

City of Pinole
20-Year General Fund
Status Quo Financial Forecast
FY 2024/25 – FY 2044/45

City Council Meeting
November 7, 2023



Staff Recommendation

- City Council to receive a report on the City's preliminary 20-year General Fund status quo financial forecast for the Fiscal Year (FY) 2024/25 through FY 2044/45 and potential strategic options to address forecasted budget deficits; and direct staff to model specific options.

Background

- For several years, the City has created five-year financial forecasts as a part of the Long-Term Financial Plan (LTFP); forecast was extended to 10 years with the FY 2023/24 budget
- The City extended the forecast to 20 years to capture longer term impacts
- The City has focused on a “status quo” forecast for the General Fund that estimates the City’s future revenues and expenditures if the City maintains status quo service and staffing levels

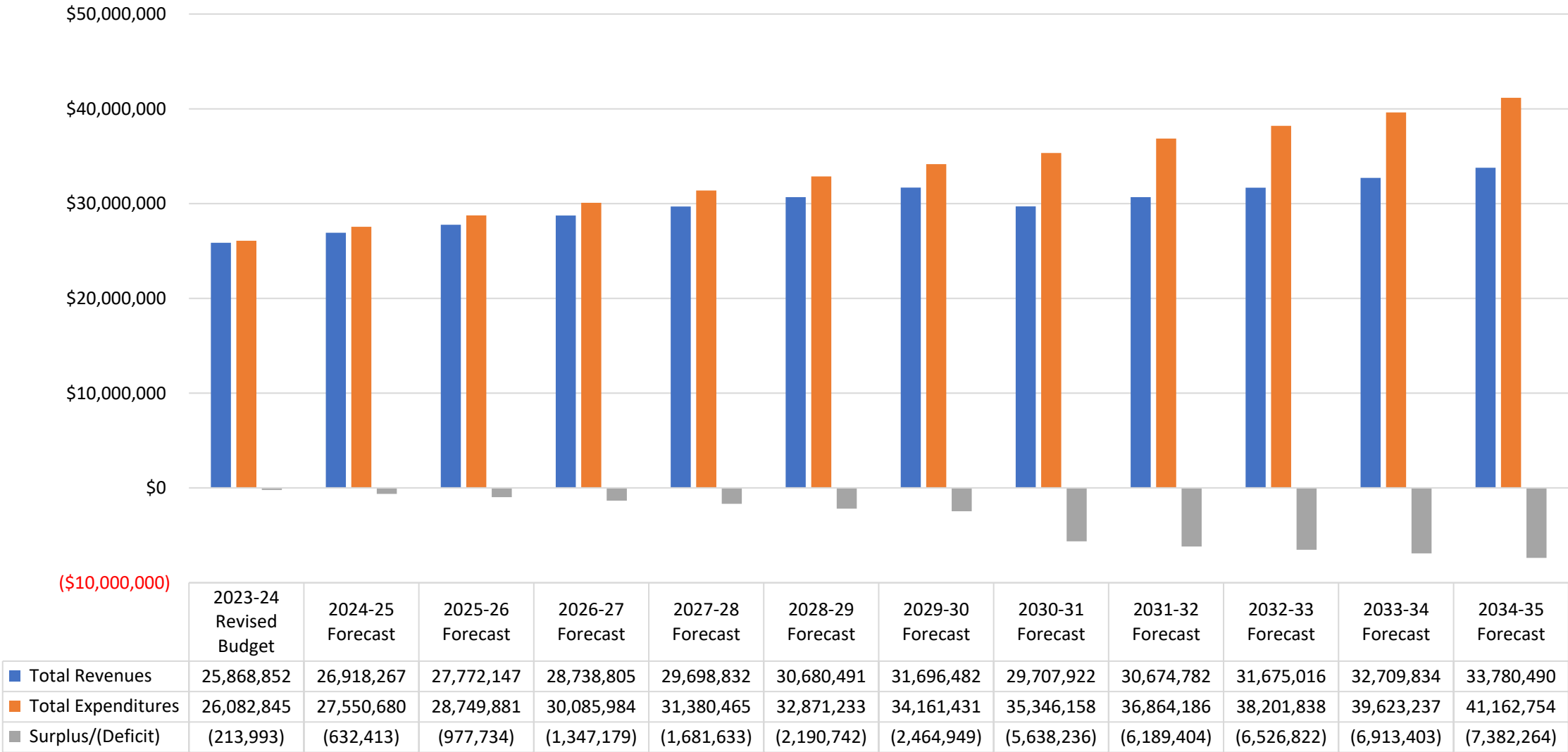
Purpose of a Long-Term Financial Forecast

- Provides a longer-term view of the City's fiscal condition
- Estimates future revenues and expenditures based on assumptions about the future activities and operating environment
 - Note that forecasts are less reliable for distant future years and are sensitive to changes in assumptions
- Identifies future financial opportunities and challenges
- Is not a budget, but serves as a valuable planning and decision-making tool for budget development

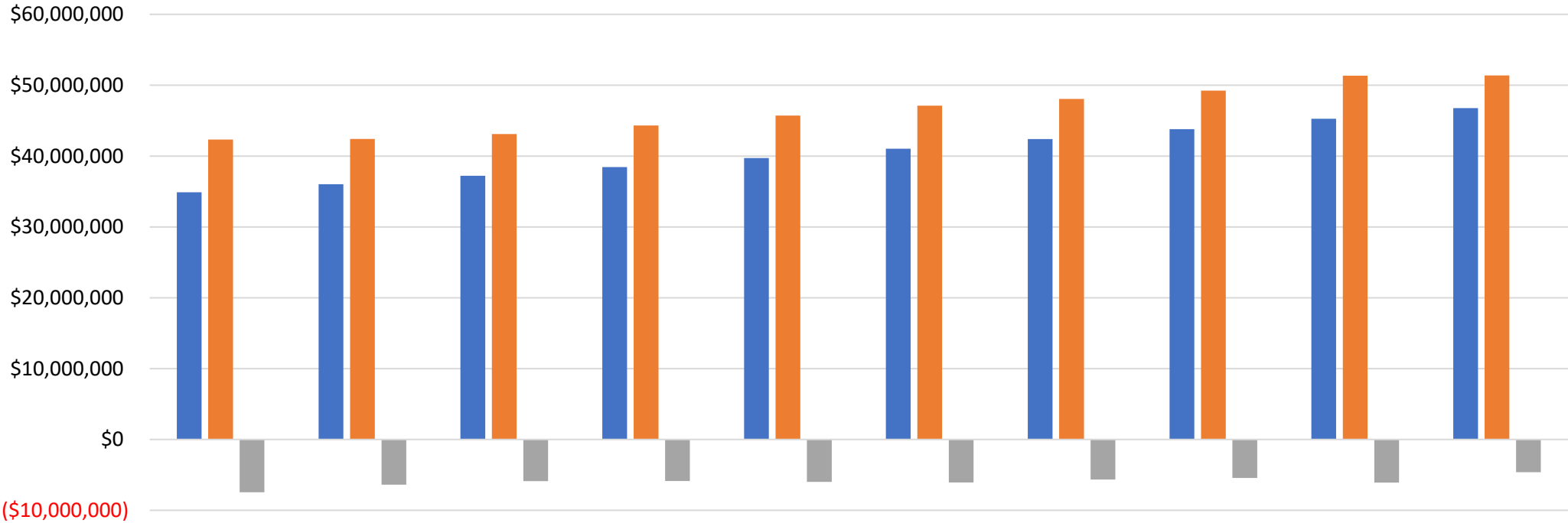
Overview of the General Fund 20-Year Financial Forecast

- The forecast reflects baseline revenues and expenditures and does not account for one-time items and capital improvement projects typically funded by unassigned fund balance
- Ongoing revenues are forecasted to grow at a slower rate than ongoing expenditures, resulting in a growing imbalance over time
 - Revenues at 3% and expenditures at 4%
- The forecast anticipates that the City will exhaust the Pension Trust Fund and the General Fund unassigned fund balance in FY 2029/30
- The General Reserve will continue to grow

General Fund 20-Year Financial Forecast Summary



General Fund 20-Year Financial Forecast Summary



	2035-36 Forecast	2036-37 Forecast	2037-38 Forecast	2038-39 Forecast	2039-40 Forecast	2040-41 Forecast	2041-42 Forecast	2042-43 Forecast	2043-44 Forecast	2044-45 Forecast
Total Revenues	34,888,285	36,034,572	37,220,753	38,448,285	39,718,679	41,033,506	42,394,395	43,803,041	45,261,201	46,770,701
Total Expenditures	42,338,734	42,419,985	43,102,694	44,311,766	45,710,112	47,110,473	48,062,818	49,244,507	51,347,236	51,387,744
Surplus/(Deficit)	(7,450,448)	(6,385,413)	(5,881,941)	(5,863,481)	(5,991,433)	(6,076,967)	(5,668,423)	(5,441,466)	(6,086,035)	(4,617,043)

Key Revenue Assumptions

Revenue	Average Growth Rate	Basis of Assumption
Property Tax	4%	Property tax consultant (HdL) projections; does not consider new construction
Sales Tax	3%	Sales tax consultant (HdL) projections
Utility Users' Tax (UUT)	3%	Trend analysis
Franchise Tax	1%	Trend analysis
Motor Vehicle In-Lieu Tax (VLF)	4%	Property tax consultant (HdL) projections
Transient Occupancy Tax (TOT)	3%	Trend analysis
Business License Tax	3%	Trend analysis
Charges for Services	5%	Interagency agreement
Other Revenues	1%	Trend analysis
Transfers In		Formula for transfer from Pension Trust

Key Expenditure Assumptions

Expenditures	Average Growth Rate	Basis of Assumption
Salaries & Wages	3%	Assumed cost of living adjustment (3%); vacancy savings factor (4%); based on current staffing level (115 FTEs)
Benefits – PERS Retirement	7% (then decreases gradually from FY2035/36)	PERS valuation reports; employee cost-sharing agreements
Benefits - Other	4.5%	Industry trends
Operations and Maintenance	3%	Inflation factor
CCCFPD Fire Services Agreement	5%	Inflation factor built into agreement; assumes agreement will continue beyond initial 5-year term
Capital Outlay	3%	Inflation factor
Debt Service		Debt payment schedule
Transfers Out	3%	Inflation factor

General Fund 20-Year Financial Forecast – Revenues and Expenditures

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2023-24											
	Revised Budget	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast	2031-32 Forecast	2032-33 Forecast	2033-34 Forecast	2034-35 Forecast
REVENUE												
PROPERTY TAX	5,678,211	6,082,557	6,283,282	6,527,701	6,723,532	6,925,238	7,132,996	7,346,985	7,567,395	7,794,417	8,028,249	8,269,097
SALES TAX	4,621,023	4,724,310	4,853,173	5,004,328	5,160,972	5,315,801	5,475,275	5,639,533	5,808,719	5,982,981	6,162,470	6,347,345
MEAS S 2006 & 2014 LOCAL SALES TAX	4,972,000	5,084,000	5,222,000	5,384,000	5,554,000	5,720,620	5,892,239	6,069,006	6,251,076	6,438,608	6,631,766	6,830,719
UTILITY USERS TAX	2,085,485	2,168,904	2,255,661	2,345,887	2,439,722	2,537,311	2,638,804	2,744,356	2,854,130	2,968,295	3,087,027	3,210,508
FRANCHISE TAX	794,658	802,605	810,631	818,737	826,924	835,194	843,545	851,981	860,501	869,106	877,797	886,575
INTERGOVERNMENTAL TAX	2,319,918	2,385,435	2,460,102	2,544,912	2,645,006	2,750,806	2,860,838	2,975,272	3,094,283	3,218,054	3,346,776	3,480,647
TRANSIENT OCCUPANCY TAX	453,200	466,796	480,800	495,224	510,081	525,383	541,145	557,379	574,100	591,323	609,063	627,335
BUSINESS LICENSE TAX	450,014	463,514	477,420	491,742	506,495	521,690	537,340	553,460	570,064	587,166	604,781	622,925
CHARGES FOR SERVICES	1,690,769	1,773,807	1,860,998	1,952,547	2,048,675	2,151,109	2,258,664	2,371,597	2,490,177	2,614,686	2,745,420	2,882,691
OTHER REVENUE	558,094	563,675	569,312	575,005	580,755	586,562	592,428	598,352	604,336	610,379	616,483	622,648
LOAN/BOND PROCEEDS												
Total Revenue	23,623,372	24,515,604	25,273,377	26,140,084	26,996,162	27,869,714	28,773,274	29,707,922	30,674,782	31,675,016	32,709,834	33,780,490
TRANSFERS IN												
PENSION TRANSFER IN (FY 19/20 alloc)												
PENSION TRANSFER IN	2,245,480	2,402,664	2,498,770	2,598,721	2,702,670	2,810,777	2,923,208					
Total Sources	25,868,852	26,918,267	27,772,147	28,738,805	29,698,832	30,680,491	31,696,482	29,707,922	30,674,782	31,675,016	32,709,834	33,780,490
EXPENDITURES												
SALARIES	9,722,569	10,111,472	10,414,816	10,727,260	11,049,078	11,380,551	11,721,967	12,073,626	12,435,835	12,808,910	13,193,177	13,588,973
BENEFITS - PERS RETIRE	3,093,085	3,520,320	3,771,880	4,067,520	4,347,960	4,856,400	5,125,440	5,248,560	5,535,840	5,725,840	5,953,840	6,252,288
BENEFITS - OTHER	3,235,361	3,380,952	3,533,095	3,692,084	3,858,228	4,031,848	4,213,282	4,402,879	4,601,009	4,808,054	5,024,417	5,250,515
OPERATIONS AND MAINTENANCE	2,144,196	2,408,522	2,480,778	2,555,201	2,631,857	2,710,813	2,792,137	2,875,901	2,962,178	3,051,043	3,142,575	3,236,852
FIRE SERVICES CONTRACT	5,484,781	5,647,816	5,997,349	6,364,929	6,755,616	7,093,397	7,448,067	7,820,470	8,211,493	8,622,068	9,053,172	9,505,830
DEBT SERVICE	611,107	636,100	651,100	721,100	721,100	721,100	721,100	721,100	848,100	848,100	848,100	848,100
CAPITAL OUTLAY	332,990	342,980	353,269	363,867	374,783	386,027	397,607	409,536	421,822	434,476	447,511	460,936
TRANSFERS OUT	1,458,756	1,502,519	1,547,594	1,594,022	1,641,843	1,691,098	1,741,831	1,794,086	1,847,908	1,903,346	1,960,446	2,019,259
Total Expenditures	26,082,845	27,550,680	28,749,881	30,085,984	31,380,465	32,871,233	34,161,431	35,346,158	36,864,186	38,201,838	39,623,237	41,162,754
Surplus/Deficit	(213,993)	(632,413)	(977,734)	(1,347,179)	(1,681,633)	(2,190,742)	(2,464,949)	(5,638,236)	(6,189,404)	(6,526,822)	(6,913,403)	(7,382,264)

General Fund 20-Year Financial Forecast – Revenues and Expenditures

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2035-36 Forecast	2036-37 Forecast	2037-38 Forecast	2038-39 Forecast	2039-40 Forecast	2040-41 Forecast	2041-42 Forecast	2042-43 Forecast	2043-44 Forecast	2044-45 Forecast
REVENUE										
PROPERTY TAX	8,517,170	8,772,685	9,035,865	9,306,941	9,586,150	9,873,734	10,169,946	10,475,044	10,789,296	11,112,975
SALES TAX	6,537,765	6,733,898	6,935,915	7,143,992	7,358,312	7,579,061	7,806,433	8,040,626	8,281,845	8,530,300
MEAS S 2006 & 2014 LOCAL SALES TAX	7,035,641	7,246,710	7,464,112	7,688,035	7,918,676	8,156,236	8,400,923	8,652,951	8,912,540	9,179,916
UTILITY USERS TAX	3,338,929	3,472,486	3,611,385	3,755,841	3,906,074	4,062,317	4,224,810	4,393,802	4,569,554	4,752,337
FRANCHISE TAX	895,441	904,395	913,439	922,573	931,799	941,117	950,528	960,033	969,634	979,330
INTERGOVERNMENTAL TAX	3,619,873	3,764,668	3,915,255	4,071,865	4,234,740	4,404,129	4,580,295	4,763,506	4,954,047	5,152,208
TRANSIENT OCCUPANCY TAX	646,155	665,539	685,506	706,071	727,253	749,071	771,543	794,689	818,530	843,085
BUSINESS LICENSE TAX	641,612	660,861	680,687	701,107	722,140	743,805	766,119	789,102	812,775	837,159
CHARGES FOR SERVICES	3,026,826	3,178,167	3,337,075	3,503,929	3,679,126	3,863,082	4,056,236	4,259,048	4,472,000	4,695,600
OTHER REVENUE	628,874	635,163	641,515	647,930	654,409	660,953	667,563	674,238	680,981	687,791
LOAN/BOND PROCEEDS										
Total Revenue	34,888,285	36,034,572	37,220,753	38,448,285	39,718,679	41,033,506	42,394,395	43,803,041	45,261,201	46,770,701
TRANSFERS IN										
PENSION TRANSFER IN (FY 19/20 alloc)										
PENSION TRANSFER IN										
Total Sources	34,888,285	36,034,572	37,220,753	38,448,285	39,718,679	41,033,506	42,394,395	43,803,041	45,261,201	46,770,701
EXPENDITURES										
SALARIES	13,996,642	14,416,541	14,849,037	15,294,508	15,753,344	16,225,944	16,712,722	17,214,104	17,730,527	18,262,443
BENEFITS - PERS RETIRE	6,137,523	5,724,357	5,010,588	4,766,937	4,653,930	4,481,817	3,797,965	3,277,017	3,607,831	1,804,182
BENEFITS - OTHER	5,486,789	5,733,694	5,991,710	6,261,337	6,543,098	6,837,537	7,145,226	7,466,761	7,802,765	8,153,890
OPERATIONS AND MAINTENANCE	3,333,958	3,433,976	3,536,996	3,643,105	3,752,399	3,864,971	3,980,920	4,100,347	4,223,358	4,350,058
FIRE SERVICES CONTRACT	9,981,122	10,480,178	11,004,187	11,554,396	12,132,116	12,738,722	13,375,658	14,044,440	14,746,662	15,483,996
DEBT SERVICE	848,100									
CAPITAL OUTLAY	474,764	489,007	503,677	518,788	534,351	550,382	566,893	583,900	601,417	619,459
TRANSFERS OUT	2,079,837	2,142,232	2,206,499	2,272,694	2,340,875	2,411,101	2,483,434	2,557,937	2,634,676	2,713,716
Total Expenditures	42,338,734	42,419,985	43,102,694	44,311,766	45,710,112	47,110,473	48,062,818	49,244,507	51,347,236	51,387,744
Surplus/Deficit	(7,450,448)	(6,385,413)	(5,881,941)	(5,863,481)	(5,991,433)	(6,076,967)	(5,668,423)	(5,441,466)	(6,086,035)	(4,617,043)

General Fund 20-Year Financial Forecast - Fund Balances

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2023-24											
	Revised Budget	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast	2031-32 Forecast	2032-33 Forecast	2033-34 Forecast	2034-35 Forecast
Fund Balance, July 1	12,161,777	11,363,264	10,379,851	9,040,587	7,321,032	5,255,852	2,670,056	(201,798)	(6,259,146)	(12,880,236)	(19,851,694)	(27,223,073)
Preliminary Fund Balance, June 30	11,947,784	10,730,851	9,402,117	7,693,408	5,639,399	3,065,110	205,107	(5,840,034)	(12,448,550)	(19,407,058)	(26,765,097)	(34,605,336)
General Reserves Adjustment	(584,520)	(351,000)	(361,530)	(372,376)	(383,547)	(395,054)	(406,905)	(419,112)	(431,686)	(444,636)	(457,975)	(471,715)
Fund Balance, June 30	11,363,264	10,379,851	9,040,587	7,321,032	5,255,852	2,670,056	(201,798)	(6,259,146)	(12,880,236)	(19,851,694)	(27,223,073)	(35,077,051)
Pension Fund Balance, July 1	14,315,690	12,850,520	11,148,187	9,256,011	7,164,139	4,856,989	2,317,918					
Revenues - Interest	830,310	745,330	646,595	536,849	415,520	281,705	134,439					
Expenditure - Transfers Out	2,245,480	2,402,664	2,498,770	2,598,721	2,702,670	2,810,777	2,923,208					
Expenditures	50,000	45,000	40,000	30,000	20,000	10,000						
Pension Fund Balance, June 30	12,850,520	11,148,187	9,256,011	7,164,139	4,856,989	2,317,918	(470,850)	-	-	-	-	-
Fund Balance, July 1	9,025,297	9,944,792	10,670,203	11,444,501	12,260,196	13,119,256	14,023,737	14,975,790	15,977,658	17,031,685	18,140,322	19,306,124
Revenues - Interest	334,975	374,411	412,768	443,319	475,513	509,428	545,147	582,755	622,342	664,000	707,827	753,926
Revenues - Transfer In	584,520	351,000	361,530	372,376	383,547	395,054	406,905	419,112	431,686	444,636	457,975	471,715
General Reserve Balance, June 30	9,944,792	10,670,203	11,444,501	12,260,196	13,119,256	14,023,737	14,975,790	15,977,658	17,031,685	18,140,322	19,306,124	20,531,765

General Fund 20-Year Financial Forecast - Fund Balances

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2035-36 Forecast	2036-37 Forecast	2037-38 Forecast	2038-39 Forecast	2039-40 Forecast	2040-41 Forecast	2041-42 Forecast	2042-43 Forecast	2043-44 Forecast	2044-45 Forecast
Fund Balance, July 1	(35,077,051)	(43,013,366)	(49,899,221)	(56,296,618)	(62,691,018)	(69,229,297)	(75,869,517)	(82,118,089)	(88,157,109)	(94,858,625)
Preliminary Fund Balance, June 30	(42,527,500)	(49,398,779)	(55,781,162)	(62,160,099)	(68,682,451)	(75,306,265)	(81,537,940)	(87,559,555)	(94,243,144)	(99,475,668)
General Reserves Adjustment	(485,866)	(500,442)	(515,455)	(530,919)	(546,847)	(563,252)	(580,150)	(597,554)	(615,481)	(633,945)
Fund Balance, June 30	(43,013,366)	(49,899,221)	(56,296,618)	(62,691,018)	(69,229,297)	(75,869,517)	(82,118,089)	(88,157,109)	(94,858,625)	(100,109,613)
Pension Fund Balance, July 1										
Revenues - Interest										
Expenditure - Transfers Out										
Expenditures										
Pension Fund Balance, June 30	-	-	-	-	-	-	-	-	-	-
Fund Balance, July 1	20,531,765	21,820,033	23,173,842	24,596,233	26,090,383	27,659,608	29,307,371	31,037,285	32,853,125	34,758,828
Revenues - Interest	802,402	853,367	906,936	963,231	1,022,379	1,084,510	1,149,765	1,218,285	1,290,223	1,365,734
Revenues - Transfer In	485,866	500,442	515,455	530,919	546,847	563,252	580,150	597,554	615,481	633,945
General Reserve Balance, June 30	21,820,033	23,173,842	24,596,233	26,090,383	27,659,608	29,307,371	31,037,285	32,853,125	34,758,828	36,758,507

Next Steps

- Receive presentation from Baker Tilly on potential options to increase revenues and decrease expenditures
- Model specific revenue and expenditure options in the financial forecast
- Prepare the long-term financial plan

Thank you

Questions/Comments

