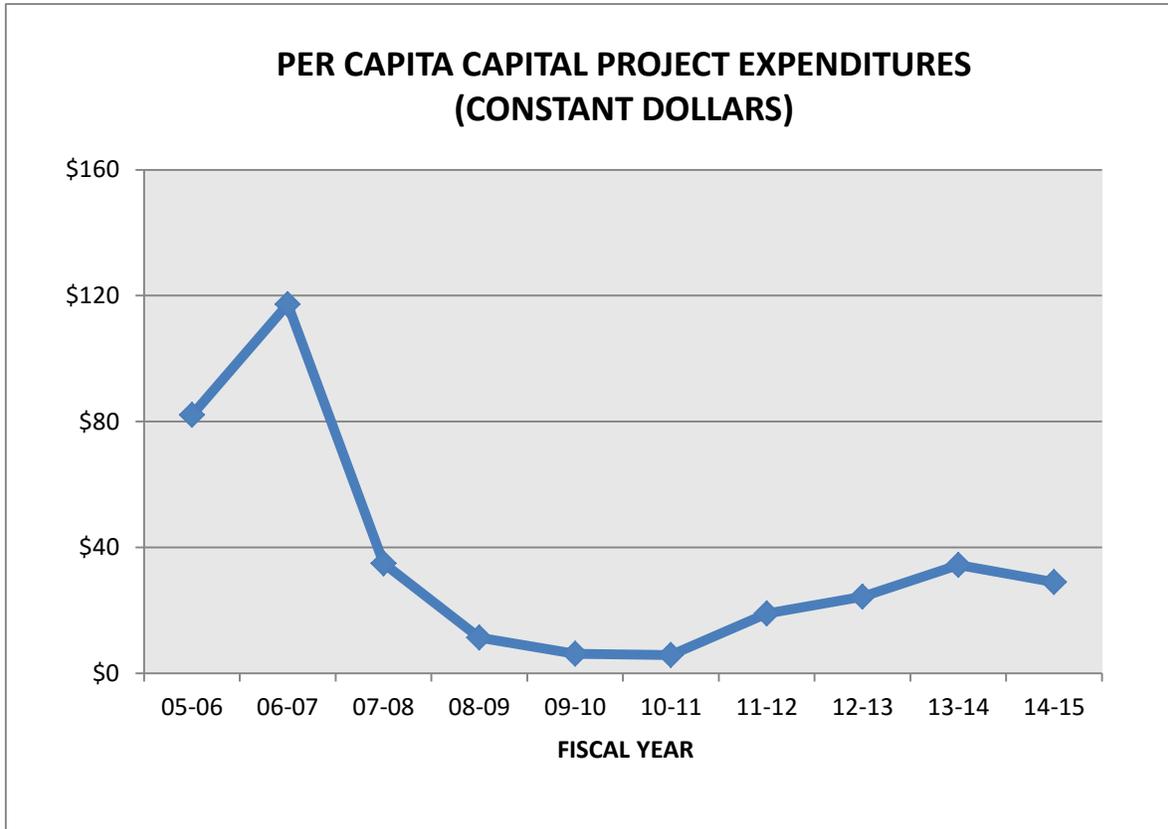
Warning Sign: Decreasing Capital Expenditures When Compared To Increasing Total Expenditures

**TREND:**  
 **STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable
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## Factor 11 – General Fund Capital Project Expenditures per Capita

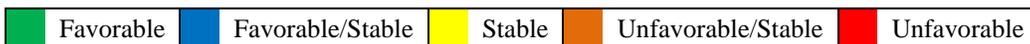
DESCRIPTION - This factor analyzes the per capita amount expended for capital improvements over the past ten fiscal years. This factor provides a graphic display of the ability of the General Fund to provide for capital expenditures while continuing to finance current operating costs. This factor in 2014-15 is stable after adjusted for inflation with \$28.92 per capita capital project expenditures. The increases in FY 05-06 & 06-07 are due to projects that are carried over from prior years especially the storm drain repairs and improvements.



Warning Sign: Decreasing Capital Expenditures Per Capita.

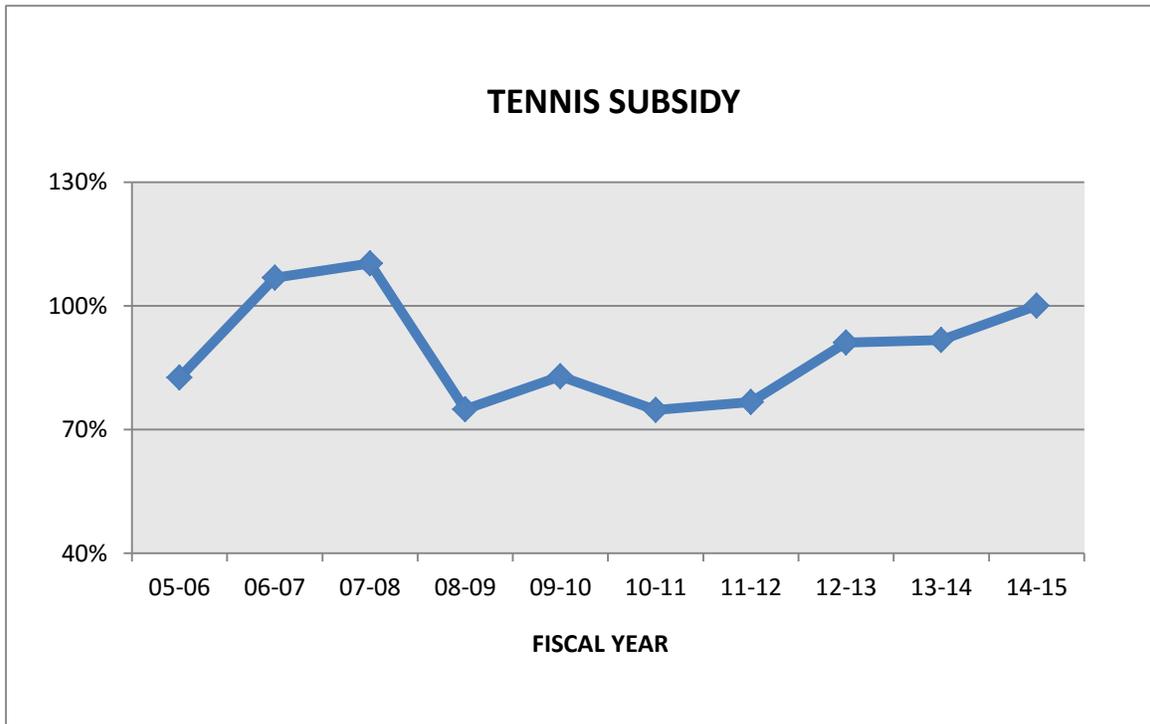
**TREND:**

■ **FAVORABLE/STABLE**



## Factor 12 - Subsidy/Fee - Tennis

DESCRIPTION – In FY 06-07, the Tennis Fund was fully self-supported by user fees for the first time in many years, and the fee collection method was changed from a per person fee to a court fee charge. Additionally, staff costs were eliminated during weekday afternoons and evenings beginning in FY 04-05, and this change increased court time use by members with reduced operational costs. The graph shows 100% for FY 14-15 due to readjustment of maintenance staff costs charged to this fund to decrease the large fund balance, and indications continue the trend Favorable. The Tennis Fund is scheduled to be transferred into the General Fund in FY 15-16, and as such eliminate as a separate Enterprise Fund.



FORMULA = 
$$\frac{\text{Fees and User Charges}}{\text{Expense of Providing Services}}$$

Warning Sign: Decreasing Percentage of Revenue to Cover Cost of User Services

**TREND:**  
■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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March 5, 2016

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Trends are color-coded for easy reference: green is favorable; blue is favorable/stable; yellow is stable; orange is unfavorable/stable; and red is unfavorable. A summary sheet of all factors is presented on page III.

Several factors use population as a component of the formula. The intent is to show if revenues and expenditures are keeping pace with population growth, which might increase the demand for services. While the City's population increased slightly to 8,223 in 2014-15, which is slightly higher over 10 years from 8,191 in 2005-06, however, the population average for 10 years is 8,136. The per capita formula is still valid for purposes of establishing a relationship between the factors.

It is also important to view the factors in relation to each other. Therefore, an unfavorable trend in expenditures combined with a favorable trend in revenues may not raise immediate concern. On the other hand, stable or declining revenues combined with increasing expenditures could flag a potential problem.

## **Highlights**

Over the ten-year period, Sales Tax continues to be one of the City's largest revenue sources along with Property Tax revenue. As anticipated, the City's total sales tax in FY 2014-15 was up slightly comparable with the previous couple of years, and, the "Triple Flip" ends in FY 2015-16, which deducts one-quarter of traditional sales tax revenue and supplements the loss with "Property Tax in lieu of Sales Tax." Our conservative sales tax assumptions for FY 2015-16 reflect a flat trend line compared to FY 2014-15 actual revenues.

The City's largest individual source of revenue over the ten-year period has been Property Tax. Property tax revenues continued to grow, however, revenues increased by \$186,326 or 10.7%, over the previous fiscal year. In FY 2014-15, the Assessor's office estimated a net local roll of 6.13%. Overall, the property values appear to remain stable, as there is a high demand to live in this area.

Total General Fund operating expenditures decreased by \$7,255 attributable to maintaining flat General Government expenditures taking into account Public Safety, planning, and water costs.

The General Fund expenditures per capita were less than the revenues per capita as the economy and development is high in the City, however, expenditures are closely monitored.

Public Safety continues to be a top service priority and the second highest category of operating expenditures at \$1,748,434. The cities of Rolling Hills, Rolling Hills Estates and Rancho Palos Verdes jointly contract with the County Sheriff for police protection and detective services. Under the agreement, each city's cost is based on an incident formula. The cost for the City of Rolling Hills Estates is 28% of the total regional cost.

The City has only two Enterprise Funds with the Equestrian (municipal stables) and Tennis Operations. The equestrian operations are now being managed by a concessionaire and no longer listed in this report. Furthermore, the Equestrian Enterprise Fund will be closed once the negative fund balance has been eliminated by the concessionaire fees. Secondly, the Tennis Enterprise Fund will be closed and transferred into the General Fund in Fiscal Year 2015-16 as previously authorized by City Council.

Overall, as reflected in the results of the FY 2014-15 financial audit, the City continues to perform fiscally well through prudent financial planning and careful monitoring of the budget items.



**Douglas R. Prichard**  
City Manager

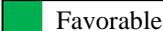
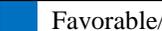
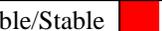


**Michael C. Whitehead**  
Administrative Services Director

**Factor Summary Sheet**

<b>Factor No.</b>	<b>Factor</b>	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>
1.	Revenue per Capita	Unfavorable/Stable	Unfavorable/Stable	Stable	Favorable
2.	Sales Tax per Capita	Unfavorable/Stable	Unfavorable/Stable	Unfavorable/Stable	Stable
3.	Motor Vehicle in Lieu Fees per Capita	Stable	Stable	Stable	Stable
4A.	General Fund Operating Expenditures per Capita	Favorable	Favorable	Favorable	Favorable
4B.	Public Safety Expenditures per Capita	Stable	Favorable	Stable	Stable
4C.	General Fund Revenues & Expenditures per Capita	Stable	Stable	Stable	Favorable
5A.	Fringe Benefits as Percent of Wages	Favorable	Favorable	Favorable	Favorable
5B.	Personnel Costs as Percent Total General Fund Operating Expenditures	Favorable	Favorable	Favorable	Favorable
6.	Operating Position	Unfavorable/Stable	Unfavorable/Stable	Favorable	Favorable
7.	Property Assessed Values	Favorable	Favorable	Favorable	Favorable
8A.	Property Taxes per Capita	Favorable	Favorable	Favorable	Favorable
8B.	Property Taxes as Percent of General Fund Revenue	Favorable	Favorable	Favorable	Favorable
9.	Building Permit Revenues and Building Inspection Expenditures	Favorable	Favorable	Favorable	Favorable
10.	Capital Project Expenditures Compared to Total Expenditures	Stable	Stable	Stable	Stable
11.	General Fund Capital Project Expenditures per Capita	Stable	Stable	Favorable	Favorable
12.	Subsidy: Tennis Fund	Favorable	Favorable	Favorable	Favorable

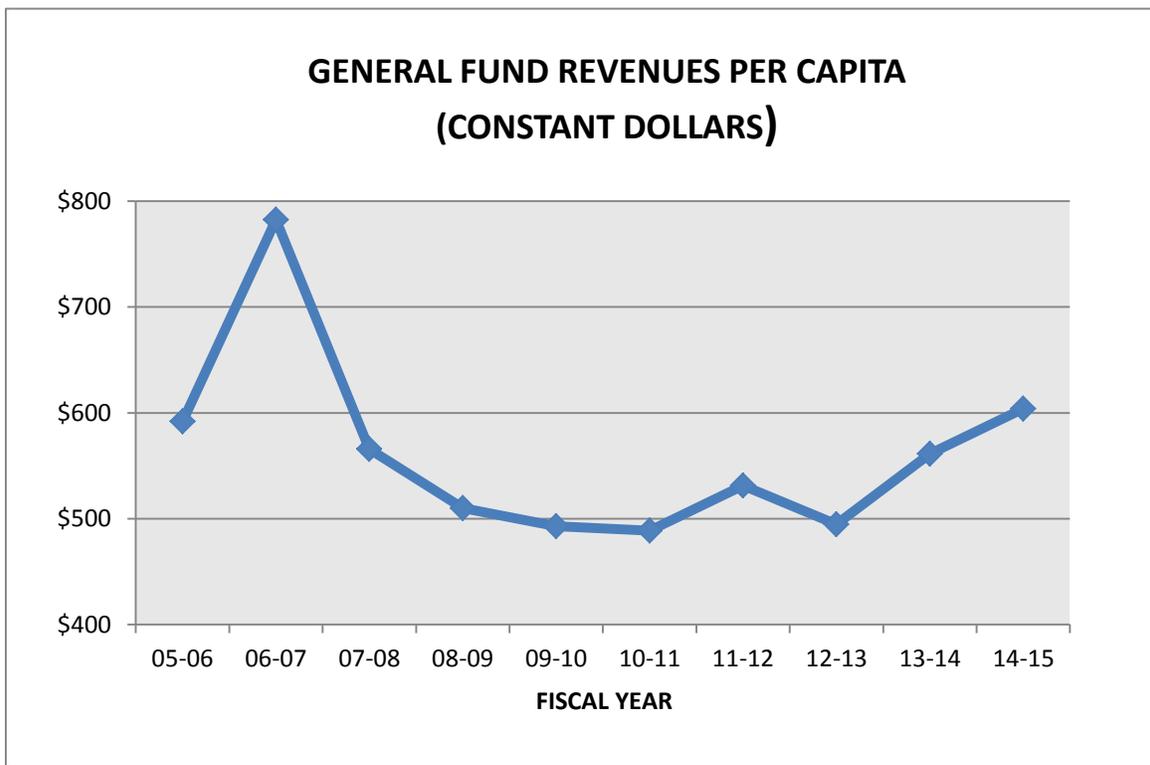
**LEGEND**

 Favorable	 Favorable/Stable	 Stable	 Unfavorable/Stable	 Unfavorable
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## Factor 1 - Revenue per Capita

DESCRIPTION - This factor is designed to show whether revenues are keeping pace with growth in the community. A municipality struggles to maintain existing levels of services when revenues are decreasing. The primarily source of General Fund revenue was sales tax revenue, and now the primary source is property taxes. FY 2006-07 large jump with disposition of City right of way property and this should not be considered a trend, however, this factor increases from the prior year.

This factor should be watched closely in conjunction with Factor 4, which is operating expenditures per capita.



FORMULA = 
$$\frac{\text{Total Operating Revenue/CPI}}{\text{Population}}$$

Warning Sign: Decreasing Operating Revenue Per Capita

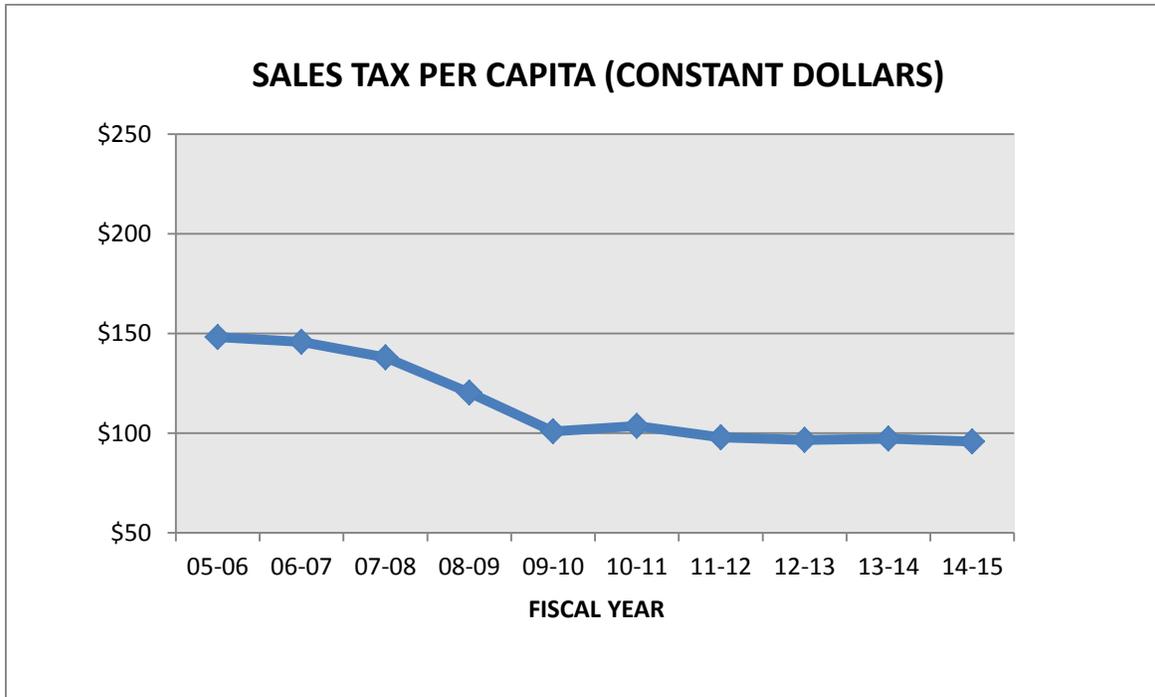
### TREND:

**FAVORABLE/STABLE**

<span style="display: inline-block; width: 15px; height: 15px; background-color: green; border: 1px solid black;"></span> Favorable	<span style="display: inline-block; width: 15px; height: 15px; background-color: blue; border: 1px solid black;"></span> Favorable/Stable	<span style="display: inline-block; width: 15px; height: 15px; background-color: yellow; border: 1px solid black;"></span> Stable	<span style="display: inline-block; width: 15px; height: 15px; background-color: orange; border: 1px solid black;"></span> Unfavorable/Stable	<span style="display: inline-block; width: 15px; height: 15px; background-color: red; border: 1px solid black;"></span> Unfavorable
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## Factor 2 - Sales Tax per Capita

DESCRIPTION - Since the sales tax constitutes such a large percentage of the general fund revenue, this factor is annually examined, relative to the population of Rolling Hills Estates. A favorable trend occurs when sales tax increases compared to the population. Decreasing sales tax, without the loss of a major retailer or economic downturn, might indicate the City is losing its share of retail activity. The City receives 1% of total sales tax collected, however the State Board of Equalization charges the City a 1% administration fee.

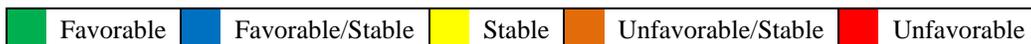


FORMULA =  $\frac{\text{Sales Tax Revenue/CPI}}{\text{Population}}$

Warning Sign: Decreasing Sales Tax and Increasing or Stable Population

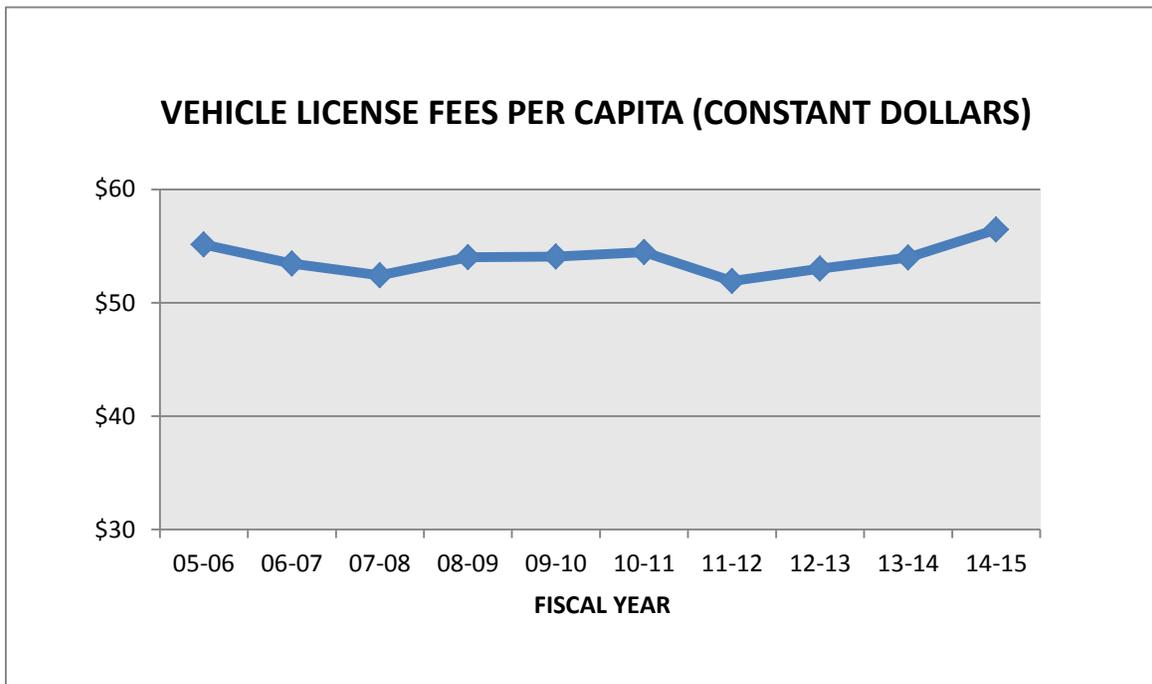
**TREND:**

**STABLE**



### Factor 3 - Motor Vehicle in Lieu Fees per Capita

DESCRIPTION - This factor is designed to show whether the city is becoming heavily dependent on revenues from other levels of government. VLF revenue was eliminated by the State in FY 2011-12, and now replaced with Motor Vehicle in Lieu payments that constitutes a range of from 6.8% to 11.1% of total General Fund revenues. The State balanced budget shortfalls by borrowing VLF backfill revenue. The graph indicates the \$120,000 in VLF backfill revenue that was borrowed by the State in FY 2003-04, and in 2004-05 the sale of the City's VLF Gap Loan for \$121,354. This graph includes the Triple Flip of Property Tax in lieu of VLF fees account.



FORMULA = 
$$\frac{\text{State Subvention Revenue/CPI}}{\text{Population}}$$

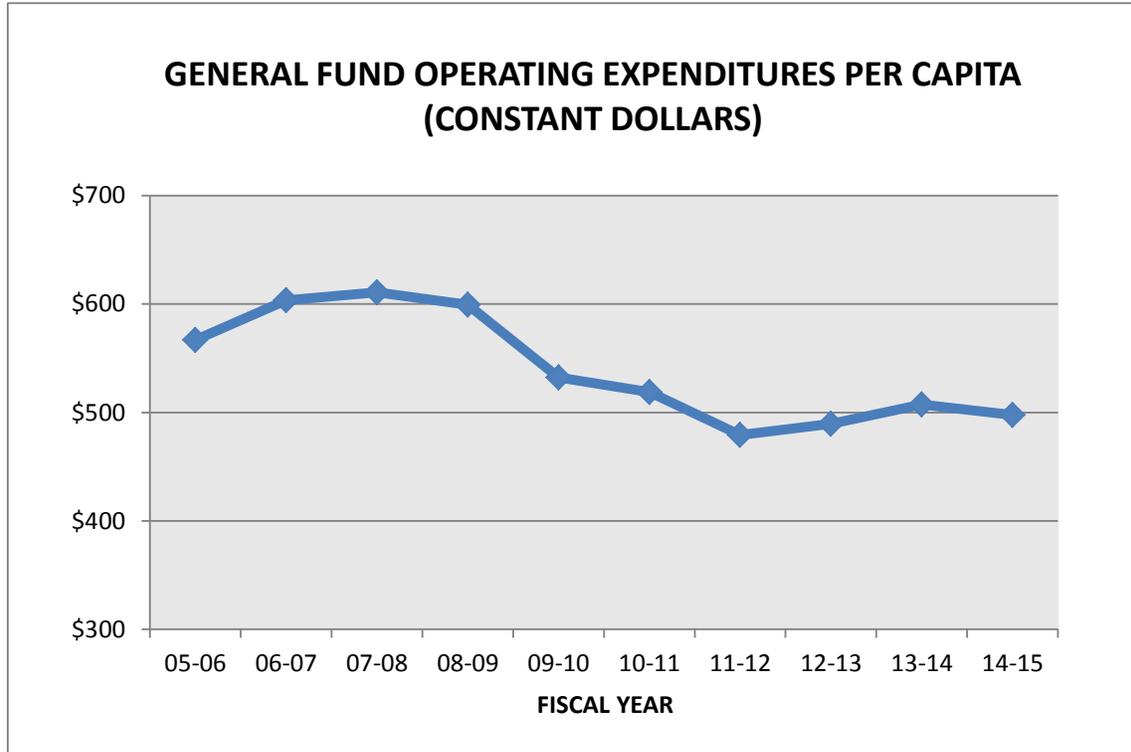
Warning Sign: State Subvention Revenue Decreasing and Increasing or Stable Population

**TREND:**  
 **STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable
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## Factor 4A – General Fund Operating Expenditures per Capita

DESCRIPTION - This factor is designed to show the cost-per-person of providing City services. Total General Fund operating expenditures decreased \$7,255 or -0.11% to the prior year. Overall, General Fund operating expenditures per capita exhibit a favorable and stable trend in these economic times.

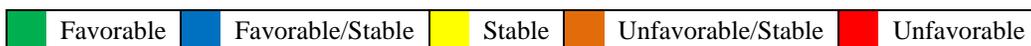


FORMULA = 
$$\frac{\text{Total Gen. Fund Operating Expenditures/CPI}}{\text{Population}}$$

Warning Sign: Significantly Increasing Operating Expenditures Per Capita, Especially When Combined With a Stable or Unfavorable Trend in Factor 1 - Revenues Per Capita

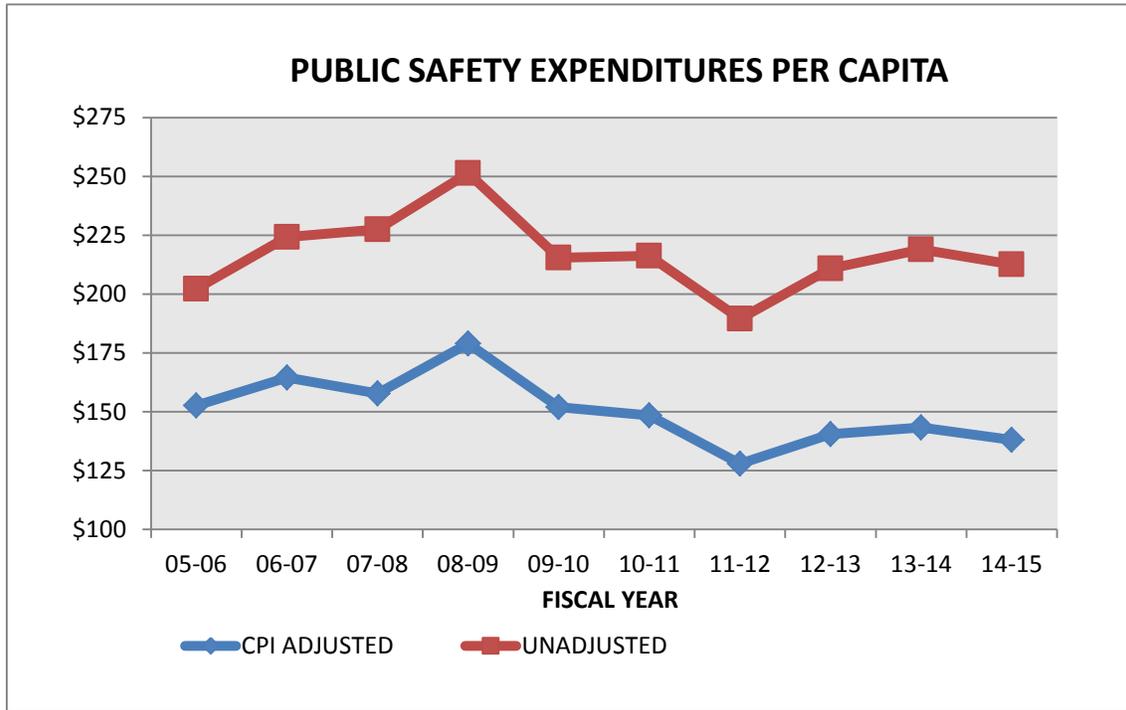
**TREND:**

■ **FAVORABLE/STABLE**



## Factor 4B - Public Safety Expenditures per Capita

DESCRIPTION - Since Public Safety expenditures represent the second highest level of expenditures and remain a top service priority of the City, this item is examined separately. The City's share under the regional policing formula is 28% of the total regional cost. Public Safety expenditures in FY 2014-15 were \$1,748,434, and the graph demonstrates displays actual expenditures and expenditures adjusted for inflation.



FORMULA = 
$$\frac{\text{Public Safety Expenditures}}{\text{CPI} \times \text{Population}}$$

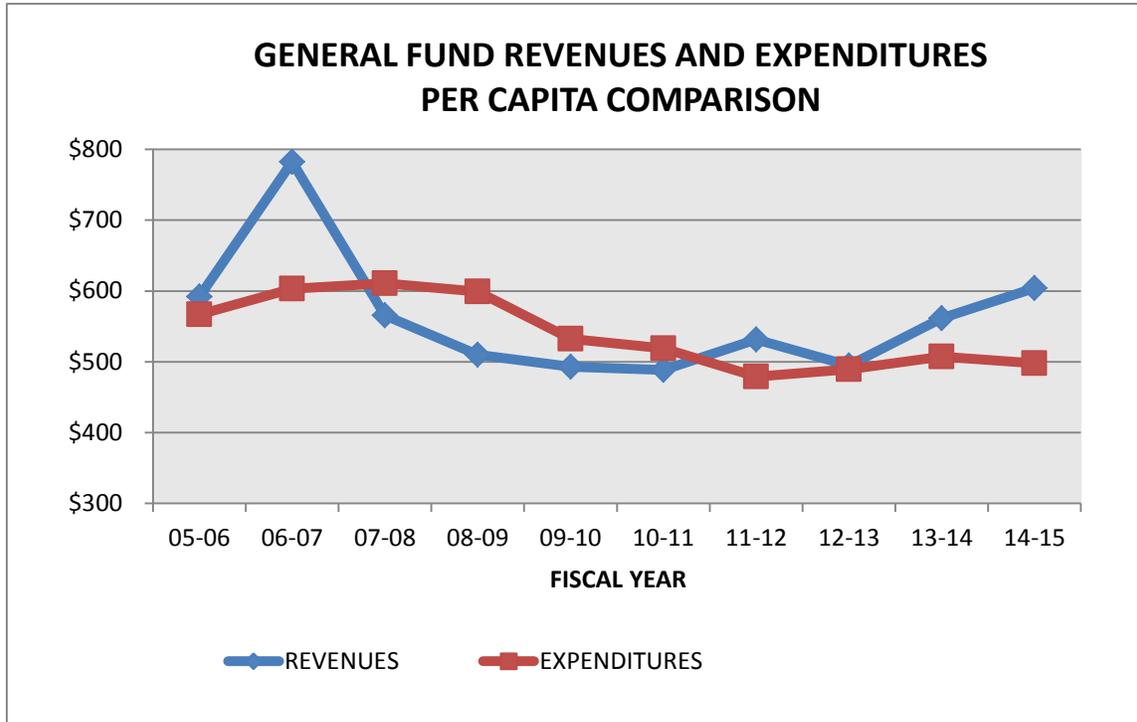
Warning Sign: Significantly Increasing Per Capita Expenditures

**TREND:**  
 **STABLE**

Favorable	Favorable/Stable	Stable	Unfavorable/Stable	Unfavorable
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## Factor 4C - General Fund Revenues and Expenditures per Capita

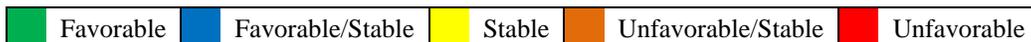
DESCRIPTION - This table shows Factors 1 and 4 combined and provide a graphic display of their relationship. The City has received additional revenue over the past 20 years from the Sanitation District methane recovery project, the Chandler surcharge, the increase of the City's share of Property Tax revenue from Los Angeles County, and sales tax. Expenditures also increased during these periods, as funding was available to do projects that were delayed in previous years. In 2006-07, real property sale resulted in additional revenues and the spike shown on the chart.



Warning Sign: Significantly Increasing Per Capita Expenditures (In Red) Combined With Stable Or Declining Per Capita Revenues (In Blue).

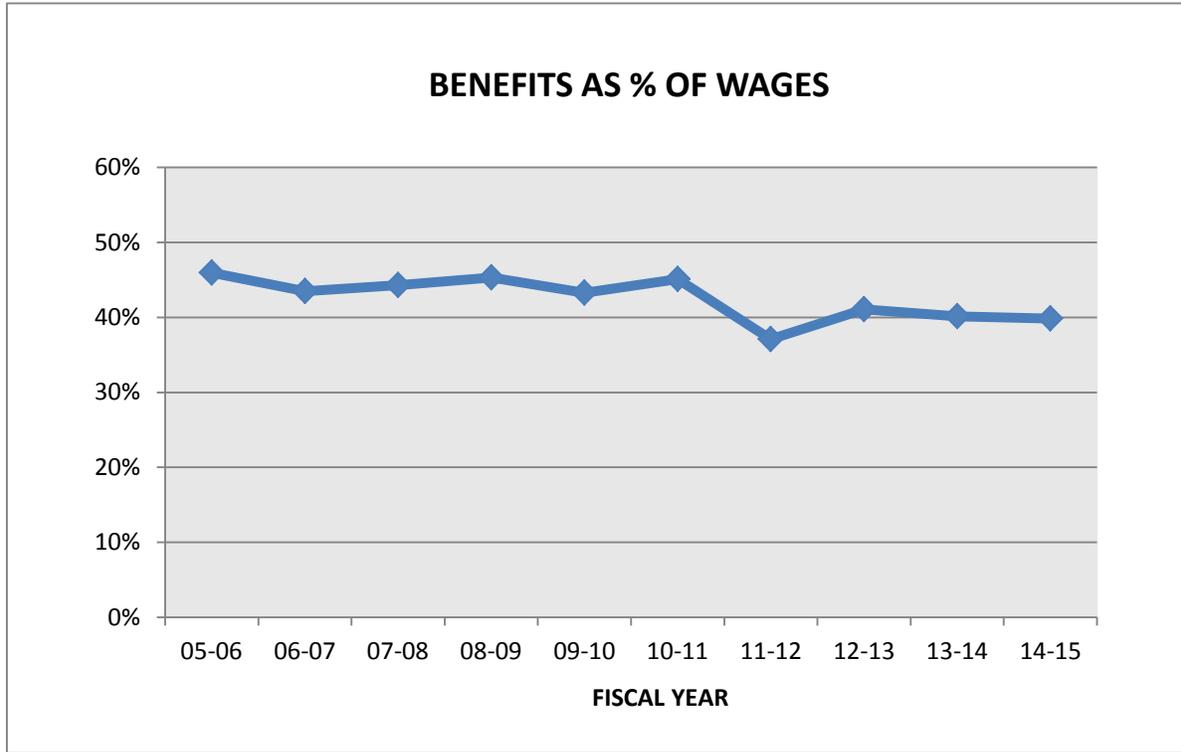
**TREND:**

  **FAVORABLE/STABLE**



## Factor 5A - Benefits Costs as a Percent of Total Wages

DESCRIPTION - This factor is designed to reflect the benefits costs on a municipality's finances. Decreased costs for worker's compensation insurance, and full-time staff paying the employee's 7% share of PERS helped decrease benefits costs. Following increases resulting from poor PER's portfolio performance in the early part of this decade, however, rate smoothing has stabilized this factor. Additionally, in an attempt to address cost overall in personnel, some full time staff positions will remain vacant, which can increase the percentage as benefits remain the same for hourly employees.

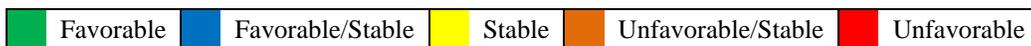


FORMULA = 
$$\frac{\text{Total Benefits Costs}}{\text{Total Wages}}$$

Warning Sign: Unexpected Increasing Benefits Costs Compared To Total Wages

**TREND:**

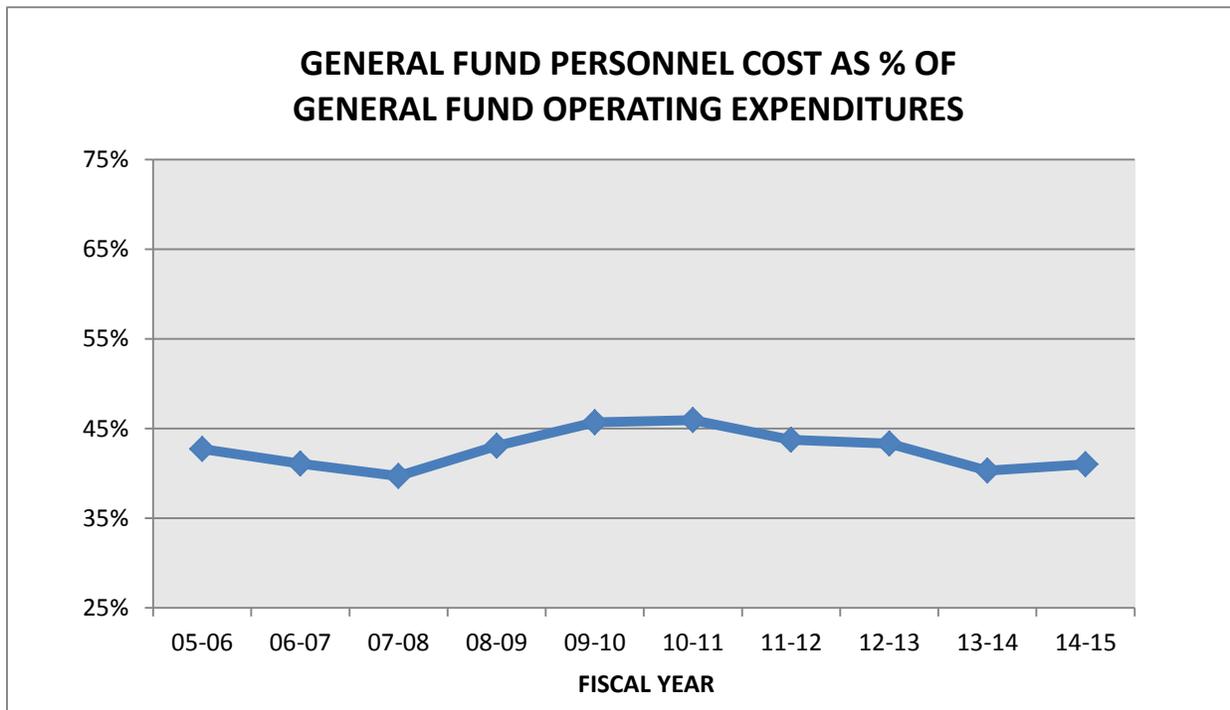
■ **FAVORABLE**



## Factor 5B - Personnel Costs as Percent of Total General Fund Operating Expenditures

DESCRIPTION - This factor is designed to show the percentage of total operating expenditures devoted to personnel costs. Personnel costs include wages, salaries and benefits such as health insurance and pension costs. This factor should be examined with factor 5A - benefits. A Favorable/Stable trend occurs when personnel costs as a percentage of total General Fund operating expenditures remain fairly constant while recognizing any personnel changes. As expenditures were decreased during the economic recession and the vacancies of full-time positions will cause an up-tick in the percentage.

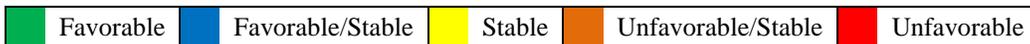
Note this factor for the past nine years has measured the relationship of personnel costs to operating expenditures whereas prior Fiscal Health Reports compared personnel costs with total expenditures.



**TREND:**



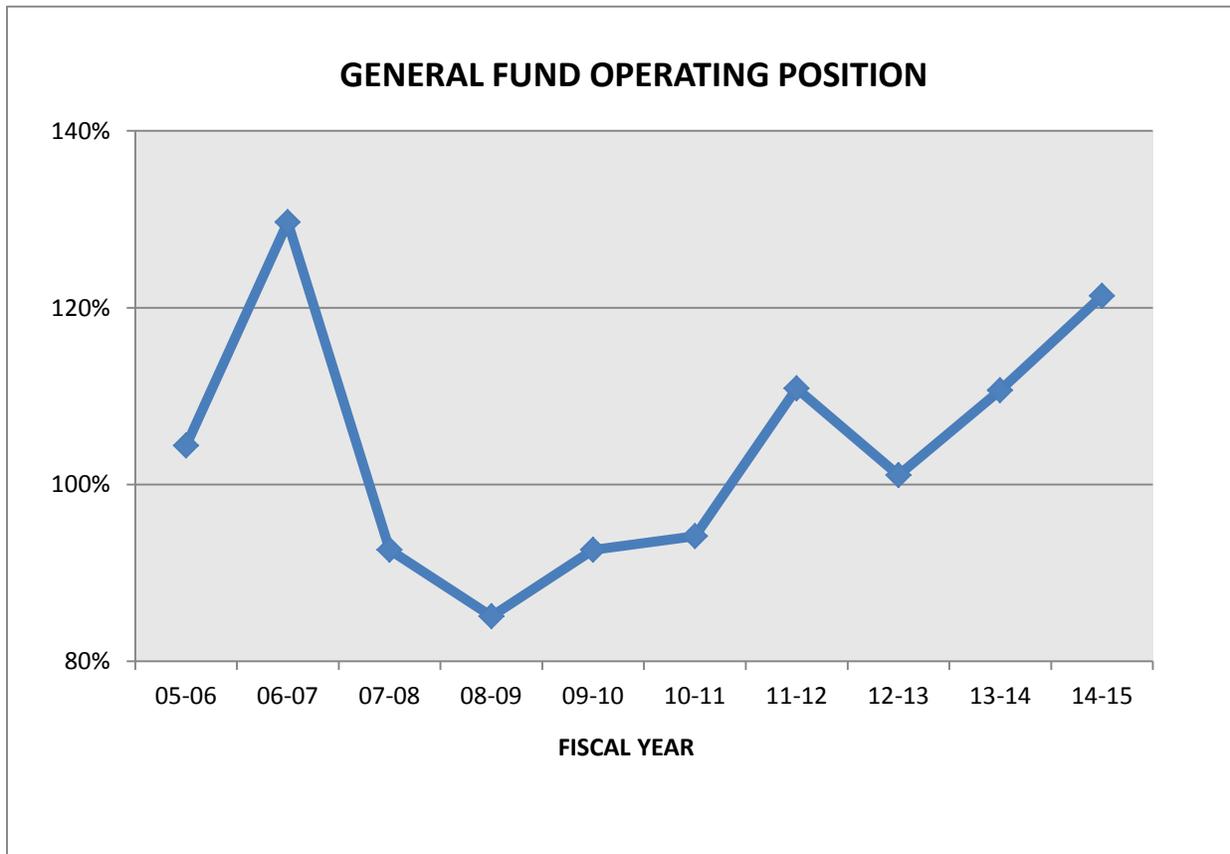
**FAVORABLE**



## Factor 6 - Operating Position

DESCRIPTION - This factor is designed to demonstrate whether a municipality needs to draw on fund balance to fund current operations. In this factor, 100% means the City broke even, a number greater than 100% means the City had an operating surplus; and less than 100% means the City was operating at a deficit; and 100% is the break-even point.

The extraordinary result in FY 06-07 was due to the recognition of the full value of the sale of the City right-of-way on Palos Verdes Drive East. The FY 14-15 result remains with a healthy operating surplus and a conservative budgeting approach with the recovering economy.



FORMULA = 
$$\frac{\text{General Operating Revenues}}{\text{General Fund Operating Expenditures}}$$

Warning Sign: Increasing Amount of General Fund Operating Deficits

**TREND:**

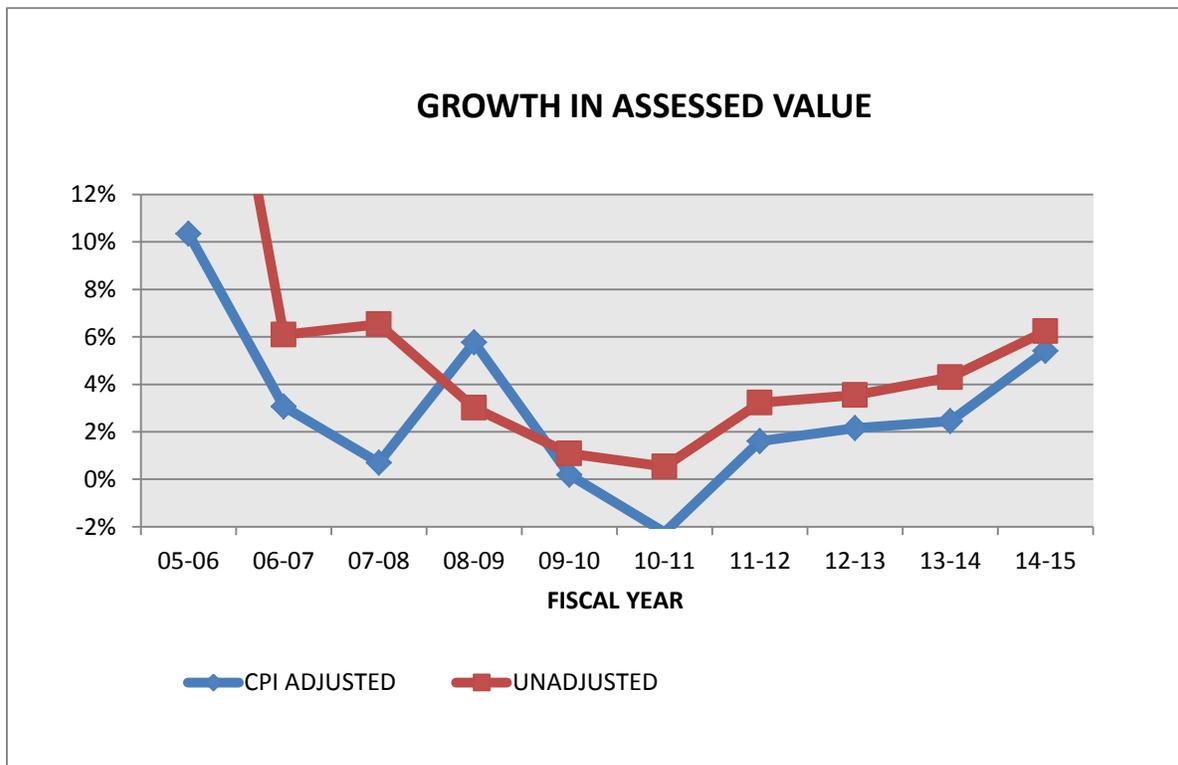
■ **FAVORABLE**



## Factor 7 - Property Assessed Values

DESCRIPTION - This factor measures the growth of assessed property values. While the City does not levy a property tax, it does receive the maximum level of AB 1197 property tax revenue. The AB8 apportionment formula is a countywide formula whereby the City receives a share of the countywide 1% property tax based on the City's proportional share of the total countywide value of assessed, non-exempt property values. Future increases in this revenue source are to be determined by increases in the assessment roll.

In fiscal year 2014-15 the City's assessed value increased by 6.2%, and according to the Assessor's estimates, an increase of 6.13% is estimated for 2015-16. Overall, the real estate market is rebounding, however, property values within the City continue to rise with the demand to live in this area.



FORMULA = 
$$\frac{\text{Current Year AV minus Last Year's AV/CPI}}{\text{Last Year's AV}}$$

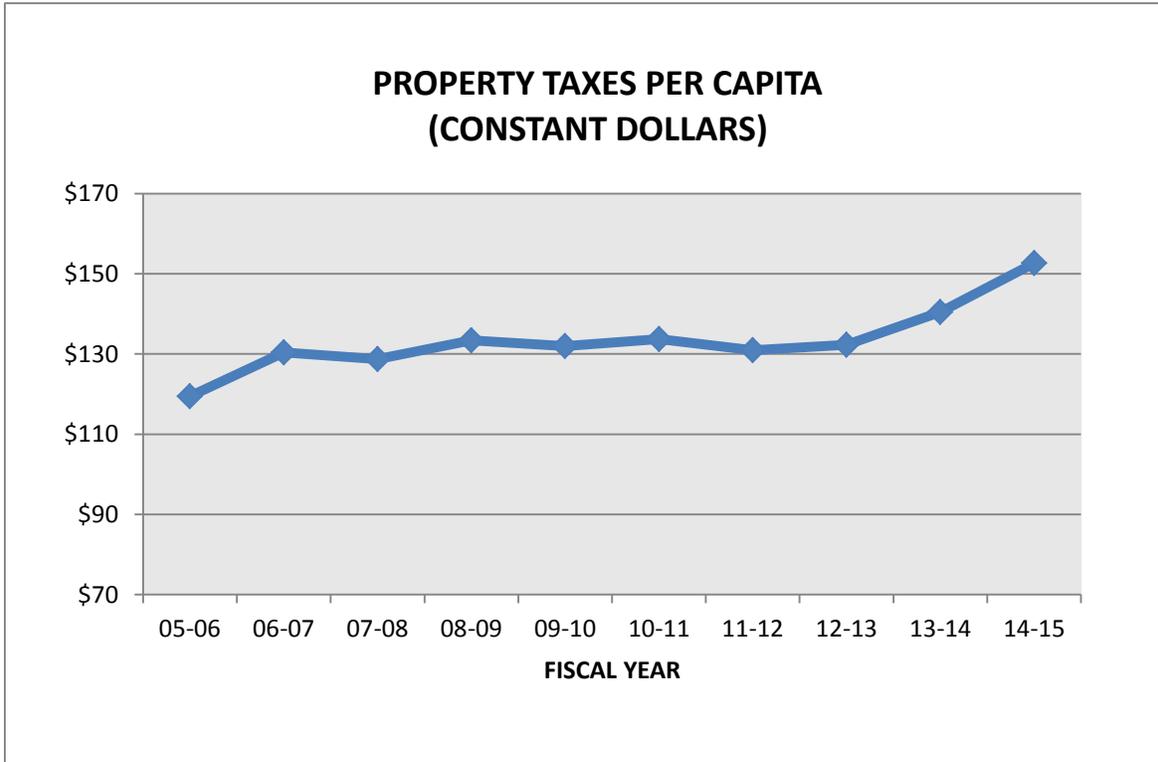
Warning Sign: Decreasing Growth of Assessed Value

**TREND:**  
■ **FAVORABLE**



## Factor 8A - Property Taxes per Capita

DESCRIPTION - This factor measures the City's share of AB 1197 property taxes received from Los Angeles County. Since the City's share is part of the County's pool of 7% of the 1% Los Angeles County share, future property taxes will only change by changes in assessment roll. It should be noted that the City has very little control over this revenue source, since Los Angeles County levies the property tax. The healthy increases in assessed values (Factor 11) translate into higher property taxes.



FORMULA = 
$$\frac{\text{Property Tax Revenue}}{\text{Population}}$$

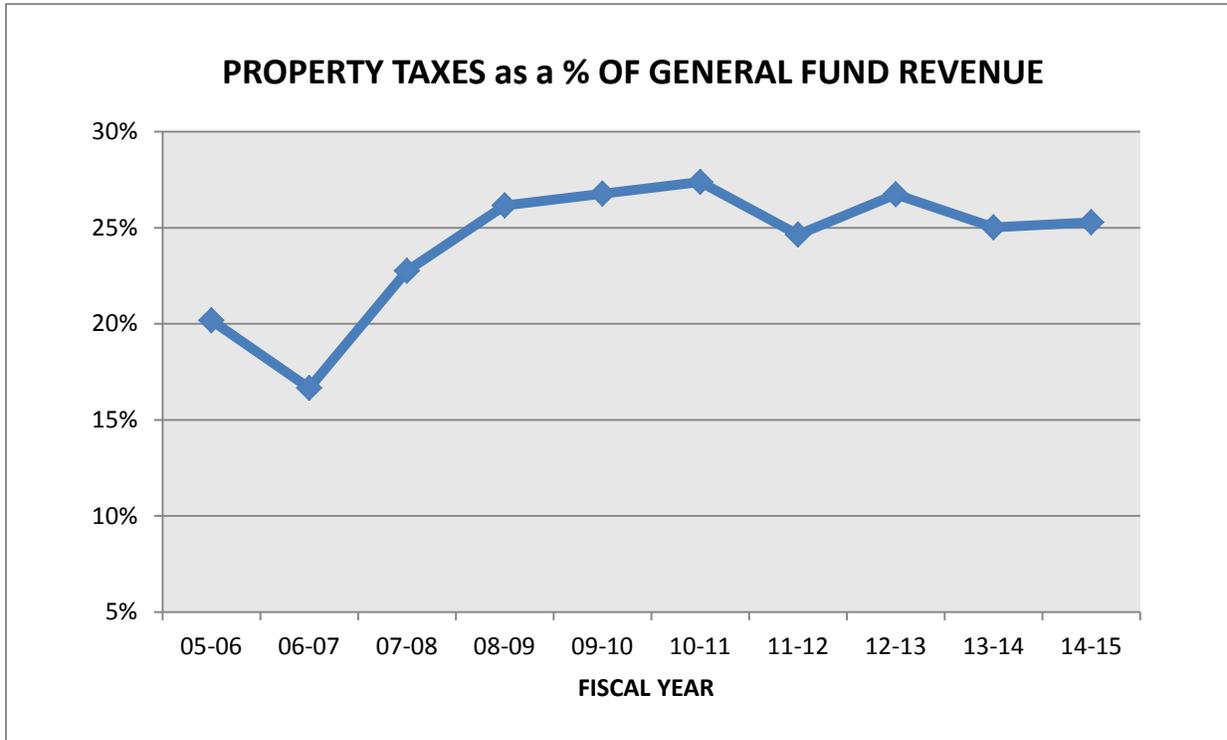
Warning Sign: Decreasing Property Tax Revenue

**TREND:**  
■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 8B - Property Taxes as Percentage of General Fund Revenue

DESCRIPTION - This factor represents the percentage of General Fund revenue that is generated from Property Tax revenue. However, other revenue sources will affect this factor as can be seen over the prior years. It is good to monitor it as a percentage of total revenue, and this factor should remain favorable in future years. In FY 2005-06 Property Tax Revenue was 20.2% of General Fund Revenue, and in FY 2014-15, Property Tax represented 25.3% of total revenue as sales tax revenues are flat but building permits have increased in revenue.

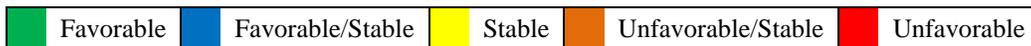


FORMULA = 
$$\frac{\text{Property Tax Revenue}}{\text{Total General Fund Revenue}}$$

Warning Sign: Decreasing Property Tax Revenue as Percent of Total Revenue

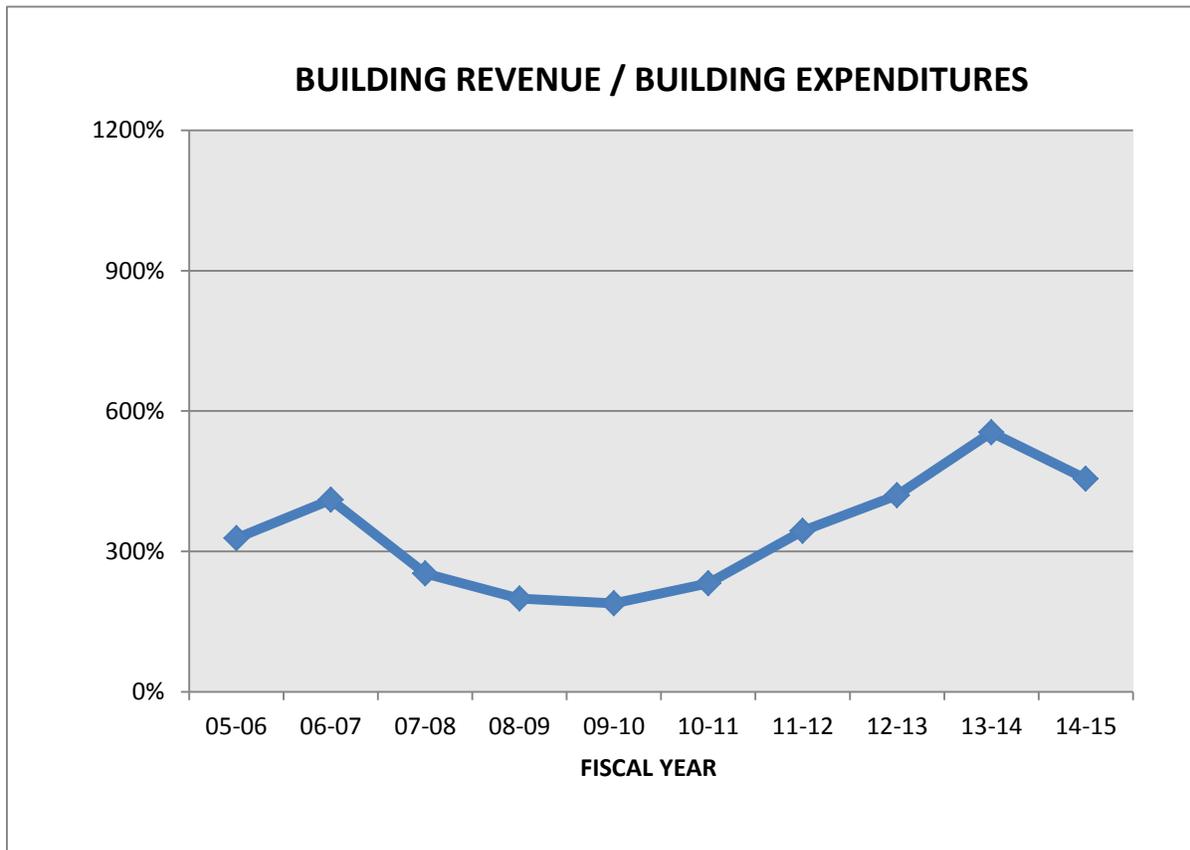
### TREND:

■ **FAVORABLE/STABLE**



## Factor 9 – Building Permit Revenues and Building Inspection Expenditures

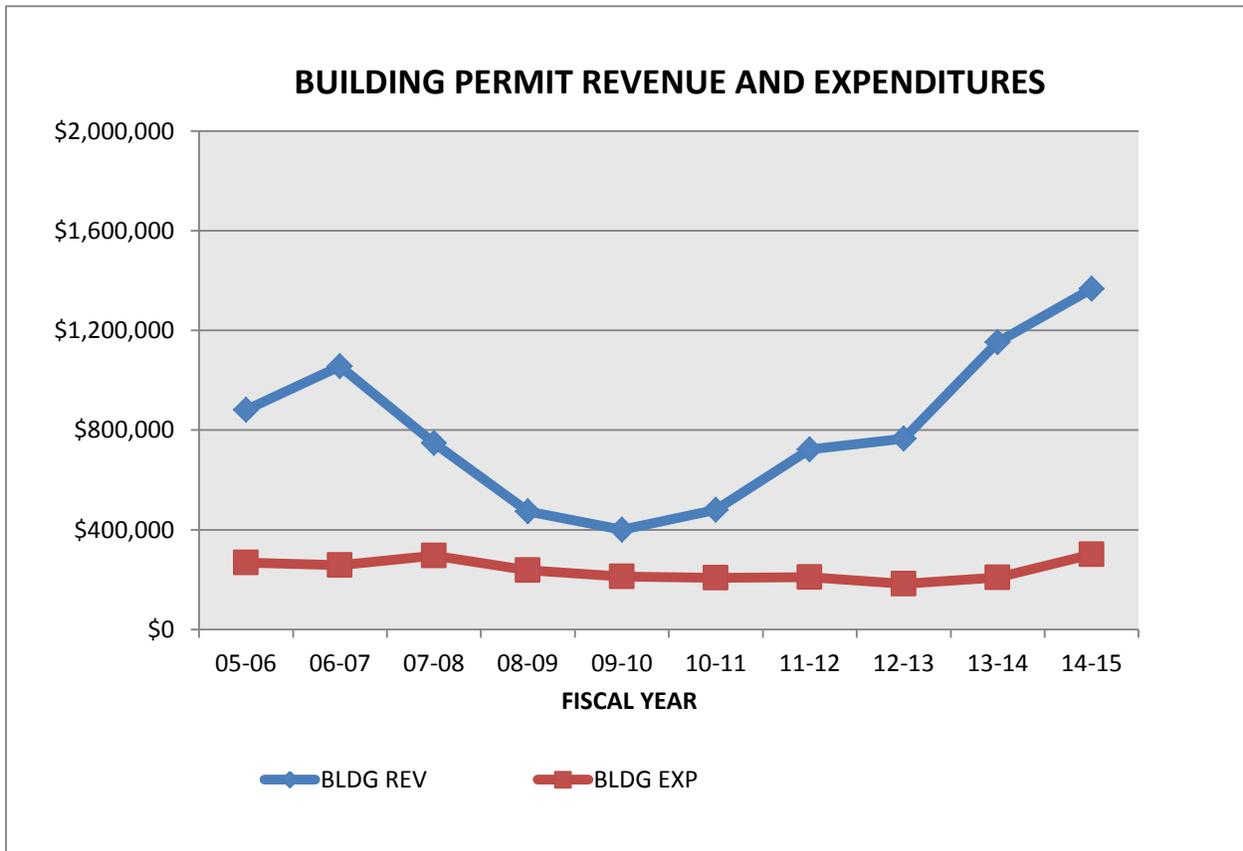
DESCRIPTION - This factor compares the City's revenue from plan check and building inspection fees (accounts 3230) to related expenditures for plan check and building inspection services (account 4510-437). A fee study that was conducted lowered the return from a 3:1 to a 2.5:1, and graphs do not reflect the loss of revenue due to discounted fees for such as solar and roof replacement permits. Administrative and overhead costs are not included in these expenditures. The revenue and expenditure levels vary, depending on the building activity of a particular fiscal year. This factor provides 2 graphic displays of the relationship between the revenues and the expenditures (% and total dollar) and shows the overall level of private sector building activity over the past ten fiscal years.



Warning Sign: Decreasing Building Permit Revenues When Compared To Increasing Building Permit Expenditures

*(Factor 12 is continued on the following page.)*

Building Permit Revenues have risen to historic levels, and surpassing the banner year in FY 06-07. Building Permit and Inspection revenues are anticipated to increase further in FY 2015-16.

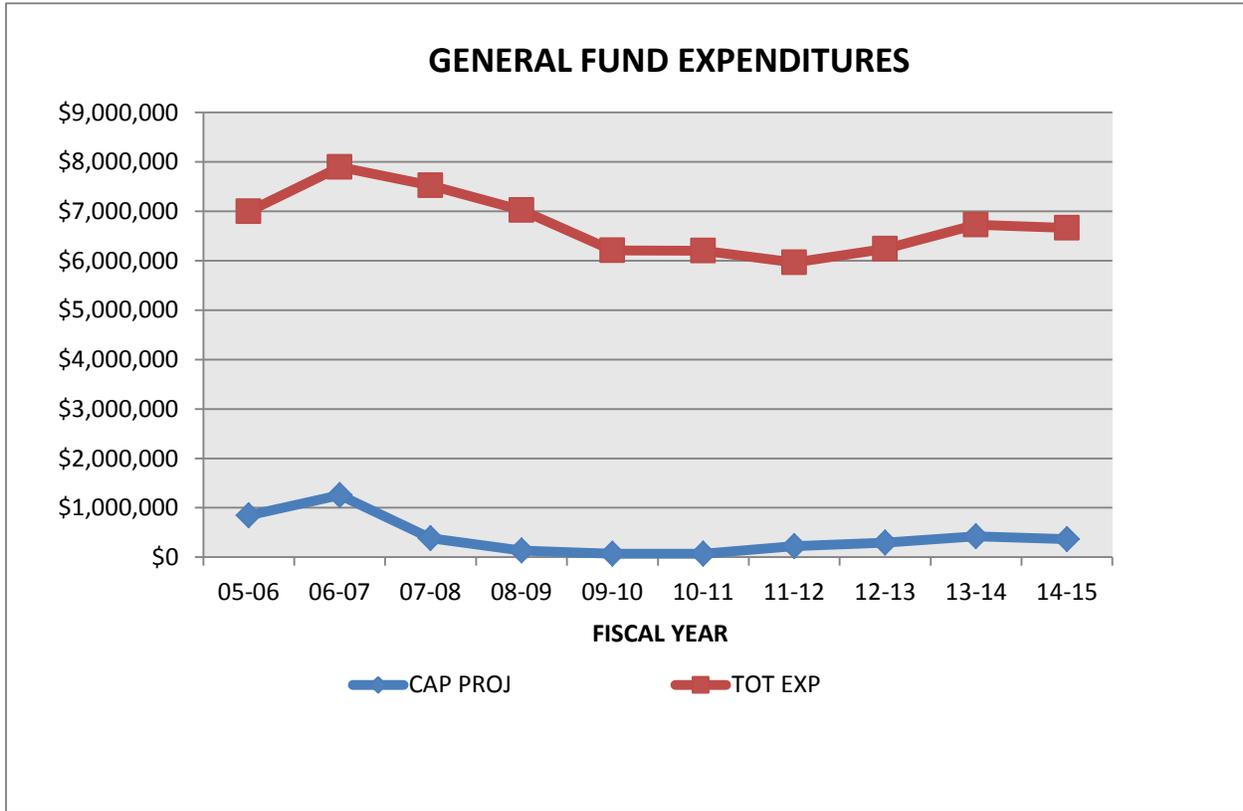


**TREND:**  
■ **FAVORABLE**

	Favorable		Favorable/Stable		Stable		Unfavorable/Stable		Unfavorable
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## Factor 10 – General Fund Capital Project Expenditures Compared To Total Fund Expenditures

DESCRIPTION - This factor compares the City's capital outlays in the General Fund to total Fund expenditures. Such capital outlays are financed using the operating surpluses of prior fiscal years (no debt is incurred, thus keeping capital costs lower). This factor provides a graphic display of the fiscal health of the General Fund to provide for both capital expenditures and the costs of current operations.



Warning Sign: Decreasing Capital Expenditures When Compared To Increasing Total Expenditures

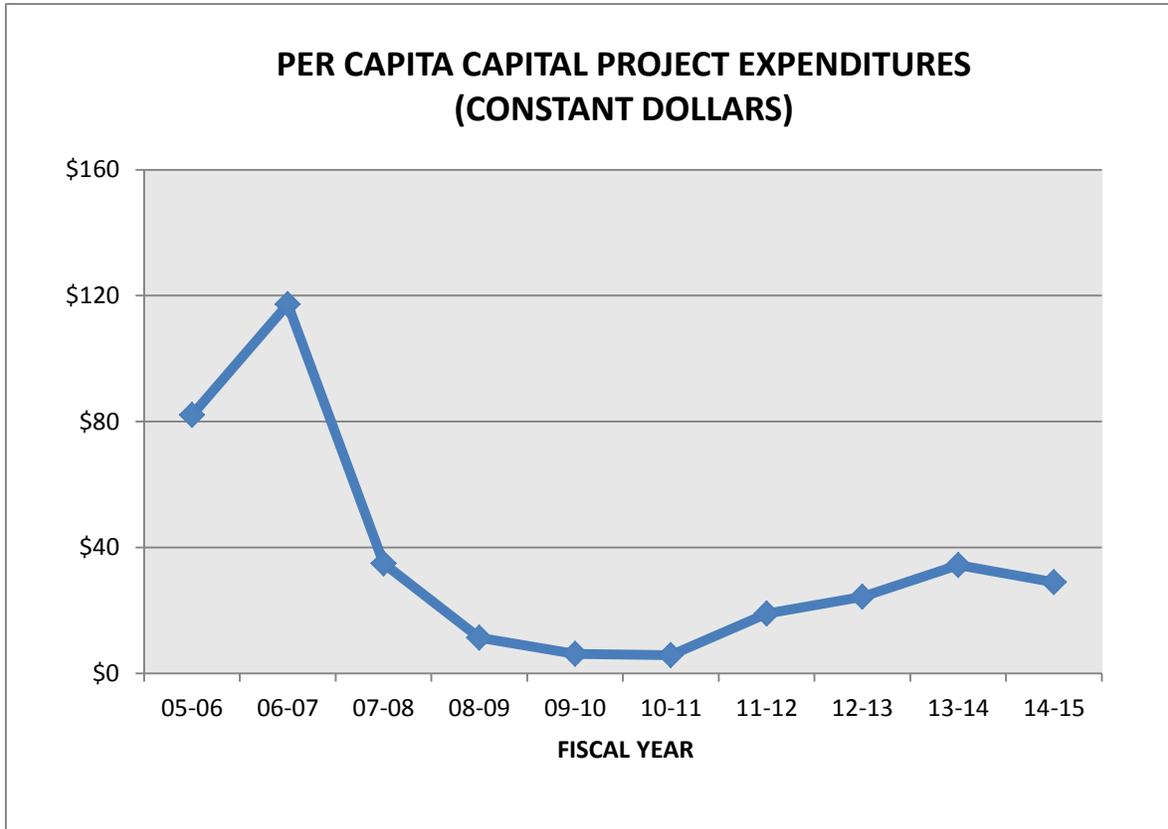
**TREND:**

**STABLE**



## Factor 11 – General Fund Capital Project Expenditures per Capita

DESCRIPTION - This factor analyzes the per capita amount expended for capital improvements over the past ten fiscal years. This factor provides a graphic display of the ability of the General Fund to provide for capital expenditures while continuing to finance current operating costs. This factor in 2014-15 is stable after adjusted for inflation with \$28.92 per capita capital project expenditures. The increases in FY 05-06 & 06-07 are due to projects that are carried over from prior years especially the storm drain repairs and improvements.



Warning Sign: Decreasing Capital Expenditures Per Capita.

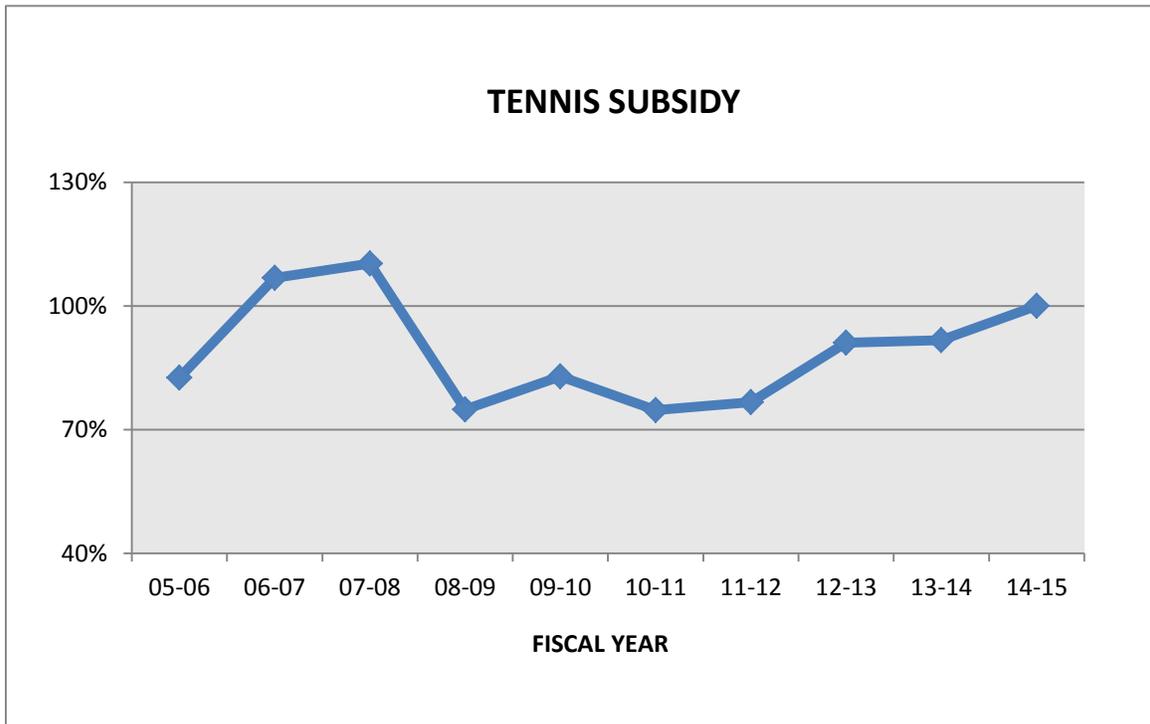
**TREND:**

■ **FAVORABLE/STABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
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## Factor 12 - Subsidy/Fee - Tennis

DESCRIPTION – In FY 06-07, the Tennis Fund was fully self-supported by user fees for the first time in many years, and the fee collection method was changed from a per person fee to a court fee charge. Additionally, staff costs were eliminated during weekday afternoons and evenings beginning in FY 04-05, and this change increased court time use by members with reduced operational costs. The graph shows 100% for FY 14-15 due to readjustment of maintenance staff costs charged to this fund to decrease the large fund balance, and indications continue the trend Favorable. The Tennis Fund is scheduled to be transferred into the General Fund in FY 15-16, and as such eliminate as a separate Enterprise Fund.



FORMULA = 
$$\frac{\text{Fees and User Charges}}{\text{Expense of Providing Services}}$$

Warning Sign: Decreasing Percentage of Revenue to Cover Cost of User Services

**TREND:**  
■ **FAVORABLE**

<span style="color: green;">■</span> Favorable	<span style="color: blue;">■</span> Favorable/Stable	<span style="color: yellow;">■</span> Stable	<span style="color: orange;">■</span> Unfavorable/Stable	<span style="color: red;">■</span> Unfavorable
--	--	--	--	--