



SUPPLEMENTAL AGENDA MATERIALS


CITY COUNCIL MEETING February 4, 2020

- AGENDA ITEM 7(A) – Long Term Financial Forecast and Budget
Study Session**
1. Presentation

Feb 4, 2020

CITY OF EL CERRITO

FY 2020-25 Five Year General Fund Forecast



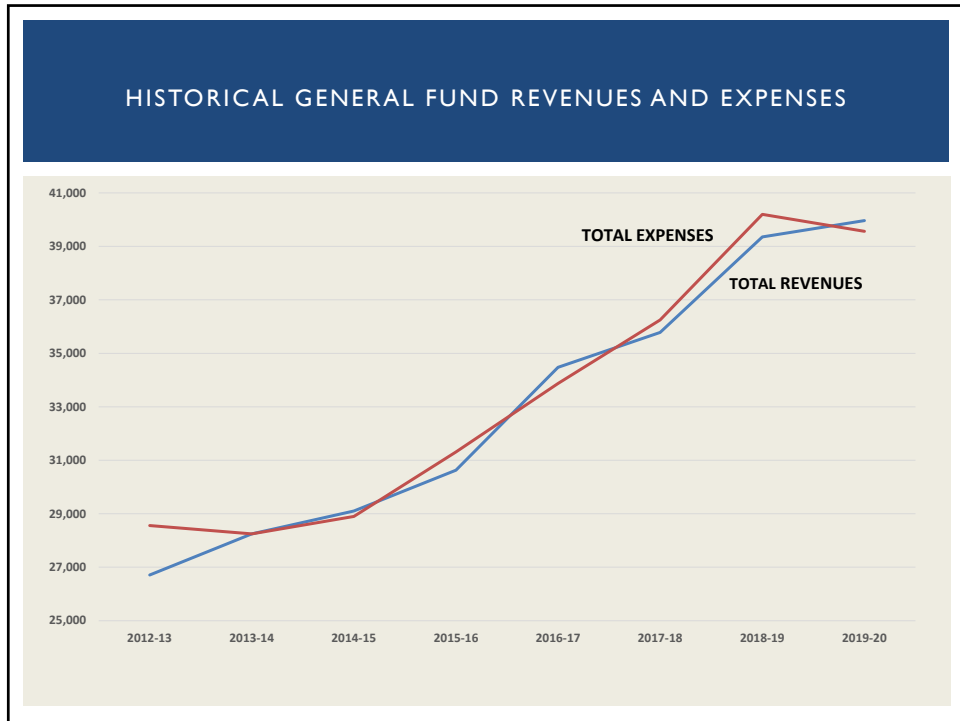
THE CITY OF
EL CERRITO

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AGENDA

- **FY 2012-20 Revenue-Expenditure trends**
- **FY 2020-25 Assumptions**
- **FY 2020-25 Baseline Scenario A projections**
- **One-time Forecast Amendments**
- **General Fund 5year Forecast**
 - Fund Balance Reserve Ratio Chart -Baseline Scenario A
 - Fund Balance Reserve Ratio Chart -with reductions (with and without emergency reserve fund).

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FY 2020 - 2025 5 YEAR GENERAL FUND FORECAST

Key Assumptions

Revenues Growth:

- Property taxes grow at 5.5%
- Sales Taxes grow at 1.0%
- Other revenues grow at 3%
- Transfer Tax (RPTT) flat \$2.5m

Expenditure Growth:

- Personnel Costs – annual COLA 3%
- Non personnel cost inflation at 3%
- PERS – projections per CalPERS

Other:

- Operating transfers & Capital Expenditures are flat
- Debt Service - as per refunding payment schedule
- No new General Fund debt
- Additional Pension costs of \$8.5m over the 5 years

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FY 2018-25 GENERAL FUND BASELINE SUMMARY – SCENARIO A

FY 2020-2025 Assumptions											
Prop Tax Growth Rate	5.5%										
Sales Tax/Other Tax Growth Rate	3%										
Other Revenue Growth Rate	3%										
Expenses Growth Rate	3%										

GENERAL FUND FIVE YEAR FORECAST with TENTATIVE BUDGET AMENDMENTS FOR FY 2020																
FY 19-20 Budget Changes																
Property Taxes (-500K) RPT (+51,50K)																
Sales Taxes (-500K) Expenses (-500K)																
AUDITED ACTUALS																
CURRENT																
PROJECTIONS																
	Actuals						Draft CAFR		Amended		Forecast		Forecast		Forecast	
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25			
Revenues	\$5,414	\$6,191	\$6,805	\$7,508	\$8,832	\$9,487	\$9,931	\$10,440	\$11,014	\$11,620	\$12,259	\$12,933	\$13,645			
Property Taxes	\$5,150	\$5,361	\$5,556	\$5,750	\$6,145	\$6,455	\$7,545	\$7,104	\$7,171	\$7,243	\$7,319	\$7,398	\$7,462			
Sales Taxes	4,950	5,355	5,700	6,000	6,500	6,950	6,922	6,100	6,242	6,304	6,357	6,411	6,465			
Other non-property Taxes							1,903	2,900	2,969	2,965	2,969	2,969	2,969			
Real Property Transfer Tax	517	640	493	608	720	765	776	693	1,023	1,053	969	1,118	1,151			
Income and permits	289	386	277	327	351	252	219	301	362	372	384	395	407			
Fines and forfeitures	317	290	350	312	346	374	107	365	408	429	433	446	459			
Use of money and property	3,544	3,461	4,036	3,622	3,623	4,116	4,051	3,727	3,839	3,954	4,073	4,195	4,321			
Intergovernmental	1,775	1,696	1,995	1,930	2,340	2,496	2,654	2,762	2,862	2,987	3,116	3,116	3,116			
Vol. - Mill	4,451	4,781	4,275	4,391	5,741	6,959	6,934	6,903	6,111	6,294	6,483	6,678	6,878			
Charges for services	289	145	119	768	978	372	162	65	260	260	260	260	260			
Other revenues	26,711	28,249	29,105	30,627	34,476	35,784	39,354	39,965	41,781	42,998	44,265	45,449	46,684			
Expenditures																
General government:	2,506	2,731	2,921	3,140	3,367	3,633	4,403	4,134	4,258	4,306	4,517	4,803	4,792			
City Management	1,150	1,235	1,207	1,219	1,360	1,416	1,531	1,421	1,464	1,508	1,553	1,599	1,647			
Financial services	711	518	662	1,117	1,443	1,674	1,967	2,016	2,076	2,139	2,203	2,269	2,337			
Public works	3,964	4,002	4,154	4,465	4,818	5,184	5,784	6,693	5,856	6,031	6,212	6,399	6,590			
Recreation	1,790	1,515	1,688	1,769	2,197	2,405	2,522	2,665	2,639	2,718	2,800	2,884	2,970			
Community development	18,165	18,058	18,460	19,326	20,277	21,260	23,379	23,644	24,358	23,089	23,842	25,617	27,416			
Public safety																
Fire additional CVT								300								
Perman. Additional Cost	140	105	130	183	46	272	344	165	100	150	180	200	230			
Capital outlay	44	68	91	93	203	202	262	126	165	165	165	165	165			
Debt service	28,561	28,253	28,898	31,312	33,871	36,255	40,202	48,962	41,946	43,666	45,222	46,715	48,248			
Total expenditures	28,561	28,253	28,898	31,312	33,871	36,255	40,202	48,962	41,946	43,666	45,222	46,715	48,248			
Budget Reductions																
Excess of revenues over (under) expenditures	(1,850)	(4)	208	(685)	605	(466)	(848)	403	(165)	(667)	(937)	(1,266)	(1,264)			
Emergency Reserves (EMRF)																
Balance of fund	1,090															
Transfers in	1,050	804	901	897	95	51	1,118	940	915	915	915	915	915			
Transfers out	(1,753)	(1,850)	(918)	(624)	(877)	(317)	(1,330)	(706)	(706)	(706)	(706)	(706)	(706)			
Capital Leases							116				(450)	(450)	(500)			
PCA debt service																
Total other financing sources (uses)	801	(1,050)	(17)	273	(402)	(265)	(95)	234	209	209	(241)	(241)	(291)			
Net change in fund balance	(949)	(1,050)	191	(412)	203	(732)	(944)	637	44	(458)	(1,198)	(1,507)	(1,855)			
Special Items/Deferred Revenue							801									
Fund balance - July 1	3,289	2,340	1,271	1,462	616	819	87	-50	581	625	167	(1,031)	(2,539)			
Fund balance - June 30	\$2,340	\$1,271	\$1,462	\$1,050	\$819	\$87	(\$50)	\$581	625	167	(\$1,031)	(\$2,539)	(\$4,394)			
FUND BALANCE/EXPENDITURES	8.2%	8.2%	5.1%	5.1%	3.4%	2.4%	-0.1%	3.5%	1.9%	0.4%	-2.3%	-5.4%	-9.1%			
BUDGETED PER. CONTRIBUTIONS (\$000S)							4,986	5,920	6,669	6,869	7,075	7,287	7,506	7,713		
REQUIRED PER. CONTRIBUTION										7,803	8,545	9,107	9,506	9,905		
Permanent Additional cost INCLUDED above										1,032	1,420	1,820	2,000	2,172		

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FY 2018-25 GENERAL FUND BASELINE SUMMARY – SCENARIO A

(\$000S)	Current		PROJECTIONS				
	Actuals	Budget	Forecast		Forecast		
	Draft CAFR	Amended	Forecast	Forecast	Forecast	Forecast	Forecast
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues	39,354	39,965	41,781	42,998	44,265	45,449	46,684
Expenditures	40,202	39,562	41,946	43,666	45,222	46,715	48,248
Total other financing sources (uses)	(96)	234	209	209	(241)	(241)	(291)
Special Items	801						
Change in Fund Balance	(143)	637	44	(458)	(1,198)	(1,507)	(1,855)
Fund balance - July 1	87	(56)	581	625	167	(1,031)	(2,539)
Fund balance - June 30	(\$56)	\$581	625	167	(1,031)	(2,539)	(4,394)
GENERAL FUND RESERVE RATIO	-0.1%	1.5%	1.5%	0.4%	-2.3%	-5.4%	-9.1%

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SUMMARY OF ONE-TIME ADJUSTMENTS TO FORECAST

- **FY 2019-20: Tentative mid-year adjustments: Reduce property taxes by \$500k; sales taxes by \$500k; reduce operating expenses by \$500k(net); increase Fire overtime by \$300k; increase RPTT budget by \$1.15m.**
- **FY 2022-25: write-off General Fund advances to Successor Agency \$1.35 million.**

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FY 2020-25 GENERAL FUND REVENUE PROJECTIONS

	CURRENT					PROJECTIONS				
	Actuals	Actuals	Actuals	Draft CAFR	Amended	Forecast	Forecast	Forecast	Forecast	Forecast
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues: (\$000s)										
Property taxes	\$7,908	\$8,832	\$9,487	\$9,931	\$10,440	\$11,014	\$11,620	\$12,259	\$12,933	\$13,645
Sales Taxes	\$5,750	\$6,145	\$6,458	\$7,545	\$7,100	\$7,171	\$7,243	\$7,315	\$7,388	\$7,462
Other non property Taxes	5,006	5,800	5,386	5,762	6,180	6,242	6,304	6,367	6,431	6,495
Real Property Transfer Tax				1,103	2,000	2,500	2,500	2,500	2,500	2,500
Licenses and permits	608	720	766	776	993	1,023	1,053	1,085	1,118	1,151
Fines and forfeitures	327	351	222	219	351	362	372	384	395	407
Use of money and property	312	346	374	157	396	408	420	433	446	459
Intergovernmental	3,622	3,623	4,116	4,091	3,727	3,839	3,954	4,073	4,195	4,321
VLF - HdL	1,935	2,340	2,499	2,654	2,760	2,862	2,987	3,116	3,116	3,116
Charges for services	4,391	5,741	6,099	6,934	5,933	6,111	6,294	6,483	6,678	6,878
Other revenues	768	578	377	182	85	250	250	250	250	250
Total revenues	30,627	34,476	35,784	39,354	39,965	41,781	42,998	44,265	45,449	46,684

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FY 2020-25 GENERAL FUND EXPENDITURES

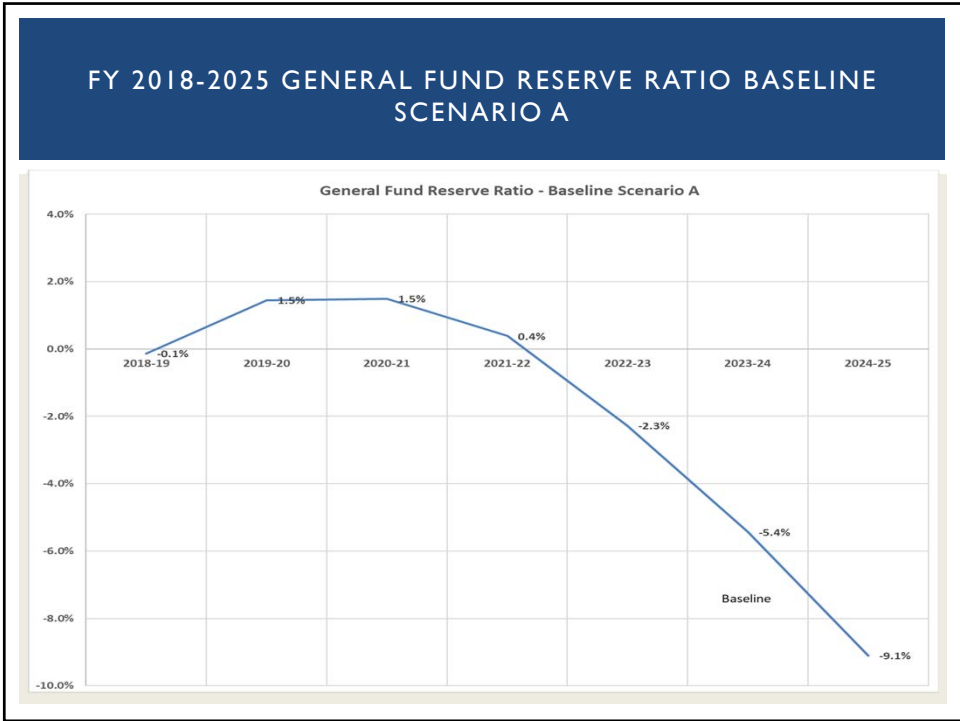
	Actuals	Actuals	Actuals	Draft CAFR	Amended	Forecast	Forecast	Forecast	Forecast	Forecast
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Expenditures: (\$000s)										
General government:										
City Management	3,140	3,567	3,832	4,403	4,134	4,258	4,386	4,517	4,653	4,792
Financial services	1,219	1,360	1,416	1,531	1,421	1,464	1,508	1,553	1,599	1,647
Public works	1,117	1,443	1,674	1,967	2,016	2,076	2,139	2,203	2,269	2,337
Recreation	4,465	4,818	5,184	5,794	5,685	5,856	6,031	6,212	6,399	6,590
Community development	1,769	2,157	2,405	2,522	2,562	2,639	2,718	2,800	2,884	2,970
Public safety:	19,326	20,277	21,260	23,379	23,649	24,358	25,089	25,842	26,617	27,416
Fire additional O/T					300					
Pensions- Additional cost						1000	1500	1800	2000	2200
Capital outlay	183	46	277	344	165	165	165	165	165	165
Debt service:	93	203	202	262	130	130	130	130	130	130
Total expenditures	31,312	33,871	36,250	40,202	40,062	41,946	43,666	45,222	46,715	48,248
Proposed Mid Year Budget Reductions					(500)					
Total Expenditures w/reductions	31,312	33,871	36,250		39,562	41,946	43,666	45,222	46,715	48,248
Excess of revenues over (under) expenditures	(685)	605	(466)	(848)	403	(165)	(667)	(957)	(1,266)	(1,564)

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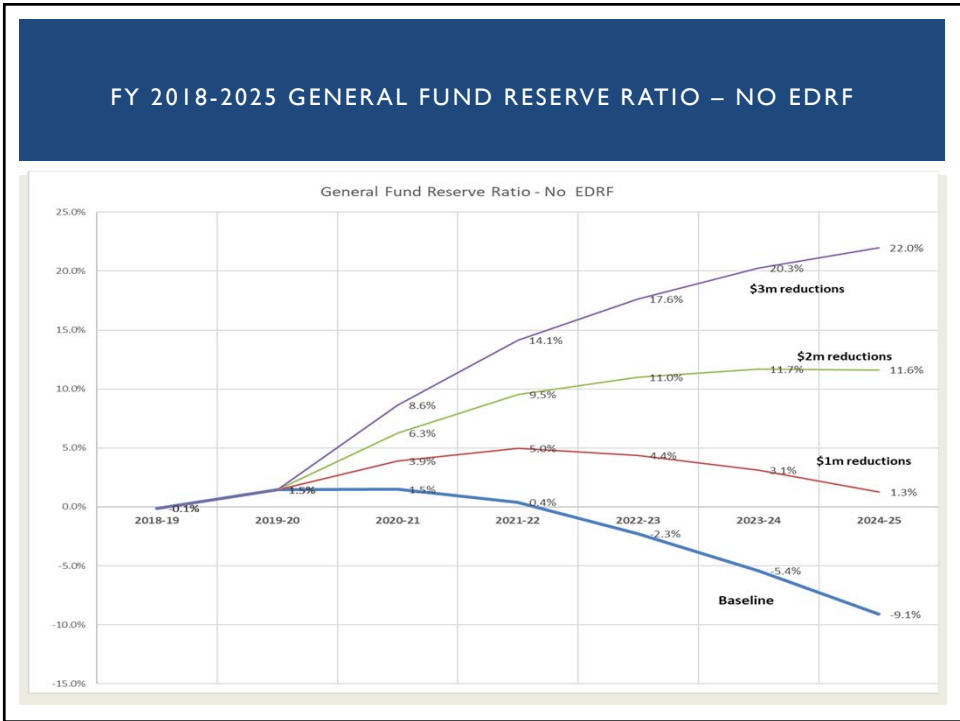
FY 2020-25 BUDGET GENERAL FUND RESERVES

	Actuals	Actuals	Actuals	Draft CAFR	Amended	Forecast	Forecast	Forecast	Forecast	Forecast
(\$000s)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Emergency Reserves (EDRF)										
Issuance of debt										
Transfers in	897	55	51	1,118	940	915	915	915	915	915
Transfers out	(624)	(457)	(317)	(1,330)	(706)	(706)	(706)	(706)	(706)	(706)
Capital Leases				116						
RDA debt writeoff								(450)	(450)	(500)
Total other financing sources (uses)	273	(402)	(266)	(96)	234	209	209	(241)	(241)	(291)
Net change in fund balance	(412)	203	(732)	(944)	637	44	(458)	(1,198)	(1,507)	(1,855)
Special Items/Deferred Revenue				801						
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Fund balance - June 30	\$1,050	\$819	\$87	(\$56)	\$581	625	167	(1,031)	(2,539)	(4,394)
FUND BAL/EXPENDITURES	3.4%	2.4%	0.2%	-0.1%	1.5%	1.5%	0.4%	-2.3%	-5.4%	-9.1%

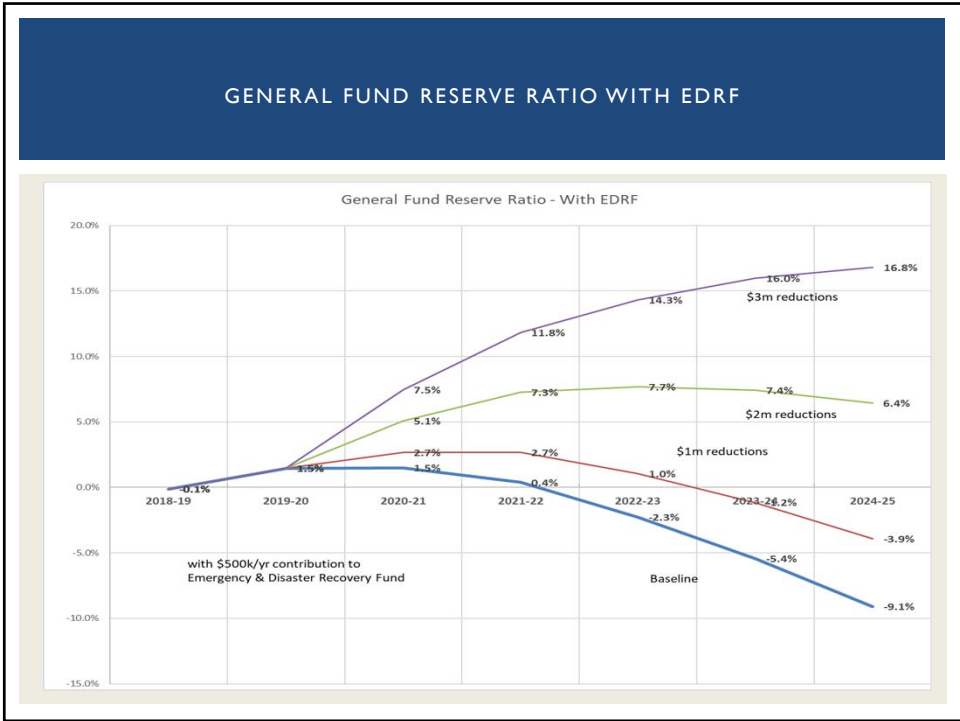
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- ### POTENTIAL REDUCTIONS FY 2020-25
- **3% COLA for unrepresented employees (\$135k/yr).**
 - **Increased CalPERS contributions (tbd).**
 - **Furlough days for non-sworn. Hiring freeze (tbd).**
 - **Cost of expanded library hours (\$100k/yr).**
 - **Senior center lease (\$125k/yr), less penalty.**
 - **Reduce landscape/park mtce. services (\$200k/yr).**
 - **OpenGov software (\$40k/year).**
 - **Fourth of July event (\$60k/yr). Other City events.**
 - **Credit card fees and charges (\$50k).**
 - **Capital Improvement Program (\$165k/yr)**
 - **Boards, commissions, committees (tbd).**
 - **Defer large purchases (vehicles, equipment).**

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FORECASTING RISKS

- **Macro-Economic shocks – a significant recession in the next 2 years**
- **Large settlements or one time payments**
- **Natural disasters**
- **Sharp increase in Insurance premiums**
- **A significant drop in CalPERS discount rate**
- **High public safety overtime costs**

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5-YEAR GENERAL FUND FORECAST

Questions?



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