City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2017/18

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CITY OF CLOVIS

Five Year Financial Forecast

Through Fiscal Year 2017/18

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CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

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INTRODUCTION

INTRODUCTION

The Five-Year Financial Forecast through 2017-2018 represents a continuing effort to analyze the City's long-term fiscal condition based upon a reasonable set of economic and operational assumptions. It is an important management tool used by both the City Council and the City Manager for identifying fiscal trends and issues which must be addressed in order to assure continued financial success. The set of forecasts contained in this report is not a prediction of what will occur. The forecasts are a snapshot in time and an **approximate view of what could occur** in the future if all of the assumptions are realized.

For the City's General Fund, the positive trends that have been seen in the last few forecasts continue. Again this year the forecast reflects a positive balance throughout the forecast period. While expenditure growth continues to be constrained the City maintains a structurally balanced budget (current year expenditures do not exceed current year revenues), reserves are restored and current economic activity provides an optimistic outlook for the future of Clovis. One particular positive is the increase in sales taxes, one of the major sources of discretionary revenue for the City. Additional sales tax revenue is included in the projections for the opening of the Clovis Crossings Shopping Center located at Clovis and Herndon Avenues.

This year's forecast reflects an expenditure structure which maintains current service levels, with the potential of restoring a limited level of community needs, especially in the out years of the forecast. It is critical that expenditure growth in the next couple of years in the forecast is prudent. Balancing the service level needs of the community and employee compensation will be a critical issue over the next few years. The forecast also reflects building the emergency reserve to 15% which is vital for the long term sustainability of the City.

As a basis of where the City service levels are today as compared to pre 2007, the reader is invited to review the "Restoration of Service Levels" later in this report. It is projected that the City will not be able to provide the same level of service as seen in the period leading up to the recent recession in the foreseeable future, although each department is always evaluating ways to increase service levels through the use of technology and lower cost delivery methods that do not decrease the quality of service.

This report is a forecast and while optimistic, it is important the City maintain constant monitoring of economic conditions locally, statewide, and nationally. Decisions made at other levels of government have had a very negative impact on city finances in the past, as we experienced with the elimination of redevelopment by the State of California.

Based on economic indicators like Gross Domestic Product (GDP), the recession was deemed to be over in 2011, however based on current estimates it will take many years for the economy to return to pre-2007 levels. It is likely to take until 2020 for housing prices in the most depressed areas to return to pre-2007 levels and consumer spending as a percentage of personal income may not ever return to pre-2007 levels. This sentiment is considered in arriving at the trends used to forecast the City's revenues for the next five years.

Below are some factors that need to be highlighted as we proceed through the forecast:

1. The General Fund ending balance for fiscal year 2013/14 is projected to be just over $0.5 million and no expenditure reductions are necessary to balance. Included are amounts for an operating fund balance; the negotiated increases to employee salaries; and a contribution to improve the emergency reserve to 12.5% of expenditures.

2. General Fund revenues overall are projected to increase 3.3% in 2013/14 when compared to 2012/13 with sales tax and property taxes comprising the majority of the increase.

3. The General Fund forecast projects levels of services to remain status quo, with the limited opportunity to restore reductions that occurred in previous years. See the section on "Restoration of Service Levels."

4. The General Fund forecast reflects improving the "Emergency Reserve" to reach a more prudent reserve level of 15% over the forecast period. It is recommended that a policy for establishing the appropriate level for the General Fund emergency reserve be reconsidered. It remains an important goal for the City.

5. PERS rates for funding employee retirements are continuing to increase beginning in 2013/14 and continuing upward for several years affecting all funds. PERS rates are anticipated to increase for safety employees by 9% (from 30.052 percent of payroll to 32.700 percent of payroll) and for miscellaneous employees by 11% (from 18.051 percent of payroll to 20.000 percent of payroll) over the forecast period.

6. Previously approved rate increases for the Water, Sewer and Community Sanitation Enterprise funds are reflected where necessary for funding services in the forecast. Although rate increases are approved, staff may be recommending rate reductions for refuse service.

Restoration of Service Levels

It is important to fully understand the impact the recession had on the City's ability to meet its goals for service levels and the implications this has on future fiscal and land use decisions. As discussed over the past few years the estimated cost to fully restore service levels to pre-2007 is over $14 million. With the reduction of a net of 85 positions citywide, including 25 police and fire safety personnel, services provided to the citizens of Clovis were diminished significantly. These reductions resulted in longer response times for both police and fire for non-emergency service calls; the near elimination of recreation and senior services, and the reduction in administrative services. Also, parks and landscape medians outside of the Landscape Maintenance District are suffering from inadequate maintenance which was necessarily cut in half due to funding limitations. Since the expenditure/service cuts required as a response to the recession the city is always searching for options in restoring service levels at a lower cost. An example of a lower cost service delivery method is in the Police Department, which is now utilizing Community Service Officers to respond to non-emergency calls for service which had previously been

handled by sworn personnel. This frees up sworn personnel for more critical calls for service. The Fire department is emphasizing inspections and fire safety as a means to lower the potential of fires. Every city department is utilizing volunteers as a very cost effective alternative of providing services to the community. All these methods have been effective in lessening, but not eliminating, the impact of service reductions to the community due to the recession.

As the City continues to develop the General Plan, it is critical that thoughtful consideration be given to the level of services provided to both the new areas developed and to the existing built areas. The City is currently far short of meeting established service level goals. Providing service has a cost, and adding additional demand for services with population, activity, and geography without having sufficient resources will only further degrade overall service levels. Balancing the service needs of the existing built city with a manageable rate of new growth must be considered a high priority for future actions.

The Economy

The economy plays a critical role in any forecast, and the current condition of the economy continues to have a significant impact. While the recession is "over," there was and is no immediate relief for local governments. We still have a long, slow recovery ahead of us, with potential bumps in the road. Current and potential problems include high unemployment, foreclosures, fallen property values, California state budget problems, consumer sentiment, and last, but not least, inflation. All of these factors show that we are only slowly and cautiously climbing out of the recession. The General Fund forecast reflects that the City's early recognition of the recession and willingness to deal with the shortfall of revenues by immediate cuts followed by long-term structural balancing has helped to provide fiscal stability and sustainability every year in the forecast period.

This snapshot shows a reversal of the statewide negative trend with positives in all areas.

California Economic Snapshot			
New Auto Registrations (Fiscal Year to Date)	**353,534** Through October 2010	**253,220** Through October 2011	**319,563** Through October 2012
Median Home Price (for Single Family Homes)	**$254,000** in December 2010	**$246,000** in December 2011	**$299,000** in December 2012
Single Family Home Sales	**36,215** in December 2010	**37,734** in December 2011	**39,760** in December 2012
Foreclosures Initiated (Notices of Default)	**69,799** in 4th Quarter 2010	**61,517** in 4th Quarter 2011	**38,212** in 4th Quarter 2012
Total State Employment (Seasonally Adjusted)	**13,958,700** in December 2010	**14,199,000** in December 2011	**14,398,800** in December 2012
Newly Permitted Residential Units (Seasonally Adjusted Annual Rate)	**70,243** in December 2010	**55,635** in December 2011	**77,000** in October 2012
Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance			

The Governor has proposed a State of California budget that includes revenue from the tax increases passed by voters in November 2012. With the additional tax revenue the Governor is proposing to pay down the State's debt, a large driver of recent state budget deficits, from nearly $35 billion to less than $5 billion over two years.

Also still creating instability for the City's budget is the elimination of the Redevelopment Agency. The impact of the loss of local control of a valuable economic development tool for communities to use to attract and retain job generating businesses as well as the ability for local government to provide affordable housing within the community has yet to work its way through the process.

General Fund

In the General Fund revenues are projected to grow at an annual average of 5.3% while expenditures are projected to grow at an annual average of 3.5% over the forecast period. The forecast currently projects the City will see modest sustained annual revenue growth over the cost of providing services at the current level during the five-year forecast. The forecast reflects minimal restoration of service levels in the 2012/13 budget with the addition of 4 community service officers, however only limited opportunity to restore services exists in early years with the potential of more restoration of services in the later years.

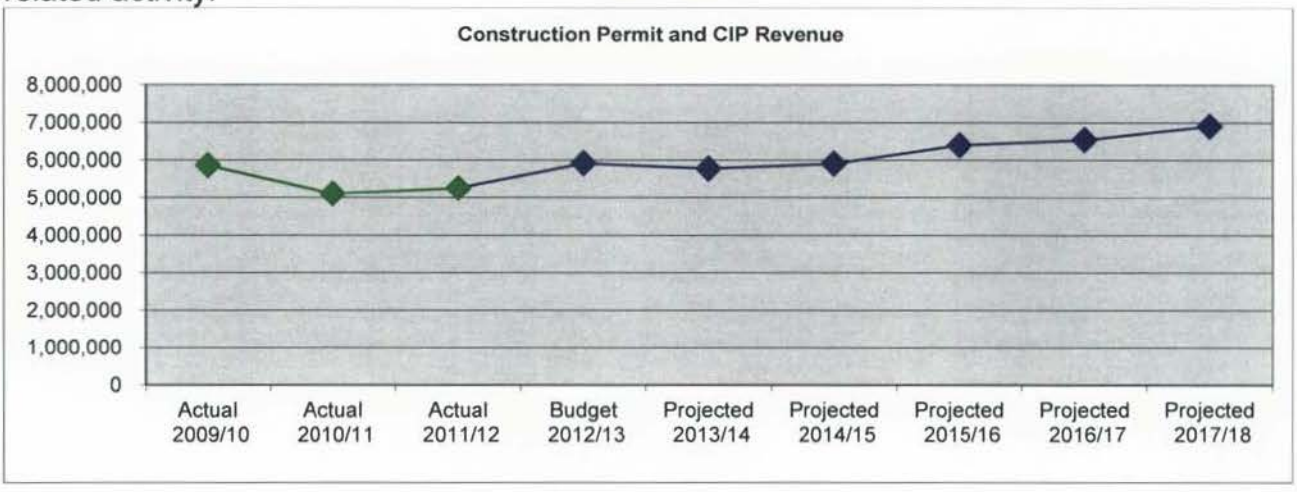
Based on the anticipated sustained revenue growth both police and fire applied for additional grant funding to sustain the positions added through the use of grants in prior years. These applications were denied and the grant funding will not be available however, due to the improvements in general revenues the City will be in a position to completely absorb the costs by next year (2013/14). Had these grants been available going forward even further improvements in services would have been possible, it is fortunate that there is enough additional revenue to maintain the added positions and thus services that were restored with those positions. However, it is unfortunate that additional restoration will not be possible in the near future.

Fleet replacement, a critical non-personnel expenditure that was reduced or eliminated beginning with the 2007/08 fiscal year is restored beginning in the 2015/16 year at one-half the original amount in the forecast. As the City's fleet begins to age, especially safety vehicles, we will no longer be able to postpone the replacement of these vehicles but will need to consider other options including additional lease/purchase arrangements. One such expenditure is included in the Fire Department estimate beginning in 2014/15 for the replacement of a 1996 engine.

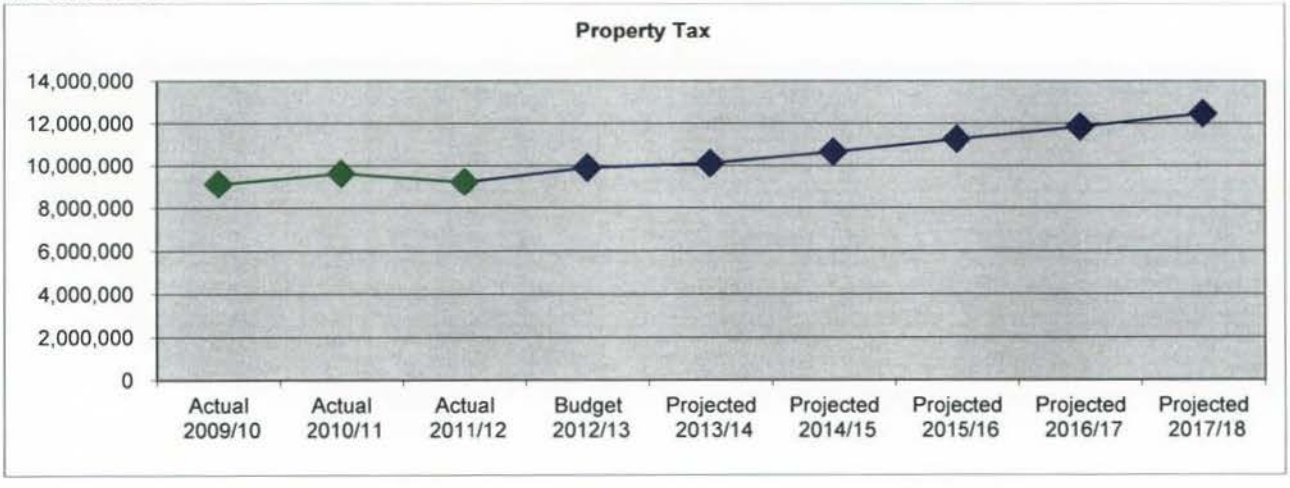
Training is another critical item that has been reduced in previous budgets, and is not restored in the forecast. General Fund supported parks and street landscaping maintenance previously reduced by a full one-half has not been restored, and the condition of materials and general appearance throughout the City are showing a significant decline from this lack of adequate maintenance.

One opportunity reflected in the forecast is the ability to begin making transfers to general government facilities for much needed repairs and maintenance to the City's aging capital facilities.

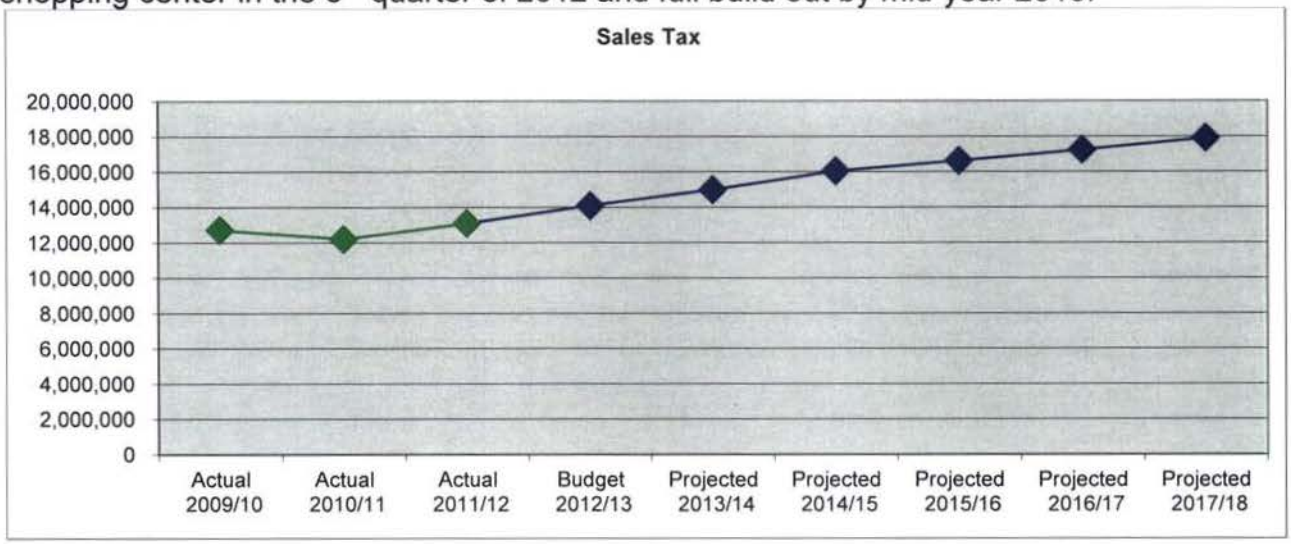
The most significant General Fund revenue sources --- sales taxes, property taxes, and development related fees --- were the most severely impacted revenues during the downturn of the economy. Development fees, which include planning and building permits, began to fall at the end of 2006 and have remained at a depressed level since that time. The forecast continues to project below average construction throughout the forecast period with a modest increase in 2012-2013 due to the Clovis and Herndon shopping center and the Clovis Community Medical Center permit fees, reaching 500 units which is one-half of the pre-recession average of 1,000 equivalent dwelling units annually. This can be seen in the chart below showing the revenues generated by construction related activity.



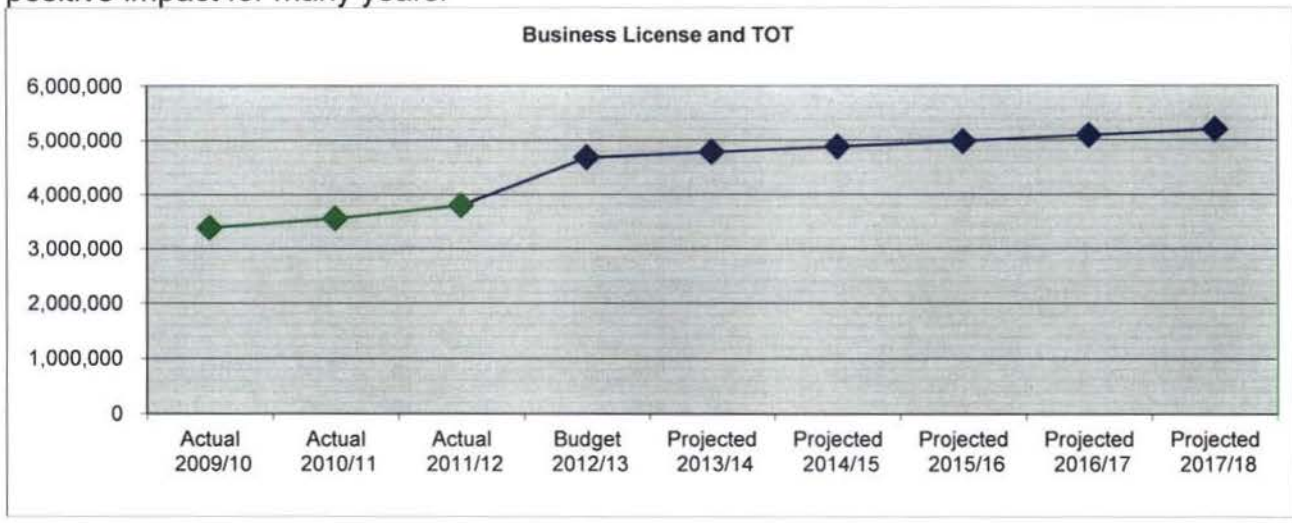
Property taxes, as indicated in the following chart, reflect the slow down in construction activity and also the downward valuation of property sold or constructed in the past five years. The forecast reflects an increase from the prior year in assessed value of the Proposition 13 maximum of 2% in 2013-2014 plus the growth in assessed value related to the newly constructed residential and non-residential units. Throughout the forecast period assessed valuation is projected to grow at the Proposition 13 maximum of 2% plus an amount for new construction. Also included in projected property tax revenue is the recapture of lost valuation due to the automatic Prop 8 reductions processed by the County over the past 3 years. Factors such as the elimination of redevelopment and the tax delinquency rate may have an impact on current and future revenues. The projection reflects a small bump from redevelopment tax increment flowing in to the property tax distribution.



The following chart shows that after experiencing year-over-year declines sales tax revenue has turned out to be a bright spot for the City. The forecast reflects that sales tax revenue bottomed out in 2010/11 and is now projected to begin a positive, 9.6% climb upward. In 2012/13 and beyond sales tax is anticipated to grow by the CPI, additional population growth, and the anticipated opening of the first stores in the Clovis/Herndon shopping center in the 3rd quarter of 2012 and full build out by mid-year 2013.



Transient Occupancy Tax continues to perform at expected levels with only a slight loss of revenue due to "government credit" approved by the council last year. Economic development efforts by the City and community partners to secure target industries, in this case hospitality and tourism are beginning to have a positive impact on the local economy. Also included in the following chart are business licenses, which showed an increase in 2009/10 as a result of an audit program identifying unlicensed businesses as well as a new program identifying outside vendors doing business in Clovis. Over 800 unlicensed businesses were identified doing business in Clovis. Licensing of these businesses has a positive impact for many years.



The forecast also reflects improving the emergency reserve to 15% over the five year period. This is possible as a result of waiting to increase expenditures until one year after revenues are projected to increase to maintain the general fund structural balance. It should be noted that Clovis still maintains one of the lowest emergency reserves amongst a recent survey of 70 California cities. Among cities of comparable size to Clovis the

average reserve is greater than 15%. As the City has grown, the current reserve policy should be addressed and aligned with the greater operating needs and revenue volatility. A 15% reserve provides the City with less than 2 months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. Failure to increase the reserve to a more prudent amount could cause the City's credit rating to be downgraded by the rating agencies in the future, affecting both the City's ability to borrow money and the cost of borrowing. The larger reserve will also provide available cash that can be utilized to meet cash flow needs until tax revenues are received, eliminating the need for the general fund to temporarily borrow from the City's pooled cash fund.

The forecast also reflects maintaining an unreserved fund balance, a contingency for "Economic Uncertainty" in order to lessen the impact on departmental operations in case of minor short term over budget expenditures and/or revenue declines. This will be a planned fund balance each year to carry forward to the next year to address unplanned expenses of modest amounts that do not qualify as emergencies or for small unexpected dips in revenue. The contingency has been established at approximately $0.5 million during the forecast period.

In fiscal year 2010/11, the General Fund was able to utilize one time revenues and expenditure savings to set aside some funds to perform ongoing facility repair, maintenance and remodeling, equipment maintenance and replacement, new facility construction, and strategic investment for economic development. This forecast includes annual funding for these purposes beginning in 2013/14 and continuing at increasing levels throughout the five year period. City facilities are aging and will continue to need repairs, remodeling and equipment upgrades; deferred maintenance has in some cases increased the costs of necessary repairs. All revenues from property sales held by this account will need to be held in reserve to ensure cash availability to pay for debt service for the construction of Fire Station #31 and the Pet Adoption Center or any urgent facility repairs.

While the forecast has become a valuable management tool to examine the trends of ever changing fiscal conditions, there are limitations to its use. The forecast is greatly influenced by the many changes in reallocation, swap of funds, and reduction of funding imposed by the State, new regulations and mandatory programs, and dramatic changes in the economy. Due to these variables, it has been our experience that the first few years of the forecast are a fairly good indicator of coming events while the later years are subject to much greater variance as actual conditions become known. Recognizing this shortcoming, we are committed to continue to provide the best projections for these years based upon what is known at the time in order **to reveal trends in both revenue and expenditure growth or decline**. That is the key message of this forecast.

The financial tables in the report include a baseline forecast that reviews actual financial performance over the past three years, an estimate of financial performance for the current year based upon the current operation, and projections for financial performance for the next five years. All of the forecasts are based upon a specific set of assumptions that are utilized throughout the report and identified with each forecast. This forecasting tool has proven useful for examining spending policies and revealing the trends and financial issues facing the City in order for corrective actions to be taken when needed.

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FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

This year and throughout the forecast period, it is expected the City will begin to slowly restore service levels lost during the last several years as the major sources of revenue that support the general operations experience modest growth. The local, state, and national economies have begun to recover. Local governments normally will not experience the benefit of a recovering economy for up to two years after a sustainable level has been reached, with valley cities one of the last areas in the state to experience a turnaround. For Clovis, positive signs continue to emerge, primarily the performance of sales taxes which are directly related to economic conditions. Property taxes are also expected to begin a slow increase as property values improve and the county increases assessed values lost due to automatic Prop 8 reductions.

During the 2013-2014 budget year and through the forecast period the City will need to continue to be prudent with its allocation of resources and focus on its core services to maintain the health, safety, welfare and appearance of the community. The following challenges should be addressed in the budget:

1. Public safety is a core service of the City and remains a high priority. Currently services are focused on direct service response to citizens and businesses in the community. Based on the forecast the City will have the financial ability to address staffing over time. The Police Department is looking at expanding the responsibilities of the Community Service Officer (CSO). The CSOs are responding to non-dangerous calls, code enforcement, municipal code enforcement, and traffic related incidents. The recommended deployment methodology frees sworn staff for the more critical calls for service. This change in philosophy provides more service at a lower cost. The Police Department is also looking at technology enhancements that have the potential to allow sworn officers more time for priority emergency calls.

2. Parks and landscape maintenance have been a high priority for the City as significant investments have been made in the City greenscape to ensure a positive first impression of overall care and stewardship for the physical amenities of the community. Over 25 years ago, the City Council initiated a Landscape Maintenance District (LMD) and the related tax assessment for new growth areas to improve the public greenscape of the City. The LMD has been a great success in providing a sustainable revenue source for landscaped parks and street medians in about one-half of the City area. However, community parks and street medians located in the older one-half of the City which were not included in the LMD continue to decline in quality and appearance as a result of insufficient funding. Funding is needed to sustain or improve service and materials to meet the goals and standards for a clean and green community. Much of this area supports a more mature urban forest that must be maintained adequately or a large investment in the community could be lost. Cost containment strategies must continue to be considered and should include reduced use of plant material and redesign of median plantings, reduced watering,

reduced maintenance schedules, more use of private maintenance contracts, and greater use of volunteers.

3. Planning and development services are a high priority for the City. These services guide the overall strategies for current and future land use and building throughout the City that impact the function and livability of neighborhoods and business centers as well as economic vitality of the entire community. The City is looking to sustain a service operation necessary to meet the needs of current demand. Economic growth cannot occur if services are not available and offered in a timely manner to review and permit residential and commercial projects. Most of these services can be supported by permit fees; however, general oversight of code updates and enforcement for maintaining health and safety standards and preventing neighborhood blight must be supported with general taxes. The department will provide service levels commensurate to the demand and amount of available funding and resources for these types of services. Development services are also a source of private contracting for construction and delivery of public improvement projects and capital investment. Local, state, and federal funding is available for some of these projects. The City has the ability to advance more projects to help stimulate economic activity within the construction and trades industry that provide jobs and stimulus to the local economy.

4. Fleet replacement funds will need to be deferred for a seventh year in General Fund operations. This means the City will extend the life of the fleet to the full extent possible and that it will use a "pay-as-you-go" method of funding through lease-purchasing for the foreseeable future. Interest rates have remained low allowing for this method to be effective. Funds for the debt payments for the next fire apparatus as well as 19 replacement police vehicles are included in the forecast.

5. Capital outlays should continue to be constrained. This means that some repairs and rehabilitation or replacement of equipment and facilities will be deferred until a future time and grant opportunities will be sought when appropriate.

6. Workforce expenditures should be constrained throughout the City because costs for salaries, healthcare, and retirement continue to increase. Healthcare costs are projected to increase at a greater rate than the rate of inflation and restructuring of benefit schedules should be considered. Retirement costs are projected to stabilize somewhat due to the new cost sharing agreements negotiated in 2012 but are still increasing due to investment loses of the last few years.

7. All public utility enterprises are subject to approved rate increases during the forecast period to pay for increasing costs of operations and capital projects in addition to a temporary assumption of the bonded debt obligation and bond covenants; therefore, the City will need to constrain spending for operations to lessen the impact of the timing and rate of increases to customers.

8. The Economic Development Strategy to facilitate retention and expansion of business, support business park development, and guide strategic investment in infrastructure to support business growth will continue to require more creative approaches to marketing the City to address the high commercial and retail vacancy

rates within a very constrained budget. The loss of Redevelopment funding struck a near fatal blow to the City's economic development efforts. The City will need to focus on finding additional and creative funding opportunities for this critical function. When previous redevelopment tax increment flows back to the City, the first priority for that funding must include economic development.

9. Community services for recreation and senior services that are important to the City and offer healthy and low cost activity for adults, children, and families should be maintained at its current level at a minimum. In the current year, both operations relied heavily on user fees as non-fee supported programs were previously reduced or eliminated altogether. There will continue to be the need to refocus efforts to develop opportunities for partnerships with other public and non-profit agencies, citizen volunteers, and private entities, and to seek cost efficiencies and alternate methods of service delivery until sufficient funding becomes available.

10. Public Transit services will need to be restructured within the requirements of the law to meet the new fiscal realities due to the loss of State Transit Assistance funding for operations in 2014/15. Although bus fares were recently increased, they still remain below the 10%-20% recovery rate prescribed by law and ridership has varied. The ability to raise bus fares and remain a viable service choice for riders that depend upon the service for mobility is limited. Consolidation of routes, reduced service hours, and other methods will need to be explored.

11. Fiscal policies establish an appropriate emergency reserve balance for the General Fund of no less than 10% of annual expenditures with a goal of reaching 15%. Based on projected sustained revenue growth, the forecast reflects increasing the reserve to 15% over the next 5 budget years. An unreserved General Fund balance, known as "contingency for economic uncertainty", which was established and is maintained at $0.5 million to provide sufficient funding each year to ensure a carry forward fund balance for general operations. This compensates for annual spikes in unanticipated expenditures or minor fluctuations in revenues that do not represent catastrophic events.

The City's overall financial condition is continuing to look up due to improved economic conditions and prudent expenditure decisions during the past few years. Caution is still in order, for in many ways the recovery is still fragile and has not been fully experienced by all economic sectors. Stability should continue to be sought through cautious expenditure growth and working toward the goal of establishing an emergency reserve of 15%.

Decisions of the Governor and the State Legislature for resolving the state government issues continue to be a concern. In the past, local government revenues were regularly placed at risk for the taking and that trend continues as was seen with the elimination of redevelopment.

While the forecast identifies positive trends, the City has consistently taken responsible steps to deal with the demand for services, the timely expansion of public facilities, the extraordinary cost of new regulations, and the permanent loss of

some revenues. Sound financial management of the City's resources requires that the City Council and city management work together, observe any early warning signs, and take the necessary steps to adjust programs and spending to meet the needs of the community in a fiscally responsible way. The messages the City Council provides to the community are critical to the overall success of any changes that will be made to the City's mix of services and methods of service delivery. The willingness to analyze the financial trends, the courage to make changes when they are called for, and the commitment to consider long-term budget policies will all serve to improve the effectiveness of our financial management strategies and will maintain the public's confidence in the decision-making and accountability of its public leadership

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ANALYSIS OF FUNDS

The purpose of this forecast is to provide the City Council and the City Manager with an early identification of financial trends. With early detection, financial trends identified as possible problems can be dealt with in a reasonable manner rather than waiting for a crisis to occur.

The City's Annual Budget represents a total financing plan for all city operations and must be analyzed by its component parts in order to make any meaningful adjustments. Unlike a private holding company, the City cannot remove cash from any one enterprise operation to help support general tax funded operations. Although there is certainly some financial interdependence between the funds, such as internal service fund charges to allocate common costs, each fund represented in the budget must stand alone.

When analyzing city operations it is appropriate to look at the budget, department by department. However, when reviewing long range financial policies, it is best to look at the fund structure rather than the department structure. The major fund groups reviewed in this forecast are the operating funds of the City and include:

General Fund - This fund includes the functions of general government, including elected officials, administration and finance, development services, public safety, and some field maintenance activities, such as parks and street maintenance.

Enterprise Funds - These funds include operations for the water, sewer, solid waste, street cleaning, and transit services.

Internal Service Funds - These funds include property and liability insurance, employee benefits, fleet maintenance, and general services.

Debt Service Funds - These funds include all debt service activity for which the City is responsible.

GENERAL FUND - Current Year (2012/13)

For the first time in recent years the budget included additional general fund staffing, small salary increases, and slight improvements in some expenditure areas previously reduced. Again this year the City has a structurally balanced budget. Based on current estimates, revenues are projected to be approximately $0.7 million above the budget. Sales taxes are projected to be $0.3 million more than budget due to improved auto sales; general retail sales and higher fuel prices. Another bright spot in the revenue picture is in Other Taxes which includes card room fees, yielding nearly $0.6 million more than estimated, bringing this category to $0.8 million above budget. Gas tax with the exchange of a per gallon tax versus the previous percentage of dollars method has reduced collections by $0.1 million. Property taxes and property taxes in lieu of motor vehicle license

fees are expected to come in $0.3 million less than projected as a result of declining assessed valuation of commercial properties. Taking into account savings offset by increases in additional grant matching requirements, expenditures are projected to be $0.2 million less than the budget. The budget also maintains the $0.5 million unreserved fund balance ("Contingency for Economic Uncertainty"), which was established to address unplanned expenses of modest amounts that do not qualify as emergencies and/or for small unexpected dips in revenue. This is included in the ending available fund balance of $0.7 million.

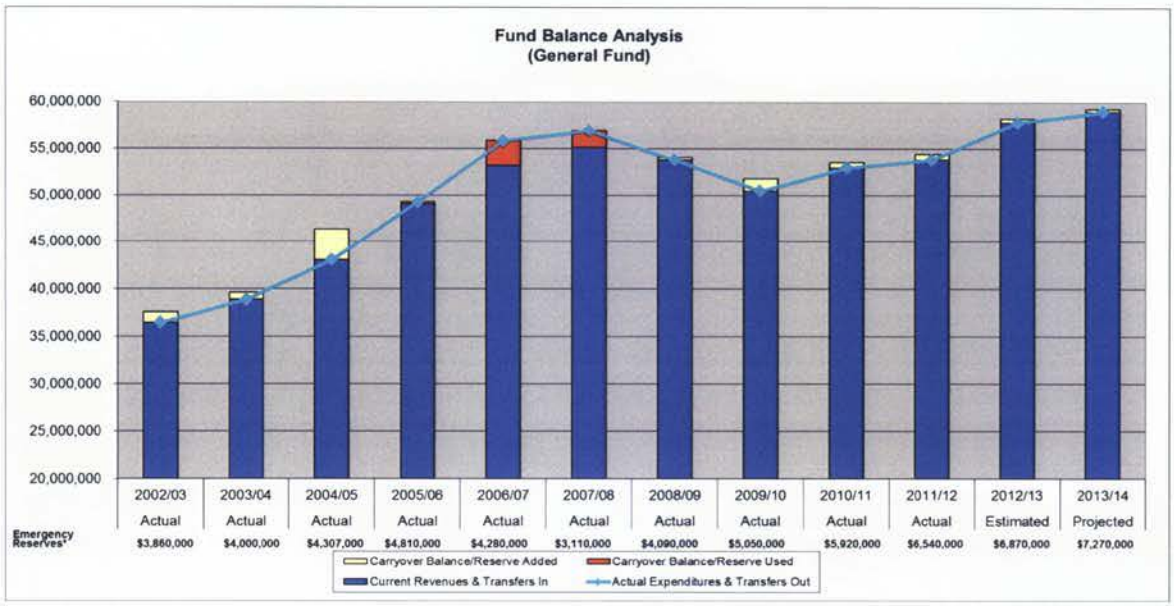
Sales tax, one of the City's major discretionary revenue sources for general operations, shows year over year gains since 2010. Sales tax receipts were up 4.8% in the first quarter (1/1/12-3/31/12), 4.4% in the second quarter (4/1/12-6/30/12), and 8.7% in the third quarter of 2012 (7/1/12-9/30/12, the most recent quarter for which information is available) when compared to the same quarters of the previous year. General retail and auto sales as well as fuel prices all contributed to these increases. Holiday quarter sales (September through December 2012) will be crucial to the overall performance of this revenue and it is anticipated that the quarter will perform better than budget. Information on this quarter will not be available until mid March, after preparation of this report.

Property taxes are now estimated to be below budget as a result of declines in the assessed valuation of property due to the county assessor processing additional Prop 8 automatic reductions in assessed valuation for all commercial properties. Also tied to the City's assessed value is the Property Tax In-Lieu of Vehicle License Fees and again, due to the declining commercial valuation, this revenue is projected to be less than budget.

Development fees continue to be constrained as new residential and commercial construction continues to be slow growing with the exception of the Clovis Community Medical Center improvements and the Clovis/Herndon shopping center.

As the economic recovery continues, the Planning and Development Services Department continues to work on the General Plan update keeping in mind the effect of growth on the City.

It is anticipated there will be additional expenditure savings as city departments begin to review their current budgets and look for potential savings. These savings are difficult to project at this time but any additional savings resulting from this budget year can be utilized to fund future year's budgets. All departments are projected to be within budget at this time.



This chart shows available funding (revenues and transfers in) compared to expenditures. As can be seen, a structural deficit was created beginning in 2005/06 and continuing through 2007/08 using accumulated savings in an attempt to expand services to catch up with community growth. In the 2009/10 fiscal year the Council approved a structurally balanced budget for the first time since 2004/05. The chart also depicts that revenues experienced a year-over-year decline in 2008/09 and 2009/10, the only times over the past ten years. In 2011/12 through 2013/14 revenues are projected to rebound at a modest rate.

GENERAL FUND - Going Forward (2013/14)

As with any forecast, this is a statistical forecast based on a fixed set of assumptions. The actual results will differ from the projections as we move through the projected period and make adjustments for actual performance and any new circumstances as they occur. These adjustments are made at the time the budget is adopted. This forecast is presented to provide the opportunity to discuss the alternatives to be considered for preparing and balancing the budget.

The forecast projects a population increase of over 7,000 for the five-year period which means the City is expected to reach over 107,000 in population by 2018. This projection continues to assume a much slower growth rate than was experienced over the past ten years, with only moderate new housing and commercial growth. As stated in the Introduction Section, it should be noted that the forecast reflects the potential for modest restoration, especially in the out years, of service levels that were reduced or eliminated during the recession years. While it is currently estimated that it would take an additional $14 million annually to restore General Fund services to pre-2007/08 levels, departments have been implementing service enhancements utilizing technology and "lower cost" service delivery options. The use of Community Service Officers in the Police Department to provide support to sworn police personnel by responding to non-critical calls for service, thereby freeing sworn personnel for more critical calls for service is a good example of lower cost service delivery.

General Fund revenue in 2013/14 is projected to grow 3.3% over the previous year. Property tax is projected to increase by 3% due to the added valuation for medical office building new construction at Clovis Community Hospital, new residential and non-residential construction, and the Proposition 13 maximum increase of 2%. The property tax increase is tempered with the potential for additional reductions in Prop 8 valuations of commercial properties. Sales tax is projected to increase 12.2% including the opening of Dick's Sporting Goods, Walmart and other retail shops at Clovis and Herndon shopping center. Development related revenues are projected to remain near the currently depressed levels as new development remains constrained and capital projects funded by Federal stimulus programs are complete. Transient Occupancy Tax, Business Licenses and Franchise Fees are all continuing on a positive trend. Card room fees, reflected in Other Taxes, are projected to continue generating over $0.5 million due to the relocation and expansion of the City's only card room.

Expenditures in the 2013/14 fiscal year are showing an increase over 2012/13, with most of the increase attributed to the net 2% salary increases and increases to retirement (partially offset by the 4% cost sharing) and health benefit costs. Expenditures are projected to increase, after taking out rollover encumbrances for projects from the prior year, $1.6 million or 2.8%.

While no additional positions are projected in this forecast it is important to understand that the 4 additional community service officers and the electrician added in the 2012/13 budget were added mid-year, and therefore funding was provided for only one-half of the full cost in 2012/13 with full funding required in 2013/14 and throughout the forecast. Also, it should be noted the grant funding for 4 firefighters and 5 police officers will no longer be available in 2013/14 with the entire cost to sustain these positions now being absorbed by the City. These safety positions have provided increased services to the community and the ability to continue fully funding them into the future indicates some stability in services.

Even with those grant positions, service levels remain reduced and this will be the seventh year the City has not been able to fund public safety vehicle replacement which is approximately $1.5 million annually. This is a critical issue in the short and long term that is addressed in the out years of this forecast. The funding of vehicle replacement is expected to be restored beginning in the 2015/16 year with full restoration beyond this forecast period. With insufficient funds being set aside currently for the replacement of an aging fleet, especially for public safety vehicles, leasing or other financing options will be used as needed. This will lower the annual expenditure amount for now, placing the City in a pay-as-you-go condition, which will contribute to an increase in the cost of operations as vehicle replacements are funded with lease purchase financing or delayed until cash is available to pay for them.

As shown in the Exhibits Section for the "General Fund Financial Forecast-Summary", which includes the projected revenues and projected expenditures for sustaining the current organization and services, the General fund continues to be structurally balanced, with revenues greater than expenditures in 2013/14. Also reflected is retaining at least a $0.5 million unreserved fund balance,

("Contingency for Economic Uncertainty"), and improving the "Emergency Reserve" to 12.5% of budgeted expenditures in 2013/14. The Emergency Reserve is shown to improve over the forecasted period to Council's recommended goal of 15% of expenditures.

Another positive to note in 2013/14 is a projected 2% net salary increase for all employees. This is in addition to the 1% net increase for all employees in 2012/13.

For the first time in many years, the General Fund is projected to begin the annual transfer of resources to the General Government Facilities Fund to address repair, remodeling and rehabilitation of existing facilities, technology improvements, debt service, new facility needs, or targeted economic development. This annual transfer is needed to provide for maintenance activities that were deferred for some time. In addition, per fiscal policy, the emergency reserve is growing to 15% over the forecast period. The emergency reserve is deemed prudent to deal with both unforeseen emergencies and potential catastrophic losses of revenue to the General Fund. It is noted that the City continues to reserve $0.855 million in response to the implementation of the "Triple Flip" by the State of California. This is the estimated amount withheld by the State but owed to the City each year. The City won't receive this amount from the State until the conclusion of the triple flip in 2035. Currently the Governor of California is discussing the possibility of repaying this debt in the next three years. Reserving this amount improves the fiscal position of the General Fund.

GENERAL FUND - Projected 2014/15 through 2017/18

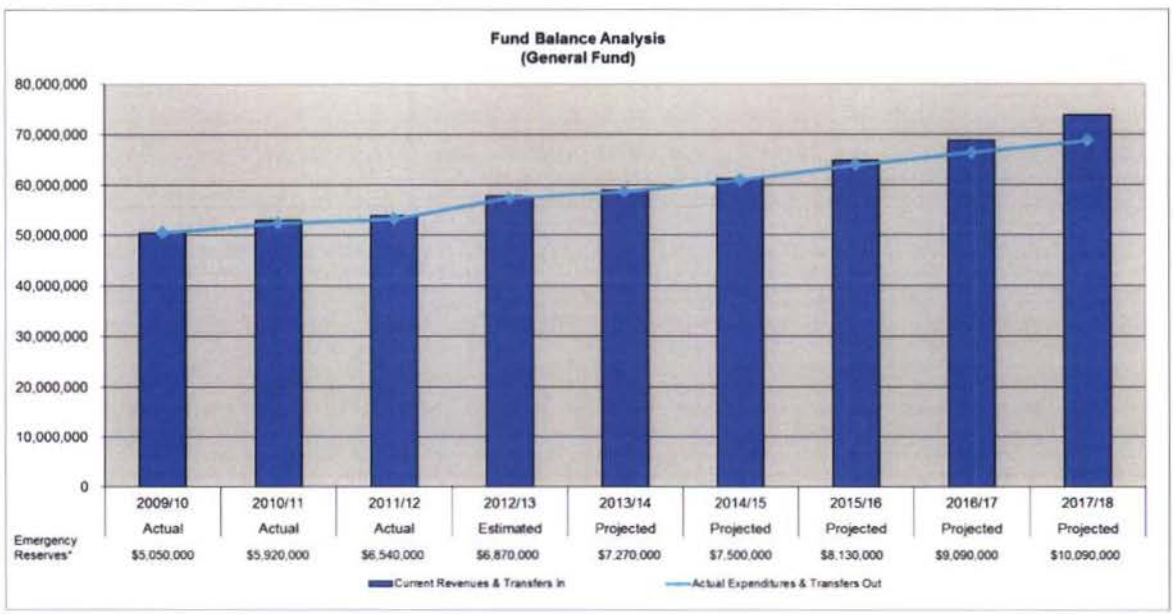
This forecast includes restoration of services discussed earlier in the form of continuing to fully fund the previously grant funded safety positions. Also fleet replacement and transfers for general facilities have been partially restored. Revenue is projected to grow by an annual average of 5.3% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 3.5% over the forecast period. The model has been constrained in this way to provide as realistic a trend as possible based upon what is known of the City's revenue activity and economic forecasts for the region, the state, and the nation.

During the forecast period sales tax is expected to return to a moderate annual increase. By the beginning of 2013/14 several new retail shops including Dick's Sporting Goods and Walmart will be open in the shopping center on the corner of Herndon and Clovis Avenues with additional tenants opening during the first half of 2013/14. Estimated amounts of sales tax are included accordingly. Property taxes are expected to return to a positive growth rate, although very moderate, as housing prices stabilize and the 2% annual growth under Proposition 13 is realized. Also included in the projected property tax projection is the recapture of a portion of the value lost as a result of the previous Prop 8 automatic reductions.

Expenditures are shown to reflect very modest growth utilizing current service levels. One major concern affecting expenditures in the forecast is Public Employee Retirement System (PERS) retirement rates. Due to stock market

losses incurred in past years by the retirement system and changes in actuarial assumptions, PERS rates are projected to increase from 30.052% to 32.700% for safety employees and from 18.051% to 20.000% for miscellaneous employees by the 2017/18 fiscal year. The annual General Fund cost for a 1% increase in the PERS rate is $0.11 million for miscellaneous employees and $0.13 million for safety employees. By the fifth year of the forecast, the PERS annual costs will have increased $1.0 million. In an effort to control the rising cost of retirement and comply with the State's pension reform, all employees have agreed to share in the City's retirement cost by contributing 4% of salaries to partially offset the City's rate. The Governor's pension reform, with lowered benefit levels and increased retirement age for new hires, took effect January 1, 2013 but these reforms are not expected to have a positive effect on the budget for at least 10 years. Health costs also continue to be a concern and the forecast projects a 10% annual increase. By the fifth year of the forecast the annual costs will have increased $1.9 million. The City and the employees are continuing to look for ways to control these costs. Some success was achieved in the containment of health cost increases in past years by adjusting plan benefits.

Following is the graphical representation of the General Fund revenues and expenditures found in the General Fund Summary forecast:



ENTERPRISE FUNDS

The purpose of the forecast for the Enterprise Funds is to provide the City Council and the City Manager with an early identification of financial trends and the ability to respond appropriately. Enterprise Funds, by definition, are supported by rates set to recover the full cost of services, including capital outlays and debt service. The rate setting process requires advance planning, preparation of rate studies, notice and conduct of public hearings, and a final decision to implement new rates if approved. This process can take up to six months to complete. For this reason, the forecast is a critical management tool for the City.

The City Council approved a rate increase for the Water Enterprise Fund beginning in January 2010 and several additional increases throughout the forecast period. While a portion of the increase is to pay for the rising cost of water production and water banking, a substantial portion of the increase is necessary to pay debt service costs and meet required bond covenants that would normally be borne by development fees which are currently insufficient to meet these obligations.

The City Council approved a series of rate increases for the Sewer Enterprise Fund beginning August 1, 2010. Some of the need for the rate increase is driven by the rising cost of treatment and capital improvements at the regional treatment facility as well as the increase in the cost to operate the new pump stations, the Sewer Treatment Water Reuse Facility (ST-WRF), and to meet bond covenants normally borne by development fees which are projected to be insufficient to meet these obligations.

In November 2004 the City Council approved an annual 4% rate increase for the Community Sanitation Enterprise Fund to pay for increased operating costs, the repayment of inter-fund loans, environmental remediation and necessary major capital outlays at the landfill. The forecast reflects that the annual increase was not necessary in 2012-13 and it may be possible to reduce rates in the next two years as the inter-fund loans were repaid and the construction of a new cell is complete. Rate reductions will be further examined during budget preparations as the fund's status is reviewed in more detail. Beginning July 2010 the Street Cleaning Enterprise Fund was combined with the Refuse Enterprise Fund because of the similarity of the operations. The current street cleaning fee will remain the same and will not require an increase during the forecast period.

The Transit Fund shows a positive position as a result of increased revenues based on population growth. Options are currently being reviewed which will focus on routes and make the system more efficient.

Further detail regarding each Enterprise Fund is discussed in the following pages. Annually, staff re-evaluates all enterprise operations to determine if any adjustments to rates are needed. At this time sewer and community sanitation enterprise operations have increases approved, barring any unforeseen or catastrophic event, sufficient to carry the operations through the forecast period. Once these rate increases meet their objectives, staff will begin to evaluate implementing smaller more measured increases on an annual basis to avoid large one-time increases. As a note, when development activity returns to a higher volume and the associated development fees are able to meet debt service obligations and repay the user account, user rates in the Water and Sewer Enterprise operations will likely see rate reductions.

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of about $9.6 million at June 30, 2013. The Council approved rate increases in the water enterprise beginning in January 2010 that were necessary to fund the increased cost to treat and distribute potable water within the City, some major water capital

improvements, and to provide debt service coverage for the 2003 Surface Water Treatment Plant bonds. A portion of the debt service was to be repaid with developer impact fees. Due to the decline in development activity it was necessary to increase rates for users to meet debt service obligations and bond covenants. Overall, with the projected rate increases, the fund balance will be stable during the next five years. Reflected in this forecast are interfund loans to the developer fund to cover the debt service payments.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $13.4 million at June 30, 2013. The approved rate increases are included in the forecast. The need for the rate increases was primarily driven by added operating expenses for the new sewer pump stations, ST-WRF, and meeting the debt service obligation that development fees can no longer cover due to the reduced building activity. General expenses to provide sewage treatment and disposal and the City's share of capital improvements at the regional treatment facility also contributed to the need for rate increase.

The City issued bonds for the Clovis Sewage Treatment-Water Reuse Facility (ST-WRF) that are repaid with developer impact fees. When the bonds were issued it was calculated that development would need to remain at the conservative ten-year average of 750 equivalent dwelling units annually to meet debt service requirements. Due to the downturn in development we are currently estimating significantly less than that level of development and as a result it was necessary to begin to use the $10.0 million rate stabilization fund. This fund was established in 2007 at the time of the issuance of the last bonds to offset shortfalls in revenue due to minor downturns in development. However, the significant slow-down in development would have depleted the rate stabilization fund by mid-2011/12 had the users not partially supported debt service and bond covenants. The covenants require a minimum fund reserve or coverage ratio of 1.2 times debt service. The user rate increases were necessary to accommodate debt service and bond covenants and are phased in over the forecast period. Reflected in this forecast are interfund loans to the developer fund to cover the debt service payments.

Community Sanitation Enterprise

The Community Sanitation Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $5.1 million. The five-year forecast reflects concluding the landfill reclamation project and completing a $5.4 million program to construct a new waste cell at the landfill and other landfill site improvements which should be completed in the 2012/13 fiscal year. The Council approved a 4% annual increase in November 2004, but due to the ability to delay the construction of the new waste cell, rates were increased only 2% in July 2011, and the annual increase was not necessary in 2012/13. Additionally rates are projected to decrease 7% for the 2013/14 year and an additional 5% for 2014/15 with no increases projected for the remainder of the forecast period. This rate adjustment will be addressed with the City Council at the end of the current fiscal year when actual results of revenue and expenditure are more complete. At this

time with the limited growth projected in residential and commercial units no additional routes are anticipated throughout the forecast period.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $0.6 million. The forecast reflects that the operation will have sufficient revenues to continue operations throughout the forecast period. With funding for Transit constantly in flux due to State budget issues the types and levels of funding will be closely monitored to make any necessary adjustments to current service levels should the need arise.

INTERNAL SERVICE FUNDS

The Internal Service Fund group is projected to be self-balancing throughout the Five-Year Forecast. Since the Internal Service Fund group is funded by charges to the operating funds, issues that will affect the Internal Service Funds are dealt with in conjunction with analysis of the impact on the operating funds. Each of the funds within the Internal Service Fund group is continually reviewed to determine where more cost effective programs and services can be utilized and expenditure reductions have been made in recent years to reduce the impact of cost sharing on all other city operations.

DEBT SERVICE FUNDS

The Debt Service Fund group, out of necessity and legal obligation, will be fully funded in order to make the required debt payments.

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ALTERNATIVES & RECOMMENDATIONS

It is recommended that the City Council provide policy direction in the following areas:

RECOMMENDATION #1 – Align budgetary expenditures with the City's strategic goals and revisit on a regular basis.

The City Council periodically conducts strategic planning and goal-setting workshops to gain information from citizens about community values and opportunities that are currently being considered or those that may not have been widely known that should be considered in order to achieve the community's full potential. The City Council then studies the information that has been gathered and refines those ideas as strategic goals and target actions for inclusion in the budget in the form of work program development and budgetary allocation. Current goals are:

GOAL #1. Provide for orderly and planned community growth consistent with the vision adopted with the General Plan.

GOAL #2. Make Clovis the safest city in the Valley providing quick and effective response to high priority calls for emergency services.

GOAL #3. Provide for economic development strategies to grow business, jobs and to enhance the revenue base of the community; position the City to compete in the global market.

GOAL #4. Provide for a financially sustainable city as the community grows.

GOAL #5. Make Clovis a great place for families to live.

GOAL #6. Foster regional leadership by maintaining a distinct community identity and pride.

GOAL #7. Encourage and promote citizen engagement and community leadership.

GOAL #8. Maintain Clovis as a public sector employer of choice.

Attributable to the foresight of the City Council and the early recognition of the economic downturn, and the subsequent actions taken to maintain a structurally balanced budget (where current year revenues are greater than or equal to current year expenditures) the City is in a stable financial position. The benefits of these actions are reflected in the five-year forecast which shows that based on the current assumptions the City's general fund operations are essentially balanced throughout the forecast period with the potential of restoring a limited level of community needs, especially in the out years of the forecast. The City has also been able to increase the emergency reserve to over 12% of expenditures utilizing one time revenues or savings from prior years and anticipates reaching 15% by the end of the forecast period.

Funding for fleet replacement is a concern. Full funding in advance is no longer occurring for the general operations and the program has migrated to a pay-as-you-go model. Lease-purchase methods will need to be utilized for acquisition of large volumes of replacement vehicles and vehicles will be retained for use for a longer period of time, when possible. This forecast includes, beginning in 2015/16, fleet replacement charges at one-half the original amount.

Over the next couple of years, increasing costs for health benefits and the implementation of Obamacare will require the City to work with employee groups to establish a viable solution to contain costs, possibly adjusting benefit programs and/or additional cost sharing, similar to cost sharing achieved with the retirement program.

The General Plan update will provide the Council and citizens of Clovis an excellent opportunity to review service levels and available funding options to ensure Clovis is fiscally sustainable and able to provide the services as identified in City's strategic goals as the City moves forward and grows.

RECOMMENDATION #2 – Revisit the financial policies to safeguard assets; stabilize funding base; and compile appropriate accounting data.

In recent years it was made very clear how volatile and vulnerable City general operating revenues become in the face of a declining overall economy and continued State budget deficits. Changes in the economy, which continue to have significant and new effect because of the national and global interaction that now exists, prompt the need to reassess the financial policies now in place in order to build a strategy for more stability to the base of revenues and expenditures dedicated to general operations that are considered to be the core services of the City.

A. **Fund Reserves** – The current policy recommends that the goal for setting reserves should be 10%-15% with the reserve currently sitting at 12%. This level is low given the current size of the City's operation and is shown to increase to 15% for the General Fund by the end of the forecast period. With the exception of self-balancing funds, most Enterprise and Internal Service Funds operate with a 10-20% reserve depending upon need for capital spending and debt coverage. This policy should also be revisited given the need for rate stabilization in the enterprise funds and the intensity of corrective action needed when user rates must be adjusted to pay for bonded debt obligations.

B. **Accumulated Savings** – A policy for use of accumulated savings should be established for overall budget stabilization within the General Fund. Currently, all such funds have been directed to the emergency reserve fund and should continue to be directed in this fashion until an adequate balance is achieved. General tax revenues have become more volatile as a result of the economic recession and correction. In addition, most accumulated savings from year to year is the result of dramatic activity in either property or sales tax collection. As a result, such additional revenue should not be dedicated 100% to operations but rather a portion set aside for budget stabilization. This would assist in stabilizing city operations when dramatic shifts occur, as witnessed in recent

years. This type of fund may take more than five years to establish but is worthwhile to explore.

C. **Balance of Revenues and Expenditures** – As this forecast illustrates, it is critical maintain a balanced budget. The tough decisions to cut expenditures during the recession has had a lasting impact on the City's financial sustainability. The City will continue to prioritize services, review all expenditures, and/or develop new revenue to remain within our means and provide long-term fiscal sustainability.

D. **General Government Services Fund** – In the past, this fund received regular transfers of accumulated savings from the General Fund for investment in public facilities, facility repairs and remodels, technology, and economic development. The fund also received allocations for maintenance and depreciation for buildings and support services from all city operations and receipts from the sale of properties owned by the General Fund. This fund has debt service and deferred maintenance obligations for public facilities. This transfer is restored gradually, reaching to $1.5 million each year by 2015/16.

E. **User Fees** – Current policy recommends that user fees for services be regularly examined to make sure that the fees are relevant to the actual cost of services. Some fees are indexed annually to stay current. Others are scheduled for review on a periodic basis and do not always stay current with actual costs. To the extent possible, all fees should either be indexed appropriately or be evaluated on at least a two-year basis. Some services that could be defined as user based are also property based. As required by law, any fee associated with such service would need to be treated as a special tax assessment on property and be subject to property owner/voter approval. Street lighting and landscape and park maintenance are two services that should be studied for such assessment.

F. **Development Impact Fees** – Current policy recommends that new development pay its way and not become a burden to existing taxpayers. The City annually reviews actual costs of development compared to development impact fees and makes adjustment by index or to actual, depending on the fee, with the goal to set fees as close to actual cost as possible. The method of trust fund collection for fees has provided a sound method for collection and reimbursement of advance work performed by any one development project, with the opportunity for reimbursement for completion of work beyond that required for a single project. It has also provided benefit to the community of more contiguity in public facilities as new development takes place incrementally.

G. **New Revenues** – A review of available methods for developing new revenue sources for general operations will continue to be explored. Although funding is tightly constrained with the loss of Redevelopment, economic development needs to remain a high priority. The City will need to seek ways to diversify its sources of revenue by also pursuing its economic development strategies and support for business retention and expansion.

H. **Legislative Reforms** – The City should continue to remain vigilant and spend time analyzing the impact of various legislative initiatives to make sure both state and federal legislators understand the impacts of their decisions on our communities before new regulations are approved. Budgetary decisions at the state and federal level do impact specific programs conducted by local government and being at the "bottom of the government food chain" with respect to taxes often makes cities "easy" targets for solutions when times are tough. The City Council has consistently been engaged in legislative issues and should continue its involvement as time and resources permit.

I. **Update the Forecast** – The City should continue to utilize the five-year financial forecast to analyze the effect of major revenue and expenditure decisions. In recent years, the assumptions utilized to build the forecast have been subject to rigorous examination due to the significant changes in the economy and will continue to need adjustment. Although the forecast and its methodologies have some limitations, it should be recognized for its usefulness in projecting trends in revenue and expenditure. Precision is not the purpose of a forecast; identification of current and future trends to allow for early interventions and for making longer range decisions is the purpose. Regular review of the history of actual conditions is recommended to continually refine the data and sources of data to improve the value of the forecast. Paraphrasing from the ancient philosopher Heraclitus, "the only constant in life is change." This is the nature of any forecast.

EXHIBITS

CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED	PROJECTED				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Beginning Available Fund Balance	**480**	**810**	**550**	**560**	**690**	**580**	**640**	**890**	**2,300**
Reappropriation	(150)	30	(30)	670					
REVENUES									
Discretionary	33,890	35,680	35,760	38,350	40,850	42,880	45,500	48,650	52,530
Non-Discretionary	16,720	17,230	18,080	18,760	18,120	18,380	19,380	20,160	21,310
Total Revenues	50,610	52,910	53,840	57,110	58,970	61,260	64,880	68,810	73,840
EXPENDITURES									
Public Safety	31,290	33,300	34,580	36,570	37,400	38,840	40,830	42,390	44,120
Public Utilities	6,950	7,080	7,360	7,850	8,060	8,240	8,460	8,680	8,910
Planning/Development	5,950	5,660	5,800	6,250	6,470	6,290	6,580	6,900	7,220
General Government	4,980	5,200	5,440	6,620	6,250	6,600	6,630	6,970	7,020
Total Expenditures	49,170	51,240	53,180	57,290	58,180	59,970	62,500	64,940	67,270
Resources Above/(Below) Operating Expenditures	**1,290**	**1,700**	**630**	**490**	**790**	**1,290**	**2,380**	**3,870**	**6,570**
ADDITIONAL ITEMS									
Transfers Out to Government Facilities		(800)			(500)	(1,000)	(1,500)	(1,500)	(1,500)
Transfers Out to WIB/Other		(290)		(30)					
Total Additional Items	0	(1,090)	0	(30)	(500)	(1,000)	(1,500)	(1,500)	(1,500)
Net Increase/(Decrease) to Fund Balance	**1,290**	**610**	**630**	**460**	**290**	**290**	**880**	**2,370**	**5,070**
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	960	870	620	330	400	230	630	960	1,000
Total Other Items	960	870	620	330	400	230	630	960	1,000
Ending Available Fund Balance	**810**	**550**	**560**	**690**	**580**	**640**	**890**	**2,300**	**6,370**
Sales Tax Triple Flip Designation	860	860	860	860	860	860	860	860	860
Emergency Reserve-(Dollars)	5,050	5,920	6,540	6,870	7,270	7,500	8,130	9,090	10,090
Emergency Reserve as a % of Expenditures	10.30%	11.60%	12.30%	12.00%	12.50%	12.50%	13.00%	14.00%	15.00%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED	PROJECTED				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Residential Units (SF + MF)	474	430	478	450	500	500	600	600	600
Discretionary									
Property Taxes	12,720	13,240	12,800	13,390	14,010	14,750	15,570	16,400	17,250
Educational Augmentation	(3,280)	(3,280)	(3,260)	(3,200)	(3,560)	(3,750)	(3,950)	(4,170)	(4,380)
County Admin Fee	(320)	(340)	(310)	(290)	(340)	(350)	(370)	(390)	(410)
Property Tax In Lieu-VLF	6,760	6,720	6,650	6,550	6,860	7,240	7,680	8,130	8,630
Sales Tax	9,630	10,350	10,920	11,840	13,290	14,030	15,130	16,650	18,680
In Lieu Sales Tax-Triple Flip	3,220	3,450	3,650	3,950	4,430	4,680	5,050	5,560	6,240
County Share	(640)	(690)	(730)	(790)	(890)	(940)	(1,010)	(1,110)	(1,250)
Franchise Fee	1,910	2,020	2,040	2,060	2,080	2,140	2,210	2,280	2,350
Business License	2,090	2,010	2,100	2,200	2,250	2,300	2,350	2,400	2,450
Other Taxes	1,300	1,550	1,700	2,480	2,530	2,580	2,630	2,690	2,750
State Subvention-Motor Vehicle	300	490	50	0	0	0	0	0	0
Interest	20	20	10	10	40	40	50	50	60
Other Revenues-Disc	180	140	140	150	150	160	160	160	160
Non-Discretionary									
Community Facility Fee	470	590	660	740	830	920	1,030	1,150	1,270
Sales Tax-(public safety)	200	220	240	250	260	270	280	290	300
Building Permits	1,340	980	1,130	1,230	1,290	1,310	1,480	1,510	1,650
Other Lic & Permits	100	110	160	100	100	100	100	100	100
Fines & Forfeit	310	220	230	240	240	240	240	240	240
Building Rentals	30	30	30	30	30	30	30	30	30
State Subvention-Gas Tax	970	920	1,010	960	970	980	1,000	1,020	1,040
Grants	1,000	1,390	1,980	1,820	1,020	770	770	770	770
From Other Agencies	440	680	430	440	450	460	470	480	490
Planning Fees	1,060	1,020	1,150	1,270	1,100	1,130	1,470	1,500	1,540
Engineering Fees	900	880	970	1,150	1,040	1,060	1,360	1,390	1,420
Capital Improvement Charges	2,570	2,230	2,010	2,270	2,350	2,410	2,090	2,140	2,290
Current Services	3,550	3,990	4,010	3,580	3,660	3,820	4,070	4,420	4,910
Other Revenues-non-disc	280	400	390	310	320	330	350	380	420
Impact/Rental Fees	1,140	1,160	1,210	1,260	1,290	1,320	1,350	1,380	1,410
Admin Charges	2,360	2,410	2,470	3,110	3,170	3,230	3,290	3,360	3,430
Total Revenues	**50,610**	**52,910**	**53,840**	**57,110**	**58,970**	**61,260**	**64,880**	**68,810**	**73,840**

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES:	ANNUAL INCREASE	INCREASE IN ASSESSED VALUE	CITY TAX RATE (Before reductions)	
	2.00%	$139,000,000	17.69% of 1%	
		Increase in AV above based on 500 units. Adjusted for units accordingly for respective fiscal year. Adjust for recapture of Prop8 devalued properties of $1,220M		
PROPERTY TAX IN LIEU-VLF:	INCREASE BY ASSESSED VALUE GROWTH		3.90% ***(based on 500 units)***	
COMMUNITY FACILITY FEE:	2/3 OF NEW RES UNITS PER YEAR	335	ANNUAL FEE: $214	INCREASE BY: 2.11%
SALES TAX:	3 YEAR CPI	SALES TAX RATE	POPULATION GROWTH	PER CAPITA $ PER YEAR
	2.11%	1.00%	1,400 PER YEAR	$156
COUNTY SHARE:	5.00% OF GROSS SALES TAX		(Based on 500 units)	
Clovis Crossing Center: add $270k FY12/13, $750k FY13/14 and $250k Dodge			***Note: Annual Population: 450 units =1200; 600 units=1600***	
FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	PARTICIPATION %
	2.11%	500	1.00%	50.00% Comcast/AT&T
				$70 Per Unit per Month
				P G & E
				$250 Per Unit per Mo
	Note: Adjusted for units accordingly for respective fiscal year			
BUSINESS LICENSE:	INCREASE ANNUALLY BY THREE YEAR CPI:		2.11%	
BUILDING PERMITS:	NEW RES UNITS PER YEAR	FEES PER RES UNIT	NEW NON-RESIDENTIAL	ANNUAL INCREASE
	500	$1,900	20.00% of the residential amount	2.11%
	PER UNIT BASED ON 2 YR. ACTUALS AND ETC			
FINES AND FORFEITURES:	PARKING AND VEHICLE	$253,000	BASED ON THREE YEAR AVERAGE	
INTEREST:	RATE ->>	0.50%	ON PRIOR YEAR'S BALANCE OR	$50,000 IF NEGATIVE FUND BALANCE
BUILDING RENTALS:	INCREASE ANNUALLY BY: 2.00%			
STATE SUBVENTIONS:		MOTOR VEH	GAS TAX	POPULATION GROWTH
	PER CAPITA	$0.00	$10.21	1,400 PER YEAR
	SB89 ELIMINATED VLF			(Based on 500 units)
				Note: Annual Population: 450 units =1200; 600 units=1600
STATE GRANTS:		THREE YR. AVG.	$1,456,605	$774,395 3 YEAR AVG. WITHOUT STIMULUS FUNDS

UNITS:	478	450	500	500	600	600	600
PLANNING FEES:	2011/12 (actual)	2012/13 (rev est)	2013/14 (DR)	2014/15	2015/16	2016/17	2017/18
Planning Program Fees	481,157	532,043	430,000	430,000	537,000	537,000	537,000
Other Planning Fees	665,912	737,957	660,360	660,000	825,000	825,000	825,000

AVG. PLANNING FEES PER UNIT: $1,100 (BASED ON 2 YEAR ACTUALS AND ETC)

Note: Adjusted for units accordingly for respective fiscal year and CPI

PER UNIT BASED ON 2 YR. ACTUALS & ETC ***Adjusted for units accordingly for respective fiscal year and CPI***

ENGINEERING FEES:	NEW RES UNITS	AVG. ENG FEES PER UNIT	ANNUAL INCREASE	ADD'L NON-RESIDENTIAL
	500	$1,700	2.11%	20%
IMPACT/RENTAL FEES:	BASED ON ADD'L ROUTES PROJECTED IN THE ENTERPRISE FUND AND INCREASE BY THREE YEAR CPI AVERAGE			
ADMIN CHARGES:	INCREASE	2.00% PER YEAR		
CURRENT CHARGES:	INCREASE BY THREE YEAR CPI AVERAGE		2.11%	
OTHER REVENUE:	INCREASE BY THREE YEAR CPI AVERAGE		2.11%	

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			ESTIMATED	PROJECTED				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
PUBLIC SAFETY									
Salaries									
Police-CPOA	6,750	6,440	6,630	6,770	7,180	7,340	7,490	7,650	7,810
Fire	4,280	4,500	4,530	4,640	4,920	5,020	5,130	5,240	5,350
Public Safety-Management	1,650	1,870	1,980	2,140	2,320	2,370	2,420	2,470	2,520
Police-Non CPOA	1,700	1,760	1,750	2,160	2,360	2,410	2,460	2,510	2,560
Fire-Non Firefighters	170	140	140	140	160	160	170	170	170
Overtime									
Overtime-CPOA	1,300	1,860	1,900	1,730	1,730	1,730	1,730	1,730	1,730
Overtime-Fire	530	730	910	980	980	980	980	980	980
Extra Help	650	780	810	750	740	740	740	740	740
Benefits									
Health	2,300	2,140	2,230	2,380	2,650	2,920	3,210	3,530	3,880
Retirement	3,430	3,620	4,320	4,550	4,220	4,570	4,740	4,890	5,050
Other	1,800	1,990	2,170	2,450	2,520	2,650	2,850	3,140	3,540
SMS	6,460	6,640	6,860	7,190	7,350	7,680	8,630	9,060	9,500
Capital Outlay	270	830	350	690	270	270	280	280	290
Total Public Safety	31,290	33,300	34,580	36,570	37,400	38,840	40,830	42,390	44,120
PUBLIC UTILITIES									
Salaries	1,700	1,750	1,530	1,730	1,870	1,870	1,910	1,950	1,990
Overtime	60	50	50	30	30	30	30	30	30
Extra Help	150	120	90	80	80	80	80	80	80
Benefits									
Health	420	370	320	360	400	440	480	530	580
Retirement	260	290	280	300	270	290	310	320	330
Other	290	290	240	290	300	310	320	330	340
SMS	3,840	4,150	4,770	5,010	5,060	5,170	5,280	5,390	5,500
Capital Outlay	230	60	80	50	50	50	50	50	60
Total Public Utilities	6,950	7,080	7,360	7,850	8,060	8,240	8,460	8,680	8,910
PLANNING/DEVELOPMENT									
Salaries	2,710	2,580	2,470	2,490	2,760	2,820	2,880	3,010	3,140
Overtime	190	130	90	110	110	110	110	110	110
Extra Help	120	160	310	340	340	340	440	440	440
Benefits									
Health	490	430	430	430	470	520	570	660	760
Retirement	380	380	450	490	440	480	510	540	570
Other	330	340	350	280	300	310	320	350	370
SMS	1,550	1,620	1,680	1,960	2,020	1,680	1,720	1,760	1,800
Capital Outlay	180	20	20	150	30	30	30	30	30
Total Planning/Development	5,950	5,660	5,800	6,250	6,470	6,290	6,580	6,900	7,220
GENERAL GOVERNMENT									
Salaries	1,890	1,970	1,930	2,180	2,290	2,340	2,390	2,440	2,490
Overtime	10	10	10	20	20	20	20	20	20
Extra Help	170	210	250	400	400	400	400	400	400
Benefits									
Health	360	370	400	410	450	500	550	610	670
Retirement	280	290	350	400	380	410	430	440	460
Other	210	240	260	230	240	250	260	270	280
SMS	2,050	2,090	2,230	2,980	2,460	2,670	2,570	2,780	2,690
Capital Outlay	10	20	10	0	10	10	10	10	10
Total General Govt	4,980	5,200	5,440	6,620	6,250	6,600	6,630	6,970	7,020
Total Expenditures	**49,170**	**51,240**	**53,180**	**57,290**	**58,180**	**59,970**	**62,500**	**64,940**	**67,270**

Expenditure Assumptions (dollars in thousands)

SALARIES:		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
POLICE-CPOA	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
POL-SAL BASE		$6,910	$7,190	$7,340	$7,490	$7,650	$7,810
Additional Officers-Salary		0	0	0	0	0	0
Number of Additional Officers		0	0	0	0	0	0
Additional Non-Sworn Positions		4	0	0	0	0	0
FIRE	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
SALARY BASE		$4,730	$4,920	$5,020	$5,130	$5,240	$5,350
Additional Firefighter-Salary		0	0	0	0	0	0
Number of Addl Firefighters		0	0	0	0	0	0
PUBLIC UTILITIES	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
SALARY BASE		$1,760	$1,830	$1,870	$1,910	$1,950	$1,990
Additional Salaries-Park/Street		0	0	0	0	0	0
Addl Park/Street employees		1	0	0	0	0	0
GENERAL GOVT	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
MGMT	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 2.11%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 10.0%

RETIREMENT:	2012/13	2013/14	2014/15 (PERS est.)	2015/16(est.) (PERS est.)	2016/17(est.)	2017/18(est.)
POLICE-SAFETY	29.157%	30.052%	31.600%	32.100%	32.400%	32.700%
DISPATCHERS	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
FIRE	29.157%	30.052%	31.600%	32.100%	32.400%	32.700%
PUBLIC UTILITIES	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
GENERAL GOVERNMENT	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
MANAGEMENT	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
PERS COST SHARING	-2.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

WORKERS COMP:							
	Police-CPOA	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%
(included in other benefits)	Fire	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%
	Mgmt & CUE	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%
	Public Utility	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%

OTHER BENEFITS: Previous year's amount increased by contracted and estimated salary increases. Includes 2% of non-safety salaries for deferred comp and 1% of total salaries for sick leave incentive and 1% for other benefits.

OTHER SMS: INCREASE 3 YEAR AVERAGE CPI 2.11%

CAPITAL OUTLAY:		
INCREASE BY 3 YEAR AVG CPI PER YEAR	2.11%	
50% FOUR YEAR AVERAGE-PUBLIC SAFETY	$260	
50% FOUR YEAR AVERAGE-PUBLIC UTILITIES	$50	+ ADDITIONAL EQUIP FOR NEW EMPLOYEES
50% FOUR YEAR AVERAGE-PLANNING/DEV	$30	
50% FOUR YEAR AVERAGE-GEN GOVT	$10	

CONTINGENCY RESERVE: Maintain not less than 10% with a goal to reach 15% of total expenditures. See the Summary Sheet for reserve.

CITY OF CLOVIS

Water Enterprise - Financial Forecast *(dollars in thousands)*

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Estimated 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18
BEG WORKING CAPITAL	7,160	6,110	7,960	9,080	9,610	9,630	10,280	11,010	11,940
REVENUES									
WATER CHARGES	9,560	12,290	14,230	14,670	14,730	14,790	14,860	14,930	15,000
DBCP-LEGAL SETTLEMENTS	330	340	360	360	270	220	220	220	220
OTHER LEGAL SETTLEMENTS				2,310					
TOTAL REVENUES	9,890	12,630	14,590	17,340	15,000	15,010	15,080	15,150	15,220
EXPENDITURES									
SALARIES	1,780	1,780	1,840	1,990	2,030	2,070	2,120	2,170	2,220
EXTRA HELP	50	30	30	30	30	30	30	30	30
OVERTIME	70	90	90	90	90	90	90	90	90
BENEFITS									
RETIREMENT	250	280	310	350	290	310	330	340	350
HEALTH	400	350	370	430	470	520	570	630	690
OTHER	270	300	280	340	370	370	380	390	400
SERV, MAT & SUPP	6,710	5,980	6,570	9,780	7,490	7,650	7,810	7,970	8,140
MEMBRANE REPLACEMENT	110	0	0	0	0	0	330	890	0
CAPITAL OUTLAY	420	530	540	3,330	700	720	740	760	780
TOTAL EXPENDITURES	10,060	9,340	10,030	16,340	11,470	11,760	12,400	13,270	12,700
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	170	120	180	3,080	70	70	70	10	70
	170	120	180	3,080	70	70	70	10	70
INTERFUND LOANS-(DEBT SERVICE)			(1,750)	(1,250)	(1,200)	(500)			
TRANSFERS-OUT (CAPITAL)	0	(500)	(850)	(700)	(780)	(570)	(750)	(750)	(750)
WATER BANKING LOAN TO DEV FUND				(500)	(500)	(500)	(500)		
CONTRIBUTION-SURFACE WTP	(810)	(810)	(810)	(810)	(810)	(810)	(810)	(810)	(810)
MEMBRANE REPLACEMENT RESERVE	(190)	(200)	(210)	(290)	(290)	(290)	(290)	(290)	(290)
WELL HEAD TREATMENT(RESERVE)	(50)	(50)							
RESERVE FOR DROUGHT CONTINGENCY									
END WORKING CAPITAL	6,110	7,960	9,080	9,610	9,630	10,280	11,010	11,940	12,680
RESERVE FOR WELLHEAD TREATMENT	950	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0
RESERVE FOR MEMBRANE REPLACEMENT	190	390	600	890	1,180	1,470	1,430	830	290
RESERVE FOR DROUGHT CONTINGENCY	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	0

Water Enterprise- Revenue Assumptions (dollars in dollars)

Residential Rates: $1.71 per 1,000 gallons for 10,001 - 35,000 gallons, $2.14 per 1,000 gallons for 35,000 - 70,000 gallons, $2.57 per 1,000 gallons above 70,000 gallons. Minimum monthly charge $8.40.

Commercial Rates: $1.47 per 1,000 gallons over 5,000 gallons. Minimum monthly charge from $8.40(1") to $233.33(6") includes 5,000 gallons.

Current Charges: INCREASED EACH YEAR BY THE AVERAGE INCREASE OF THE PREVIOUS THREE YEARS

		2012/13*	2013/14	2014/15	2015/16	2016/17	2017/18
Rate Increase:	7/1	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*** Rate Increase:** Based on Council approved annual rate increase unless not necessary.

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF $10,000

Water Enterprise - Expense Assumptions (dollars in thousands)

Salaries: CPWEA	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
7/1	1.00%	2.00%	2.20%	2.20%	2.20%	2.20%
SALARY BASE	$1,990	$2,030	$2,070	$2,120	$2,170	$2,220

Add'l employee for Surface Water Plant

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2012/13	2013/14	(PERS est.) 2014/15	(PERS est.) 2015/16(est.)	2016/17(est.)	2017/18(est.)
	17.484%	18.051%	19.100%	19.400%	19.700%	19.700%
PERS Cost Sharing:	-2.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:
- -RETIREMENT 17.484% OF EXTRA HELP
- -WORKERS COMP 12.840% FOR CPWEA 3.16% FOR ADMIN
- -MEDICARE 1.450% OF SALARIES
- -DEF COMP/SICK LEAVE INC 5.250% OF SALARIES

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 2.20%

(Increase energy cost by 50% for the Surface Water Treatment Plant operation beginning in 2004/05)

Rental of New Corp Yard-beginning 2002/03 $320 per year

Capital Outlay: FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS 2.20%

Transfers Out: FOR CAPITAL CONTRIBUTIONS FOR DISTRIBUTION SYSTEM IMPROVEMENTS
FOR LAND ACQ, DESIGN AND CONSTRUCTION OF RECHARGE FACILITIES-100%

Reserves: WELLHEAD TREATMENT CONTINGENCY ESTABLISHED FOR POSSIBLE CLEANUP OF DBCP CONTAMINATION
MEMBRANE REPLACEMENT RESERVE ESTABLISHED FOR NEW MEMBRANE COSTS
DROUGHT CONTINGENCY ESTABLISHED FOR WATER PURCHASE DURING POSSIBLE DROUGHT

CITY OF CLOVIS

Sewer Enterprise - Financial Forecast *(dollars in thousands)*

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Estimated 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2016/17
BEG WORKING CAPITAL	11,680	11,790	17,500	15,110	13,350	11,510	12,420	14,610	14,630
REVENUES									
SEWER CHARGES	7,510	8,420	9,520	10,320	10,980	11,570	12,100	12,650	13,220
BOND COVERAGE CHARGES	0	2,840	3,250	3,290	3,290	3,340	2,710		
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	7,560	11,310	12,820	13,660	14,320	14,960	14,860	12,700	13,270
EXPENDITURES									
SALARIES	580	600	640	660	690	700	710	720	740
EXTRA HELP	0	0	0	10	10	10	10	10	10
OVERTIME	20	10	20	20	20	20	20	20	20
BENEFITS									
RETIREMENT	80	90	110	110	100	110	110	110	120
HEALTH	150	130	140	160	180	200	220	240	260
OTHER	90	90	90	100	120	120	130	130	130
SERV, MAT & SUPP	2,860	2,700	2,740	3,130	3,190	3,250	3,310	3,370	3,430
FRESNO TREATMENT PLANT	2,520	1,630	2,460	1,510	2,910	2,320	2,370	2,420	2,470
CLOVIS TRMT/REUSE PLANT (ST-WRF)	1,770	1,520	1,530	1,900	1,960	2,020	2,080	2,140	2,210
DEBT SERVICE	1,180	1,180	1,180	1,250	1,250	1,250	1,250	1,250	1,250
CAPITAL	40	0	70	90	50	50	50	60	60
CAPITAL-FRESNO PLANT IMPROVEMENTS	1,060	1,320	1,220	2,000	1,700	1,500	1,900	2,700	2,700
TOTAL EXPENDITURES	10,350	9,270	10,200	10,940	12,180	11,550	12,160	13,170	13,400
OTHER REVENUE AND EXPENSE									
INTEREST	190	70	50	80	70	60	60	70	70
GRANTS/MISC/SALE OF ASSETS/REFUNDS	10	20	20	170	150	150	150	150	150
	200	90	70	250	220	210	210	220	220
TRANSFERS IN-DEBT SERVICE	370	370	370	370	370	370	370	370	370
TRANSFERS OUT-CAPITAL	0	0	(500)	(370)	(340)	(350)	(360)	(370)	(380)
FROM DEVELOPER-PLANT CAPITAL IMPROV	270	270	270	270	270	270	270	270	270
INTERFUND LOANS	1,000	2,000							
INTERFUND LOANS-(DEBT SERVICE)			(5,220)	(5,000)	(4,500)	(3,000)	(1,000)		
(INC)/USE OF FRESNO PLANT CAP RESERVE	1,060	940							
END WORKING CAPITAL	11,790	17,500	15,110	13,350	11,510	12,420	14,610	14,630	14,980
RESERVE FOR FRESNO PLANT CAPITAL	940	0	0	0	0	0	0	0	0
REQUIRED FOR DEBT COVERAGE	1,800	5,800	6,900	6,900	6,900	6,900	6,900	6,900	6,900

Sewer Enterprise - Revenue Assumptions (dollars in dollars)

Current Charges:	Population Increase	Residential:	New Units Per Year	Additional Commercial	2012/13 Per Unit Per Month	Bond Charge Per Unit Per Month	Pretreatment Per Unit Per Month
	1,400		600	$27,000	$19.08	$7.30	$0.06

(Note: Adjusted to 450 units for 12/13 and 500 units for 13/14 and 14/15)

Rate Increase:		2012/13 *	2013/14 *	2014/15 *	2015/16 *	2016/17*	2017/18*
	Percentage	6.00%	5.00%	4.00%	3.00%	3.00%	3.00%
	Revised Monthly Rate	$19.08	$20.03	$20.84	$21.47	$22.11	$22.78

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

*** Rate Increase:** Based on Council approved annual rate increase unless not necessary.

Sewer Enterprise - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
SALARY BASE	$660	$690	$700	$710	$720	$740

Additional employee

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2012/13	2013/14	2014/15 (PERS est.)	2015/16(est.) (PERS est.)	2016/17(est.)	2017/18(est.)
	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
PERS Cost Sharing:	-2.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:

-RETIREMENT	17.484%	OF EXTRA HELP	
-WORKERS COMP	12.840%	FOR CPWEA	3.16% FOR ADMIN
-MEDICARE	1.450%	OF SALARIES	
-DEF COMP/SICK LEAVE INC/OTHER	5.250%	OF SALARIES	

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.11%

Rental New Corp Yard-Beginning in 2002/03 $320

Clovis Treatment/Reuse Plant Operations-Beginning 1/1/2009 $1,000

Regional Treatment Plant: Annual payment for original plant buy-in plus O&M costs.

Adjusted for average 3 year CPI and per capita amount 2.11%

Debt Service: Fresno/Clovis Regional WWTP Renovation

96/97 - 2023 $1,250

Capital Outlay: FUTURE YEARS @ $50

- ADJUSTED BY 3 YEAR AVERAGE CPI 2.11%

Capital-Plant Improvements: Based on estimates from the City of Fresno for sewer main and plant refurbishments

Transfers In-Debt Service: In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation/Expa $370

Transfers Out: Out for on-going capital improvements-per Five Year CIP

Interfund Loans: Temporary cash loans to conform with various bond covenants

CITY OF CLOVIS

Community Sanitation - Financial Forecast *(dollars in thousands)*

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Estimated 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18
BEG WORKING CAPITAL	5,430	5,650	4,640	4,170	5,110	5,850	5,290	5,450	5,320
REVENUES									
REFUSE CHARGES	13,030	13,150	13,860	14,150	13,260	12,430	12,540	12,650	12,760
RECYCLING CHARGES	1,030	1,070	1,130	1,180	1,240	1,300	1,310	1,320	1,330
GREEN WASTE CHARGES	1,250	1,300	1,370	1,440	1,510	1,580	1,660	1,740	1,830
STREET SWEEPING CHARGES	1,000	1,000	1,020	1,010	1,020	1,030	1,040	1,050	1,060
TOTAL REVENUES	16,310	16,520	17,380	17,780	17,030	16,340	16,550	16,760	16,980
EXPENDITURES									
SALARIES	1,920	2,050	2,170	2,260	2,420	2,470	2,520	2,620	2,680
EXTRA HELP	160	80	70	100	100	100	100	100	100
OVERTIME	190	190	160	190	190	190	190	190	190
BENEFITS									
RETIREMENT	280	320	370	370	340	370	390	410	430
HEALTH	470	480	500	560	620	680	750	830	910
OTHER	340	340	320	410	470	480	490	500	520
SERV, MAT & SUPP	5,510	5,390	5,190	6,590	6,720	6,860	7,000	7,140	7,280
RECYCLING	1,040	1,100	1,160	1,040	1,090	1,140	1,200	1,250	1,300
GREEN WASTE PROGRAM	1,200	1,270	1,340	1,360	1,430	1,500	1,580	1,660	1,740
STREET SWEEPING	930	1,000	1,070	1,060	1,080	1,100	1,120	1,140	1,160
DEBT SERVICE	70	10	0	0	0	0	0	0	0
LANDFILL CLOSURE	140	150	180	150	150	150	150	150	150
CAPITAL	1,040	200	290	880	830	830	90	90	90
LANDFILL IMPROVEMENTS	770	890	4,200	1,260	200	390	190	190	190
LANDFILL DEBT SERVICE	790	790	780	790	790	790	790	790	790
TOTAL EXPENDITURES	14,850	14,260	17,800	17,020	16,430	17,050	16,560	17,060	17,530
OTHER REVENUE AND EXPENSE									
INTEREST	110	70	60	70	40	50	50	50	50
GRANTS/MISC/SALE OF ASSETS	30	30	30	20					
	140	100	90	90	40	50	50	50	50
TRANSFERS	50	50	70	90	100	100	120	120	120
TRANSFERS OUT-CAPITAL			(270)	0					
LANDFILL LINER FEE	70	80	60	0	0	0	0	0	0
INTERFUND LOAN REPAYMENT	(1,500)	(3,500)							
END WORKING CAPITAL	5,650	4,640	4,170	5,110	5,850	5,290	5,450	5,320	4,940
RESERVE FOR CLOSURE	2,130	2,280	2,460	2,610	2,760	2,910	3,060	3,210	3,360
RESERVE FOR LIABILITY INS	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

*Note: Maintain minimum ending working capital at 15% of expenditures or the bond covenant requirements.

Community Sanitation - Revenue Assumptions (dollars in dollars)

Current Charges:	New Units Per Year	12/13 Avg Unit Per Month	Recycling Per Month	Green Waste Per Month	Street Cleaning Per Month
	600	$25.95	$3.11	$4.56	$2.25

(Note: Adjusted to 450 units for 12/13 and 500 units for 13/14 and 14/15)

Additional Commercial Annual Revenue ----------> $35,000

		2012/13 *	2013/14 *	2014/15 *	2015/16 *	2016/17 *	2017/18 *
Rate Increase/(Decrease):	7/1	0.0%	-7.0%	-5.0%	0.0%	0.0%	0.0%
Adjusted Monthly Rate:		$25.95	$24.13	$22.93	$22.93	$22.93	$22.93

*** Rate Increase:** Based on Council approved 4% annual rate increase unless not necessary.

Green Waste/Recycling: Based on current year charges, increased by new unit growth and projected rate increases of 4% per year.

Street Cleaning: Based on current year charges, increased by new unit growth.

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

Community Sanitation - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
Salary Base:	$2,260	$2,420	$2,470	$2,520	$2,620	$2,680
Additional Personnel: Res/Comm				$45		

Extra Help: $110 for Operations per year

Overtime: FLAT FOR FUTURE YEARS 2.11%

Retirement:	2012/13	2013/14	(PERS est.) 2014/15	(PERS est.) 2015/16(est.)	2016/17(est.)	2017/18(est.)
	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
PERS Cost Sharing:	-2.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:
- -RETIREMENT 17.484% OF EXTRA HELP
- -WORKERS COMP 12.84% FOR CPWEA 3.16% FOR ADMIN
- -MEDICARE 1.45% OF SALARIES
- -DEF COMP/SICK LEAVE INC/OTHER 5.25% OF SALARIES

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.11%
Rental for 25% of the Corp Yard beginning 2002/03 $320 per year

Debt Service: 98 Landfill Improvements Beginning 1999/00-2018/19 actual according to debt service schedule
2011 Landfill Improvements Beginning 2010/11-2019/2020 estimated according to debt service schedule

Capital Outlay: FLAT FOR FUTURE YEARS $80
ADJUSTED BY 3 YEAR AVERAGE CPI 2.11%

Transfers: In-For Toters $120 /year

Reserve For Closure: FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 2.11%

Interfund Loans/Repayments: Temporary cash loans to meet bond covenants. The Sewer Enterprise Fund loaned four million dollars, the Sewer Capital Development Fund loaned one million dollars and the Liability and Property Insurance Fund loaned one million dollars.

CITY OF CLOVIS

Transit - Financial Forecast *(dollars in thousands)*

	Actual 2009/10	Actual 2010/11	Actual 2011/12	Estimated 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18
BEG WORKING CAPITAL	360	280	370	450	550	930	1,240	980	660
REVENUES									
MEASURE C FUNDS	950	1,010	1,120	1,180	1,260	1,290	1,320	1,350	1,380
LOCAL TRANSPORTATION FUNDS (LTF)	2,340	2,090	2,040	2,660	2,820	2,880	2,940	3,000	3,060
STATE TRANSIT ASSISTANCE	0	520	540	580	510	510	510	510	510
OTHER(Fares, Advertising, Trolley Rents)	250	230	250	220	220	220	220	220	220
TOTAL REVENUES	3,540	3,850	3,950	4,640	4,810	4,900	4,990	5,080	5,170
EXPENDITURES									
SALARIES	910	900	960	1,000	1,040	1,060	1,080	1,100	1,100
EXTRA HELP	660	640	610	700	740	780	820	860	900
OVERTIME	30	30	30	30	30	30	30	30	30
BENEFITS									
RETIREMENT	130	130	160	170	150	160	170	170	180
HEALTH	210	190	210	230	250	280	310	340	370
OTHER	270	300	300	380	340	360	380	390	410
SERV, MAT & SUPP	1,410	1,490	1,590	1,770	1,810	1,850	1,890	1,930	1,970
CAPITAL-OTHER	0	120	100	70	70	70	70	70	70
CAPITAL-BUSES	0	80	0	1,140			510	510	510
TOTAL EXPENDITURES	3,620	3,880	3,960	5,490	4,430	4,590	5,260	5,400	5,540
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	0	120	90	950	0	0	10	0	0
SALE OF ASSETS	0								
	0	120	90	950	0	0	10	0	0
END WORKING CAPITAL	280	370	450	550	930	1,240	980	660	290

Transit- Revenue Assumptions

Transit Revenue:

Measure C revenue is projected to grow by 3 year average CPI 2.11%

LTF Revenues are projected to grow by the 3 year average CPI 2.11%

(Note: LTF Revenues may need to be increased to fund transit operations, thus reducing the amount available to fund street construction projects)

State Transit Assistance is not projected to be available during the 5 year period and when available is used primarily for capital.

Other revenue is projected to grow by the 3 year average CPI 2.11%

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

Transit- Expense Assumptions

Salaries:		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
CUE	7/1	3.00%	4.00%	2.11%	2.11%	2.11%	2.11%
Additional Employees							

Extra Help: INCREASE 5% PER YEAR FOR ADDITIONAL DEMAND IN ROUNDUP TRANSIT SERVICES

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.11%

Retirement:	2012/13	2013/14 (est.)	2014/15 (est.) (PERS est.)	2015/16 (est.) (PERS est.)	2016/17 (est.)	2017/18 (est.)
	17.484%	18.051%	19.100%	19.400%	19.700%	20.000%
PERS Cost Sharing:	-2.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:

-RETIREMENT 17.484% OF EXTRA HELP

-WORKERS COMP 12.840% OF SALARIES 3.16% FOR ADMIN

-MEDICARE 1.450% OF SALARIES and EXTRA HELP

-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER 5.250% OF SALARIES

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.11%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI 2.11%

EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

Generally in preparation of the forecast, trends are determined and utilized for projecting future activity. With current activity in both revenues and expenditures falling significantly outside normal "trends" adjustments to the basis for the projections are needed. The table below indicates the values that required modification for projection purposes.

	10-YR Average	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18
Residential Units (Single Family plus Multi Family)	921	500	500	600	600	600
Assessed Valuation (in Millions)	$284	$139	$261	$295	$295	$295
Population Increase	2,581	1,400	1,400	1,600	1,600	1,600

The 2012/13 revenues were estimated based on actuals to date through January of 2013, and projected out for the remainder of the fiscal year based on trend analysis of prior years receipts. Some revenues were given special consideration due to the current economic climate along with budgetary actions taken at the state level such as property taxes, sales taxes, and motor vehicle license fees. The economic recovery remains a major consideration in budgeting revenues in all years projected with some revenue sources projected to experience marked increases such as property taxes and sales taxes due to Proposition 8 potential recapture of devalued properties and the opening of the Clovis Crossing Shopping Center (Walmart) in 2012/13 and the Chrysler/Dodge/Jeep/Ram auto dealership in 2013/14.

The 2012/13 expenditures estimates were based on the working budget with adjustments made based on the input received from department heads, using actual to date through January 2013 and their knowledge of the remaining year's activities.

The following are the assumptions used in the projections of revenue and expenditures for the five-year forecast for the General Fund for the years 2013/14 - 2017/18:

REVENUE ASSUMPTIONS

Property Taxes – will increase in 2013/14 by 2.1% from the prior year due to Proposition 13 maximum annual increase of existing properties and a small percentage of Proposition 8 recapture of devalued properties. In 2014/15-2017/18, the increases reflect an additional assessed valuation of 10% of the $1.2 billion Prop 8 potential recapture of reduced property values, along with existing properties at the Proposition 13 maximum of 2% for all projected years through 2017/18 plus the assessed valuation for new units as noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2013/14 is projected to increase by 4.7% based on the increased assessed valuations of Prop 8 potential recapture, the annual 2% maximum increase on existing properties, the increase in assessed valuation for the additional

units projected, with additional valuation for the opening of the Clovis Crossing Shopping Center (Walmart).

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $214 per unit increased annually by CPI.

Sales Tax – 2013/14 is projected to increase by over 12% from the prior year to reflect a full year of the Clovis Crossings Shopping Center being opened, the opening of Chrysler/Dodge/Jeep/Ram auto dealership, along with analysis of growth by the Board of Equalization. In addition, sales taxes are projected to grow by the three-year CPI average plus a per capita amount for additional population. Sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County.

Franchise Taxes - Franchise fees will increase by the three-year average annual CPI plus the addition of new residential units per year.

Business Licenses - Business licenses are projected to grow annually by CPI.

Building Permits - Construction permits are estimated based on the number of new residential units per year plus 20% of the residential fees for commercial activity calculated using a three year average on fees, plus the three year average annual CPI.

Other Taxes – Includes Transient Occupancy Tax which reflects an increase each year by the three year average annual CPI.

Fines and Forfeitures - Parking citations are based on a three year average and remain flat for projected years.

Interest - Interest is calculated at 0.50% on the prior year's ending fund balance plus emergency reserve, with a minimum of $50,000 per year.

Building Rentals - Rental of City owned buildings is expected to increase at 2% annually.

State Subventions - State Subventions are calculated at the per capita rate based on estimated population for gas tax. SB89 eliminated motor vehicle license fees.

State Grants - State Grants are projected based on the past three-year average excluding grants from the American Reinvestment and Recovery Act of 2009 and adjusted when specific duration of multi-year grants is known.

Planning Fees – Planning program fees and other planning fees are based on the increased assessed valuation based on the estimated number of units, the fee per $100 assessed value, the planning fee per unit based upon a three year average, and adjusted by CPI.

Engineering Fees - Engineering fees are projected by taking the average engineering fee based upon a three year average, plus fees for new residential units plus 20% of the residential fees for commercial activity adjusted for the three year average annual CPI.

Impact/Rental Fees - Impact/Rental fees are based on additional routes/mileage projected in the enterprise funds.

Administrative Charges - Administrative revenue to the General Fund is expected to increase at 2% per year.

Current Charges - Current charges are projected to increase at a rate of the three-year average annual CPI.

Other Revenue - Other miscellaneous revenues are expected to increase by the three-year average annual CPI.

EXPENDITURE ASSUMPTIONS

Staffing – No additional staffing is projected to be added during the forecast period.

Salaries - Salary increases are projected for all groups including merit increases in 2013/14 at a net of 2%. Thereafter increases of the three-year average annual CPI is projected.

Overtime - Overtime is projected to increase by the three-year average annual CPI.

Extra Help - Extra Help is projected to remain flat for the next five years except in planning and development services. Planning and development services show an increase during the 2015/16 year when development increases by 100 units.

Salary Related Costs

- *Health Benefit* – The Health Benefit costs are projected to increase by 10% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2013/14, estimated rates from PERS for 2014/15 and 2015/16. Rates for safety members are projected to increase 3.5% over the next five years. Miscellaneous member rates are projected to increase 2.5% over the next five years as well.
- *Other Benefits*
  - *Worker's Compensation* – Rates are projected to remain flat throughout the forecast period.
  - *Medicare and Unemployment* – Medicare is projected at 1% of salaries and Unemployment is projected as part of other benefits and has sufficient reserves for this expenditure.
  - *Deferred Compensation and Sick Leave Incentive* – Deferred compensation is projected at 3% of non-safety salaries and sick leave incentive is projected at 1% of total salaries.
  - An additional 1% of salaries have been added for other benefits.

Services, Materials, and Supplies - Services, materials, and supplies are projected to increase by the three-year average annual CPI.

Capital Outlays - Capital outlays are projected at 1/2 the previous four-year average expenditure or a portion thereof.

TRANSFER ASSUMPTIONS

Transfers to Government Facilities - This represents the on-going need to pay for governmental capital projects. This includes acquisition, construction, and debt service requirements for the City owned assets.

Other Transfers In/ (Out) and Return of Unspent Funds/Premiums - This represents the General Fund contribution to other programs/projects as the need arises. An annual transfer is being projected to cover costs associated with the Clovis youth employment program that are ineligible for reimbursement.

RESERVE ASSUMPTIONS

Emergency Reserve - The reserve established for emergencies. In 2013/14 this reserve is projected to be 13% of expenditures. The Council's established policy for the reserve is a minimum of 10% with the goal to reach 15% as funding is possible. Projected throughout this forecast are increases to reach Council's goal.

Reserve for Triple Flip - This reserve was established in 2004/05; the first year the sales tax triple flip was in effect and represents an offset to the long-term accrual of revenue that is not available for appropriation.