

# Revised Long-Term Financial Forecast and Results of City Council-Directed Forecast Scenarios

City Council Meeting  
January 16, 2024



# Staff Recommendation

- Receive the revised twenty-year General Fund status quo financial forecast (FY 2024/25 – FY 2044/45) and the results of the City Council-directed forecast scenarios, and direct staff on which revenue enhancement and/or expenditure reduction options to pursue.

# Highlights

- The City maintained its core services – no changes to service levels and staffing, using its limited resources
- City reorganization resulted in service improvements and operational efficiencies
- Second fire station re-opened under contract with Contra Costa County Fire Protection District
- The City maintained its cash reserve in compliance with City policy

# Challenges

- Average growth rate of expenditures (4%) exceeds average growth rate of revenues (3%)
  - Macroeconomic issues, such as inflation
- Unfunded long-term liabilities (infrastructure and pension obligations)

# Long-Term Financial Forecast and Assumptions

# Forecast Assumptions - Revenues

- **Property Tax** – Average 3% growth rate based on HdL projections
- **Sales Tax** – Average 3 growth rate based on HdL projections
- **Utility Users' Tax (UUT)** – Average 2% growth rate based on trends
- **Franchise Tax** – Average 1% growth rate based on trends
- **Intergovernmental Tax** – Average 3% growth rate based on HdL projections

# Forecast Assumptions - Revenues

- **Transient Occupancy Tax (TOT)** – Average 2% growth rate based on trends
- **Business License Tax** - Average 2% growth rate based on trends
- **Public Safety Charges for Services** – Average 5% growth rate based on agreement
- **Other Revenue** – Average 1% growth rate based on trends
- **Transfers In** – Funds from Section 115 Trust based on CalPERS required pension contribution

# Forecast Assumptions - Expenditures

- **Salary and Wages** – Average 3% growth rate; based on 116 FTEs
- **Benefits – PERS** – Based on CalPERS valuation report long-term projections
- **Benefits – Other** – Average 5% growth rate based on trends
- **Operations and Maintenance** – Average 3% growth rate based on inflation



# Forecast Assumptions - Expenditures

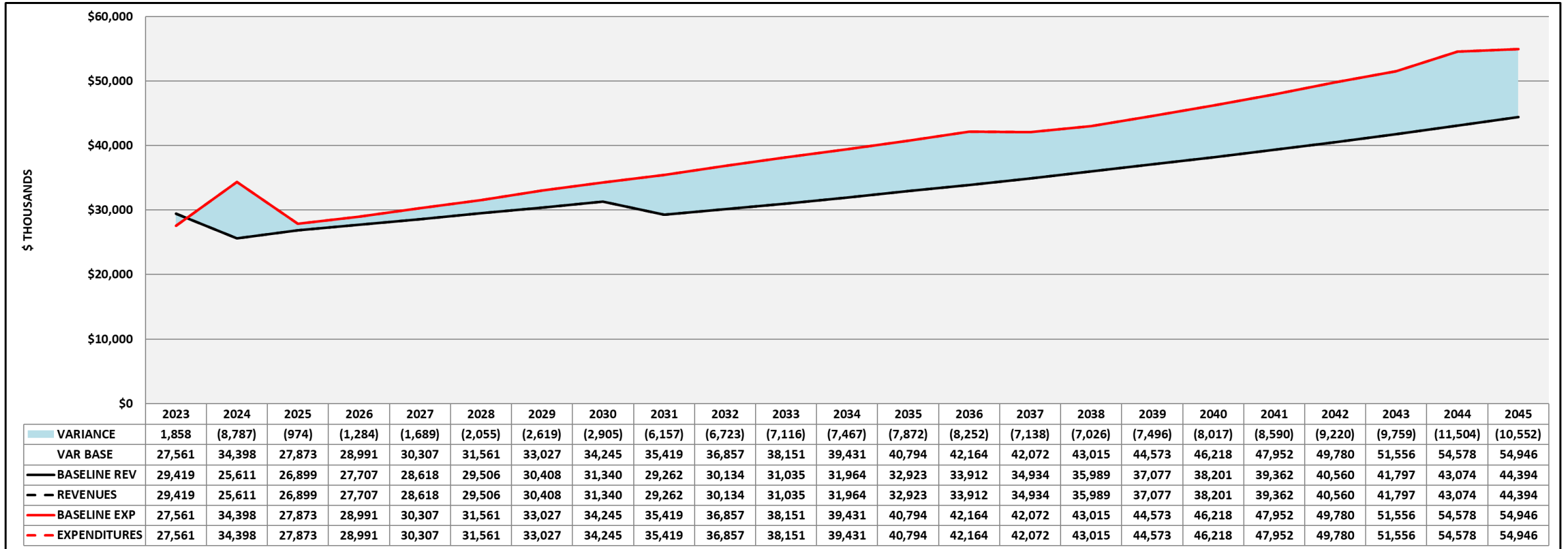
- **Fire Services** – Average 6% growth rate based on the contract
- **Debt Service (2005 Pension Obligation Bonds)** – Based on debt obligation payment schedule
- **Capital Outlay** – Average 3% growth rate based on price inflation
- **Transfers Out (Operating subsidy)** – Average 3% growth rate, but fluctuates depending on need

# Fund Balance Assumptions

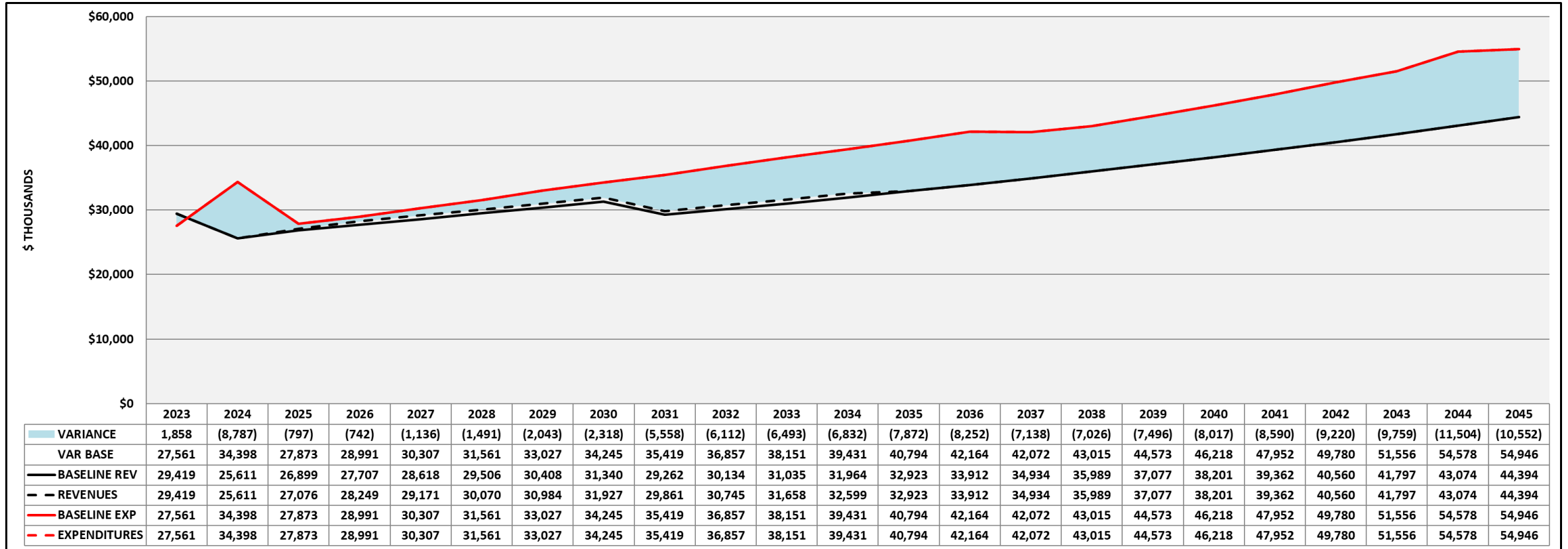
- **General Fund Unassigned Fund Balance** – Grows negative if expenditures continue to exceed revenues
- **General Reserve Fund Balance** – Continues to grow if no changes are made to the policy
- **Pension Trust Fund Balance** – Under current practice of withdrawing funds, it's expected to be fully exhausted in FY 2029/30

# Forecast Scenarios

# Status Quo Financial Forecast

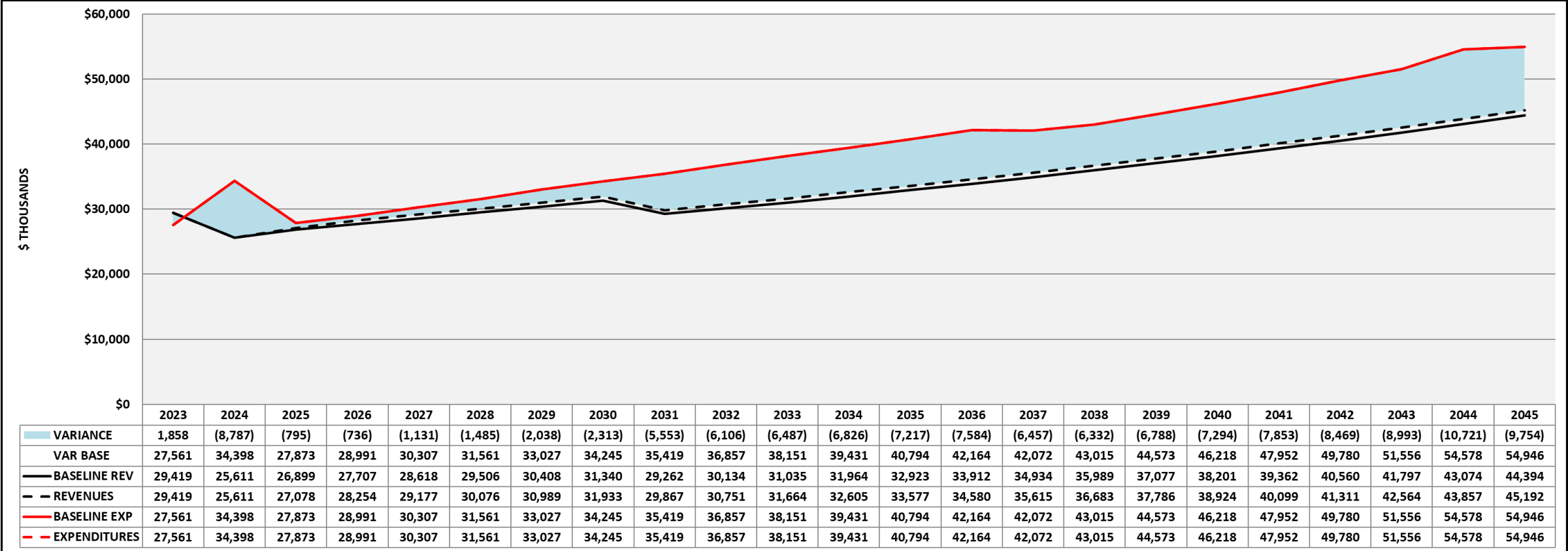


# Increase Utility Users' Tax (UUT) from 8% to 10% (10-Year Sunset)



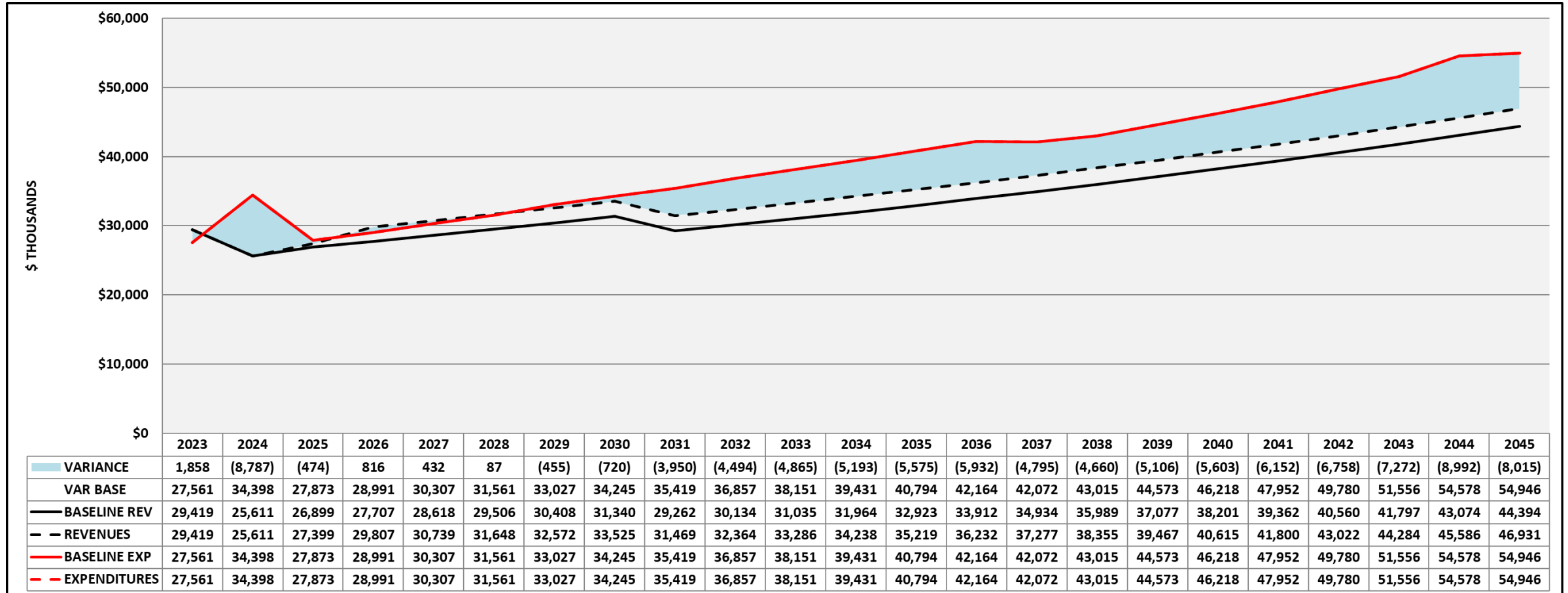
General Tax: requires majority voter approval

# Expand 8% Utility Users' Tax (UUT) to Water Service



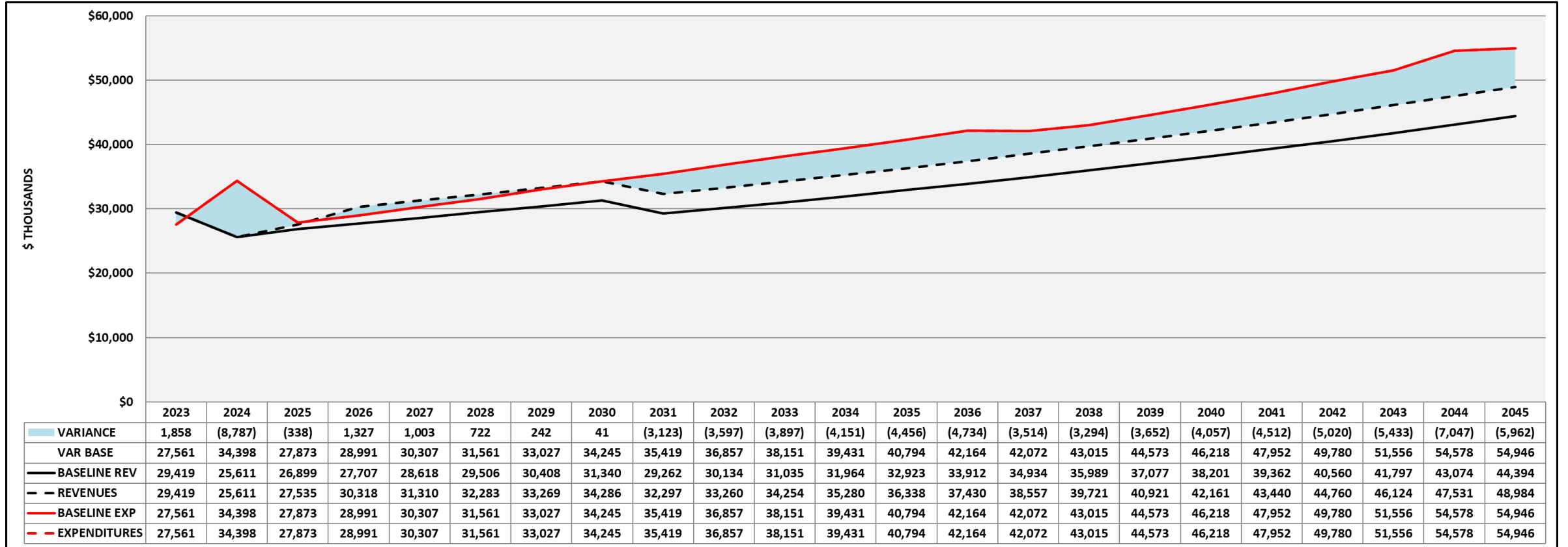
General Tax: requires majority voter approval

# Add a Real Property Transfer Tax



General Tax: requires majority voter approval

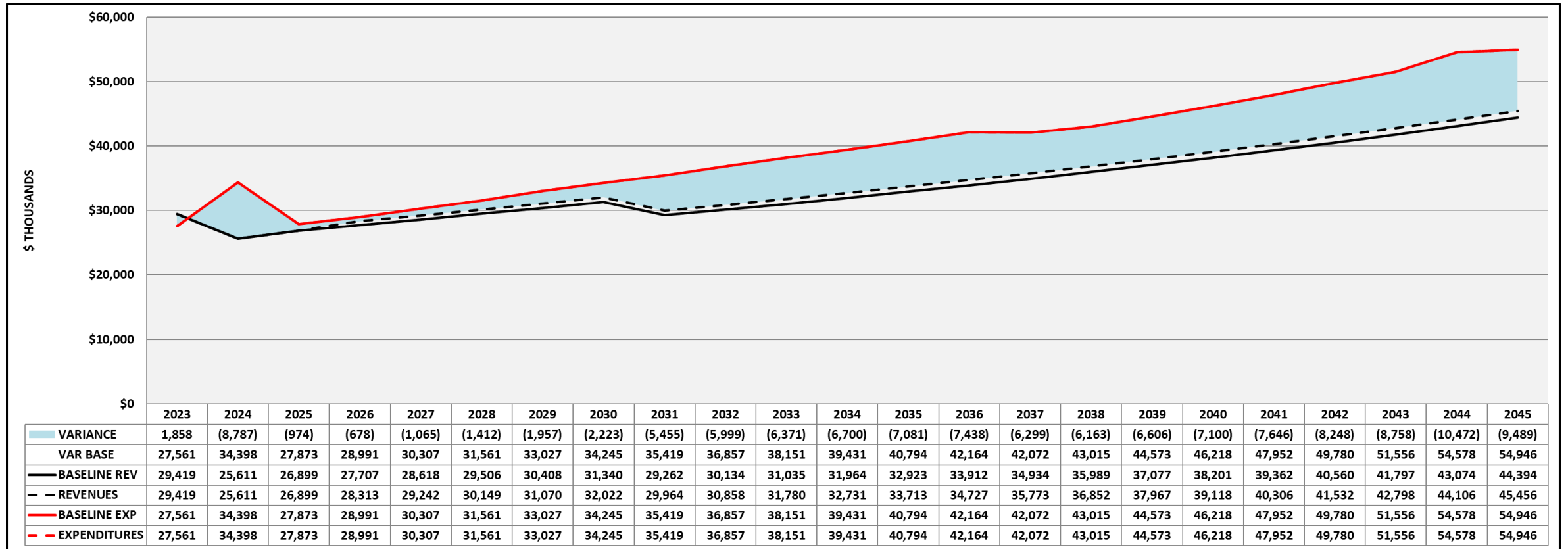
# Add a Half-Cent Sales Tax



General Tax: requires majority voter approval

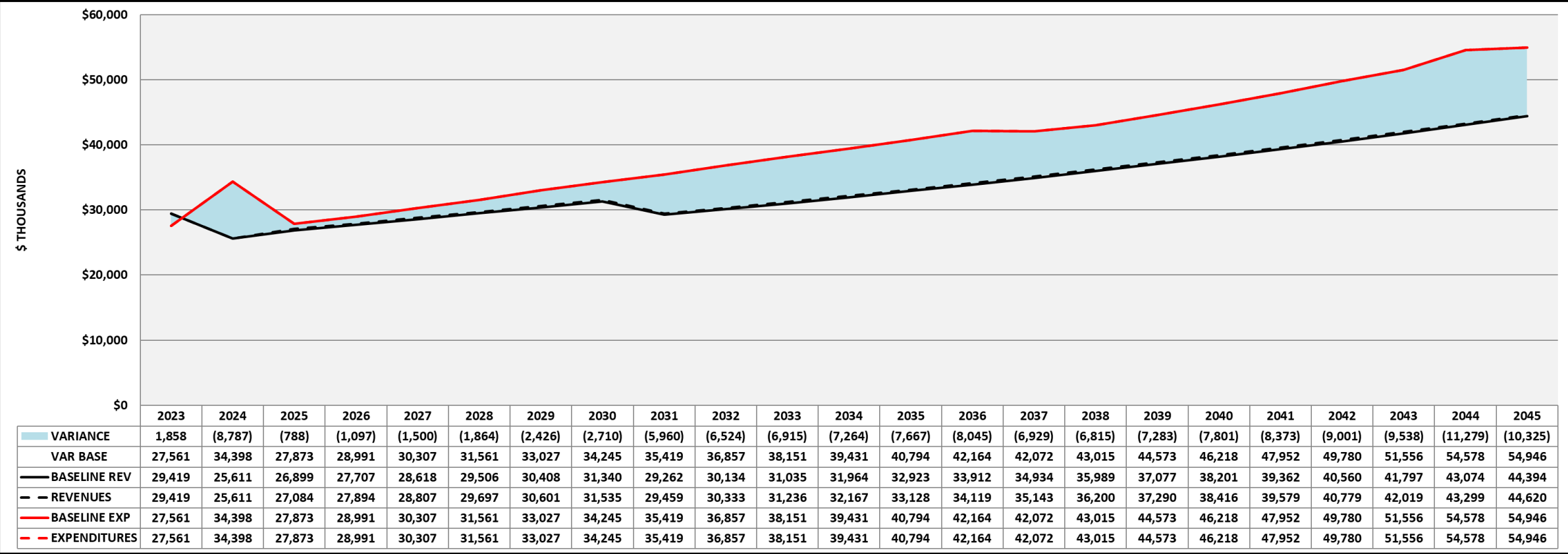


# Add a Parcel Tax (\$100 annually per residential parcel)



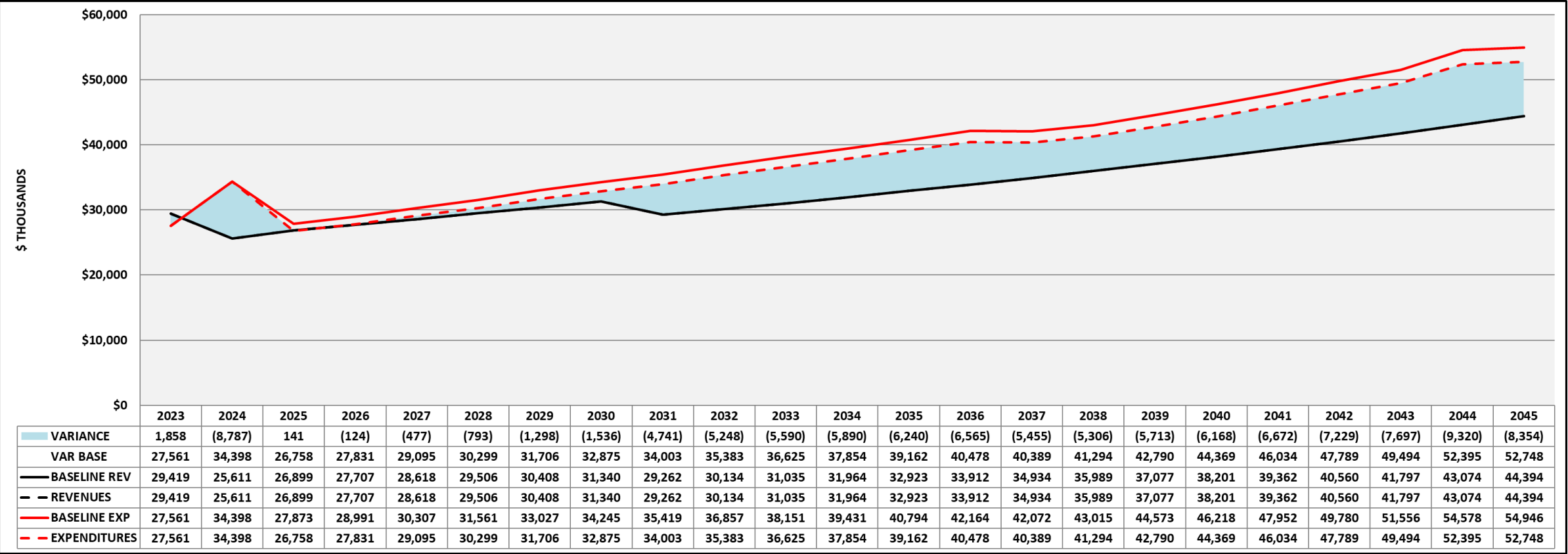
Special Tax: requires 2/3 voter approval whether general or specific purpose

# Increase Solid Waste Franchise Fee from 10% to 15%

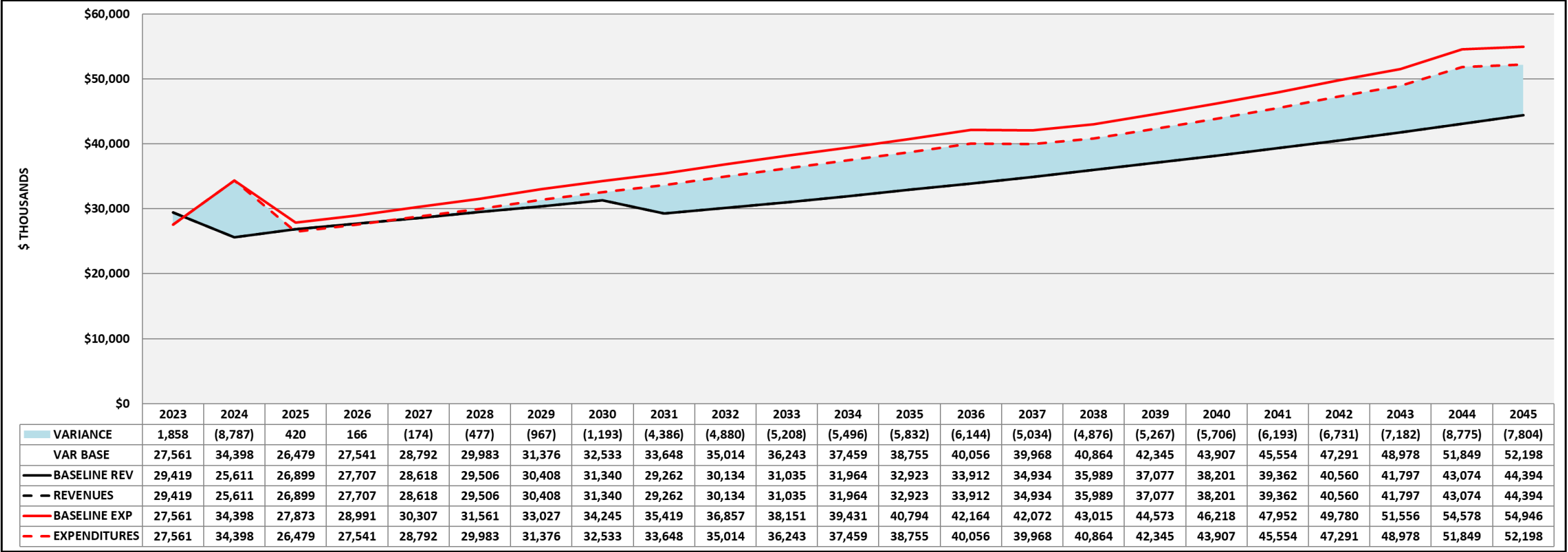


Requires negotiation with service provider

# Reduce Total Expenditures by 4%



# Reduce Total Expenditures by 5%



# Reduce General Fund Reserve Requirement from 50% to 25%

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Fund Balance, July 1	9,025,297	10,124,792	5,623,668	5,848,614	6,082,559	6,325,861	6,578,896	6,842,051	7,115,733	7,400,363	7,696,377
Revenues - Interest	334,975	404,992	224,947	233,945	243,302	253,034	263,156	273,682	284,629	296,015	307,855
Revenues - GF Transfer In	764,520	-	-	-	-	-	-	-	-	-	-
Residual Funds at 25% Reserve Level		(4,906,116)									
<b>General Reserve Balance, June 30</b>	<b>10,124,792</b>	<b>5,623,668</b>	<b>5,848,614</b>	<b>6,082,559</b>	<b>6,325,861</b>	<b>6,578,896</b>	<b>6,842,051</b>	<b>7,115,733</b>	<b>7,400,363</b>	<b>7,696,377</b>	<b>8,004,232</b>

	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Fund Balance, July 1	8,004,232	8,324,402	8,657,378	9,003,673	9,363,820	9,738,373	10,127,908	10,533,024	10,954,345	11,392,519	11,848,219
Revenues - Interest	320,169	332,976	346,295	360,147	374,553	389,535	405,116	421,321	438,174	455,701	473,929
Revenues - GF Transfer In	-	-	-	-	-	-	-	-	-	-	-
Residual Funds at 25% Reserve Level											
<b>General Reserve Balance, June 30</b>	<b>8,324,402</b>	<b>8,657,378</b>	<b>9,003,673</b>	<b>9,363,820</b>	<b>9,738,373</b>	<b>10,127,908</b>	<b>10,533,024</b>	<b>10,954,345</b>	<b>11,392,519</b>	<b>11,848,219</b>	<b>12,322,148</b>

# Reduce General Fund Reserve Requirement from 50% to 40%

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Fund Balance, July 1	9,025,297	10,124,792	8,998,000	9,402,400	9,824,755	10,265,854	10,726,523	11,207,619	11,710,040	12,234,723	12,782,645
Revenues - Interest	334,975	404,992	359,920	376,096	392,990	410,634	429,061	448,305	468,402	489,389	511,306
Revenues - GF Transfer In	764,520		44,480	46,259	48,110	50,034	52,035	54,117	56,281	58,533	60,874
Residual Funds at 40% Reserve Level		(1,531,784)	-	-	-	-	-	-	-	-	-
<b>General Reserve Balance, June 30</b>	<b>10,124,792</b>	<b>8,998,000</b>	<b>9,402,400</b>	<b>9,824,755</b>	<b>10,265,854</b>	<b>10,726,523</b>	<b>11,207,619</b>	<b>11,710,040</b>	<b>12,234,723</b>	<b>12,782,645</b>	<b>13,354,825</b>

	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Fund Balance, July 1	13,354,825	13,952,326	14,576,261	15,227,786	15,908,112	16,618,498	17,360,263	18,134,780	18,943,481	19,787,863	20,669,486
Revenues - Interest	534,193	558,093	583,050	609,111	636,324	664,740	694,411	725,391	757,739	791,515	826,779
Revenues - GF Transfer In	63,309	65,841	68,475	71,214	74,062	77,025	80,106	83,310	86,643	90,108	93,713
Residual Funds at 40% Reserve Level	-	-	-	-	-	-	-	-	-	-	-
<b>General Reserve Balance, June 30</b>	<b>13,952,326</b>	<b>14,576,261</b>	<b>15,227,786</b>	<b>15,908,112</b>	<b>16,618,498</b>	<b>17,360,263</b>	<b>18,134,780</b>	<b>18,943,481</b>	<b>19,787,863</b>	<b>20,669,486</b>	<b>21,589,978</b>

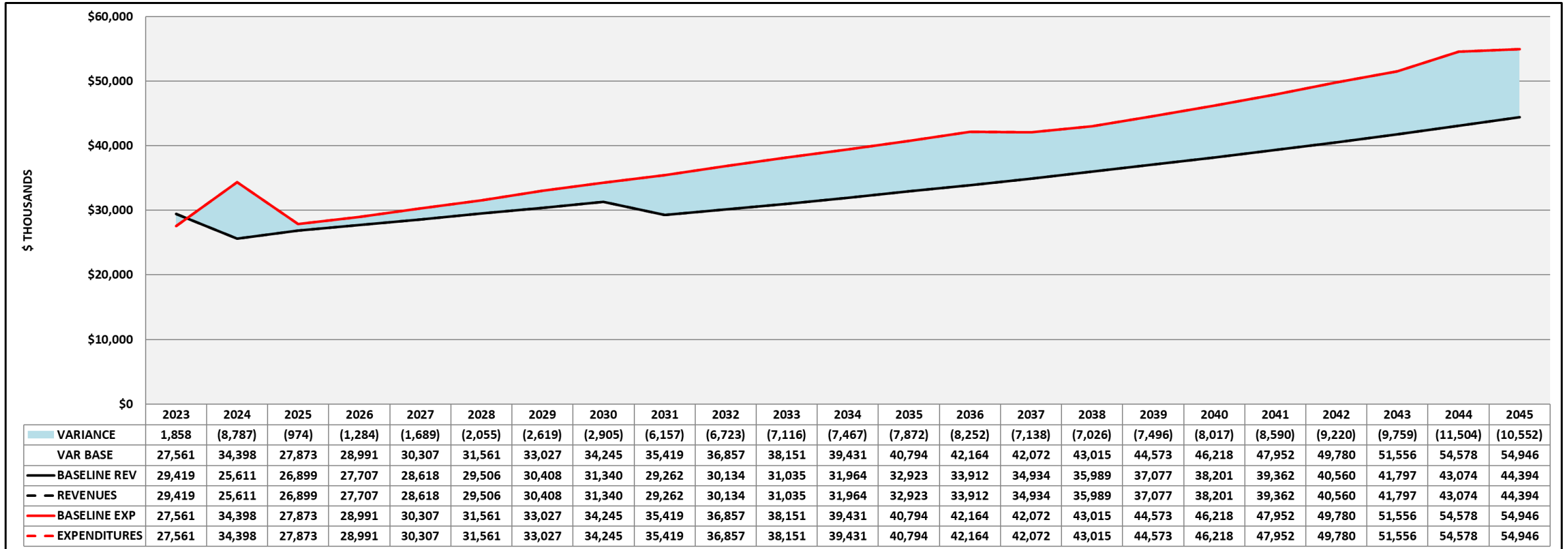
# Other Options for Capital Financing and Special Purposes

- Assessment District
- Direct Lending
- Enhanced Infrastructure Financing District (EIFD)
- Shared Service Model

# Conclusion



# Conclusion



- The status quo financial forecast projects budget shortfalls beginning in FY 2024/25
- The City will need to increase its revenue and/or reduce its expenditures to close the projected budget gaps

# Next Steps

- City Council to direct staff on which revenue enhancement and/or expenditure options to pursue

# Thank you

## Questions/Comments

