



MEMORANDUM

Date: February 6, 2026
To: Mayor and City Council
From: Gerry Beaudin, City Manager 
Susan Hsieh, Director of Finance
Subject: City Fiscal Health Ranking by California Policy Center

Over the last several months, the California Policy Center (CPC), an educational nonprofit, has published articles on the City of Petaluma’s financial conditions and the City of Hayward’s budget crisis. The CPC designed a Local Fiscal Health Dashboard after the California State Auditor’s Office discontinued its Local Government High-Risk Dashboard during COVID. The CPC assesses agencies’ fiscal health using the data from their published Annual Comprehensive Financial Reports (ACFRs).

Individuals on social media shared a financial analysis from CPC ranking the City of Petaluma’s financial health at the bottom of the list, which raised concerns in the community and prompted Petaluma to publish a press release disputing the CPC’s analysis. In response, the CPC published an article outlining the reasons for its assessment.

The information below summarizes the scores the CPC assigned to the City of Pleasanton from fiscal years 2022 to 2024. Staff is sharing this information for situational awareness and in case there are questions or comments from the public regarding the City’s fiscal health, as ranked by the CPC.

The City’s overall fiscal risk was considered to be moderate in fiscal years 2024 and 2023. The risk was considered to be low in fiscal year 2022, mainly due to a significant reduction in pension obligations resulting from large investment gains in fiscal year 2021. However, the investment loss in fiscal year 2022 significantly increased pension obligations in fiscal year 2023.

Fiscal Year 2023/24



Fiscal Year 2022/23



Fiscal Year 2021/22



As shown in the table below, the City scored high in areas including General Fund reserves, debt burden, liquidity, pension funding, OPEB obligations, and OPEB funding. The City scored low in areas including revenue trends, pension costs, pension obligations, and net worth.

Fiscal Strength Score by Fiscal Year

Fiscal Year	General Fund Reserves	Debt Burden	Liquidity	Revenue Trends	Pension Costs	Pension Funding	Pension Obligations	OPEB Obligations	OPEB Funding	Net Worth
2024	A	A	A	C	D	B	F	A	B	D
2023	A	A	A	C	F	C	F	A	B	D
2022	A	A	A	D	F	B	C	A	A	D

The CPC’s rating criteria are explained below. The information was extracted from the CPC’s website.

Letter Grade	Fiscal Health Score Out of 100	Description - Overall Fiscal Risk
A	85 to 100	Low risk of financial distress
B	70 to 84	Low risk of financial distress
C	60 to 69	Moderate risk of financial distress
D	50 to 59	Moderate risk of financial distress
F	49 and Under	High risk of financial distress
N/A	No Data	Jurisdiction is delinquent in publishing timely financial audits
Exempt	Exempt From Reporting Requirement	Local entity's federal awards expenditures were less than \$750k

Scoring

The CPC uses ten performance metrics to determine a jurisdiction’s financial score:

General Fund Reserve Score – Rates the extent to which a jurisdiction’s general fund reserves are sufficient to cover general fund expenditures. The metric is calculated by dividing general fund unrestricted fund balance by total general fund expenditures less transfers to other funds. The larger the general fund reserve ratio (ex. a ratio of 2.5), the better, because this indicates sufficient reserves. Low reserve ratios, such as 0 or 0.2, receive low scores.

As of November 19, 2024, the California Policy Center has updated its General Fund Reserves scoring to give maximum credit to entities whose unrestricted reserves equal 32 percent of general fund expenses. This replaces the previous scale, which ranged up to a 75 percent

reserve ratio. As a result, a number of entities may see different scores than previously reported, and the rankings of top and bottom performers have shifted accordingly.

Debt Burden Score – Rates the size of the government’s long-term obligations (excluding pension, OPEB) relative to its revenues. The metric is calculated by dividing non-retirement long-term obligations by revenues. The smaller the debt burden ratio (ex. a ratio of 0.1 or 0.2) the better, since this indicates relatively little long-term debt compared to revenue.

Liquidity Position Score – Rates the extent to which general fund cash, cash equivalents, and investments will cover the general fund’s liabilities. The metric is calculated by dividing general fund cash and equivalents plus general fund investments divided by general fund liabilities. A high liquidity ratio (ex. a ratio of 16) indicates the government has access to plenty of liquid assets to cover immediate cash outflow and will therefore be assigned a high score for this metric. On the other hand, low ratios (ex. 0.5) will earn poor scores. As the State and Local Government Financial Fundamentals paper by Duffy and Giesecke notes, “a government with absolutely no liquidity is likely to file for Chapter 9 [bankruptcy] proceedings.”

Revenue Trend Score – Rates the growth of general fund revenue over the last 3 years. The metric is calculated by finding the geometric annual growth rate of general fund revenues for the relevant time period. A positive revenue growth ratio indicates growth (ex. A revenue growth ratio of 0.2 is a positive trend and therefore will earn a good score for this metric, whereas a revenue growth ratio of 0 or -0.1 will earn a low score).

Pension Costs Score – Rates the portion of revenues that is consumed to fund pension obligations, and thus the fiscal burden that pension costs exert. The metric is calculated by dividing the actuarially required pension contribution by the revenues for that year. A lower ratio (ex. 0.01) indicates a lower proportion of revenues required to fulfill the required contribution and therefore a higher score for the metric, whereas a higher ratio (ex. 0.15 or 0.17) indicates a higher pension burden.

Pension Funding Score – Rates the proportion of a government’s pension liability that is covered by pension assets and investments. The metric is calculated by dividing fiduciary net position by total pension liability. A higher ratio (ex. 0.95) indicates a higher proportion of the pension liability that is covered, and therefore will earn a higher score than a low ratio (ex. 0.65). Pensions should be funded at or above 100 percent rather than the commonly suggested 80 percent.

Pension Obligations Score – Rates the size of a government’s net pension liabilities relative to the government-wide revenue. The metric is calculated by dividing net pension liability by revenues. A lower ratio (ex. 0 or 0.02) indicates lower obligations relative to government-wide revenues and therefore will earn a better score than a higher ratio (0.8 or 1).

OPEB Obligation Score – Rates the size of a government’s net OPEB liabilities relative to the government-wide revenue. The metric is calculated by dividing the net OPEB liability (the difference between OPEB fiduciary net position and total liabilities) by the revenues. A lower ratio (ex. 0 or 0.01) indicates lower unfunded OPEB obligations as a share of government-wide revenues and therefore will earn a better score than a higher ratio (ex. 0.8).

OPEB Funding Score – The OPEB funding score rates the degree to which a government fully funds its OPEB liabilities. A higher ratio (ex. 0.9) indicates a high proportion of funding and will therefore earn a better score than a low ratio (ex. 0.08). Jurisdictions that have a lower funding score may likely be using a pay-as-you-go process for funding retiree healthcare costs which could cause greater pressure on general fund spending and medical increase or continue to inflate.

Net Worth Score – The net worth score rates the size of a government’s unrestricted net position relative to government-wide revenues. The metric is calculated by dividing unrestricted net position by government-wide revenues. A higher share of unrestricted net assets relative to revenue will earn a higher score than negative assets or a small share of assets. This yields an approximate measure of the net worth, making it a good proxy for balance sheet health and can be used as a good apples-to-apples comparison with any comparable jurisdiction.

Below, please find the links to the CPC’s fiscal health dashboard and articles published related to the financial health of the Cities of Petaluma and Hayward.

[CPC Local Fiscal Health Dashboard](#)

[Petaluma Blames the Messenger After Ranking Dead Last for Fiscal Health Among California Cities](#)

[Pre-Shocks on the Fault Line: City of Hayward Needs More Than Cosmetic Fixes to Stay Solvent](#)