



City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2020/21

Prepared March 2016



CITY OF CLOVIS

Five -Year Financial Forecast

Through Fiscal Year 2020/2021

PREPARED BY:

Robert Woolley, City Manager

John Holt, Assistant City Manager
Andrew Haussler, Deputy City Manager

Jamie G. Hughson, Finance Director

Jay Schengel, Assistant Finance Director
Haley Lynch, Interim Deputy Finance Director
Gina Daniels, Accounting Supervisor
Susan Evans, Senior Accountant
Steven Nitta, Accountant

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FIVE-YEAR FINANCIAL FORECAST

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INTRODUCTION

The Five-Year Financial Forecast through 2020/21 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 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 continue to be restored and improved economic activity provides an optimistic outlook for the future of Clovis. Particularly positive are the continued increases in sales taxes and property taxes, both major sources of discretionary revenue for the City.

This year's forecast reflects an expenditure structure which continues enhanced service levels. Expenditure growth in the next couple of years in the forecast is restrained in a prudent manner. Balancing the service level needs of the community and employee compensation continues to be a critical issue over the next few years. The forecast also reflects the Emergency Reserve reaching 17.1% at the end of 2015/16 and the ability to increase it by the end of the forecast period to 21%, moving towards an Emergency Reserve of 25% as recommended by the City's auditors. This is vital for the long term fiscal sustainability of the City. In 2014/15 the City's credit rating was increased based in part on the General Fund Emergency Reserve increase. Failure to continue to grow reserves could have a negative impact on future ratings. In 2015/16 the City maintained its high ratings with Standard & Poor's and Moody's as noted in the \$21,600,000 Wastewater Revenue Refunding Bonds Official Statement dated August 1, 2015. Higher credit ratings equate to future lower capital costs.

Measuring customer service satisfaction is instrumental in determining levels of service provided. In the summer of 2013 the City conducted a customer service survey that provided feedback to the City in regards to critical services and satisfaction levels, with 94% of the respondents stating they would recommend Clovis as a place to live. In 2015 the City conducted a follow-up customer service survey with more positive results. The 2015 survey found that 96% of the respondents said they would recommend Clovis as a place to live. The survey also compared Clovis results to 20 cities of similar size, geography and income. These cities included amongst others, Carlsbad, Concord, Santa Monica, Tracy, Walnut Creek and Boulder, CO with Clovis consistently ranking in the top 5. This includes #1 rankings for Police and Fire, Public Utilities in the street cleaning and lighting categories, land use decisions, ease of travel by bicycle, Clovis as a place to visit, Clovis' economy, and vibrancy of downtown Clovis. Going forward, the City plans to conduct the customer service survey every two years to measure trends. The plan is to use the levels of satisfaction trends to possibly dedicate increased resources toward services that the community deems important but may have a declining satisfaction trend.

At this time we have not seen any declining service level trends based on the first two surveys.

This report is a forecast, and while optimistic, it is important the City maintain constant monitoring of economic conditions locally, statewide, and nationally. In the past, decisions made at other levels of government have had a very negative impact on City finances as we experienced with the elimination of redevelopment by the State of California. Over the past few years we have seen relatively slow economic growth and historically low inflation.

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

1. The General Fund ending balance for fiscal year 2015/16 is projected to be \$3.17 million and no expenditure reductions are necessary to balance. Departments will continue to be asked to restrain expenditures in order to provide savings. Included are amounts for an operating fund balance and the conversion of the reserve for the triple flip receivable to improve the Emergency Reserve to 17.1% of expenditures.
2. General Fund revenues overall are projected to increase 3.1% in 2016/17 when compared to 2015/16 with sales tax and property taxes comprising the majority of the increase.
3. The General Fund forecast projects the ability to maintain current service levels and provides opportunities for enhancing them with technology implementation, innovation in service delivery methods, and limited additional staff. The forecast includes the addition of three sworn officers per year over the forecast, as well as three firefighters forecast in the last two years of the forecast.
4. The General Fund forecast reflects the "Emergency Reserve" growing throughout the forecast period starting at 17.1% at the end of 2015/16. It is recommended to increase the level of the Emergency Reserve by the end of the forecast period to 21.0% in an effort to increase the reserve to 25.0% as recommended by the City's auditors.
5. PERS rates for funding employee retirements are increasing and continue upward for several years affecting all funds. PERS rates are anticipated to increase for safety employees by 8% (from approximately 36% to 44% of payroll). This alone equates to a 22% increase in public safety employee retirement expense over the forecast period. For miscellaneous employees, rates are expected to increase by approximately 5% (from 21% to 26% of payroll) over the forecast period. This alone equates to a 22% increase in miscellaneous retirement expenses over the forecast period.
6. Previously approved rate increases for the Water, Sewer and Community Sanitation Enterprise funds, while allowed, are not included in the forecast. A rate increase of 4% was authorized for the Community Sanitation Enterprise Fund in the current fiscal year; however, with savings realized in the operational costs, a 3% rebate was implemented July 1, 2015 for the refuse operation and due to savings in the new recycling and greenwaste contracts, no rate increase was needed for those programs. There was no increase in

2015/16 water rates and a 3% increase was implemented for sewer operations. The forecast includes no planned increases in Community Sanitation, Sewer or Water Enterprise Funds. Additionally, staff is recommending no longer charging the Sewer Fund bond coverage charges in 2016/17. In fact, a rebate to the users of one-half the amount (\$7.30 per billing period) is also recommended beginning in 2016/17 and going forward through the five-year forecast. On an annual basis staff reviews the funding levels for the Enterprise funds and makes recommendations as appropriate.

Service Levels

A high level of service is something that the City of Clovis takes pride in providing to its residents. An easy way of determining a level of service is by national standards of ratio of employees to residents for a particular service. While these are helpful in master planning, Clovis has proven that meeting the ratio is not the only way to achieve service levels with which residents are happy. Clovis has implemented improved ways of doing business, aided by technology and innovative employees, to keep response times within targets and public facilities maintained. Continued investment in technology and innovative ideas from staff will continue to provide opportunities to meet current service level expectations and even provide improved services.

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. In 2015, the Police Department led a \$1.8 million effort to modernize and standardize the City's radio communications network, including UHF and VHF infrastructure, Police and Public Utilities mobile and portable radios. The recommendations offered were based on the Radio Master Plan authored by the Police Department and adopted by the City Council on July 9, 2007. The prior network was over 12 years old and was presenting efficiency and communication issues with officers in the field. Completion of the project has significantly improved the ability to communicate with officers in the field. In addition to the Police Department, both the Fire and Public Utilities Departments were able to benefit from the improved technology.

Volunteers continue to be an important aspect of our service delivery. The City has relied on over 300 volunteers for many years to support senior and recreation services as well as animal shelter services, parks, police patrol, and fire services. Police Reserve Officers and Volunteers in Police Services (VIPS) are also very successful in assisting police officers with administrative support in records, investigations, and active field patrol. Citizen Emergency Response Team (CERT) volunteers provide a support function to on-scene firefighters and citizens. Police and Fire Explorer volunteers also provide valuable service to the community while learning skills for future careers.

Additionally, the City has been exploring other means of communicating with residents such as using social media. The Police Department rolled out an application that can be used on smart phones that provides a means for residents to receive alerts, view crime maps, report concerns or crimes, and contact the Police Department. The Police Department has also begun effectively using applications where individual neighborhoods can be contacted on neighborhood specific events or issues. All these methods have been effective in improving service.

While technology and innovation will be a huge resource for Clovis, some services will need additional funding. Parks and landscape medians conditions outside of the Landscape Maintenance District are improving but still don't meet Clovis' standard. Increases in funding are included in the current budget for the improved maintenance of parks and trails as well as \$1 million in funds for park and trail site acquisitions. Also included in the current budget is an update of the Master Plan for Trails, and funds to construct an Old Town entry feature with the potential for public art at the northwest corner of Sunnyside Avenue and Third Street are currently in progress.

As the City implements the 2014 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. Providing service has a cost, and adding additional demand for services with population, activity, and geography without having sufficient resources may degrade overall service levels unless innovative service delivery alternatives are implemented. Managing new growth while meeting the City's service needs must be a high priority when making policy decisions.

The Economy

The economy plays a critical role in any forecast, and the current condition of the economy continues to have a significant impact. During the past year unemployment has dropped, consumer sentiment has increased, recovery of property values has accelerated, and inflation has remained low. This has allowed for growth in the economy and subsequent increases in projected revenues. Some of the unknowns for the future include the impact of the historic drought on our region and the continued ability for home prices to increase as incomes have not grown significantly in our region. The impact of both of these may have negative implications on revenues for the City and will be monitored closely. The General Fund forecast reflects fiscal stewardship leading to long-term structural balancing which provides fiscal stability and sustainability every year in the forecast period.

This snapshot shows continued positive statewide trends in almost all areas.

California Economic Snapshot			
New Auto Registrations (Fiscal Year to Date)	1,501,310 Through June 2013	1,773,495 Through June 2014	1,953,232 Through June 2015
Median Home Price (for Single Family Homes)	\$361,000 in August 2013	\$393,000 in August 2014	\$415,000 in August 2015
Single Family Home Sales	42,546 in August 2013	37,228 in August 2014	36,733 in August 2015
Complete Foreclosures (Fiscal Year to Date)	72,334 Through June 2013	42,791 Through June 2014	46,451 Through June 2015
Total State Employment (Seasonally Adjusted)	16,935,000 in August 2013	17,224,000 in August 2014	17,872,000 in August 2015
Newly Permitted Residential Units (Calendar Year to Date)	51,168 Through August 2013	53,199 Through August 2014	65,465 Through August 2015
Data Sources: New Car Dealers Association, DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance, Census Bureau, CoreLogic			

General Fund

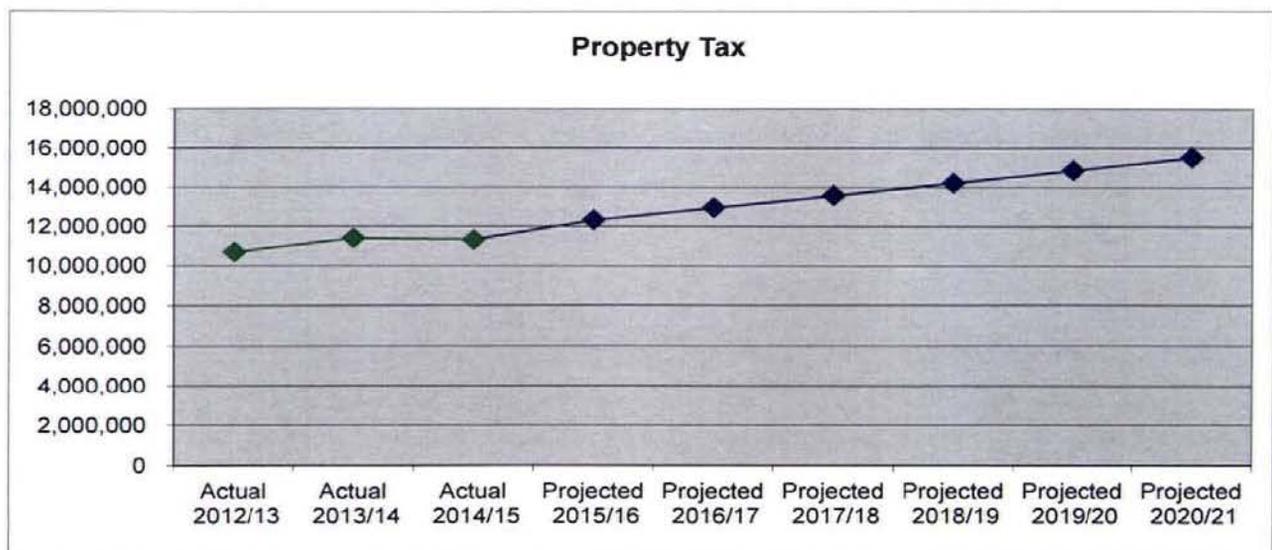
The General Fund revenues are projected to grow at an annual average rate of 3.8% while expenditures are projected to grow at an annual average rate of 3.2% over the forecast

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 maintaining service levels with opportunities for enhancements due to technology, innovation, and some increased staffing. Three firefighter positions are added in the forecast in both 2019/20 and 2020/21 to accommodate growth of the City in the Loma Vista area. Three police officers are forecast to be added in each of the five years of the forecast to meet current and future demands.

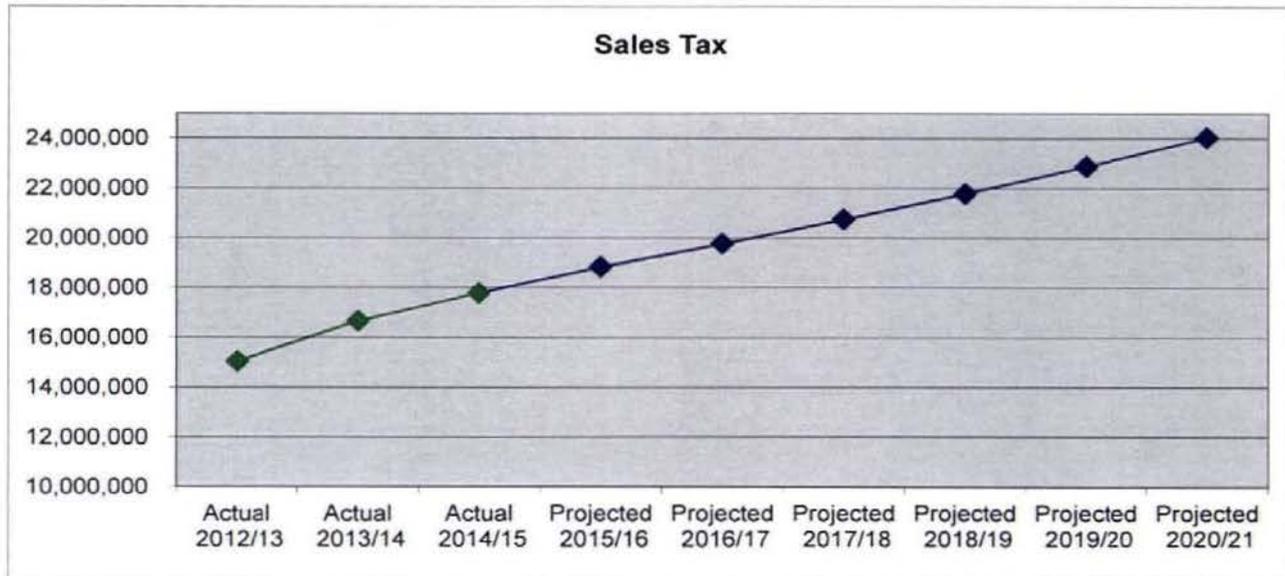
Fleet replacement, a critical non-personnel expenditure, is partially restored beginning in the 2016/17 year and is forecast to be fully funded by the end of 2020/21. In the 2015/16 budget lease purchase financing was used for the replacement of an Urban Search and Rescue truck for the Fire Department as well as 2 other Fire Department vehicles and 18 Police vehicles that are beyond their useful lives. Opportunities reflected in the forecast include the continued ability to make transfers to general government facilities for much needed repairs and maintenance to the City's aging facilities, as well as construction of new public facilities to service a growing population now and into the future.

The most significant General Fund revenue sources are sales taxes and property taxes. These were the most severely impacted revenues during the downturn of the economy. The forecast projects slightly above average construction throughout the forecast period at 800 residential units as compared to our ten year average of 665 residential units. This growth in units figures into both sales and property taxes in the form of added population and property values.

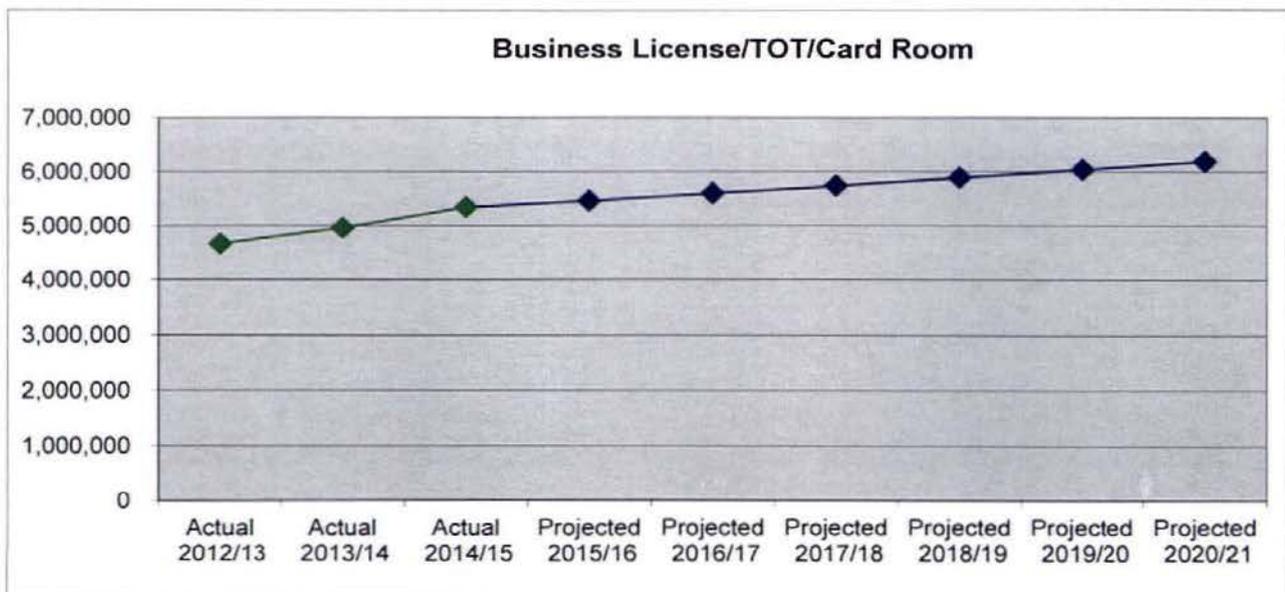
Property taxes, as indicated in the following chart, reflect the increase in construction activity and increase in valuation of property sold or constructed in the past five years. The forecast reflects an increase from the prior year in assessed value of the Proposition 13 maximum of 2% or the increase in CPI, whichever is less, plus the growth in assessed value related to the newly constructed residential and non-residential units. In 2016/17 the growth is projected at 1.525% which is the CPI growth, plus growth for new construction. Thereafter in the forecast period, assessed valuation is projected to grow at the Proposition 13 maximum of 2% plus an amount for new construction. Factors such as the tax delinquency rate may have an impact on current and future revenues.



The following chart shows that sales tax revenue continues to be a bright spot for the City. Sales tax revenue is projected to climb upward at an average of 5.0% over the next five years. In 2015/16 and beyond sales tax is anticipated to grow by the CPI, additional population growth.



The occupancy rate (percentage number of rooms rented versus available) for Clovis hotels is higher than the regional average. This translates to a healthy Transient Occupancy Tax, which continues to perform at higher than expected levels. Economic development efforts by the City and community partners to secure target industries, in this case hospitality and tourism, are continuing to have a positive impact on the local economy. Also included in the following chart is business license revenue, which continues an upward trend as a result of ongoing audits identifying unlicensed businesses. Over 800 unlicensed businesses were identified doing business in Clovis. Licensing of these businesses has had a positive impact for years.



The forecast also reflects improving the Emergency Reserve to 21% 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 is joining good company in regards to Emergency Reserve levels. A recent survey of 70 California cities of comparable size to Clovis found that the average reserve is greater than 15%; Clovis is projected to be at 17.1% at the end of 2015/16. The City's auditor has recommended a reserve of 15-25% and it is recommended Clovis set a goal to reach 25%. A goal of 25% would allow the City to meet greater operating needs and potential revenue volatility as the City grows in size. The forecast allows for a 21% reserve at the end of the forecast; this provides the City with about 2 ½ months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. In addition, the credit markets have shown a favorable response to Clovis' growing Emergency Reserve fund by providing increased credit ratings, reducing the cost of debt to the City. The larger reserve will also provide available cash that can be utilized to meet cash flow needs until tax revenues are received.

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 unexpected expenses of modest amounts that do not qualify as emergencies or for small unexpected dips in revenue. The contingency has been established at approximately \$1.0 million and during the forecast period the amount available exceeds the established amount.

In fiscal year 2015/16, the General Fund was able to provide funds to perform ongoing facility repair, maintenance and remodeling, enhancing City facilities and strategic investment for economic development. This forecast includes annual funding for these purposes beginning in 2015/16 and continuing throughout the five-year period. City facilities are aging and will continue to need repairs, remodeling and upgrades; deferred maintenance has in some cases increased the costs of necessary 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. 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. In this national election year, one only needs to look at the stock market in January 2016 as an indicator of volatility that could impact the actual results when compared to this forecast. While we will not make significant changes based on daily or weekly economic changes, we need to be aware the market could be quick and volatile and severely undermine assumptions included in 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

Throughout the forecast period, it is expected the City will continue to maintain current service levels and provide service level enhancements through the use of technology, innovative service delivery methods, and limited increases in staffing as the major sources of revenue that support the general operations experience modest growth. The local, state, and national economies are growing. 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 continue increases as property values improve and the county appears to have restored assessed values lost due to automatic Proposition 8 reductions. Proposition 8 is a 1978 constitutional amendment that allows a temporary reduction in assessed value when real property suffers a decline in value.

During the 2016/17 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 should be addressed in the budget:

1. Public safety is a core service of the City. The current budget includes the addition of three Police Officers, a Community Service Officer, and a K-9 unit. Also, funding is included to replace emergency generators at Fire Stations 2 and 3, security improvements at Fire Station 3, additional funds for acquisition of property for the future Fire Station 6 in the City's Loma Vista area, and the purchase of an Urban Search and Rescue truck for the Fire Department as well as 2 other Fire Department vehicles and 18 Police vehicles. Three firefighter positions are added in the forecast in both 2019/20 and 2020/21 to accommodate growth of the City in the Loma Vista area. Three police officer positions are forecast to be added in each of the five years of the forecast to meet current and future demands.
2. Parks and landscape maintenance are 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, while community parks and street medians located in the older one-half of the City not included in the LMD have improved in recent years, the need to improve their quality and appearance still exists. The four year drought, coupled with the requirement by the state to reduce water use by 36%, has further exacerbated the problem. On an annual basis staff will continue to review funding opportunities 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 requires adequate maintenance 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, increased use of private maintenance contracts, and continuing use of volunteers. Going forward in the new areas of growth a new drought tolerant landscape palate will be used, but we will continue to struggle with maintaining the traditional landscaping in the older parts of town.

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 sustaining 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. In 2012/13 these functions shifted to utilizing an enterprise fund accounting methodology with some General Fund support. The department, utilizing enterprise fund accounting, will be able to be flexible in providing service levels commensurate with demand and available resources. 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 were deferred for a number of years in General Fund operations. Replenishment of this fund began in 2015/16 and reaches a full funding level of \$1.2 million in 2020/21.
5. Capital outlays will continue to be reviewed to ensure critical needs are met. Opportunities reflected in the forecast include the continued ability to make transfers to general government facilities for much needed repairs and maintenance to the City's aging facilities, as well as construction of new public facilities to service a growing population now and into the future.
6. Workforce expenditures should be constrained throughout the City because costs for salaries, healthcare, and retirement continue to increase. The City was able to reduce healthcare costs substantially by joining the San Joaquin Valley Insurance Authority; however, healthcare costs are projected to increase at a greater rate than the rate of inflation throughout the forecast. Retirement costs are projected to increase significantly due to rates being set by PERS to accommodate greater funding levels, lower investment returns and longer life expectancy. The recent labor agreements that increase retirement cost-sharing of the employees have helped reduce the amount of the increases; however, increases are still sizeable. An option that will be reviewed is pre-funding some of PERS expenses as a strategy to stabilize the increasing contribution rates in the future as long as the Emergency Reserve is fully funded.

7. Sewer and Refuse 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. The projection shows beginning in 2016/17 the Sewer Fund bond coverage charges will no longer be necessary. In fact, it appears possible to begin to rebate users one-half of the amount (\$7.30 per billing period) in 2016/17 and going forward through the five-year forecast. The City will continue 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. Success has been realized recently with some retail and commercial vacancies being filled but there are still some vacancies. Rebuilding of the City's economic development efforts is underway as the City has found creative ways to deal with the loss of redevelopment funding. Results of this creativity include the increased development in the City's core area due to the in-fill fee reduction approved by Council in 2013/14 and cost effective ways of marketing the City being implemented. The in-fill fee reduction program led to approximately 300 units being built in core areas where development would not likely have occurred. Staff plans to return to Council when we hit 500 units taking advantage of the reduced in-fill fees.
9. Community services for recreation and senior services that are important to the City and offer healthy and low cost activities for adults, children, and families should be maintained at its current level. Currently, both operations rely 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 to seek cost efficiencies and alternate methods of service delivery to grow what is available to the community.
10. Fiscal policies establish an appropriate Emergency Reserve balance for the General Fund of no less than 15% of annual expenditures with a goal of reaching 25%. The City's auditor recommends a reserve in the range of 15% - 25%. Due to one-time funds, a reserve fund of 17.1% is projected to be reached in 2015/16. Based on projected sustained revenue growth, the forecast reflects increasing the reserve to 21% over the next 5 budget years. An unreserved General Fund balance, known as "contingency for economic uncertainty", was established and is maintained at \$1.0 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. In 2014/15 the City's credit rating was increased based in part on the General Fund reserve increasing. This allows for lower cost of capital for the City as a whole going forward.

The City's overall financial condition continues to look up due to improved economic conditions and prudent expenditure decisions during the past few years. Continued

property value increases, job growth, and lower unemployment rates are positive trends for the City. Stability should continue to be sought through cautious expenditure growth and working toward an Emergency Reserve of 25%. This level of reserve will allow the City's cost of debt to remain relatively low and thus free up funds for operations.

The State's financial picture is in a dramatically different place than in years past. California was struggling with a \$26.6 billion budget deficit. Today, the State has paid off much of its accumulated debts from past budgetary borrowing and is building a healthier Rainy Day fund strengthened by voters through Proposition 2 of 2014. The State now has a projected \$4.7 billion in reserves, which will increase to \$6 billion by the end of FY 2016-17. Governor Brown is proposing to add an additional \$2 billion to the account by the end of FY 2016-17, for a total of \$8 billion. A stable and disciplined state budget with growing reserves is good for both the larger economy and for cities. California cities have had long experience with the tendency of the State to look to local governments to help patch its budget gaps. Rather than proposed takeaways, the budget has many positive aspects for cities, including proposed allocations of \$3.1 billion in cap and trade funds, allocation of water bond funds, and drought and disaster assistance proposals.

Also, the strong economy enabled the State to extinguish the economic recovery bonds after only eleven years. With the State no longer needing the dedicated revenue from the cities' sales tax (triple-flip) Clovis is able to convert the reserve for triple-flip to the Emergency Reserve in 2015/16.

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. The five-year forecast of the past seven or eight years has focused on recovery; this five-year forecast demonstrates that the City has taken significant steps to enhance services with the possibility of making further investments in Parks, Recreation, Senior Services, as well as Police and Fire.



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 including:

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

Enterprise Funds - These funds include operations for water, sewer, solid waste, street cleaning, transit, and planning and development 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 (2015/2016)

The 2015/2016 budget continued improvements to service levels. It included additional General Fund staffing, contracted salary increases, investment in technology to make service delivery more efficient 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 \$2.2 million above expenditures, allowing for transfers to government facilities and fleet.

Sales taxes are projected to be at budget due to sales in the major categories performing as expected. Auto sales and general retail sales are within projections. Other taxes have been increased \$0.1 million above budget due to an increase in Transient Occupancy Tax. Gas tax with the exchange of a per gallon excise tax versus the previous percentage of dollars sales tax method has meant collections will remain stagnant. Property taxes in lieu of motor vehicle license fees are expected to come in \$0.2 million less than originally projected partially due to an annual increase that was less than the 2% maximum allowed under Proposition 13.

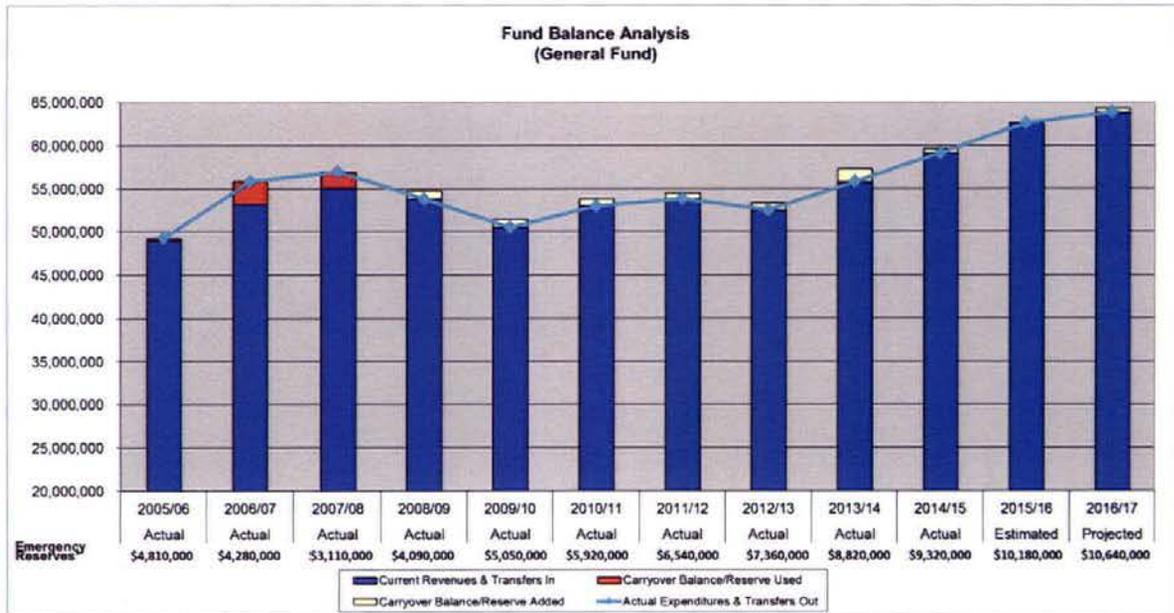
Taking into account savings offset by increases in additional grant matching requirements, expenditures are projected to be \$0.2 million less than budgeted. This is partially due to salary savings in the administration and finance departments. The budget also maintains the \$1.0 million unreserved fund 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 projected ending available fund balance of \$3.2 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 5.0% in the first quarter (1/1/15-3/31/15), 6.1% in the second quarter (4/1/15-6/30/15), and 6.2% in the third quarter of 2015 (7/1/15-9/30/15), the most recent quarter for which information is available when compared to the same quarters of the previous year. General retail and auto sales contributed to these increases. Holiday quarter sales (September through December 2015) will be crucial to the overall performance of this revenue and it is anticipated that the quarter will perform as budgeted. Information on this quarter will not be available until mid to late March, after preparation of this report.

Assumptions have been made in regards to revenues in the forecast that reflect positive trends in the economy. Negative economic performance would result in reductions in expenditures to be made to ensure a structurally balanced budget. Also, any increases in ongoing expenditures in the near-term of the forecast directly reduce the amount available in the out-years of the forecast. Diligence in monitoring economic conditions, revenues, and expenditures is a necessary task in order to ensure the financial sustainability of 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 years' budgets and/or added to the Emergency Reserve. All departments are projected to be within budget at this time.



This chart shows available funding (revenues and transfers in) compared to expenditures. As shown, 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 2013/14 through 2016/17 revenues show rebounding at a modest rate. The dip in revenue in 2012/13 represents the move of Planning and Development Services out of the General Fund to its own Enterprise Fund.

GENERAL FUND - Going Forward (2016/2017)

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 11,000 for the five-year period which means the City is expected to reach 115,000 in population by 2020/21. This projection continues to assume a greater growth rate than was experienced over the past ten years in new housing and commercial growth. As stated in the Introduction Section, it should be noted that the forecast reflects maintaining of current service levels with enhancements being made possible by technology gains, innovation and minimal increases in staffing. Departments have been implementing service enhancements utilizing technology and "lower cost" service

delivery options in order to provide adequate services. The Police Department is now using Community Service Officers to respond to non-critical calls for service, freeing sworn personnel for more critical calls. Additionally, Police Reserve Officers and Volunteers in Police Services (VIPS) are assisting police officers with administrative support in records, investigations, and active field patrol for service are both good examples of lower cost service delivery.

General Fund revenue in 2016/17 is projected to grow 3.1% over the previous year. Property tax is projected to increase by 4.8% due to new residential and non-residential construction and the Proposition 13 maximum increase of 1.525%. Sales tax is projected to increase 5.0%. Transient Occupancy Tax, Business Licenses and Franchise Fees are all continuing on a positive trend with CPI increases. Card room fees, reflected in Other Taxes, are projected to continue generating \$0.5 million due to the relocation and expansion of the City's only card room.

Expenditures in the 2016/17 fiscal year are showing an increase over 2015/16, with most of the increase attributed to the projected 2% salary increases and increases in the cost to provide retirement and health benefits. Expenditures are projected to increase, after taking out rollover encumbrances for projects from the prior year, \$1.1 million or 1.8%. Three police officers are forecast to be added in each of the five years of the forecast to meet current and future demands. Six additional positions in the Fire department are projected in the last two years (2019/20 and 2020/21) of the forecast to prepare for the opening of the next Fire Station.

Fleet replacement funds were deferred for nine years in General Fund operations; replenishment of these funds was partially restored in 2015/16. 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 near future as funds begin to accumulate. Interest rates have remained low allowing for this method to be effective. Replenishment of this fund started in 2016/17 and reaches a full funding level of \$1.2 million annually in 2020/21. The 2015/16 budget included funds for debt service for the replacement of an Urban Search and Rescue truck for the Fire Department as well as 2 other Fire Department vehicles and 18 Police vehicles that are beyond their useful lives.

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, throughout the forecast period. Also reflected is retaining at least a \$1.0 million unreserved fund balance, ("Contingency for Economic Uncertainty"), and improving the "Emergency Reserve" to 17.1% of budgeted expenditures in 2015/16. The Emergency Reserve is shown to improve over the forecasted period to 21% of General Fund expenditures.

Another positive to note is a projected annual CPI (2% net) salary increase for all employees is included across the forecast period.

The General Fund is projected to continue 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.

GENERAL FUND - Projected 2017/18 through 2020/21

This forecast includes maintaining services and provides for some enhancements through investments in technology, implementing innovative ideas and some small increases in staffing. Fleet replacement and transfers for general facilities have been restored. Revenue is projected to grow by an annual average of 3.8% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 3.2% 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 provide a 5% annual increase. Property taxes are expected to return to a positive growth rate, as housing prices and sales increase and the 2% annual growth under Proposition 13 is realized.

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 the lowering of the expected earnings rate and changes in actuarial assumptions such as life expectancy, PERS rates are projected to increase from approximately 34% to 44% for safety employees and approximately 20% to 26% for miscellaneous employees by the 2020/21 fiscal year. The annual General Fund cost for a 1% increase in the PERS rate is \$0.15 million for safety employees and \$0.10 million for miscellaneous employees. By the fifth year of the forecast, the PERS annual costs will increase by \$3.1 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 8% of salaries for safety employees and 8.4% of salaries for miscellaneous employees 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.

The following table shows the trends discussed above. The "net employer PERS rates" represents the percentage of payroll charged to the City. This rate is reduced beginning in 2012/13 by the 2% cost sharing negotiated with the employee groups and in 2013/14, 2014/15 and 2015/16 an additional 2% cost sharing was implemented for total cost sharing of 8% for safety and 8.4% for miscellaneous employees. Even with the cost sharing by the employees, the City's rate grows over the forecast period. Also it should be noted that the share of total General Fund expenditures consumed by PERS is increasing from around 9% (\$4.7 Million) in 2012/13 to an estimated 12% (\$8.6 Million) in 2020/21 with the

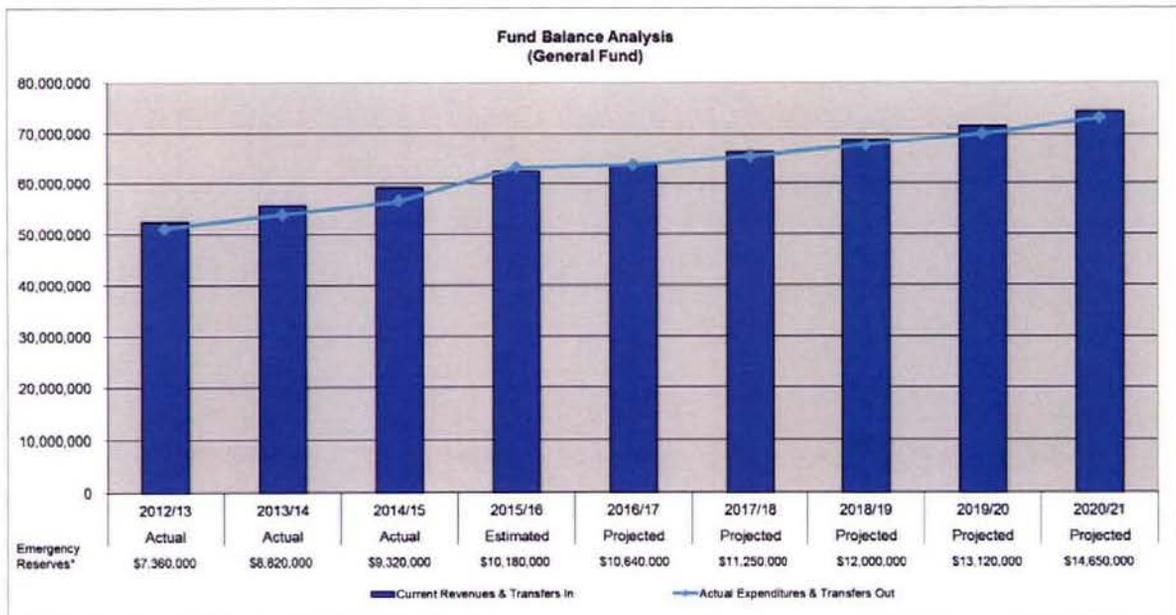
projected cost increasing more than 75% in the same time period. As PERS costs consume a greater share of the General Fund budget, the Council will have less control over spending these dollars for improving services to the community.

**City of Clovis
PERS Analysis
Forecast through 2020/21**

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Safety									
Net Employer rate after employee cost sharing	27.157%	26.052%	26.300%	26.198%	28.351%	30.800%	33.200%	35.700%	36.400%
PERS Cost (in Millions)	3.50	3.60	4.10	4.00	4.50	5.10	5.60	6.30	6.70
Miscellaneous									
Net Employer rate after employee cost sharing	15.484%	14.051%	13.147%	11.830%	12.643%	14.000%	15.400%	16.800%	17.300%
PERS Cost (in Millions)	1.20	1.20	1.10	1.20	1.30	1.50	1.70	1.80	1.90
Total General Fund									
PERS Cost (in Millions)	4.70	4.80	5.20	5.20	5.80	6.60	7.30	8.10	8.60
Total PERS cost as % of Total GF Exp	9.42%	9.11%	9.39%	8.71%	9.55%	10.57%	11.26%	12.05%	12.34%

Health costs have long been a concern. The City was able to reduce healthcare costs substantially by joining the San Joaquin Valley Insurance Authority; however, healthcare costs are projected to increase at a greater rate than the rate of inflation throughout the forecast. By the fifth year of the forecast the annual costs will increase by \$1.4 million. The City and employees will continue to look for ways to control these costs.

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, a public hearing process, 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 series of rate increases for the Sewer Enterprise Fund beginning August 1, 2010. Some of the need for the rate increase was 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. Development fee revenues are beginning to stabilize and the forecast shows the fees will be able to meet these bond obligations during the forecast period based on the forecasted development level of 800 units per year.

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. Recycling and green waste rates are projected to increase 4% during the forecast period. The forecast also reflects the 3% refuse rebate implemented in 2015/16 with no additional refuse rate adjustments projected after 2015/16. 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 in the near-term as a result of increased revenues based on population growth and as the result of all State Local Transportation Funds (LTF) funds being required to be allocated to Transit. As the long-term position of the fund degrades options are currently being reviewed which will focus on routes and other improvements to make the system more efficient as well as additional funding sources that may become available from the State.

The Planning and Development Services Fund was separated from the General Fund in 2012/13. This allows for development services to be adjusted as demand fluctuates. This fund has seen consistent revenue as development has been relatively steady. Adjustments will be made as development levels change to meet the demand in the community.

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, if development activity maintains 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 may see rate rebates.

Water Enterprise

The Water Enterprise Fund is forecast to have a working capital balance of approximately \$19.0 million at June 30, 2016. The Council previously 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. As development levels increase the ability to moderate rates will be monitored. Overall, with the rate increases implemented, the fund balance will be stable during the next five years. The reserve for drought contingency has been increased over the forecast period for the increased likelihood that the City will have to purchase water on the open market at much higher rates due to drought conditions.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately \$18.6 million at June 30, 2016. With the 3% rate increase implemented July 1, 2015 the Sewer Fund shows that it is structurally balanced (current revenues greater than current expenses). Also, with development activity generating sufficient revenue to make debt service payments, not only is the bond service charge no longer necessary a rebate of one-half of the bond service charge is projected. This represents a reduction of \$10.95 per month in sewer charges.

The City issued bonds for the 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 700 equivalent dwelling units annually to meet debt service requirements. Due to the downturn in development the City experienced significantly less development fees 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 with the last increase shown in 2015/16. With the return in development over the last two years staff is recommending no longer charging the Sewer Fund bond coverage charges in 2016/17. Staff is also recommending rebating users one-half of the bond coverage charges (\$7.30 per billing period) beginning in 2016/17 and

going forward through the five-year forecast. The ability to continue to rebate funds back to ratepayers will be monitored closely throughout the forecast period.

Community Sanitation Enterprise

The Community Sanitation Enterprise Fund is projected to finish the current fiscal year with a working capital balance of approximately \$8.3 million. 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. In 2013/14 rates were reduced 5%, a 5% rebate was implemented in 2014/15, and a 3% rebate was implemented in 2015/16. No refuse rate increases are projected for the remainder of the forecast period. However, to keep pace with the recycling and greenwaste contracted increases, the approved 4% annual increase is projected for these operations. 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 \$0.73 million. The forecast reflects that the operation will have insufficient revenues to continue operations throughout the forecast period. Adjustments will be reviewed over the next year to transit operations as a shortfall begins in 2016/17. 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.

Planning and Development Services Enterprise

The Planning and Development Services Enterprise Fund was separated from the General Fund in 2012/13. This allows for services to be adjusted as demand fluctuates. The Fund is projected to finish the current fiscal year with a working capital balance of \$3.6 million. The forecast reflects that the operation is stable and will maintain a reserve to allow for adjustments to be made as necessary. This fund saw a resurgence in revenue starting in 2013/14 as new residential and commercial construction increased closer to historic norms. The forecast utilizes a number of units rate of 800, as compared to the pre-recession average of 1,000 units.

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

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.

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.

The City is in a stable financial position, primarily attributable to sound financial planning, budgeting, and management of both revenues and expenses which have led to a structurally balanced budget (where current year revenues are greater than or equal to current year expenditures). 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 balanced throughout the forecast period with the restoration of 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 17.1% of expenditures utilizing one time revenues or savings from prior years and anticipates reaching 21% by the end of the forecast period; this is consistent with recommendations from the City’s auditor of maintaining a reserve fund of 15% - 25% of General Fund expenditures. In 2014/15 the City’s credit rating was increased based in part on the increase in the General Fund reserve. This allows for lower cost of capital for the City as a whole going forward.

Funding for fleet replacement has been a concern. Full funding in advance has not been occurring for the general operations and the program migrated to a pay-as-you-go model. Lease-purchase methods were utilized for acquisition of large volumes of replacement vehicles and vehicles being retained for use for a longer period of time, when possible. This forecast includes, beginning in 2016/17, fleet replacement charges increasing to the full amount of \$1.2 million by 2020/21. As this fund builds, the need for lease-purchase methods may not be required but will still be reviewed as a potential cost effective financing method.

In 2014/15 the City joined the San Joaquin Valley Insurance Authority which reduced healthcare costs approximately 10%. While rates are expected to increase faster than inflation, the reduction of costs provides the ability to project long-term savings compared to previous years. Continuing innovation and working with employee groups will be required to ensure healthcare cost containment.

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

City general operating revenues are very vulnerable in the face of a declining overall economy. The state and federal economies are very cyclical. It is prudent to increase reserves during times when revenues exceed expenditures. Changes in the economy, which could have significant impact on City revenues, prompt the need 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 Emergency Reserves should be 15%-25% with the Emergency Reserve projected to be 17.1% at the end of 2015/16. This level meets the low end of recommended reserve given the current size of the City's operation. The City's auditor recommends the reserve be 15%-25%. The 17.1% level was reached due to one-time funds and savings being transferred into the fund in 2014/15. It is recommended that any savings and/or one-time funds be directed to the Emergency Reserve. The forecast shows the Emergency Reserve increasing to 21% of General Fund expenditures by the end of the forecast period. With the exception of self-balancing funds, most Enterprise and Internal Service Funds operate with a 15% or greater 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 in order to increase the reserve balance towards a sustainable level.
- C. **Emergency Reserve fund** – General tax revenues continue to be somewhat volatile. 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. This type of fund may take more than five years to establish.

- D. **Balance of Revenues and Expenditures** – As this forecast illustrates, it is critical to maintain a balanced budget. 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.
- E. **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 to between \$2 and \$3 million throughout the forecast period.
- F. **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.
- G. **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.
- H. **New Revenues** – A review of available methods for developing new revenue sources for general operations will continue to be explored. Staff has created new economic development incentives and programs in order to overcome the loss of Redevelopment Funds, but further investment in economic development needs to remain a high priority. The City will need to continue to seek ways to diversify its sources of revenue by pursuing its economic development strategies and support for business retention and expansion.
- I. **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.

- J. **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.

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CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED	PROJECTED				
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Available Fund Balance	560	1,140	1,610	3,780	3,170	2,760	3,070	3,450	3,830
Reappropriation/Encumbrances	150	(110)	(50)	680					
REVENUES									
Discretionary	39,190	42,280	44,560	47,210	49,390	51,630	53,970	56,410	58,940
Non-Discretionary	13,150	13,580	14,610	14,690	14,450	14,780	14,850	15,170	15,500
Total Revenues	52,340	55,860	59,170	61,900	63,840	66,410	68,820	71,580	74,440
EXPENDITURES									
Public Safety	36,050	38,500	40,770	42,580	43,670	45,380	47,240	49,390	51,390
Public Utilities	7,480	7,800	8,070	8,790	8,820	9,010	9,180	9,360	9,520
General Government	6,380	6,400	6,560	8,320	8,300	8,100	8,470	8,530	8,870
Total Expenditures	49,910	52,700	55,400	59,690	60,790	62,490	64,890	67,280	69,780
Resources Above/(Below) Operating Expenditures	2,580	3,050	3,770	2,210	3,050	3,920	3,930	4,300	4,660
ADDITIONAL ITEMS									
Transfers Out to Government Facilities	(500)	(800)	(750)	(2,500)	(2,000)	(2,000)	(2,500)	(2,500)	(3,000)
Transfers Out to PDS/Fleet	(680)	(320)	(300)	(1,000)	(1,000)	(1,000)	(300)	(300)	(300)
Total Additional Items	(1,180)	(1,120)	(1,050)	(3,500)	(3,000)	(3,000)	(2,800)	(2,800)	(3,300)
Net Increase/(Decrease) to Fund Balance	1,400	1,930	2,720	(1,290)	50	920	1,130	1,500	1,360
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	820	1,460	500	0	460	610	750	1,120	1,530
Total Other Items	820	1,460	500	0	460	610	750	1,120	1,530
Ending Available Fund Balance	1,140	1,610	3,780	3,170	2,760	3,070	3,450	3,830	3,660
Sales Tax Triple Flip Designation	860	860	860	0					
Emergency Reserve-(Dollars)	7,360	8,820	9,320	10,180	10,640	11,250	12,000	13,120	14,650
Emergency Reserve as a % of Expenditures	14.70%	16.70%	16.80%	17.10%	17.50%	18.00%	18.50%	19.50%	21.00%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED	PROJECTED				
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential Units (SF + MF)	561	735	1024	800	800	800	800	800	800
<u>Discretionary</u>									
Property Taxes	14,040	15,000	15,200	16,470	17,210	18,040	18,890	19,750	20,630
Educational Augmentation	(3,200)	(3,440)	(3,720)	(3,960)	(4,130)	(4,330)	(4,530)	(4,740)	(4,950)
County Admin Fee	(170)	(170)	(160)	(200)	(210)	(220)	(230)	(240)	(250)
Property Tax In Lieu-VLF	6,550	6,990	7,570	8,050	8,470	8,910	9,370	9,860	10,370
Sales Tax	11,860	13,140	14,000	14,850	20,790	21,830	22,920	24,070	25,270
In Lieu Sales Tax-Triple Flip	3,960	4,380	4,690	4,950	0	0	0	0	0
County Share	(790)	(880)	(930)	(990)	(1,040)	(1,090)	(1,150)	(1,200)	(1,260)
Franchise Fee	2,100	2,170	2,320	2,400	2,450	2,500	2,550	2,600	2,650
Business License	2,230	2,440	2,610	2,660	2,770	2,880	3,000	3,120	3,240
Other Taxes	2,430	2,510	2,720	2,790	2,820	2,850	2,880	2,910	2,940
State Subvention-Motor Vehicle	40	0	40	40	0	0	0	0	0
Interest	10	10	20	20	130	130	140	150	170
Other Revenues-Disc	130	130	200	130	130	130	130	130	130
<u>Non-Discretionary</u>									
Community Facility Fee	720	770	860	950	1,080	1,220	1,360	1,500	1,640
Sales Tax-(public safety)	250	270	280	290	300	320	340	360	380
Other Lic & Permits	120	100	110	150	150	150	150	150	150
Fines & Forfeitures	230	350	330	190	190	190	190	190	190
Building Rentals	30	30	40	30	30	30	30	30	30
State Subvention-Gas Tax	960	960	1,100	1,190	1,230	1,260	1,290	1,320	1,350
Grants	1,430	850	1,320	1,350	790	790	790	790	790
From Other Agencies	530	680	930	600	610	620	630	640	650
Current Services	1,190	1,320	1,270	1,310	1,320	1,330	1,340	1,350	1,360
Landscape Maint. Charges	2,950	2,960	2,930	2,940	2,970	3,000	3,030	3,060	3,090
Other Revenues-non-disc	240	390	280	260	260	260	260	260	260
Impact/Rental Fees	1,260	1,390	1,420	1,450	1,460	1,470	1,480	1,490	1,500
Admin Charges	3,240	3,510	3,740	3,980	4,060	4,140	3,960	4,030	4,110
Total Revenues	52,340	55,860	59,170	61,900	63,840	66,410	68,820	71,580	74,440

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES:	ANNUAL INCREASE	INCREASE IN ASSESSED VALUE	CITY TAX RATE (Before reductions)		
	2.00%	\$264,000,000	18.40% of 1%		
<i>Note: FY16/17 Annual Increase=1.525% Increase in AV above is based on 800 residential units.</i>					
PROPERTY TAX IN LIEU-VLF:	INCREASE BY ASSESSED VALUE GROWTH		5.20%	<i>(Based on 800 units)</i>	
COMMUNITY FACILITY FEE:	2/3 OF NEW RES UNITS PER YR.	540	ANNUAL FEE:	\$228	INCREASE BY: 1.00%
SALES TAX:	5.00%	SALES TAX RATE	POPULATION GROWTH	PER CAPITA \$ PER YEAR	
		1.00%	2,300 PER YEAR	\$179	
COUNTY SHARE:	5.00% OF GROSS SALES TAX		<i>(Based on 800 units)</i>		
<i>FY16/17 Triple Flip is Eliminated</i>					
FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	PARTICIPATION %	P G & E
	1.00%	800	1.00%	50.00% Comcast/AT&T	\$250 Per Unit per Mo
				\$70 Per Unit per Month	
<i>Note: 5 year average for residential units is 646, 10 year average is 665</i>					
BUSINESS LICENSE:	INCREASE	1.00%	THREE YR CPI	3.00%	NEW BUSINESSES
FINES AND FORFEITURES:	PARKING AND VEHICLE		\$303,000	BASED ON THREE YEAR AVERAGE	
INTEREST:	RATE -->	1.00%	ON PRIOR YEAR'S BALANCE OR	\$40,000	IF NEGATIVE FUND BALANCE
BUILDING RENTALS:	INCREASE ANNUALLY BY: 2.00%				
STATE SUBVENTIONS:	MOTOR VEHICLE	GAS TAX	POPULATION GROWTH		
	PER CAPITA	\$0.00	\$10.95	2,300 PER YEAR	<i>(Based on 800 units)</i>
<i>SB89 Eliminated VLF Gas Tax Per Capita based on two year average</i>					
GRANTS:	\$790,000	THREE YEAR AVERAGE OF ONGOING GRANTS			
CURRENT SERVICES:	INCREASE BY THREE YEAR CPI AVERAGE		1.00%		
OTHER REVENUES:	INCREASE BY THREE YEAR CPI AVERAGE		1.00%		
IMPACT/RENTAL FEES: BASED ON ADD'L ROUTES PROJECTED IN THE ENTERPRISE FUND AND INCREASE BY 3 YEAR CPI AVERAGE					
ADMIN CHARGES:	INCREASE	2.00%	PER YEAR	<i>\$250K Successor Agency Admin Fee removed beg in FY18/19</i>	

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			ESTIMATED	PROJECTED					
	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
PUBLIC SAFETY										
Salaries										
Police-CPOA	6,610	7,320	8,060	8,460	8,860	9,250	9,660	10,080	10,520	
Fire	4,460	4,930	5,550	5,360	5,650	5,760	5,880	6,110	6,450	
Public Safety-Management	2,240	2,070	1,600	1,730	1,760	1,800	1,840	1,880	1,920	
Police-Non CPOA	1,960	2,190	2,250	2,920	2,990	3,050	3,110	3,170	3,230	
Fire-Non Firefighters	140	260	290	310	320	330	340	350	360	
Overtime										
Overtime-Police	1,840	1,970	1,930	1,510	1,590	1,590	1,590	1,590	1,590	
Overtime-Fire	1,180	1,170	1,220	1,850	1,300	1,300	1,300	1,300	1,300	
Extra Help	840	770	710	860	860	860	860	860	860	
Benefits										
Health	2,270	2,440	2,500	2,690	2,870	3,060	3,260	3,490	3,740	
Retirement	4,260	4,330	4,710	4,840	5,150	5,770	6,420	7,170	7,620	
Other	2,410	2,430	2,630	2,720	2,770	2,830	2,890	2,950	3,010	
SMS	7,260	8,330	8,890	8,960	9,350	9,580	9,880	10,230	10,580	
Capital Outlay	580	290	430	370	200	200	210	210	210	
Total Public Safety	36,050	38,500	40,770	42,580	43,670	45,380	47,240	49,390	51,390	
PUBLIC UTILITIES										
Salaries	1,450	1,710	1,820	2,080	2,120	2,160	2,200	2,240	2,280	
Overtime	40	50	70	70	70	70	70	70	70	
Extra Help	40	70	20	110	40	40	40	40	40	
Benefits										
Health	290	360	380	420	450	480	510	540	570	
Retirement	230	260	260	260	270	310	340	380	400	
Other	250	190	250	250	270	290	300	310	320	
SMS	5,140	5,120	5,190	5,560	5,570	5,630	5,690	5,750	5,810	
Capital Outlay	40	40	80	40	30	30	30	30	30	
Total Public Utilities	7,480	7,800	8,070	8,790	8,820	9,010	9,180	9,360	9,520	
GENERAL GOVERNMENT										
Salaries	2,370	2,540	2,680	2,970	3,250	3,100	3,160	3,220	3,280	
Overtime	10	20	10	30	30	30	30	30	30	
Extra Help	310	340	380	450	450	450	450	450	450	
Benefits										
Health	470	490	500	580	610	650	690	730	770	
Retirement	400	410	420	430	470	490	560	620	650	
Other	240	230	210	240	240	250	270	290	320	
SMS	2,570	2,350	2,340	3,590	3,240	3,120	3,300	3,180	3,360	
Capital Outlay	10	20	20	30	10	10	10	10	10	
Total General Govt	6,380	6,400	6,560	8,320	8,300	8,100	8,470	8,530	8,870	
Total Expenditures	49,910	52,700	55,400	59,690	60,790	62,490	64,890	67,280	69,780	

Expenditure Assumptions (dollars in thousands)

SALARIES:		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<u>POLICE-CPOA</u>	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
POL-SAL BASE		\$8,580	\$8,960	\$9,360	\$9,770	\$10,200	\$10,630
Additional Officers-Salary		\$210	\$210	\$220	\$220	\$230	\$230
Number of Additional Officers		3	3	3	3	3	3
Additional Non-Sworn Positions		1	0	0	0	0	0
<u>FIRE</u>	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SALARY BASE		\$5,360	\$5,650	\$5,760	\$5,880	\$6,220	\$6,560
Additional Firefighter-Salary		\$0	\$0	\$0	\$0	\$220	\$220
Number of Addl Firefighters		0	0	0	0	3	3
<u>PUBLIC UTILITIES</u>	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SALARY BASE		\$2,080	\$2,120	\$2,160	\$2,200	\$2,240	\$2,280
Additional Salaries-Park/Street		\$0	\$0	\$0	\$0	\$0	\$0
Addl Park/Street employees		0	0	0	0	0	0
<u>GENERAL GOVT</u>	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<u>MGMT</u>	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
OVERTIME:	INCREASE BY PREVIOUS THREE YEAR CPI				1.00%		
EXTRA HELP:	FLAT FOR NEXT FIVE YEARS						
HEALTH:	INCREASE PER YEAR				6.0%		
	(PERS ESTIMATE)						
RETIREMENT:		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
POLICE-SAFETY		34.198%	36.351%	38.800%	41.200%	43.700%	44.400%
DISPATCHERS		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
FIRE		34.198%	36.351%	38.800%	41.200%	43.700%	44.400%
PUBLIC UTILITIES		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
GENERAL GOVERNMENT		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
MANAGEMENT		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS EE COST SHARING -MISC		-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
PERS EE COST SHARING -SAFETY		-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
WORKERS COMP:	Police-CPOA	18.01%	19.00%	19.00%	19.00%	19.00%	19.00%
(included in other benefits)	Fire	4.46%	5.00%	5.00%	5.00%	5.00%	5.00%
	Mgmt & Admin	1.58%	2.00%	2.00%	2.00%	2.00%	2.00%
	Public Utility	10.76%	11.00%	11.00%	11.00%	11.00%	11.00%
OTHER BENEFITS:	Previous year's amount increased by contracted and estimated salary increases. Includes 2% of non-safety salaries for deferred comp, 1% of total salaries for sick leave incentive, 1.45% for medicare and 1% for other benefits.						
OTHER SMS:	INCREASE 3 YEAR AVERAGE CPI					1.00%	
CAPITAL OUTLAY:	INCREASE BY 3 YEAR AVG CPI PER YEAR			1.00%			
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY			\$200			
	50% FOUR YEAR AVERAGE-PUBLIC UTILITIES			\$30 + ADDITIONAL EQUIP FOR NEW EMPLOYEES			
	50% FOUR YEAR AVERAGE-GEN GOVT			\$10			
CONTINGENCY RESERVE:	Maintain not less than 15% with a goal to reach 25% of total expenditures. See the Summary Sheet for reserve.						

CITY OF CLOVIS

Water Enterprise - Financial Forecast (dollars in thousands)

	<u>Actual</u> <u>2012/13</u>	<u>Actual</u> <u>2013/14</u>	<u>Actual</u> <u>2014/15</u>	<u>Estimated</u> <u>2015/16</u>	<u>Projected</u> <u>2016/17</u>	<u>Projected</u> <u>2017/18</u>	<u>Projected</u> <u>2018/19</u>	<u>Projected</u> <u>2019/20</u>	<u>Projected</u> <u>2020/21</u>
BEGINNING WORKING CAPITAL	9,080	14,910	17,910	19,490	19,040	18,140	17,120	16,260	16,000
<u>REVENUES</u>									
WATER CHARGES	16,310	15,960	14,920	13,620	14,790	14,910	15,030	15,150	15,150
DBCP-LEGAL SETTLEMENTS	360	330	290	240	240	240	240	240	240
OTHER LEGAL SETTLEMENTS	2,310								
TOTAL REVENUES	18,980	16,290	15,210	13,860	15,030	15,150	15,270	15,390	15,390
<u>EXPENDITURES</u>									
SALARIES	1,930	1,980	2,100	2,370	2,420	2,470	2,520	2,570	2,620
EXTRA HELP	20	60	40	80	80	80	80	80	80
OVERTIME	90	90	80	80	80	80	80	80	80
BENEFITS									
RETIREMENT	320	290	300	290	310	350	390	430	450
HEALTH	380	400	410	460	490	520	550	580	610
OTHER	310	250	300	310	390	400	410	410	420
SERVICES, MATERIALS & SUPPLIES	7,130	8,290	6,900	7,520	8,250	8,330	8,410	8,490	8,570
MEMBRANE REPLACEMENT					490	1,270			2,140
CAPITAL OUTLAY	2,920	1,290	730	940	950	960	970	980	990
TOTAL EXPENDITURES	13,100	12,650	10,860	12,050	13,460	14,460	13,410	13,620	15,960
<u>OTHER REVENUE AND EXPENSE</u>									
INTEREST/RENTAL/GRANTS	1,760	1,500	160	120	240	240	230	240	240
	1,760	1,500	160	120	240	240	230	240	240
TRANSFERS-OUT (CAPITAL)	(710)	(780)	(560)	(790)	(570)	(570)	(780)	(780)	(780)
WATER BANKING LOAN TO DEV FUND		(500)	(500)	(500)	(500)	(500)	(500)	(300)	
CONTRIBUTION-SURFACE WTP	(810)	(570)	(580)	(750)	(750)	(750)	(750)	(750)	(750)
MEMBRANE REPLACEMENT RESERVE	(290)	(290)	(290)	(340)	110	870	(420)	(440)	1,680
RESERVE FOR DROUGHT CONTINGENCY			(1,000)	0	(1,000)	(1,000)	(500)		
END WORKING CAPITAL	14,910	17,910	19,490	19,040	18,140	17,120	16,260	16,000	15,820
RESERVE FOR WELLHEAD TREATMENT	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
RESERVE FOR MEMBRANE REPLACEMENT	890	1,180	1,470	1,810	1,700	830	1,250	1,690	10
RESERVE FOR DROUGHT CONTINGENCY	1,500	1,500	2,500	2,500	3,500	4,500	5,000	5,000	5,000

Water Enterprise - Revenue Assumptions (dollars in dollars)

*Represents proposed bi-monthly rates and gallons. To be reviewed during a public hearing scheduled for 4/11/16.

*Bi-monthly Meter Charges: Residential - \$21.22 Commercial - \$17.10

*Residential Usage Rates: \$.86 per 1,000 gallons for 0 to 23,000 gallons, \$1.45 per 1,000 gallons for 23,000 - 40,000 gallons, \$1.78 per 1,000 gallons above 40,000 gallons. Dwelling unit charge \$10.61 per month (\$21.22 bi-monthly).

*Commercial Usage Rates: \$.86 per 1,000 gallons 0 to 23,000 gallons, \$1.17 per 1,000 gallons over 23,000 gallons. Monthly charge from \$8.55(1") to \$866.32(10")

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

		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Rate Increase:	7/1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rate Increase:	3% Based on Council approved annual rate increase unless not necessary.						
Interest:	1.00% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF \$10,000						

Water Enterprise - Expense Assumptions (dollars in thousands)

		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Salaries:	CPWEA						
	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	Salary Base	\$2,370	\$2,420	\$2,470	\$2,520	\$2,570	\$2,620
Extra Help:	FLAT FOR NEXT FIVE YEARS						
Overtime:	FLAT FOR NEXT FIVE YEARS						
						(PERS ESTIMATE)	
Retirement:		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS Cost Sharing:		-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
Health:	INCREASE PER YEAR					6.00%	
Other Benefits:	-WORKERS COMP			11.000% FOR CPWEA		2.00% FOR ADMIN	
	-MEDICARE			1.450% OF SALARIES			
	-DEF COMP/SICK LEAVE INC			5.250% OF SALARIES			
Other SMS:	INCREASE BY CPI FOR FUTURE YEARS					1.00%	
	(Increase energy cost by 50% for the Surface Water Treatment Plant operation beginning in 2004/05)						
	Rental of the New Corp Yard-beginning 2002/03				\$320 per year		
Capital Outlay:	FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS					1.00%	
Transfers Out:	FOR CAPITAL CONTRIBUTIONS FOR DISTRIBUTION SYSTEM IMPROVEMENTS						
	FOR LAND ACQUISITION 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)

	<u>Actual 2012/13</u>	<u>Actual 2013/14</u>	<u>Actual 2014/15</u>	<u>Estimated 2015/16</u>	<u>Projected 2016/17</u>	<u>Projected 2017/18</u>	<u>Projected 2018/19</u>	<u>Projected 2019/20</u>	<u>Projected 2020/21</u>
BEGINNING WORKING CAPITAL	15,110	10,280	12,240	16,140	18,620	18,220	17,630	17,660	17,620
<u>REVENUES</u>									
SEWER CHARGES	10,370	10,710	11,740	11,680	11,930	12,180	12,430	12,680	12,930
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	10,420	10,760	11,790	11,730	11,980	12,230	12,480	12,730	12,980
<u>EXPENDITURES</u>									
SALARIES	640	660	690	750	770	820	840	860	880
EXTRA HELP	0	0	0	10	10	10	10	10	10
OVERTIME	10	10	10	10	10	10	10	10	10
BENEFITS									
RETIREMENT	100	90	100	90	100	110	130	140	150
HEALTH	120	130	120	120	130	140	150	160	170
OTHER	110	80	100	90	120	130	140	140	140
SERVICES, MATERIALS & SUPPLIES	2,850	3,030	3,110	3,870	3,910	3,950	3,990	4,030	4,070
FRESNO TREATMENT PLANT	1,510	2,590	2,080	2,300	2,320	2,340	2,360	2,380	2,400
CLOVIS TRMT/REUSE PLANT (ST-WRF)	1,900	1,720	1,940	1,990	2,030	2,070	2,110	2,150	2,190
DEBT SERVICE	1,230	1,230	1,220	1,240	1,250	1,250	1,250	1,250	1,250
CAPITAL	60	10	10	80	60	460	60	60	60
CAPITAL-FRESNO PLANT IMPROVEMENTS	380	450	940	1,500	600	460	330	510	480
TOTAL EXPENDITURES	8,910	10,000	10,320	12,050	11,310	11,750	11,380	11,700	11,810
<u>OTHER REVENUE AND EXPENSE</u>									
INTEREST	80	90	100	160	290	290	290	290	300
GRANTS/MISC/SALE OF ASSETS/REFUNDS	170	20	170	240	150	150	150	150	150
BOND COVERAGE CHARGES/(REBATE)	3,150	3,290	3,360	3,260	(1,650)	(1,650)	(1,650)	(1,650)	(1,650)
	3,400	3,400	3,630	3,660	(1,210)	(1,210)	(1,210)	(1,210)	(1,200)
TRANSFERS IN-DEBT SERVICE	370	370	370	370	370	370	370	370	370
TRANSFERS OUT-CAPITAL	(380)	(340)	(340)						
FROM DEVELOPER-PLANT CAPITAL IMPROV	270	270	270	270	270	270	270	270	270
INTERFUND (LOANS)/REPAYMENT		(2,500)	(1,500)	(1,500)					1,000
(INC)/USE OF FRESNO PLANT CAP RESERVE					(500)	(500)	(500)	(500)	(500)
END WORKING CAPITAL	10,280	12,240	16,140	18,620	18,220	17,630	17,660	17,620	18,730
RESERVE FOR FRESNO PLANT CAPITAL	0	0	0	0	500	1,000	1,500	2,000	2,500
RESERVE FOR RATE STABILIZATION	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
REQUIRED FOR DEBT COVERAGE	6,900	6,900	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 2,300	New Units Per Year 800	Additional Commercial \$41,000	Residential: 2015/16 Per Unit Per Month \$21.47	Bond Charge Per Unit Per Month \$7.30 To 2015/16	Pretreatment Per Unit Per Month \$0.06	
Rate Rebate:					\$(3.65) Beginning 2016/17		
Rate Increase:	Percentage	<u>2015/16 *</u> 3.00%	<u>2016/17</u> 0.00%	<u>2017/18</u> 0.00%	<u>2018/19</u> 0.00%	<u>2019/20</u> 0.00%	<u>2020/21</u> 0.00%
Revised Monthly Rate		\$21.47	\$21.47	\$21.47	\$21.47	\$21.47	\$21.47
Interest:	1.00%	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)	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SALARY BASE	\$750	\$770	\$790	\$840	\$860	\$880
Additional employee			\$30			
Extra Help:	FLAT FOR NEXT FIVE YEARS					
Overtime:	FLAT FOR NEXT FIVE YEARS					
Retirement:	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
	20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
Health:	INCREASE PER YEAR					
Other Benefits:	-RETIREMENT		20.230%	OF EXTRA HELP		
	-WORKERS COMP		11.000%	FOR CPWEA	2.00%	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					
	Rental of the 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				1.00%	
Debt Service:	Fresno/Clovis Regional WWTP Renovation					
	96/97 - 2023				\$1,250	
Capital Outlay:	FUTURE YEARS @					
	- ADJUSTED BY 3 YEAR AVERAGE CPI				\$50	
					1.00%	
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					
					\$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 2012/13	Actual 2013/14	Actual 2014/15	Estimated 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21
BEGINNING WORKING CAPITAL	4,170	7,740	9,740	10,910	8,280	7,830	8,020	8,180	9,060
REVENUES									
REFUSE CHARGES	13,980	13,290	13,470	12,960	13,100	13,240	13,380	13,520	13,660
RECYCLING CHARGES	1,260	1,340	1,380	1,490	1,560	1,630	1,710	1,790	1,870
GREEN WASTE CHARGES	1,460	1,550	1,640	1,660	1,750	1,840	1,940	2,040	2,150
STREET SWEEPING CHARGES	1,040	1,030	1,080	1,090	1,100	1,110	1,120	1,130	1,140
TOTAL REVENUES	17,740	17,210	17,570	17,200	17,510	17,820	18,150	18,480	18,820
EXPENDITURES									
SALARIES	2,110	2,160	2,470	2,710	2,760	2,870	2,930	2,990	3,050
EXTRA HELP	80	110	40	90	90	90	90	90	90
OVERTIME	150	200	190	350	200	200	200	200	200
BENEFITS									
RETIREMENT	350	330	350	330	350	400	450	500	530
HEALTH	490	500	510	520	550	580	610	650	690
OTHER	380	290	370	360	460	470	480	490	500
SERV, MAT & SUPP	5,700	6,560	7,100	7,360	7,430	7,500	7,580	7,660	7,740
RECYCLING	1,120	1,290	1,360	1,320	1,380	1,440	1,500	1,560	1,620
GREEN WASTE PROGRAM	1,420	1,510	1,600	1,520	1,590	1,660	1,730	1,810	1,890
STREET SWEEPING	1,100	1,170	1,160	1,320	1,330	1,340	1,350	1,360	1,370
LANDFILL CLOSURE	180	200	220	220	220	220	220	220	220
CAPITAL	460	360	510	2,200	900	150	150	160	160
LANDFILL IMPROVEMENTS	30	10	10	1,320	200	200	200	200	200
LANDFILL DEBT SERVICE	780	780	780	790	790	790	790		
TOTAL EXPENDITURES	14,350	15,470	16,670	20,410	18,250	17,910	18,280	17,890	18,260
OTHER REVENUE AND EXPENSE									
INTEREST	50	90	80	70	130	120	130	130	140
GRANTS/MISC/SALE OF ASSETS	30	30	30	0					
	80	120	110	70	130	120	130	130	140
TRANSFERS	90	140	160	510	160	160	160	160	160
TRANSFERS OUT-CORP YARD	(10)								
LANDFILL LINER FEE	20								
END WORKING CAPITAL	7,740	9,740	10,910	8,280	7,830	8,020	8,180	9,060	9,920
RESERVE FOR CLOSURE	2,640	2,840	3,060	3,280	3,500	3,720	3,940	4,160	4,380
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	15/16 Avg Unit	Recycling	Green Waste	Street Cleaning	
	Per Year	Per Month	Per Month	Per Month	Per Month	
	800	\$22.72	\$3.37	\$4.94	\$2.25	
Additional Commercial Annual Revenue ----->	\$35,000					
	<u>2015/16 *</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Rate Increase/(Decrease):	7/1	-3.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Monthly Rate:		\$22.72	\$22.72	\$22.72	\$22.72	\$22.72

* **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: 1.00% OF PREVIOUS YEARS WORKING CAPITAL

Community Sanitation - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Salary Base:	\$2,710	\$2,760	\$2,820	\$2,930	\$2,990	\$3,050
Additional Personnel: Res/Comm			\$50			
Extra Help:	\$110 for Operations per year					
Overtime:	FLAT FOR FUTURE YEARS					1.00%
				(PERS ESTIMATE)		
Retirement:	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
	20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
Health:	INCREASE PER YEAR					6.00%
Other Benefits:	-WORKERS COMP				10.76%	FOR CPWEA
	-MEDICARE				1.45%	OF SALARIES
	-DEF COMP/SICK LEAVE/OTHER				5.25%	OF SALARIES
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS					1.00%
	Rental of the Corp Yard beginning 2002/03					\$320 per year
Landfill 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					\$150
	ADJUSTED BY 3 YEAR AVERAGE CPI					1.00%
Transfers:	In-For Toters			\$160 /year		
Reserve For Closure:	FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI					1.00%

CITY OF CLOVIS

Transit - Financial Forecast (dollars in thousands)

	<u>Actual 2012/13</u>	<u>Actual 2013/14</u>	<u>Actual 2014/15</u>	<u>Estimated 2015/16</u>	<u>Projected 2016/17</u>	<u>Projected 2017/18</u>	<u>Projected 2018/19</u>	<u>Projected 2019/20</u>	<u>Projected 2020/21</u>
BEGINNING WORKING CAPITAL	450	340	90	1,160	730	600	410	160	(130)
<u>REVENUES</u>									
MEASURE C FUNDS	1,180	1,250	1,300	1,370	1,440	1,510	1,590	1,670	1,760
LOCAL TRANSPORTATION FUNDS (LTF)	2,360	2,120	3,460	3,220	3,250	3,280	3,310	3,340	3,370
STATE TRANSIT ASSISTANCE	590	580	560	560	560	560	560	560	560
OTHER (Fares, Advertising, Trolley Rents)	230	240	240	230	230	230	230	230	230
TOTAL REVENUES	4,360	4,190	5,560	5,380	5,480	5,580	5,690	5,800	5,920
<u>EXPENDITURES</u>									
SALARIES	1,010	1,050	1,150	1,310	1,340	1,370	1,400	1,430	1,460
EXTRA HELP	680	710	690	710	750	790	830	870	910
OVERTIME	30	30	60	60	60	60	60	60	60
BENEFITS									
RETIREMENT	170	150	160	160	170	190	220	240	250
HEALTH	220	220	220	250	270	290	310	330	350
OTHER	340	280	330	290	320	350	370	390	410
SERVICES, MATERIALS & SUPPLIES	1,790	1,970	1,880	2,120	2,140	2,160	2,180	2,200	2,220
CAPITAL-OTHER	10	180	80	360	10	10	10	10	10
CAPITAL-BUSES	960		440	560	560	560	560	560	560
TOTAL EXPENDITURES	5,210	4,590	5,010	5,820	5,620	5,780	5,940	6,090	6,230
<u>OTHER REVENUE AND EXPENSE</u>									
INTEREST/GRANTS/MISC	720	150	520	10	10	10	0	0	0
SALE OF ASSETS	20								
	740	150	520	10	10	10	0	0	0
END WORKING CAPITAL	340	90	1,160	730	600	410	160	(130)	(440)

Transit- Revenue Assumptions

Transit Revenue:	Measure C revenue is projected to grow by the prior 3 year average increase in revenue	5.10%
	LTF revenue is projected to grow by the 3 year average CPI	1.00%
	Beginning in 2014/15 100% of LTF revenue will be allocated to Transit.	
	Beginning in 2015/16 State Transit Assistance revenue must be used for capital purposes only.	
	Other revenue is projected to grow by the 3 year average CPI	1.00%
Interest:	1.00% OF PREVIOUS YEARS WORKING CAPITAL	

Transit- Expense Assumptions

Salaries:		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
CUE	7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Additional Employees							
Extra Help:	INCREASE 5% PER YEAR FOR ADDITIONAL DEMAND IN ROUNDUP TRANSIT SERVICES						
Overtime:	INCREASE BY PREVIOUS THREE YEAR CPI						1.00%
					(PERS ESTIMATE)		
Retirement:		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
		20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS Cost Sharing:		-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
Health:	INCREASE PER YEAR						6.00%
Other Benefits:	-WORKERS COMP				11.000% OF SALARIES		2.00% 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						1.00%
Capital Outlay:	BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI						1.00%

CITY OF CLOVIS

Planning & Development Services - Financial Forecast (dollars in thousands)

UNITS	561	735	1024	800	800	800	800	800	800
	<u>Actual</u> <u>2012/13</u>	<u>Actual</u> <u>2013/14</u>	<u>Actual</u> <u>2014/15</u>	<u>Estimated</u> <u>2015/16</u>	<u>Projected</u> <u>2016/17</u>	<u>Projected</u> <u>2017/18</u>	<u>Projected</u> <u>2018/19</u>	<u>Projected</u> <u>2019/20</u>	<u>Projected</u> <u>2020/21</u>
BEGINNING WORKING CAPITAL	0	1,600	2,440	3,350	3,630	4,150	4,540	4,860	5,050
<u>REVENUES</u>									
BUILDING PERMITS	2,040	2,170	2,140	2,480	2,530	2,550	2,580	2,600	2,630
PLANNING FEES	1,320	1,510	1,510	1,180	1,230	1,240	1,260	1,290	1,320
GENERAL PLAN CONSULTANT	310	380	210	100	100	100	100	100	100
ENGINEERING FEES	1,750	2,430	2,150	2,010	2,120	2,140	2,160	2,190	2,210
CAPITAL IMPROVEMENT CHARGES	2,250	2,040	2,050	2,460	2,510	2,560	2,610	2,660	2,710
TOTAL REVENUES	7,670	8,530	8,060	8,230	8,490	8,590	8,710	8,840	8,970
<u>EXPENDITURES</u>									
SALARIES	2,560	2,790	3,230	3,540	3,610	3,680	3,750	3,830	3,910
EXTRA HELP	480	530	570	640	640	640	640	640	640
OVERTIME	90	140	160	100	100	100	100	100	100
BENEFITS									
RETIREMENT	410	410	470	440	540	600	680	750	790
HEALTH	430	470	500	520	550	580	610	650	690
OTHER	710	370	380	390	390	390	390	390	390
SERVICES, MATERIALS & SUPPLIES	1,590	1,960	2,090	2,590	2,430	2,450	2,470	2,490	2,510
GENERAL PLAN CONSULTANT	390	520	290	130	100	100	100	100	100
CAPITAL	120	20	20	30	10	10	10	10	10
TOTAL EXPENDITURES	6,780	7,210	7,710	8,380	8,370	8,550	8,750	8,960	9,140
<u>ADDITIONAL ITEMS</u>									
INTEREST	0	10	10	0	40	40	50	50	50
OTHER REVENUES/GRANTS	60	290	330	400	90	90	90	90	90
TRANSFERS FROM GENERAL FUND	650	300	300	300	300	300	300	300	300
TOTAL ADDITIONAL ITEMS	710	600	640	700	430	430	440	440	440
NET INCI/(DEC) TO WORKING CAPITAL	1,600	1,920	990	550	550	470	400	320	270
<u>OTHER ITEMS</u>									
(USE OF)/ADDITION TO EMERGENCY RESERVE		1,080	80	270	30	80	80	130	170
END WORKING CAPITAL	1,600	2,440	3,350	3,630	4,150	4,540	4,860	5,050	5,150
Emergency Reserve-(Dollars)	0	1,080	1,160	1,430	1,460	1,540	1,620	1,750	1,920
Emergency Reserve as a % of Expenditures		15.00%	15.00%	17.10%	17.50%	18.00%	18.50%	19.50%	21.00%

Planning & Development Services - Revenue Assumptions (dollars in dollars)

	<u>2014/15 (Act.)</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Residential Units Per Year:	1024	800	800	800	800	800	800
Non-Residential %:	27%	25%	25%	25%	25%	25%	25%
<i>Averages based on two years actuals and estimate to close</i>							
Average Permit Fees Per Unit:		Building	Planning	Engineering			
		\$2,300	\$1,700	\$2,300			
3 Year Average CPI:		1.00%					
	<u>2014/15 (Act.)</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Planning Program Fee (Staff):	800,000	760,000	830,000	830,000	840,000	850,000	860,000
Plan. Prgm. Fee (Consultant):	210,000	100,000	100,000	100,000	100,000	100,000	100,000
Other Planning Fees:	710,000	400,000	400,000	410,000	420,000	440,000	460,000
	1,720,000	1,260,000	1,330,000	1,340,000	1,360,000	1,390,000	1,420,000
Capital Improvement Charges:	INCREASE ANNUALLY BY PROJECTED SALARY INCREASES						
Interest:	1.00% OF PREVIOUS YEARS WORKING CAPITAL						
Other Revenues:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS					1.00%	
Grants:	BASED ON AWARDED GRANTS						

Planning & Development Services - Expense Assumptions (dollars in thousands)

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Salaries: (CPTA)						
7/1	5.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Salary Base:	\$3,540	\$3,610	\$3,680	\$3,750	\$3,830	\$3,910
Additional Personnel:						
Extra Help:	FLAT FOR FUTURE YEARS					
Overtime:	INCREASE BY PREVIOUS THREE YEAR CPI					1.00%
				(PERS ESTIMATE)		
Retirement:	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
	20.230%	21.043%	22.400%	23.800%	25.200%	25.700%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
Health:	INCREASE PER YEAR					6.00%
Other Benefits:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS					1.00%
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS					1.00%
Capital Outlay:	BASED ON CAPITAL NEEDS PROJECTED FOR DEPARTMENT					
Transfers:	GENERAL FUND DISCRETIONARY FUNDING					\$300 PER YEAR

EXHIBIT B
PROJECTION ASSUMPTIONS
GENERAL FUND

Generally in preparation of the forecast trends are determined and utilized for projecting future activity. Current activity in both revenues and expenditures falls within normal “trends” and is used for the basis of the projections. The table below indicates the values that are used for projection purposes.

	<u>10-YR Average</u>	<u>Projected 2016/17</u>	<u>Projected 2017/18</u>	<u>Projected 2018/19</u>	<u>Projected 2019/20</u>	<u>Projected 2020/21</u>
<u>Residential Units (Single Family plus Multi Family)</u>	665	800	800	800	800	800
<u>Assessed Valuation (in Millions)</u>	\$237	\$264	\$264	\$264	\$264	\$264
<u>Population Increase</u>	1,832	2,300	2,300	2,300	2,300	2,300

The 2015/16 revenues were estimated based on actuals to date through January of 2016, and projected out for the remainder of the fiscal year based on trend analysis of prior year’s receipts. Some revenues such as property taxes and sales taxes were given special consideration due to the current economic climate along with budgetary actions taken at the state level such as the elimination of redevelopment. The economic recovery remains a major consideration in budgeting revenues in all years projected. Some revenue sources such as sales tax are projected to experience marked increases due to the Clovis Crossing Shopping Center, and Ross and Sprouts Farmers Market at Clovis and Herndon Avenues.

The 2015/16 expenditures estimates were based on the working budget with adjustments made based on the input received from department heads, using actual-to-date amounts through January 2016 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 2016/17 - 2020/21:

REVENUE ASSUMPTIONS

Property Taxes – will increase in 2016/17 by 4.5% from the prior year due to Proposition 13 capped annual increase of existing properties at Consumer Price Index (CPI) of 1.525% plus the assessed valuation for new units projected at 800 residential plus a component for non-residential. In 2017/18-2020/21, the increases reflect the normal growth of existing properties at the Proposition 13 cap of 2% for all projected years plus the assessed valuation for new units as noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2016/17 is projected to increase by 5.2% based on the annual 2% maximum increase on existing properties, and the increase in assessed valuation for the additional units projected.

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at \$228 per unit increased annually by CPI.

Sales Tax – 2016/17 is projected to increase by 5% from the prior year to reflect projected growth by the Board of Equalization. In addition, sales taxes are projected to grow by the per capita amount for increases in 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 plus 3% for new businesses.

Other Taxes – Includes Transient Occupancy Tax and Card Room Permit Fees 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. Department of Justice has suspended asset forfeiture funds until further notice.

Interest - Interest is calculated at 1.0% 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.

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.

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. Successor Agency Administrative Fee is eliminated in FY18/19 as the County will take over administration at that time.

EXPENDITURE ASSUMPTIONS

Staffing – Three additional firefighters are added in 2019/20 and 2020/21 in anticipation of opening a fire station in the Loma Vista Area.

Salaries - Salary increases for all groups including merit increases are projected to be at the three-year average annual CPI rate.

Overtime - Overtime remains flat over the forecast period.

Extra Help - Extra Help is projected to remain flat for the next five years.

Salary Related Costs

- *Health Benefit* – The Health Benefit costs are projected to increase by 6% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2016/17, estimated rates from PERS for 2017/18 and throughout the forecast period reflecting recent rate increases due to the retirement system changes in recent actuarial assumptions. Rates for safety members are projected to increase 8.0% over the next five years. Miscellaneous member rates are projected to increase 4.7% over the next five years.
- *Other Benefits*
 - *Worker's Compensation* – Rates are projected to remain relatively 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, debt service, and major capital repairs for City owned assets/facilities.

Other Transfers In - This represents the General Fund contribution to other programs/projects as the need arises.

Other Transfers (Out) Planning and Development Services - An annual transfer is being projected to cover costs associated with general oversight of code updates, enforcement for maintaining health and safety standards and preventing neighborhood blight.

RESERVE ASSUMPTIONS

Emergency Reserve - The reserve established for emergencies. In 2016/17 this reserve is projected to be 17.1% of expenditures. The Council's established policy for the reserve is a minimum of 15% with the goal to reach 25% as funding is possible. Projected throughout this forecast are increases to reach Council's goal and work towards the City auditor's recommendation of 25%.

RESERVE ASSUMPTIONS

Reserve for Triple Flip - This reserve was established in 2004/05; the first year the sales tax triple flip was in effect to allow the state to purchase Economic Recovery Bonds (ERBs), and represents an offset to the long-term accrual of revenue that is not available for appropriation. The ERBs were paid off in August 2015 bringing the triple flip to an end. In May 2016, the Board of Equalization (BOE) will have sufficient information to calculate the amount owed to cities, and will include this amount in payment to the county auditors. The county auditors will make these payments to the cities within 60 days from June 2016. Also, beginning with the first quarter 2016 payment from the BOE the City will receive 100% of its sales tax allocation.

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