CLEO

CALIFORNIA LOCAL ELECTED OFFICIALS

MUNICIPAL FINANCE TRIAGE GUIDE

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California Local Elected Officials (CLEO) is a project of the California Policy Center, an educational nonprofit 501(c)(3) that educates, supports, advises, and mentors local elected officials throughout California's thousands of cities, counties, and school and special districts.

CLEO members are local and elected leaders who stand for financial sustainability, government transparency, prosperity and personal liberty. In California, elected officials who hold these values often operate in isolation — surrounded by government staffers whose instinct is for more government, higher taxes and better employee pay. CLEO helps our members rise above powerful special interests in order to honestly serve their real constituents.

CLEO offers policy guidance, detailed financial analyses, legal perspectives, and communications assistance to our members. We do this through no-cost state-of-the-art online resources, regional training programs, and regular in-person and virtual events.

In addition, CLEO members rely on the support of other CLEO members – our network of experienced local elected officials who are committed to principled governance as well as CLEO's experienced and dedicated staff.

This Municipal Finance Triage Guide is one of the many toolkits designed by CLEO to benefit its members. To see the others, visit calelecteds.org.

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Preliminary considerations

As we published this edition, news headlines revealed that the city of Oakland was in trouble.

In 2023, “the city paid more than $130 million in interest alone on its pension debt — far more than its $100M annual deficit, which it just sold the Coliseum to pay,” reported public finance expert and Oakland resident Tim Gardner. The problem, Gardner noted, was not a revenue shortage: Oakland residents and businesses paid 2023 taxes that were 65 percent higher than in 2013.

Oakland isn’t alone, of course. Hundreds of California’s local governments — and the state itself — are struggling to balance their budgets.

Most of these municipal financial crises are years in the making. They begin (a) when officials fail to define the limited purposes of the government agency they’ve been elected to oversee and (b) when those officials favor special interests, forgetting the people they were elected to serve.

This document is designed to help any of California’s thousands of local government officials identify their fiscal problems, navigate the complexities of municipal finance and manage the twin traps of mission creep and special-interest capture.

What is government for? The problem of “mission creep”

Too many of California’s local governments and agencies have embraced missions without limits. Their ambition to solve all problems leads to agencies that can solve none, not even the most basic problems. The result is financial crisis and the erosion of public trust. The ancient principle — “To please all is to please none” — is still true today.

Step one in government service is to understand the limits of government — what your government agency is for. Prudent local governments are modest in scope, transparent in mission, strategic in spending, and accountable to the people. These governments live within their means.

In short: *beware of “mission creep” or “scope creep”* — the impulse over time to create new projects, campaigns, and programs that a local government or agency should not be taking on.

In addition to considering the scope of local government, use this checklist when going through your budget process:

- Have you considered all of your legal obligations, including contracts and MOU’s?
- Have you taken into account all of your liabilities and debts?
- Have you taken a thorough look at discretionary spending, and analyzed what your priorities are for this spending?
- Are there issues within charter or state law that affect your budget or budget-making process?
- What is your approach to making your budget process open and transparent to the public?

Special Interests: The problem of government unions

California politics at every level is dominated by government unions. Leaders of these employee unions collect member dues that bankroll the campaigns of politicians who, once in office, return the favor by rubber-stamping union demands, often to the detriment of the constituents those politicians were elected to protect.

Key among union demands are the multi-year labor contracts that drive 70 to 80 percent of the typical city's operating budget. The impact of labor agreements is not limited to the fact that such agreements set the cost of personnel over several years. Labor agreements also dictate *how* the organization will deliver services. For anyone who doubts this, try introducing a cost-savings change to public employee work schedules or implementing a technology that changes job duties and job descriptions without conducting a lengthy meet-and-confer process and/or reopening a labor contract.

Unfortunately, entrenched labor agreements with sacrosanct, untouchable terms (e.g., minimum staffing, traditional work schedules, etc.) are kryptonite to management's ability to exercise its best judgment; such agreements preempt a municipal leader's ability to call upon better and best practices in deciding *how* the organization will deliver services. Changing such deeply rooted conditions of work and work methods may require multiple negotiating cycles — not just multiple fiscal years — to achieve.

One should be thoughtful and strategic in how to approach long-term negotiation goals, because once a deal is made with an employee union, they are very difficult to reverse or even amend.

What should my city/organization do if there's no cash left? A short-term emergency FAQ

Thinking about the purpose of government — about its scope and relationship to special interests — may seem "merely" philosophical when you find yourself in a real financial crisis. But your answers to those questions — what is government for and whom do you serve? — should guide your actions through the chaos.

In that crisis, you may be tempted to push off real substantial policy options in favor of remedies that temporarily ease the symptoms but do little to address the underlying causes of the crisis: the lack of a well-defined mission and the challenge of government unions.

Should my government declare Chapter 9 bankruptcy?

Chapter 9 is the part of the federal bankruptcy code that helps government entities reorganize their finances when they are struggling with debt. Confronted with a financial crisis, declaring bankruptcy might seem like an eventual step in a crisis. However, Chapter 9 bankruptcy filings are not a magic solution and should be approached soberly and rationally. Some issues to consider before suggesting bankruptcy:

- Bankruptcy is very expensive, and the process can be lengthy. Before any bankruptcy declaration, AB 506 (Wieckowski, Chapter 675, Statutes of 2011) mandates that municipalities either undergo a "neutral evaluation process" (mediation) or declare that it confronts a fiscal emergency so severe that it threatens residents' health, safety, or well-being – a declaration so powerful that it requires a public hearing and majority vote by the governing board.
- Bankruptcy may not solve the structural problems that contributed to the financial crisis in the first place. While bankruptcy judges can adjust labor contracts, for instance, they cannot alter the city charters, culture, or

service-provision methods that are crucial to addressing structural deficits. This limitation means underlying issues may persist even after bankruptcy.

- A municipality may provide the court with a restructuring plan, but there is no guarantee that a judge will even consider the proposal.
- Bankruptcy often leaves many people unhappy. For example, in Vallejo and Stockton, employees faced reduced retiree medical benefits, bondholders and insurers took huge losses, and residents had to approve a sales tax increase to stabilize the city's finances.
- The poor reputation that comes with municipal bankruptcy often sticks for years. That can have several immediate effects – loss in trust of municipal officials, discouraging local business investment, depressing home values, and raising the costs of any future government borrowing through bonds. The follow-on effects of these challenges are self-evident — declining tax revenue will certainly lead toward another financial crisis.
- The bankruptcy process dampens organizational morale, creates confusion, puts projects on hold, and diverts significant resources to manage the bankruptcy.

Unlike corporate and personal bankruptcies, a Chapter 9 court will not necessarily consider a municipality's full balance sheet, including deferred infrastructure maintenance and asset replacement. The focus of Chapter 9 resolution is limited to short-term liabilities and cash flow. After bankruptcy, the city must still manage its assets effectively for the long-term.

Maybe we should just raise taxes – again?

In a financial crunch, municipalities often resort to serial tax increases, defer critical infrastructure maintenance, and shift costs to future generations (through bonds) to avoid insolvency. While these measures may avoid bankruptcy, they are indicators of a failing organization – and will likely lead to future crises.

Do not treat a tax increase as the last or final needed fix, as this is unrealistic and dishonest to taxpayers. In rare circumstances, a case can be made for targeted and limited tax increases. Tax increases carry heavy political consequences and can damage the reputation and career of elected officials if those officials are careless in pursuit of any changes in tax policy.

Only support a tax increase if:

1. It sunsets;
2. All financial audits are current;
3. Taxpayers are involved in the negotiations; and
4. It comes with a commitment to thoroughly review the scope of the organization's activities, the methods of service delivery, and the reclaiming of management rights during the next labor negotiations.

Ultimately, sound, long-term financial management practices (see next section) are the best way to avoid a municipal financial crisis.

A big part of our problem is pension debt — the amount of money we owe to pay our obligations to retired government employees. Should we use a pension obligation bond?

Pension debt is growing at an alarming rate in California. Pension-obligation bonds are an arbitrage tool. Since most pension liabilities are "soft" – meaning they are an indeterminate amount with flexible payment schedules over a long-term basis –

using short-term pension-obligation bonds creates a “hard” debt with borrowed money that will eventually be repaid by taxpayers, possibly at the expense of another budget priority. Because they do nothing to reform the ongoing costs of the pension system, they are at best a temporary fix, and at worst, an increased burden for municipalities already struggling with their finances.

Ask yourself the following questions, and if you don’t know any of the answers, work with professional municipal staff, like-minded reformers or local watchdogs to educate yourself.

- If you are in a local pension system, is it an independent system or a subset of a larger state or regional system (e.g. CalPERS)? Who has ultimate control over that system?
- Who controls changes to the pension benefits? A local governing body (i.e., city council, county board, school board)? Pension board? State legislature? Do taxpayers have access to vote on a ballot initiative or a referendum on pension benefit levels or increases?
- Who belongs in which systems and how many members are there in total, including those who are employed as well as those who are receiving retirement benefits?
- What have been the most recent changes in the law – through legislation or ballot initiative – regarding pensions for public employees?
- If there has been litigation regarding your pension systems, what are the controlling precedents or requirements, if any?
- What types of plans are offered – defined benefit, cash balance or a hybrid with a defined benefit option as well?
- What are the pension calculation formulas? Are they determined by the employee’s years of service, age and a percent of salary? How and when do they vest?
- What are the contribution requirements for the employer and employees? What percentage of salary does the employer pay? Is the employee required

to make any matching payments? Is there a threshold for which the jurisdiction will match pension payments made by the employee?

- What is the target funding ratio for the plan?
- What are the financial controls for the pension plan? Are they being followed?
- What is the system's investment target or discount rate? How often does it hit (or exceed) that target?
- What has your jurisdiction paid toward its annual required contribution (ARC) over the past several years? Are the "normal cost" (standard payment required to cover all employees based upon many factors, including discount rates) and "debt payment" (determined by missed investment assumptions in previous years) a regular and steady component of the jurisdiction's budget?

For more information, consult *Reason Foundation's Pension Reform Handbook* listed on page 16.

How should my government address the problem of running out of COVID bailout money?

Federal Covid funds were supposed to be a short-term solution to a short-term problem during a nationwide emergency event. But many state and local governments used the funds to create new government programs or expand existing programs. Such programs should be rolled back as quickly as possible. The continuation of these programs does not address, but exacerbates, structural deficits and paves the way for additional scope creep.

A Guide for Long-Term Fiscal Stability

Simply surviving from year-to-year and, in a crisis, avoiding bankruptcy does not necessarily equal success. Prudence, accountability, and transparency are a few of the principles that elected officials should consider for their jurisdiction's fiscal health and opportunities for prosperity in their community. Responsible leaders should consider the wide variety of options available to them to maintain a healthy budget in the long term. It is worth it to avoid the tempting but ultimately destructive appeal of tax hikes, pension-obligation bonds and mission creep. The following practices will go a long way to ensuring successful municipal financial management.

Know the meaning of a "balanced budget."

Having a budget that *technically* meets the statutory definition of "balanced" does not necessarily mean that the entity (city, county, district, etc.) is set up to maintain a sound budget over time. In his book, *The Municipal Financial Crisis*, Mark Moses points out that "virtually every municipality in financial crisis has a long track record of passing 'balanced' budgets. Even cities that eventually file for bankruptcy protection adopt balanced budgets right up to the time of their filing."

Therefore, if your budget is declared "balanced" – usually by a member of the municipal finance staff – be sure to understand their definition of "balanced" and use caution when interpreting what this means. Ask yourself whether the *ongoing portion of revenues* is greater than or equal to planned expenditures – short- and long-term – rather than all revenues including one-time revenues and reserves. Never forget to consider liabilities that may extend beyond the current budget horizon – liabilities like bonds, revenue anticipation notes, pensions, retiree healthcare costs, litigation expenses, etc.

Know what budgeting process your team uses.

By the time the budgeting process starts, a significant portion of the budget is often outside of the electeds' immediate control (for example, a prior labor agreement that accounts for 70 percent or more of the operating budget). Nevertheless, there are approaches to the budget process that facilitate meaningful reform.

The traditional budgeting process typically has a short-term focus that leads officials to underfund long-term pension obligations, defer maintenance, and ignore opportunities to address scope creep. Cities should not count on late modifications to the budgeting process to resolve problems that arise from scope creep.

In response to dissatisfaction with the traditional budgeting process, "zero-base budgeting" and "priority-driven budgeting" have emerged.

Zero-base budgeting starts from "zero," and builds the budget from the ground-up, not relying on previous budgets, but rather requiring officials to justify every expenditure. The steps are to identify "decision packages" consisting of organizational activities, rank the decision packages, and then allocate resources accordingly.

Your staff may be enthusiastic about zero-based budgeting in theory. But in practice, zero-base budgeting can be challenging especially when there are pre-existing obligations or spending requirements already locked in place. For example, most labor contracts cover multiple years and are, under the infamous "California Rule," difficult if not impossible to adjust or reform. This may lead municipalities to reduce the number of workers rather than attempt to adjust salary and benefit packages.

Acknowledging the deficiencies of zero-base budgeting, ***priority-driven budgeting*** has increased in popularity. This approach prioritizes how well a particular government program satisfies a community's sense of what is important – but not necessarily its cost or effectiveness. Priority-driven budgeting incorporates performance measures that emphasize organizational results into the budget process, with more emphasis on results than controlling costs alone. The process starts with identifying available resources and continues with five steps: (1) identifying results based on the organization's vision; (2) identifying programs linked to those results; (3) determining the cost of those programs; (4) ranking the programs according to how well they achieve the mission; and (5) analyzing the ranking to determine which programs to fund. A significant challenge municipal elected officials may encounter is an inability of professional staff to capably describe their activities and programs in clear, measurable terms. Accounting for a program's evolving activities can also be difficult.

Few cities sustain priority-driven budgeting for more than a few budget cycles. It is far too easy for city leaders to default back to prioritizing based on mission rather than results, in which case, true prioritization is unlikely to happen. Ultimately, neither zero-base budgeting nor priority-driven budgeting address or mitigate the problem of scope creep.

We recommend ***budgeting for scope***, a process by which a municipal organization decides its mission – or scope – of activity, and budgets accordingly. By bringing the organization's activities under control, officials can then regain operational and financial control of the municipality. Municipal governments have a tendency to "continue to bog down, making minor tweaks to tired and inadequate fiscal sustainability plans," writes Mark Moses. Budgeting for scope, on the other hand, requires officials to step back and ask:

- What is a municipality/city government?
- What is it for?
- What should it be doing, and what *shouldn't* it be doing?

Budgeting for scope requires that all services, programs, and activities undertaken by the organization be subjected to the following question:

> ***Does this activity require the local government's legislative and enforcement powers to protect residents, businesses, and their property?***

Elected officials should stop and eliminate activities that do not meet this requirement. The goal should be to terminate coercive regulations and to allow for maximum private-sector ingenuity.

Budgeting for scope presents effective solutions because it requires officials to step back and challenge their broad, ambiguous mission statements. Learn more about budgeting for scope in Chapter 9 of *The Municipal Financial Crisis.*

Prioritize timely financial reporting.

Insist that your Finance Department completes its annual audit with an external auditing firm as soon after December 31 as is practical. As Marc Joffe of the Cato Institute cautions, "There's a correlation between slow reporting and poor financial condition." If your agency files its required audits late, that's a red flag – like driving a car in which you don't know your speed, direction or fuel level. Every city should have a plan and process for an annual audit by an independent professional or accounting firm. These should be completed shortly after the end of each fiscal year.

If your city/county/district is not preparing their Annual Comprehensive Financial Report (ACFR) on time, find out why and see what you can do to address the factors causing the delay. Without timely financial reports, an agency does not have a solid basis for preparing its budgets. Thus, future budgets are less reliable and cannot be adopted with confidence.

Ask yourself the following questions.

Many of these are geared toward city budgets — consider all that are applicable to you.

- Has your jurisdiction completed and published its recent annual financial audit?

- What is the average amount of funds spent per resident? How does that compare with other local California agencies?
- What percentage of the budget should be devoted to public safety?
- How do the revenue sources of your city compare with cities around you? (e.g., A large portion of Anaheim's revenues are from transient occupancy taxes, while Costa Mesa has higher sales tax revenues).
- What is a core business or industry of your city?
- Does a tourism bureau add value in your case?
- What can be outsourced, either to other entities (e.g., county fire and law enforcement) or to the private sector (e.g., park maintenance, roads and sidewalks, etc.)?
- For those services your city chooses to retain, have you examined *how* such services are delivered? Could these services be dialed back and still produce the desired outcome?
- Do you make your budget annually or on a biennial basis? Are there regular budget reports throughout the year that address cash flow, debt, bargaining agreements and contracts?

Use realistic forecasting.

Most forecasting is a simple process that requires plugging in all known budget commitments. Such information is valuable, but beware of common mistakes. For instance, it doesn't make sense to forecast employee costs in Year 2 at 100 percent if the city is currently operating with a 10 percent vacancy rate (the percentage of available municipal positions that are unfilled). Also, forecasting beyond the expiration of labor agreements suggests that the agency is resigned to continue to operate in the same manner that has led to a structural deficit. Creating several reasonable alternatives and scenarios will allow you to see where budget savings could exist with only a few tweaks.

Without a serious challenge to the way services are delivered, the only alternative will be to increase fees and taxes. For this reason, CLEO recommends multi-year forecasting — aim for five years out, at a minimum.

Multi-year forecasting will assist your budget in promoting stability for several years. As the Government Finance Officers Association says: "A true structurally balanced budget is one that supports financial sustainability for multiple years into the future."[1]

Conduct a comprehensive review of all labor agreements and organizational activities.

A review of all labor agreements and organizational activities should identify where management may direct the deployment of staff (within their granted authorities) and allow for the design of service delivery methods that may have been preempted or disallowed by the codification of inefficient, expensive, and arbitrary constraints (e.g., minimum staffing, specific staffing requirements, overtime provisions that exceed FLSA requirements, etc.). CalPERS and the public employee unions will keep the cost of benefits high. Exposing the hidden benefits embedded in the MOUs (e.g., all of the overtime generated by minimum staffing provisions) would support management in holding the line during subsequent negotiations.

Activities drive costs — so controlling your activities is essential to controlling your costs. To help identify the activities that are worth retaining, and those that are worth phasing out, conduct a rigorous review of all the activity your organization undertakes. Such a process should expose antiquated job descriptions, financial losers (e.g., golf courses), unenforced and unenforceable ordinances, activities that crowd out the activities of nonprofit organizations (e.g., homelessness, recreation, etc.), and opportunities to delimit the scope of the organization's activities. Mark

[1] "Achieving a Structurally Balanced Budget." Government Finance Officers Association. https://www.gfoa.org/materials/achieving-a-structurally-balanced-budget

Moses notes that “managing the organization’s scope of activity is an ongoing process,” not a one-and-done item on a to-do list.

Conduct a thorough review of the organizational chart as it relates to the activities that protect the residents and business owners. Note: The default approach to this is to implicitly accept the status quo activities and suggest minor changes that preserve the organization and its scope as-is. There may be a number of staff slots that are no longer required for an activity that ended previously.

How to answer criticisms

Government staffers and your fellow elected officials may be nice – even very good – people. But their key motivation is often to protect their own jobs and even expand government. They will fight you – offering bad advice not because they are bad people, but because they make bad assumptions. Here are five examples of common justifications you may hear as you assess your jurisdiction's fiscal situation.

"Something is better than nothing." Government officials often deploy government services that fall outside the limited mission of government. They do this to show their responsiveness to the public, to signal their approval of some fashionable political trend, and to show that they are "doing the job." This can create a culture where the assumption is that more programs and services are always better than fewer, and when the city tries to evaluate its scope of activity, decisions to trim down unnecessary programs and activities are paralyzed.

"Services provided via public agencies are superior to those delivered by the private sector because they ensure public accountability." Municipal ownership or management does not guarantee quality service, nor does it guarantee meaningful accountability – because some officials do not take their jobs seriously. In the private sector, there are built-in factors to encourage success, because businesses must deliver value to receive the financial reward. There are a number of ineffective or defunct programs perpetuated through lax budget oversight in nearly every jurisdiction. Yours will be no different.

"If the municipality provides a given service — or engages in any activity — there must be a good reason." Government officials have a tendency to accept prior official decisions without evaluating the approach and values employed by the previous decision-makers. By not questioning past decisions, you may be denying yourself the opportunity to honor the taxpayer and shape the future for a more effective government.

"The majority of my board supported this decision, therefore it was the right decision." Majority rule is no substitute for principled decision-making. Neither majorities nor minorities should squash the freedom and autonomy of other residents. You work for your constituents, not for your elected counterparts or professional staff.

"Restricting the city government's funding sources will force the organization to rightsize and run more efficiently." This is a favorite strategy of conservatives, and while it may result in short-term savings, it often comes without the operational improvements and changes necessary to address budgetary problems. Government staffers may respond to the reduction in funding by deferring maintenance, spending reserves, or delaying pension funding. Do not assume that your government staff will automatically "rightsize" your operation in response to a starvation-diet approach.

A Case Study in Fiscal Success

Understanding a jurisdiction's unrestricted net position per capita provides a helpful snapshot of a city's fiscal health and allows for an apples-to-apples comparison with other jurisdictions. In 2017, with an unrestricted net position per capita of $(1,269), Newport Beach ranked 32nd in Orange County out of 34 cities. But for 2023, Newport Beach improved its finances significantly and subsequently ranked 17th in Orange County with an unrestricted net position per capita of $241. The chart below maps the city's positive trajectory as it climbed the rankings of cities in the county.

Year	Rank (out of 34)	UNP per capita
2017	32nd	$ (1,269)
2018	30th	$ (1,374)
2019	27th	$ (1,170)
2020	26th	$ (1,052)
2021	24th	$ (842)
2022	19th	$ (98)
2023	17th	$ 241

Assemblywoman Diane Dixon (R, Newport Beach), a former mayor and councilwoman of Newport Beach, credits the city's financial discipline which took the form of the following strategies:

The creation of a "30-Year Facilities Financial Plan." This plan identified every building owned by the city and provided a plan for maintenance, repair, and replacement, with a goal of having no surprises.

The establishment of a Finance Committee consisting of three councilmembers to help implement the city's financial goals, such as to achieve a reserve of 25 percent of the general fund.

Paying down pension debt. Another goal overseen by the Finance Committee is to pay the defined benefit pension plan unfunded liability down to zero by the years 2029-2030. In pursuit of this goal, when the city has a budget surplus, half is to be allocated to retiring pension and other debt, while the other half is to go to public works on a one-time only basis.

Rightsizing the city staff and using conservative budgeting that accounts for 100 percent of required staffing.

Thoroughly planning for building projects. Should a necessary building project be identified, like a fire station or library, it would be fully planned, with a multi-year timeline and budget, from concept to completion.

In the pursuit of maintaining a "prosperous, fiscally sustainable, and economically viable city," Newport Beach's 2024-25 budget under Mayor Will O'Neill states a commitment to:

- A continued emphasis on elimination of the City's long-term liabilities;
- Ensuring proper funding for long-term capital needs;
- Addressing key City Council priorities identified at the February 3, 2024, City Council Planning Session.

The city's Fiscal Sustainability Plan (Resolution 2015-47) adopted in 2015 provides a blueprint for other cities to follow. The 16 elements of the Plan are that:

1. The City will proactively seek to protect and expand its tax base by encouraging a healthy underlying local economy.
2. The City will work to enhance and protect the property values of all Newport Beach residents and property owners.

3. The City will work to enhance and protect the City's quality of life through strategic and sustained investment in quality capital infrastructure improvements that are both long lasting and fiscally responsible.
4. The City will encourage shopping, dining, and visiting at Newport Beach stores, restaurants, and hotels.
5. The City will establish and maintain appropriate cash reserves.
6. The City will manage its Facilities Financial Planning Reserve so that General Fund contributions to the reserve shall not be less than three percent of the total General Fund Revenue Budget.
7. City revenue performance will be reviewed no less than quarterly and appropriate budget adjustments will be made in advance of the end of a budget year if revenue performance is not meeting projections.
8. The City will initiate a "results-based budgeting" approach that allows the public and the City Council to prioritize City expenditures strategically rather than simply adjusting legacy expenditures to reflect inflation.
9. The City will implement a Performance Measurement/Management Strategy as part of an ongoing effort to ensure high-quality and efficient performance.
10. The City will consider competitive contracting of services and equipment when appropriate and where clear, cost-effective alternatives exist.
11. The City will make it a priority to be energy efficient in its provision of public services.
12. The City will establish appropriate cost-recovery targets for its fee structure and will annually adjust its fee structure to ensure that the fees continue to meet cost recovery targets.
13. The City will oppose efforts of the State and County governments to divert revenues from the City or to increase the unfunded service mandate of City taxpayers.
14. The City will work in partnership with its employees to ensure fair compensation and that costs related to pension and other benefits are appropriately allocated between employer and employees.

15. The City will vigorously defend itself and its taxpayers against frivolous lawsuits.
16. The City will seek additional intergovernmental funding and grants, with a priority on funding one-time capital projects. Grant-funded projects that require multi-year support will be reviewed by the Finance Committee.

Suggested Resources for Further Research

"Pension Guide Handbook: A Starter Guide for Reformers" by Lance Christensen and Adrian Moore. Reason Foundation.

The Municipal Financial Crisis: A Framework for Understanding and Fixing Government Budgeting (2022) by Mark Moses.

Writings by John Moorlach on CaliforniaPolicyCenter.org and MoorlachUpdate.com.

Writings by Marc Joffe on CaliforniaPolicyCenter.org and Cato.org.

Contributors

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Marc Joffe is a federalism and state policy analyst at Cato Institute and a California Policy Center visiting fellow. After a long career in the financial industry, including a senior director role at Moody's Analytics, he transitioned to policy research at CPC and Reason Foundation. Joffe's research focuses on government finance and state policy issues.

John Moorlach began his career in public service 20 years ago when his warnings about Orange County's impending bankruptcy proved true in 1994. He was appointed the county Treasurer-Tax Collector in 1995 and was twice re-elected. In 2006, voters elected John to serve in his first of two terms on the Board of Supervisors, where he continued his focus on reforming the county's budget practices and sounding the alarm on the county's growing unfunded liabilities. He served from 2015 to 2020 as the state senator for the 37th Senate district. He is now a Senior Fellow and director of CPC's Center for Public Accountability.

Mark Moses is a Senior Fellow at California Policy Center. He has thirty years of experience in local government administration and finance, having consulted California municipal governments in the areas of finance and administration and serving municipalities in finance director roles. His perspective on local government has been informed by his earlier career in small business consulting and banking, as well as his interest in applied economics and philosophy. He is the author of *The Municipal Financial Crisis: A Framework for Understanding and Fixing Government Budgeting* (2022, Palgrave Macmillan).

Sheridan Swanson is the Research Manager at CPC, supporting the organization's policy experts by providing accurate, timely research. Sheridan has authored dozens of research papers, issue briefs and tool kits on education and finance issues.