



# Highlights

## Financial Condition Defined

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

## 10-Point Test for Assessing Financial Condition

- The test consisted of **10 financial ratios**, calculated for San Diego and six cities of similar size (Philadelphia, Phoenix, San Antonio, Dallas, San Jose, and Austin). To provide additional context, the results were compared over a 10-year period (FY 2005 – 2014).
- For each ratio, scores for San Diego and the benchmark cities were based upon awarding 2 points for results in the top quartile, 1 point for the second quartile, no points for the third quartile and -1 point for the last quartile.
- The **financial data** used to calculate the ratios originate from the Comprehensive Annual Financial Reports from San Diego and the benchmark cities.
- The ten ratios were developed independent of city management and provide an independent view of the City's finances.

## Going Forward

Financial ratio analysis should raise questions that seek to evaluate the reasons for change over time. The discussion of financial ratios can lead to meaningful answers for policy-makers and stakeholders.

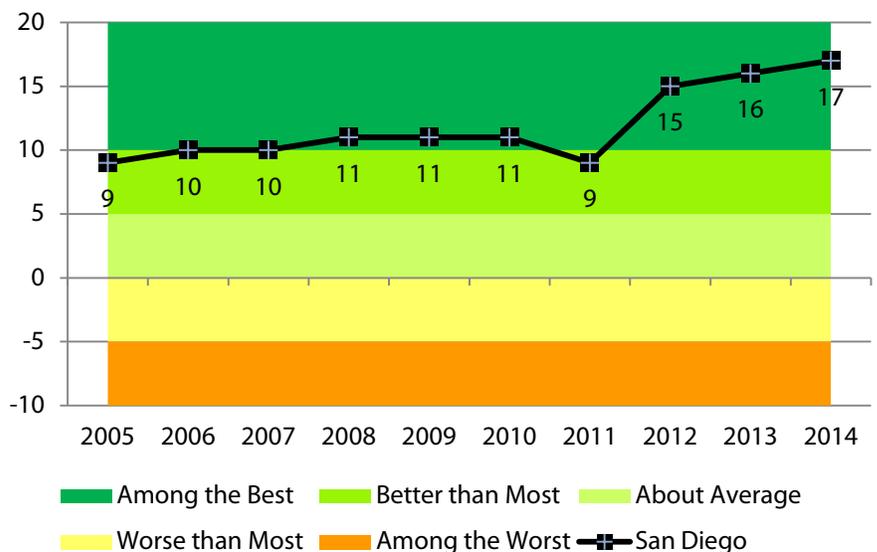
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## City's Financial Condition

*San Diego's Financial Condition has Shown Considerable Improvement from Fiscal Years 2011 to 2014*

### What OCA Found

The **10-Point Test results** for the City of San Diego show considerable improvement in its financial health, and has been among the best when compared to six other cities with comparable populations for the last 10 years. San Diego's score was at least double the other cities' scores from Fiscal Year 2012 to 2014. San Diego's overall 10-Point Test scores by fiscal year are below.



San Diego's highest scores for the 10-year period were related to debt, while the lowest scores were in liquidity and capital assets. However, the City's liquidity ratio score improved the most going from -1 at the beginning of the ranking period and reaching 2 points in FY 2012 and 2014. The table below summarizes San Diego's ratio scores.

Ratio	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Short-Run Financial Position	0	0	1	1	1	1	1	1	1	1	8
Liquidity	-1	-1	-1	-1	0	0	1	2	1	2	2
Financial Performance	1	1	1	2	1	1	0	2	2	2	13
Solvency	1	1	1	1	1	1	1	2	2	2	13
Primary Government Revenues	1	1	2	2	1	2	2	2	2	2	17
Governmental Activities Revenues	1	1	1	1	1	0	0	1	2	2	10
Primary Government Debt Burden Per Capita	2	2	2	2	2	2	2	2	2	2	20
Governmental Funds Debt Coverage	1	2	1	2	2	2	1	2	2	2	17
Enterprise Funds Debt Coverage	2	2	2	2	2	2	2	2	1	1	18
Net Change in Capital Assets	1	1	0	-1	0	0	-1	-1	1	1	1
<b>Annual Totals</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>15</b>	<b>16</b>	<b>17</b>	