



# **Five-Year Financial Forecast**

**January 2014**



# *Key Highlights*

- This forecast is for the purpose of generating policy discussion and to receive policy direction to help plan for the City's fiscal health in future years
- With current assumptions, the General Reserves are projected to have annual deficits in the \$0.2 to \$1.5 million range in FY 2013-14 through FY 2016-17 and showing positive increases to fund balance thereafter
- By FY 2018-2019 general reserves are anticipated at \$33.1 million (74%)
- The forecast is trend base reflecting a moderate growth economy

# *Introduction*



- Period covered by the financial forecast:
  - Projection for the balance of the 2013-2014 year
  - Estimate of the years 2014-2015 to 2018-2019



# *Introduction (Continued)*

- The financial plan and the baseline forecast imbedded in the plan that follows is intended to:
  - Provide an update on the projected multi-year financial condition of the City of San Ramon
  - Identify financial policy issues and promote development of policy direction
  - Assist in planning for development of the 2014-2015 budget



# Overview

- Forecast was developed using the following methodology:
  - Started with the 2013-2014 adopted budget and audited actual June 30, 2013 reserve balances
  - Revised the revenue estimates for 2013-2014
  - Estimated the amount of expenditures in 2013-2014
  - Identified a number of assumptions to use in preparing the forecast



# *Major Assumptions*

- The following assumptions used in the base forecast are critical to the projected financial results

Salary Increases: 3% per year

New Positions:

- Fully funding 4 police officers/2 PSTs in FY 2014-2015
- Funding position in City Manager's Office
- Transition planning of long-term temps to permanent status
- No new positions



# *Major Assumptions (Continued)*

PERS Rates: The employer rate increase - Miscellaneous 0.7% and Safety 2% per year

Retiree Health: Provision for retiree health costs remains stable – actuarial study in June 2014

Other Benefits: Medical costs increasing 4-5% after FY 2014-15 annually thereafter

Other Supplies and Services: Service contracts increase 3% per year and utilities 7% per year



# *Major Assumptions (Continued)*

City Population: Grows from the current estimate of 76,154 to an excess of 80,000 in 2018-19

Tax Increases: None included

General Fund: No contribution to the Capital Improvement Program

State of California: No known revenue take-away

City Center: No City Center revenue



# *Major Assumptions (Continued)*

Midyear: No midyear request included

Housing Programs: Sale of housing properties to fund programs through FY 2018-19

New Facilities:

- Rancho Park and facility opens in summer 2014 costs \$0.5 million annually to maintain
- School park and other DV infrastructure



# *Major Assumptions (Continued)*

General Fund Revenue: The local economy is showing moderate growth – 4.4% starting in 2014-2015

Property Taxes: 5.7% increase in assessed values in 2013-14, increasing 6% thereafter

Sales Tax Revenue: Estimated increase 5.4% in 2014-15, 2.4% in 2015-16 and 4% per year thereafter

TOT Revenue: 6% increase per year



# *Major Assumptions (Continued)*

Franchise Fees: 3% increase per year

Dougherty Valley: Services costing more than covered by the slower than planned growth of CSA revenue

Prior unfunded activities not restored:

- Intern program
- Employee events
- Fireworks
- Unfunded positions
- Service levels
- Shortfall in Pavement Management Plan, Park Maintenance Plan and Building Maintenance Plan



# *Overview - Summary of Forecast Results*

- Summary of Forecast Results July 2013 to June 2019

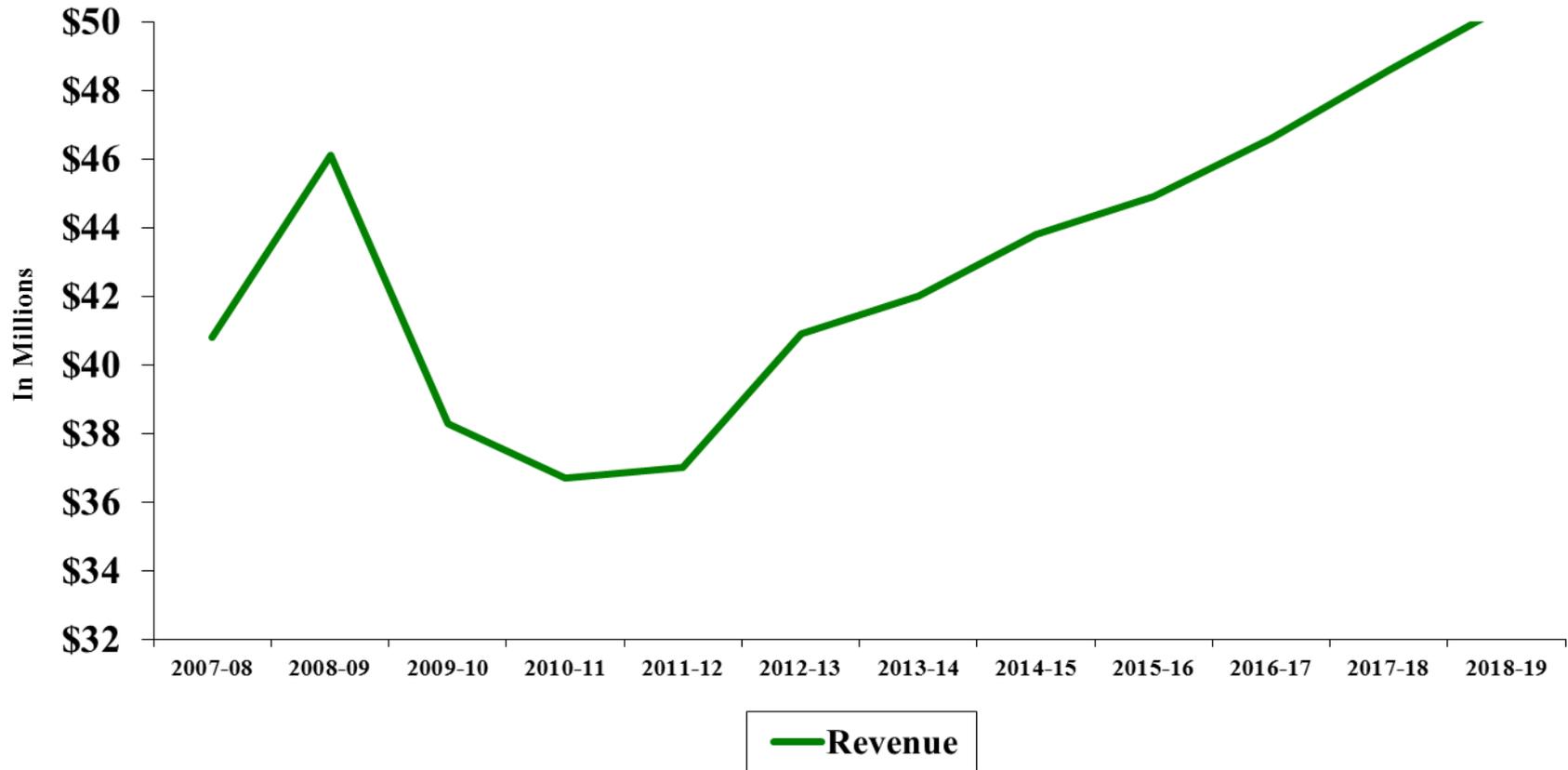
After putting together all of the elements of the forecast the major financial trends that emerge are as follows:

- General Fund revenue exceeds expenditures for the entire forecast
- General reserves are drawn down \$1.2 million from \$34.3 million to \$33.1 million

# Overview - General Fund



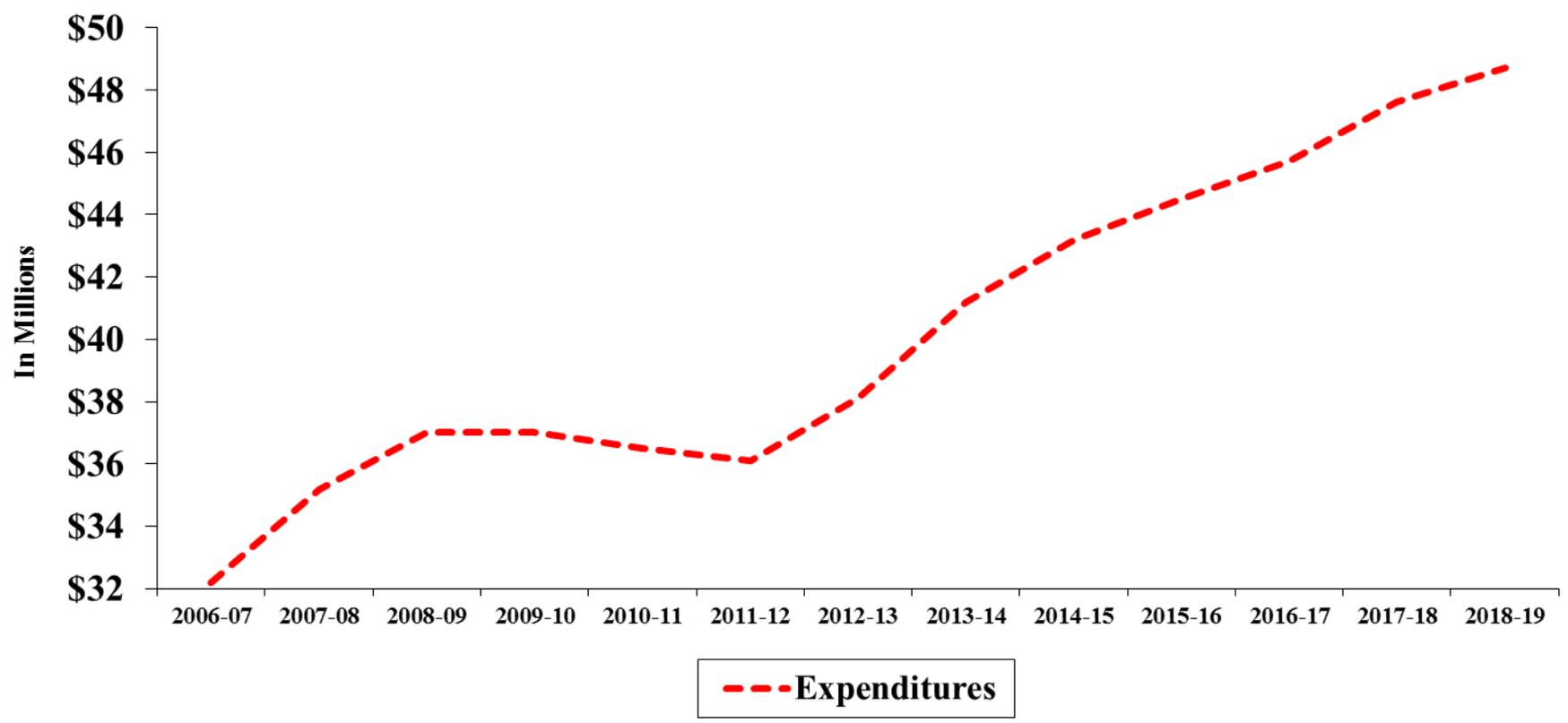
General Fund Revenue (with net transfers)





# Overview - General Fund

## General Fund Expenditures (with net transfers)





# Overview - General Fund

## General Fund Forecast Summary In Millions

|                               | 2012-13    | 2013-14     | 2014-15     | 2015-16     | 2016-17     | 2017-18     | 2018-19     |
|-------------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                       | \$38.5     | \$39.8      | \$41.6      | \$42.8      | \$44.5      | \$46.4      | \$48.3      |
| Expenditures                  | 36.6       | 38.1        | 39.9        | 41.1        | 42.3        | 43.6        | 44.9        |
| Net Transfers                 | <u>0.9</u> | <u>-1.0</u> | <u>-1.1</u> | <u>-1.3</u> | <u>-1.3</u> | <u>-1.8</u> | <u>-1.6</u> |
| Net Increase (Decrease)       | <u>2.8</u> | <u>0.8</u>  | <u>0.6</u>  | <u>0.4</u>  | <u>0.9</u>  | <u>1.0</u>  | <u>1.8</u>  |
| General Fund Balance          | \$11.7     | \$12.5      | \$13.1      | \$13.5      | \$14.4      | \$15.4      | \$17.2      |
| Dougherty Fund Unreserved     | \$6.3      | \$4.8       | \$3.3       | \$2.2       | \$1.6       | \$1.5       | \$1.9       |
| Bond Fund Unreserved          | 14.3       | 14.0        | 14.0        | 14.0        | 14.0        | 14.0        | 14.0        |
| Health Fund Unreserved        | <u>2.0</u> | <u>1.5</u>  | <u>1.0</u>  | <u>0.5</u>  | <u>0.0</u>  | <u>0.0</u>  | <u>0.0</u>  |
| Total Unreserved (for Policy) | \$34.3     | \$32.8      | \$31.4      | \$30.2      | \$30.0      | \$30.9      | \$33.1      |

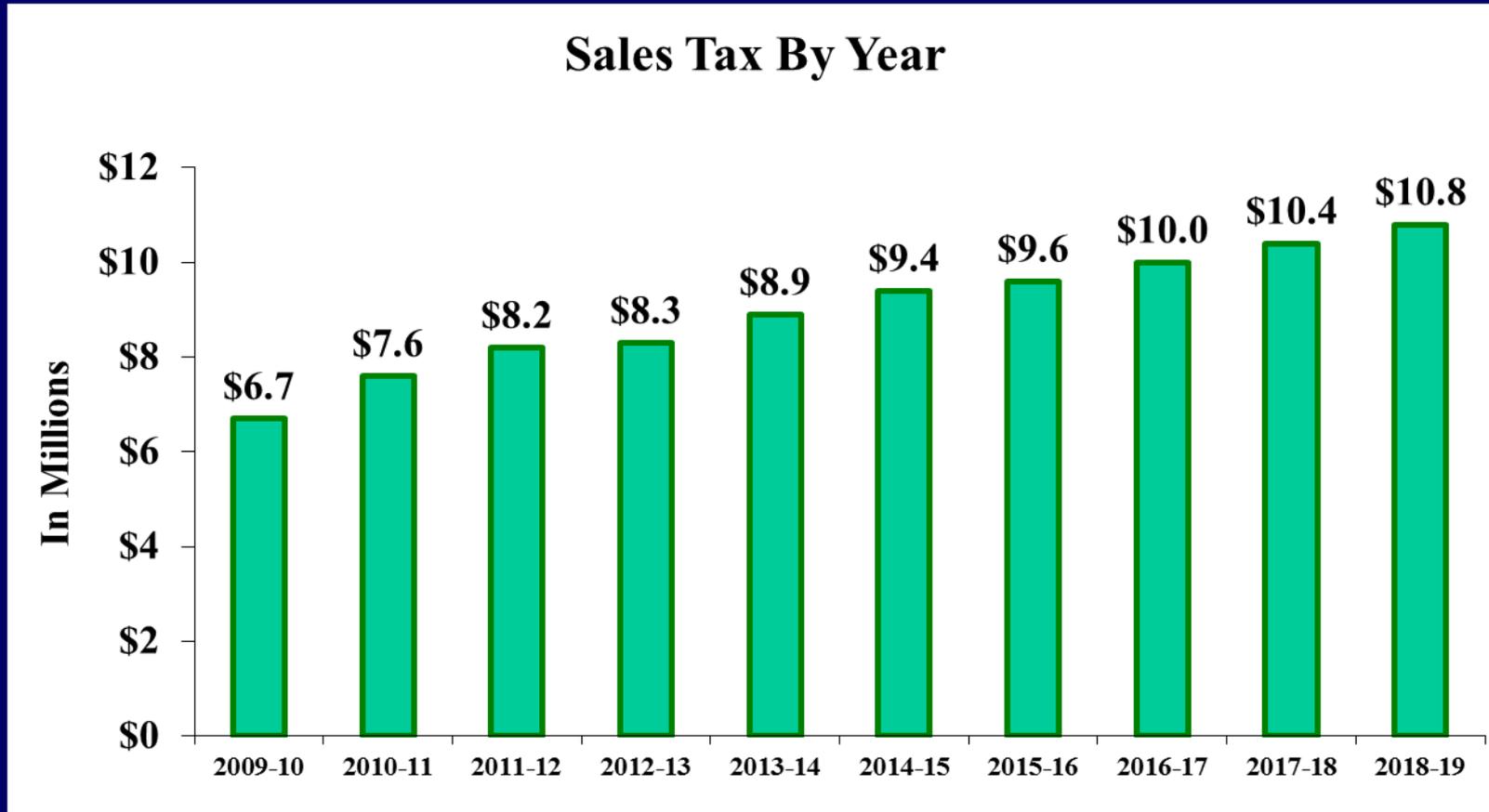


# Overview - General Fund

## Property Tax By Year

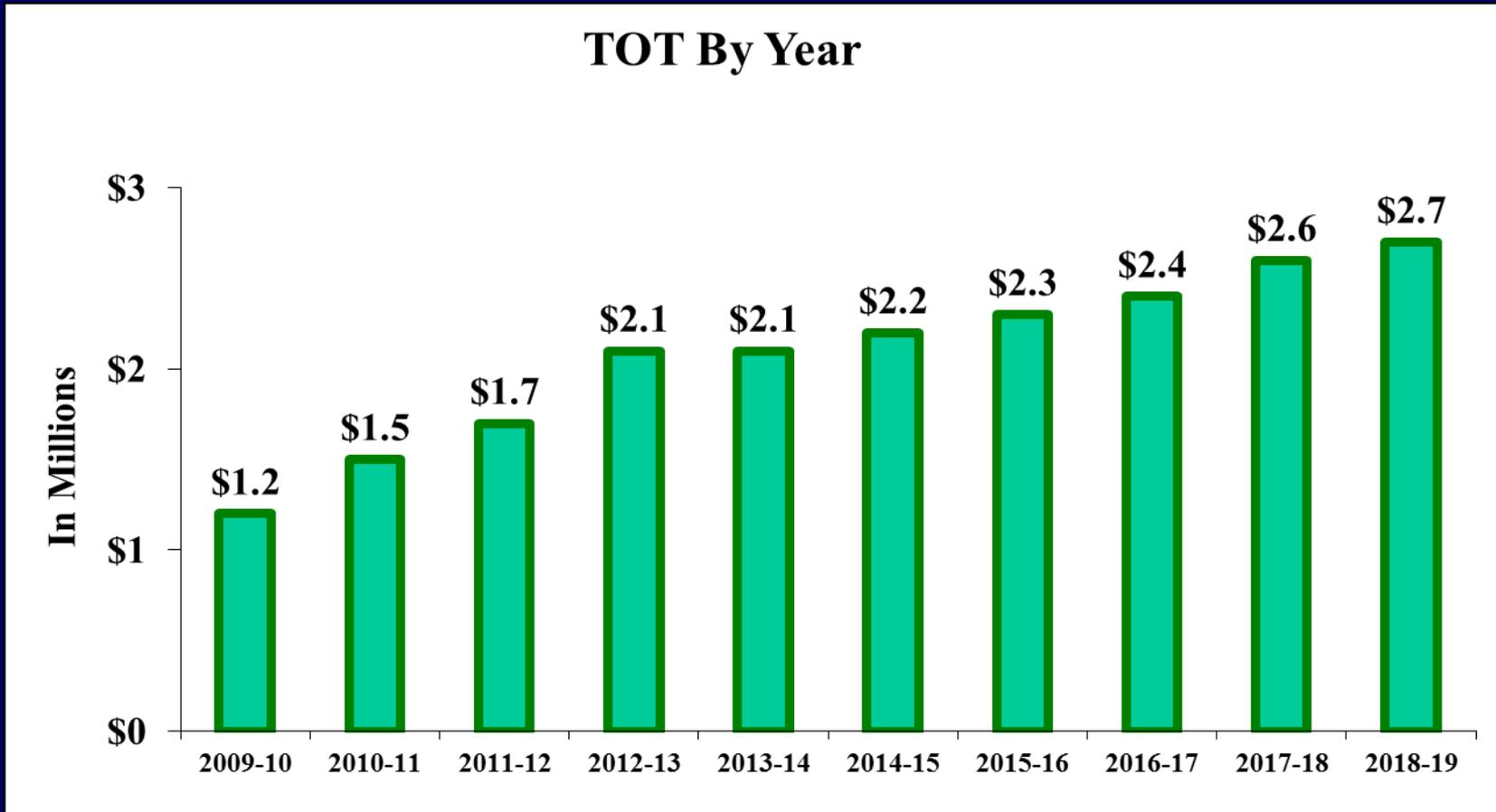


# Overview - General Fund



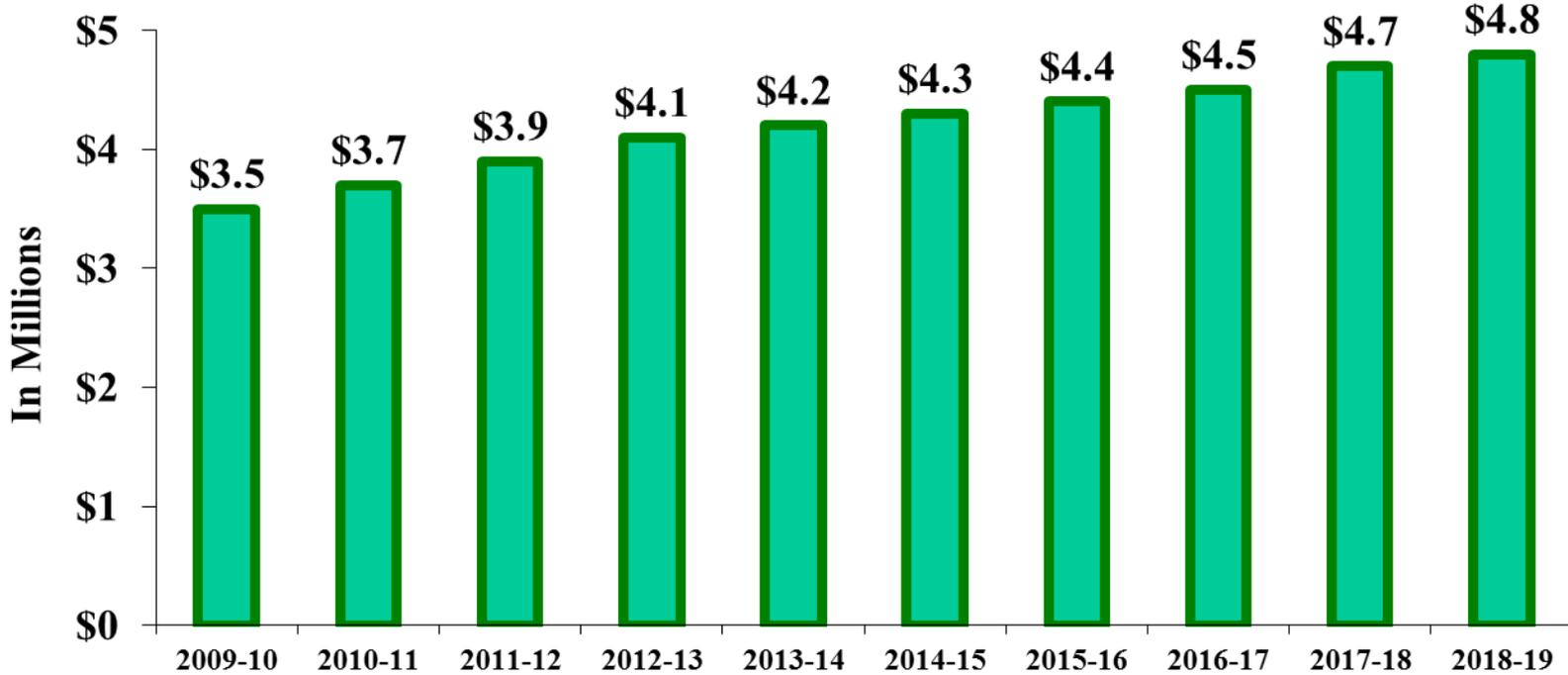
Note: Excludes prior year Sales Tax of \$2.0 million in 2009-10

# Overview - General Fund



# Overview - General Fund

## Franchise Fees By Year





# *Overview - General Fund*

General Fund expenditures will be impacted by a number of factors that are projected to cause expenditure growth going forward

- Wage and benefit cost inflation
- Providing funding for contracts for expanding Dougherty Valley services (Rancho San Ramon Park and facility; new school park)
- Service contracts/utility costs



# Overview - General Fund

## Projected Operating Budget (General Fund & Dougherty Valley) (in millions)

|                       | 2013-14        | 2014-15        | 2015-16        | 2016-17        | 2017-18      | 2018-19      |
|-----------------------|----------------|----------------|----------------|----------------|--------------|--------------|
| Revenue               | \$52.6         | \$55.3         | \$57.4         | \$60.1         | \$62.9       | \$65.9       |
| Expenditures          | (52.3)         | (55.1)         | (56.8)         | (58.5)         | (60.2)       | (62.1)       |
| Net Transfers         | (1.0)          | (1.1)          | (1.3)          | (1.3)          | (1.8)        | (1.6)        |
| COP Debt Service      | 0.3            | 0.0            | 0.0            | 0.0            | 0.0          | 0.0          |
| Health Care           | <u>(0.5)</u>   | <u>(0.5)</u>   | <u>(0.5)</u>   | <u>(0.5)</u>   | <u>0.0</u>   | <u>0.0</u>   |
| Net Reserve Draw Down | <u>\$(1.5)</u> | <u>\$(1.4)</u> | <u>\$(1.2)</u> | <u>\$(0.2)</u> | <u>\$0.9</u> | <u>\$2.2</u> |

# Observations



## What does the forecast show?

- Assumption that State honors Proposition 1-A
- Assumption that the economy is growing
- Reserves are strong at \$33.1 million (74%) in 2018-2019
- The City is estimated to remain in a healthy financial position over the next five years