

Financial Update



Dean Albro, Management Services Director

Tonight's Agenda

- The Current Economy
- General Fund - 10 Year History
- General Fund – CAFR 2019
- General Fund – Mid-Year Review 2020
- General Fund – 10 Projections





The Overall Economy

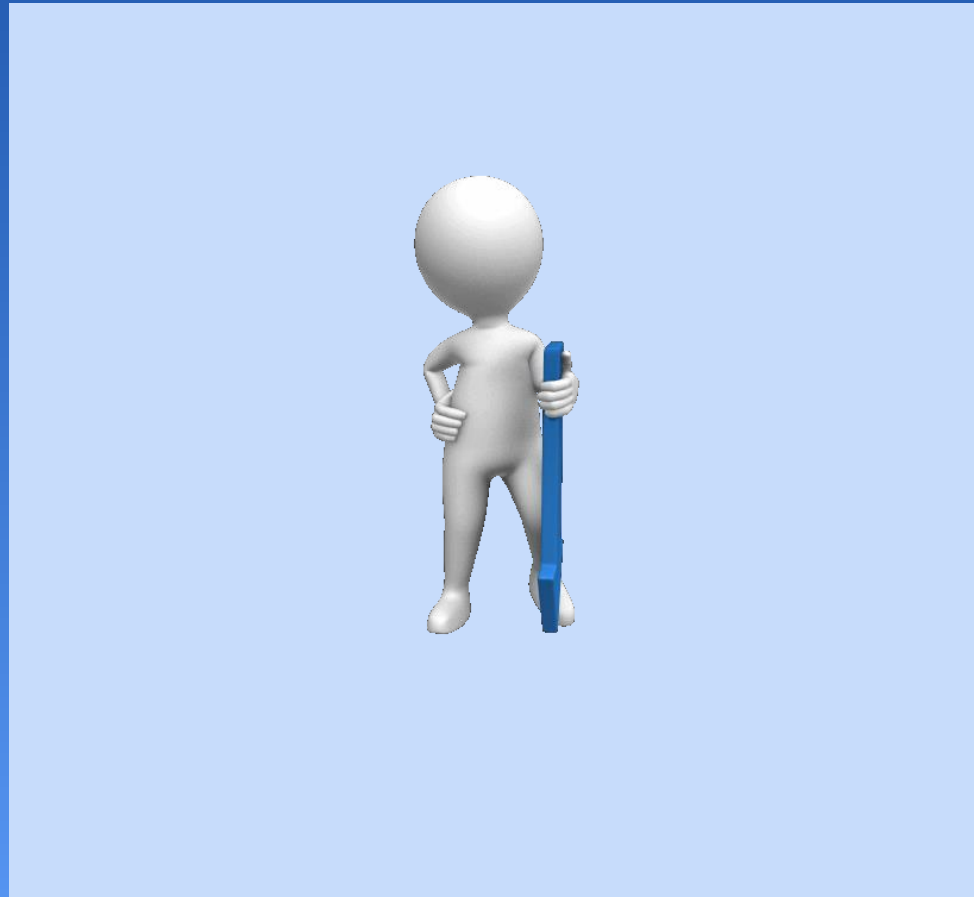
- Unemployment numbers are Great
- Housing price recovering
- Debt levels still safe
- Inflation remains constrained
- GDP growth;2%+
- Wages are up



The Overall Economy - Challenges

- Retirement Obligations - Unfunded
- Baby Bomber Retirements – Skilled Labor Shortage
- Shortage in Housing
- Equity Markets – Bubble / Correction ?
- Interest Rates – Too Low (Federal Reserve Rate?)
- Political Extremism – Both Sides

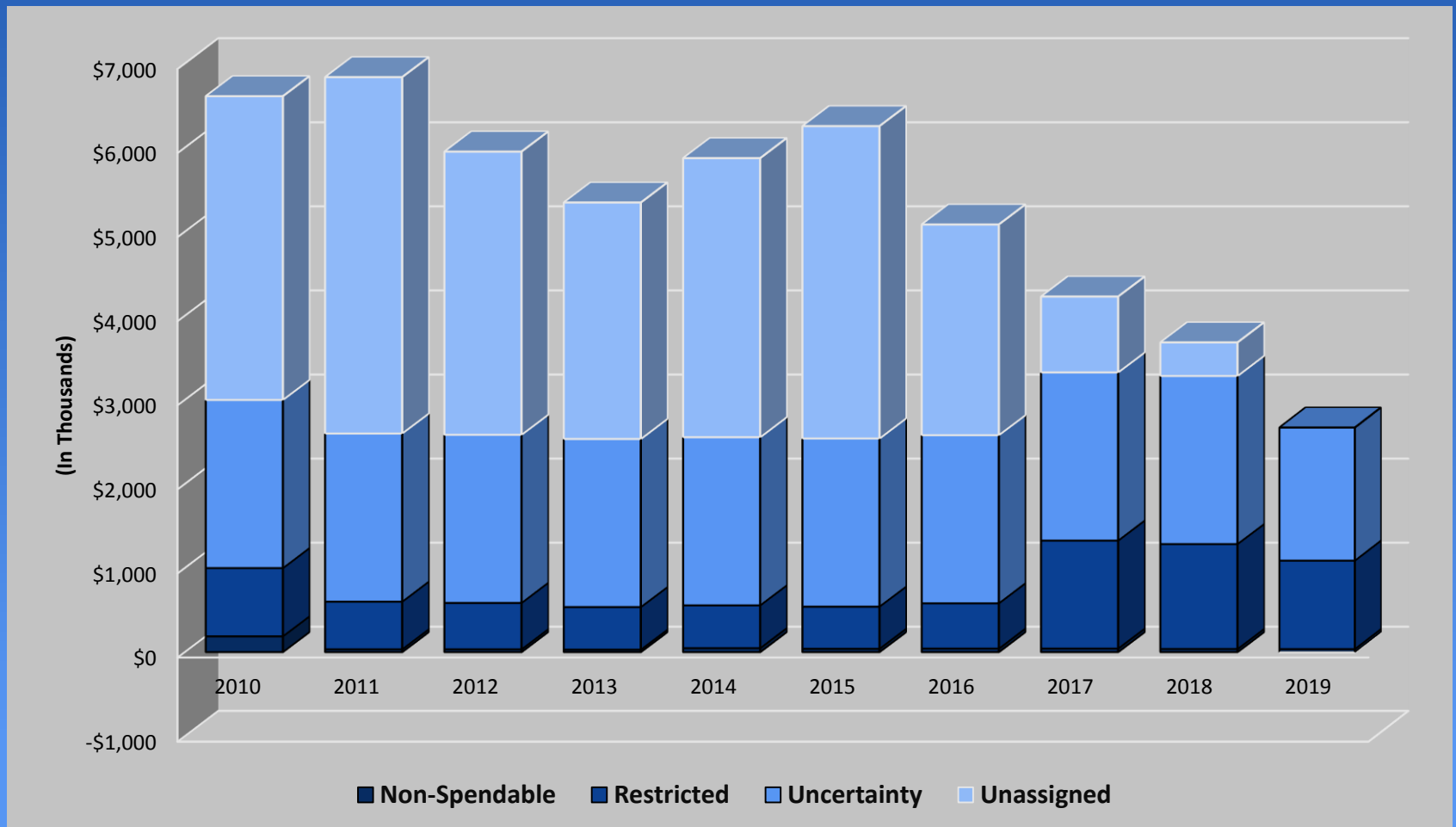
General Fund – 10 Year History



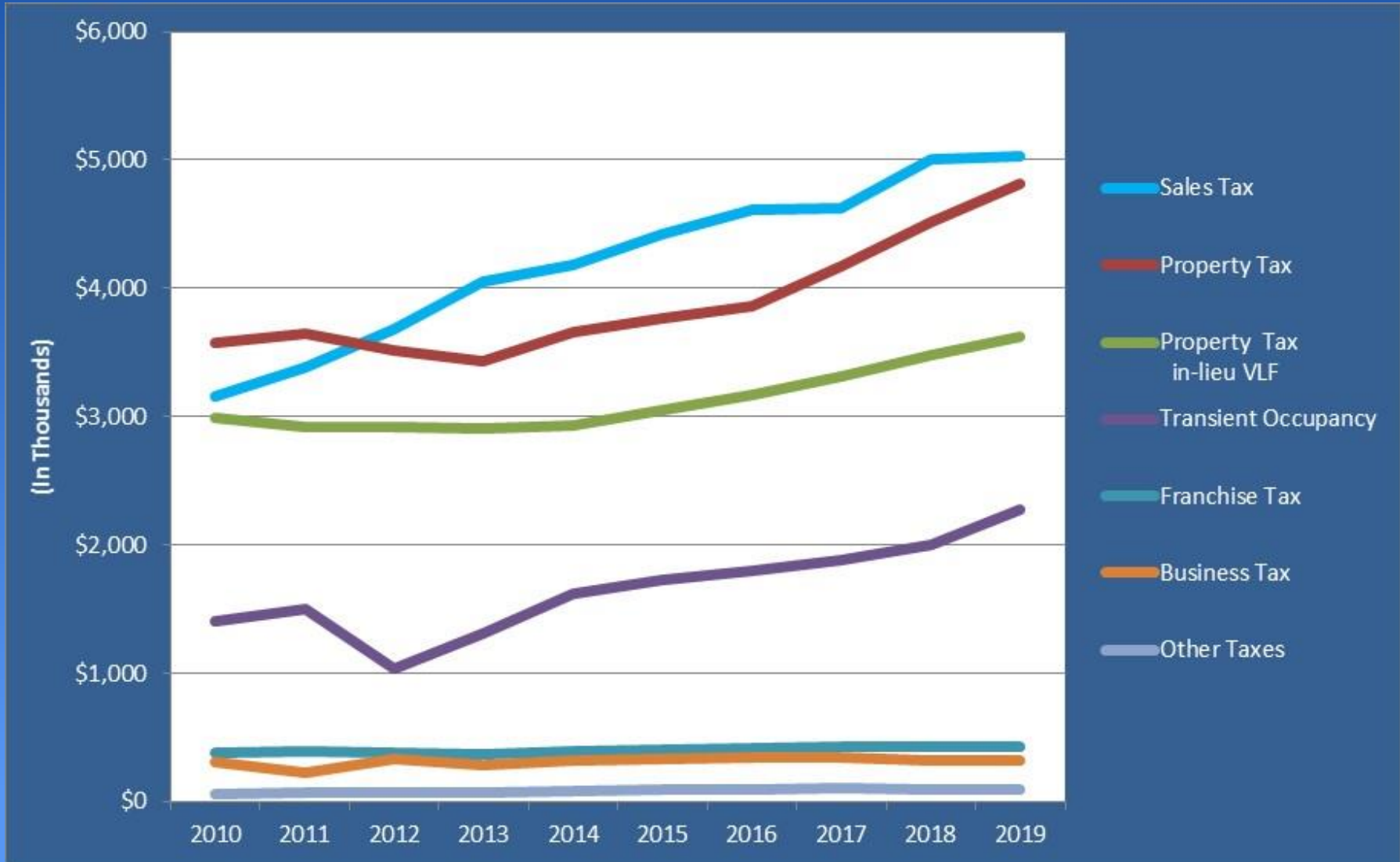
GF - Fund Balance 10 Years History

Unrestricted Reserves

25% Policy \$8.9 million vs Current \$1.6 million or 4.5%



General Fund Tax Revenues - 10 Year History



General Fund – FY 2019



General Fund – Year Ended June 30, 2019

	Original Budget	Actual	Variance
Revenues	\$ 35,746,976	\$ 34,393,065	\$ (1,353,911)
Expenses	36,290,817	35,406,505	884,312
Excess of revenues (under) expenditures	(543,841)	(1,013,440)	(469,599)
One-time Transactions			
Capital Improvements Library		133,189	133,189
Net change in fund balance	\$ (543,841)	\$ (880,251)	\$ (336,410)

Original Budget Estimates to Actuals FY 2019

Revenues	Variances	
Property tax	\$	(130,850)
Sales tax		539,048
Transient Occupancy Tax		(186,880)
Building permits		(217,244)
River Park RV		(38,045)
Aquatic Center		(60,953)
Library		(22,755)
Revenues from other agencies		85,268
Interest earnings		113,158
Fines and penalties		(39,910)
Other misc. revenues		(607)
Streets & road fund transfers (offset by expense)		(1,394,141)
Total	\$	(1,353,911)

Original Budget Estimates to Actuals FY 2019

Expenditure		Variances
General government	\$	106,211
Planning		(129,603)
Building and building inspection		93,584
Police		63,694
Fire		(501,795)
Recreation		25,062
Parks		220,263
City engineer and streets		1,292,566
Library		(154,580)
Operating transfers out		(131,090)
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Total	\$	884,312

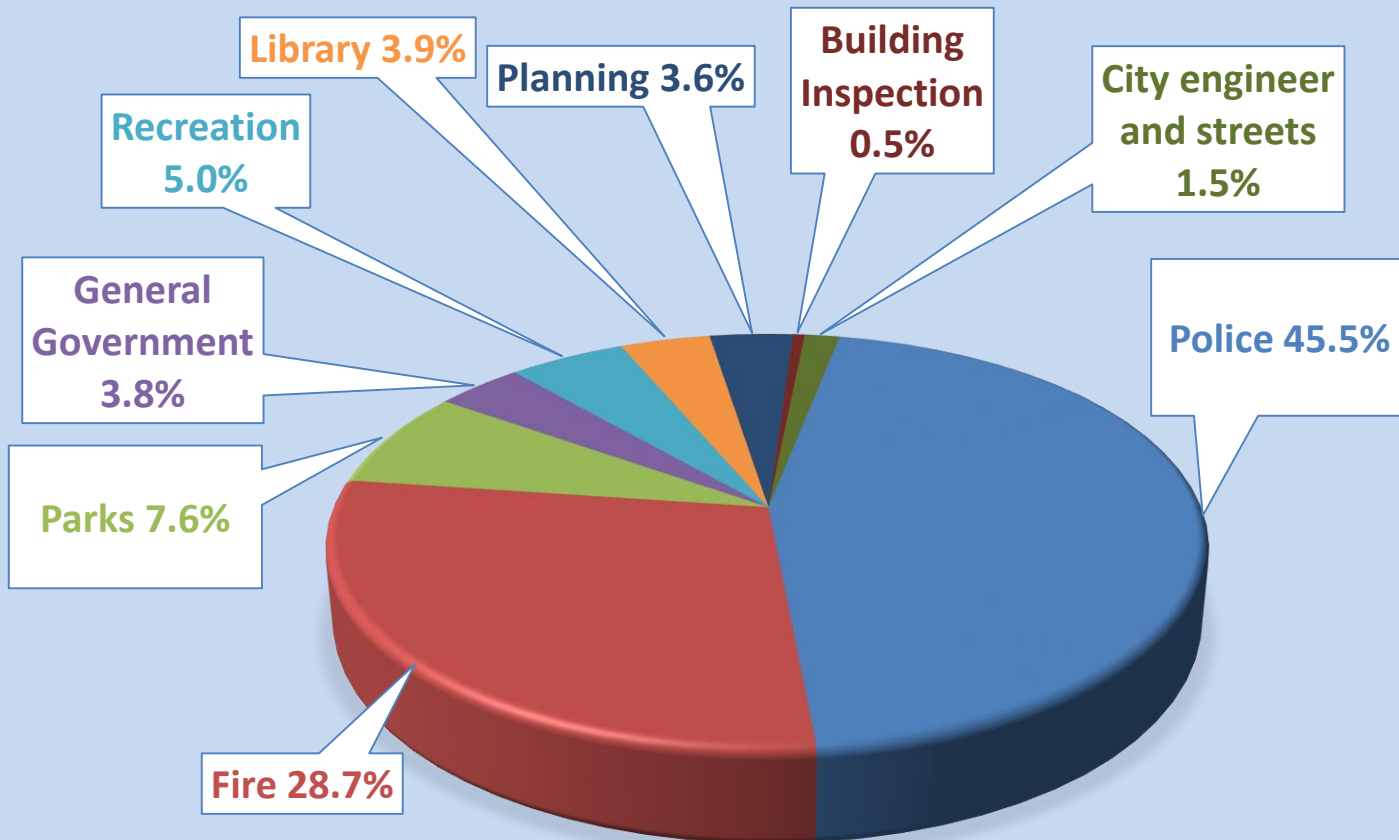
GENERAL FUND NET COST



General Fund – Net Cost by Department

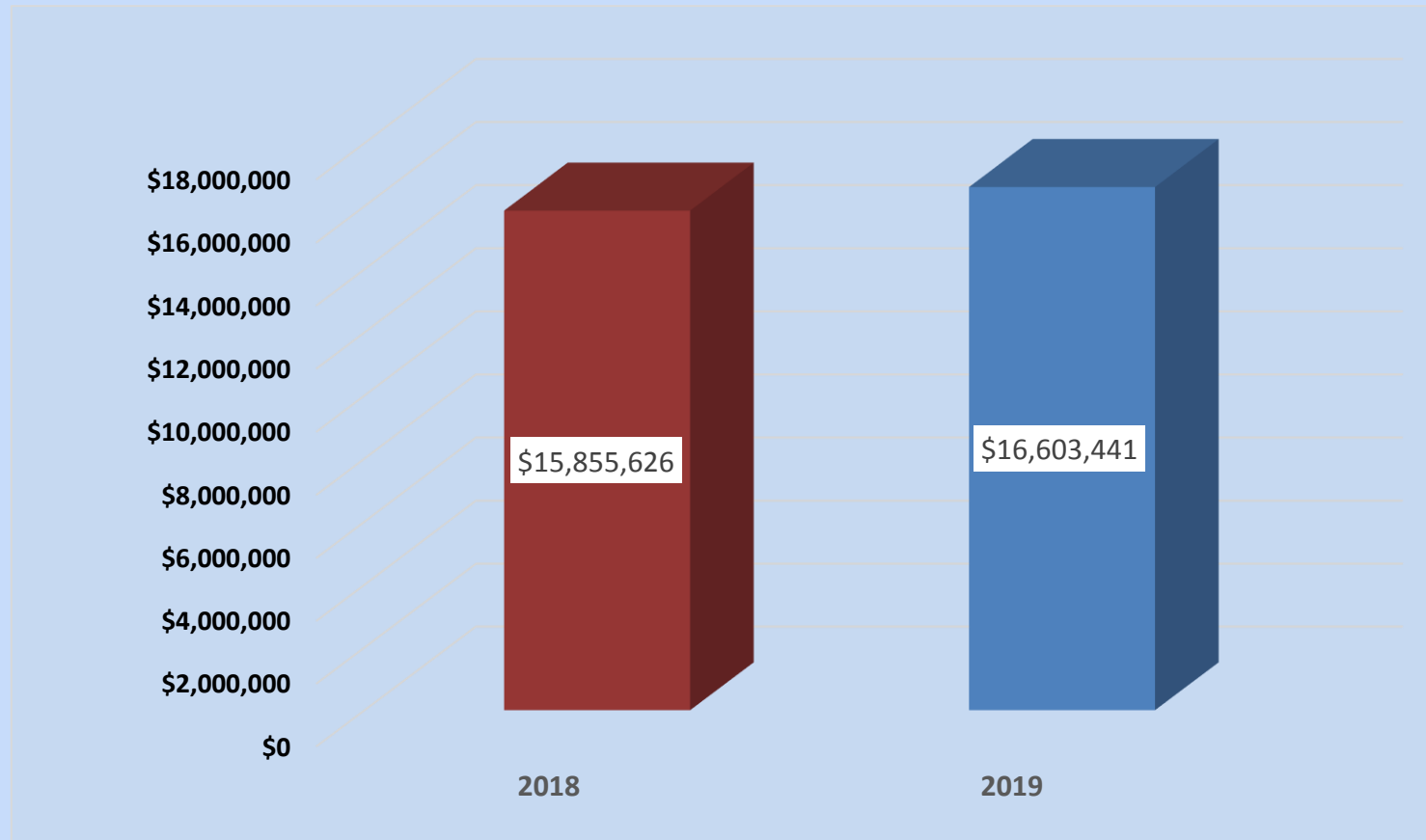
Department	FY 2019	
	Net Cost GF	%
Police	\$ 9,891,366	45.5%
Fire	6,236,327	28.7%
Parks	1,650,497	7.6%
General Government	826,394	3.8%
Recreation	1,097,452	5.0%
Library	844,511	3.9%
Planning	779,185	3.6%
Building Inspection	107,031	0.5%
City engineer and streets	327,160	1.5%
Total	\$ 21,759,923	

FY 2019 General Fund - Net Cost %



Actual Tax Revenues FY2018 vs. FY2019

TAXES



Incremental Increased \$747,815

General Fund – Mid-Year Fiscal Year 2020



General Fund – Estimates June 30, 2020

	Original Budget	Projected	Variance
Revenues	\$ 36,770,331	\$ 35,517,437	\$ (1,252,894)
Expenditures	37,085,838	36,736,307	349,531
Excess of revenues (under) expenditures	<u>(315,507)</u>	<u>(1,218,870)</u>	<u>(903,363)</u>
One-time Transactions			
Pool Demo		448,700	448,700
Police HVAC		119,000	119,000
Library (Restrooms & Carpet)		18,000	18,000
Net change in fund balance from Operations	<u>\$ (315,507)</u>	<u>\$ (633,170)</u>	<u>\$ (317,663)</u>

Original Budget to Estimates FY 2020

Revenues	Variances
Property tax	\$ 85,000
Cannabis	250,000
Transient Occupancy Tax	(410,000)
Business Licenses	(39,609)
Building permits	(112,000)
River Park RV	(50,000)
Engineer Internal Services	(80,000)
Recreation (Pool, DeWees, Revolving)	(78,000)
Jail Services	(25,000)
Other revenues	(3,621)
Streets & Road Transfers	(789,664)
Total	\$ (1,252,894)

Original Budget to Estimates FY 2020

Expenditure		Variances
General government	\$	456,516
Planning		(1,877)
Building		(65,456)
Police		318,830
Fire		(387,500)
Recreation		49,185
Parks		153,500
Non-departmental (Held Positions)		(713,804)
Library		(56,606)
City engineer and streets		1,026,798
Building and Facilities		138,645
Police HVAC		(120,000)
Pool Demo		(448,700)
		<hr/>
Total	\$	349,531

General Fund – Coronavirus Impact FY 2019-20

Projected Losses from Covid-19

Transient Occupancy Tax (TOT)	(425,000)
Sales Tax	(205,000)
DeWees Senior Center	(15,336)
Recreation Programs	(86,140)
Aquatic Center Programs	(113,394)
River Park Campground RV Rentals	(22,029)
Permits	(137,809)
Interest Income	(4,000)

Loss Estimates from Covid-19 **\$ (1,008,708)**

Unassigned Fund Balance 6-30-2019	1,581,561
Projected Change in Unassigned Fund Balance	(1,760,878)
Projected Fund Balance Deficit	<u><u>(179,317)</u></u>



Citywide – CalPERS Impact Covid-19

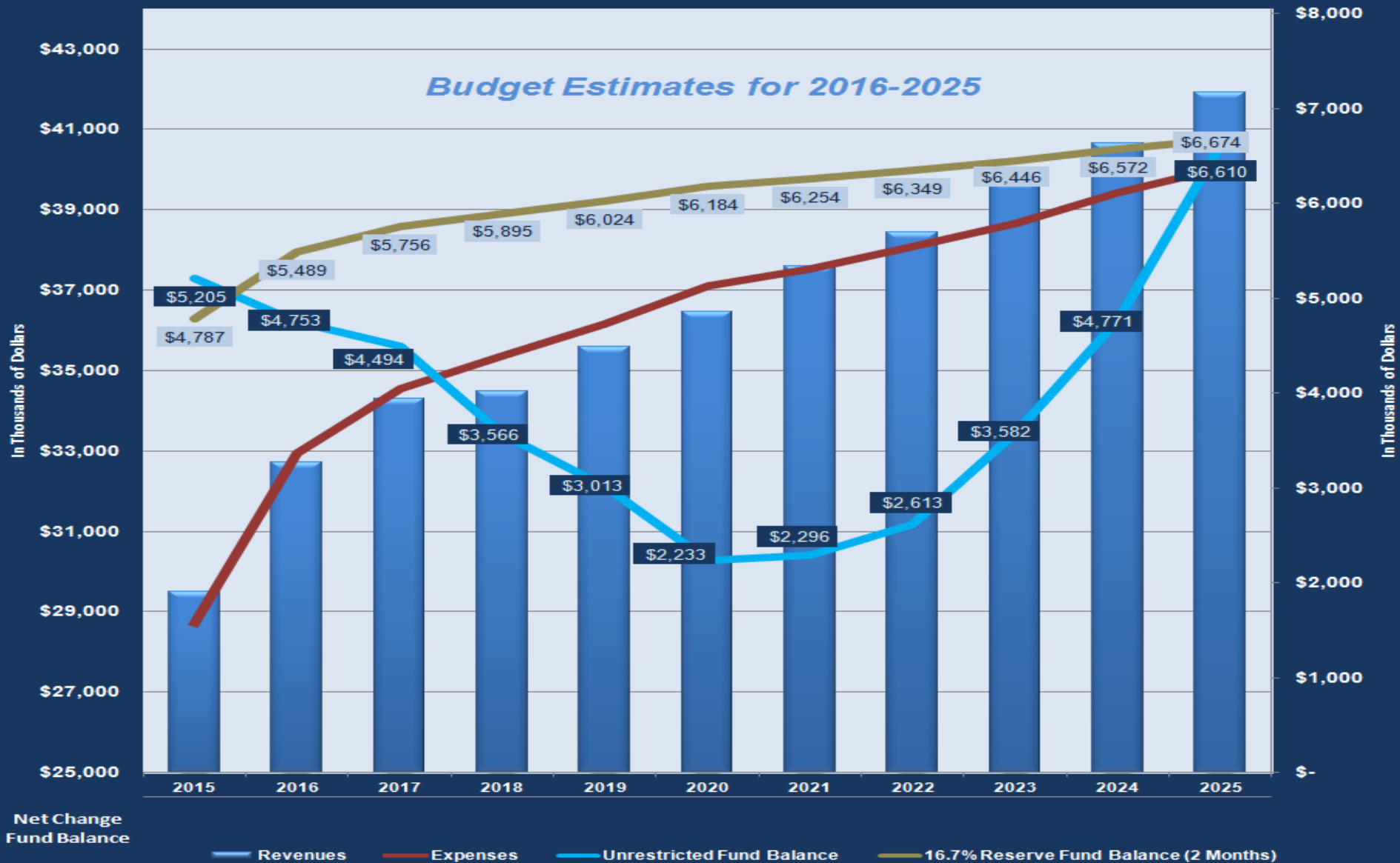
CalPERS : April 6, 2020

Market Value - June 30, 2019	\$370.2 Billion
Market Value - April 6, 2020	358.6 Billion
Today Annual Loss (3.1%)	\$11.6 Billion
City's Market Loss	\$6.4 Million
City's Projected Earning (7%)	\$14.4 Million
Increase Unfunded Liabilities	\$20.8 Million

General Fund – 10 Year Projection

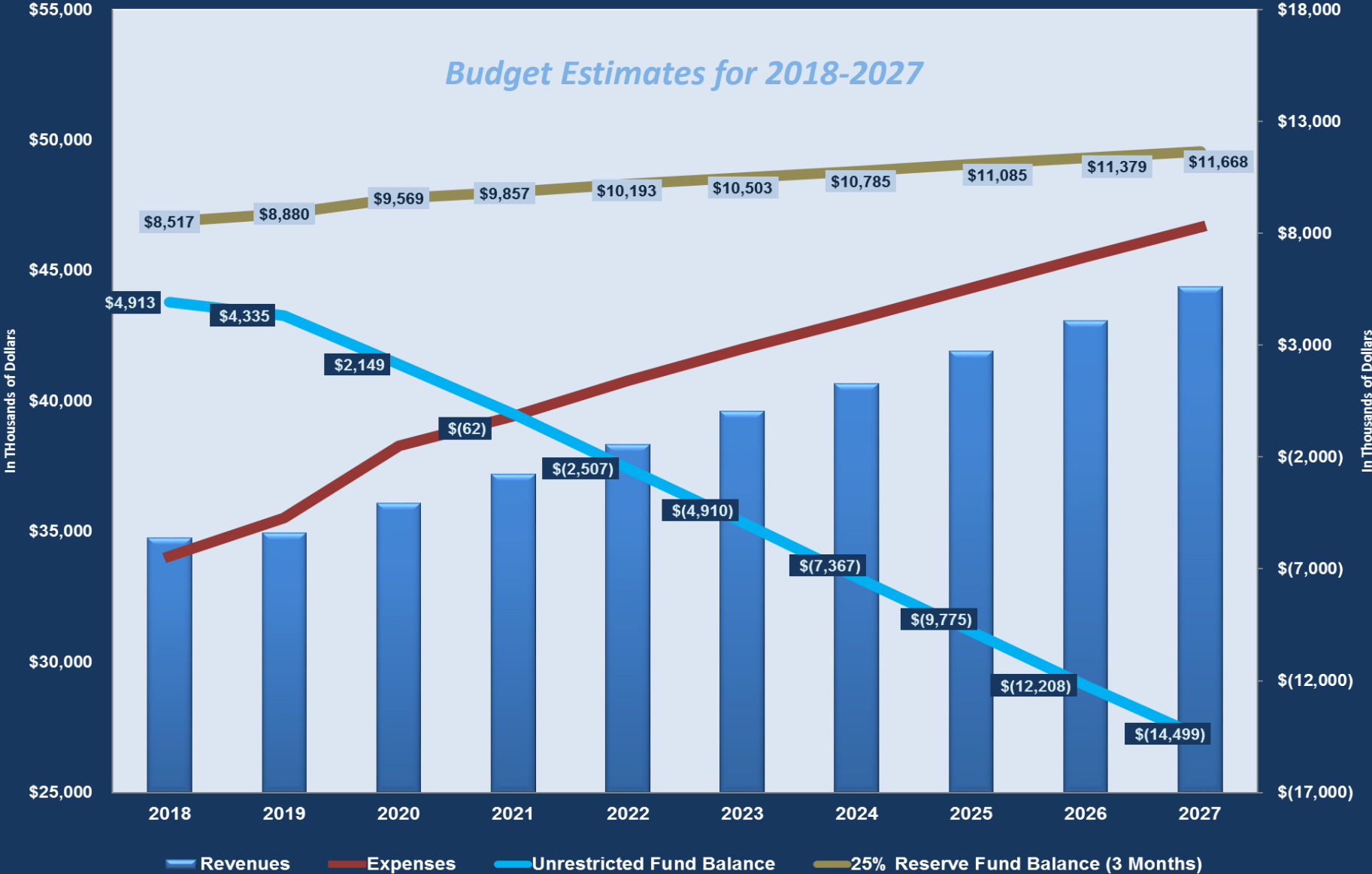


Projection 2015-2025



2018-2027 Projection

Budget Estimates for 2018-2027



Today's Projection 2020-2029



Projection 2020-2029 W/Sales Tax



Projection Assumptions

- CalPERS Fresh Start (30yr Amortization to 15yr)
- Sales Tax – Local 1 Cent 4.8 Million
- No Held Police Officers (3)
- No Held Vacancy at Large (800K)
- No Held Park Positions (1.75)
- Restore Contribution to Outside Agencies

Projection 2020-2029 W/Sales Tax





Thank you

Strategies to Address Unfunded Pensions Cost

- Prepay Annual UAL Payment Upfront (3yr Paid = \$500,000)
- Fresh Start to amortize – Locked-In Shorter Term
- Use Cash Reserves to Lump Sum or Setup 115 Trust
- Pension Obligation Bond
- Cash Sharing with Employees

General Fund Net Expenditures by Dept. 2017-2018

Department	General Fund Net Cost Calculation	%
Police		45.5%
Fire		28.7%
Parks	+ Departments Total Gross Expenditures	7.6%
General		3.8%
Recreation	LESS: Charge for Service (User Fees)	5.0%
Library	Administrative Services Charges (CAP)	3.9%
Planning	Grants	3.6%
Building	= Net Expenditures (Cost from Discretionary Funds)	0.5%
City engineering		1.5%

Total \$ 21,755,525

Projection Assumptions

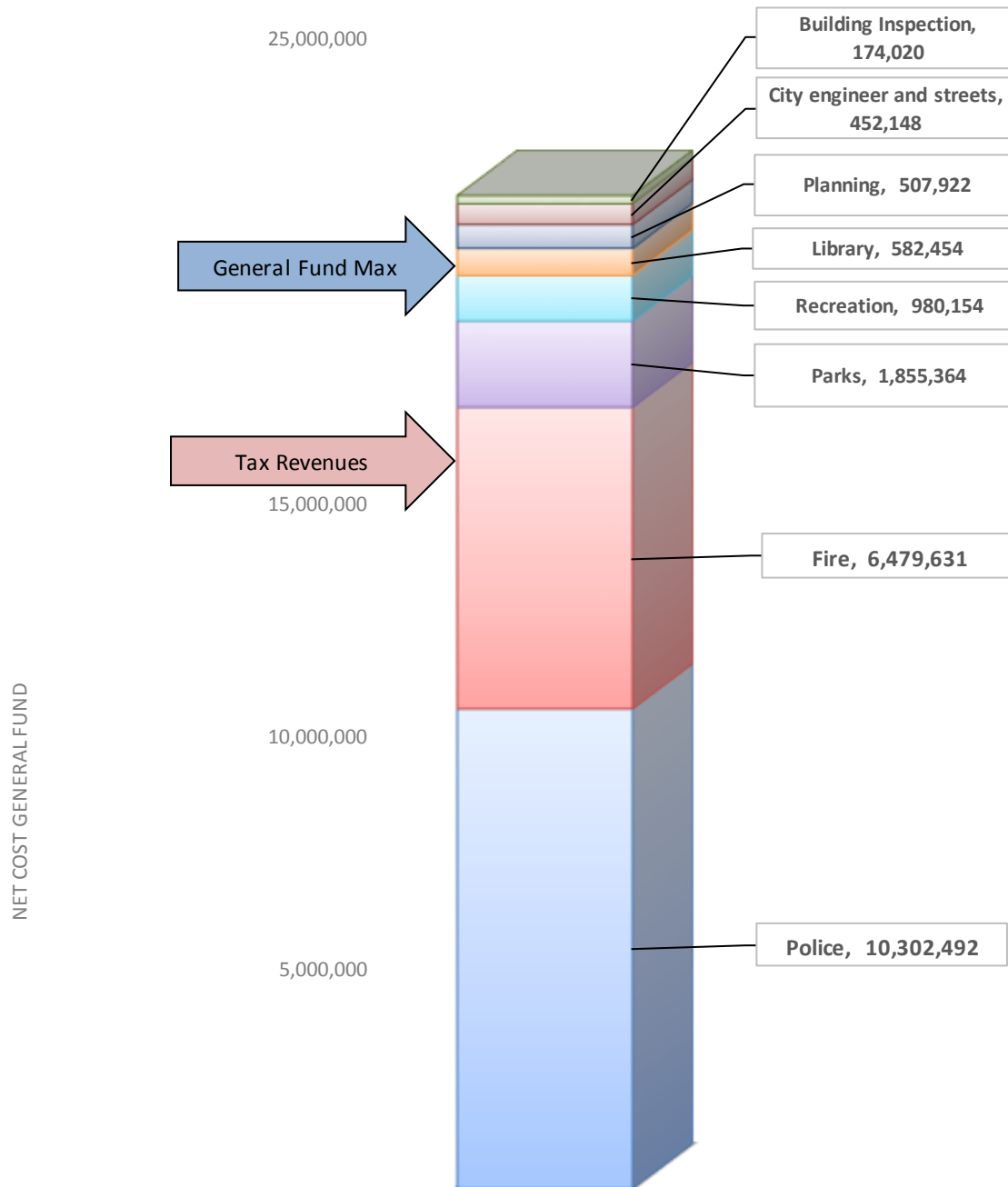
- 2% Salary Increase
- 1.4% Benefit Cost
- 1% Normal Cost CalPERS
- 2.2% CPI Index to Material & Supplies
- 2% Property Tax
- 3% Sales Tax
- 2% TOT (Bed Tax)

General Fund – Net Cost 2018 vs. 2019

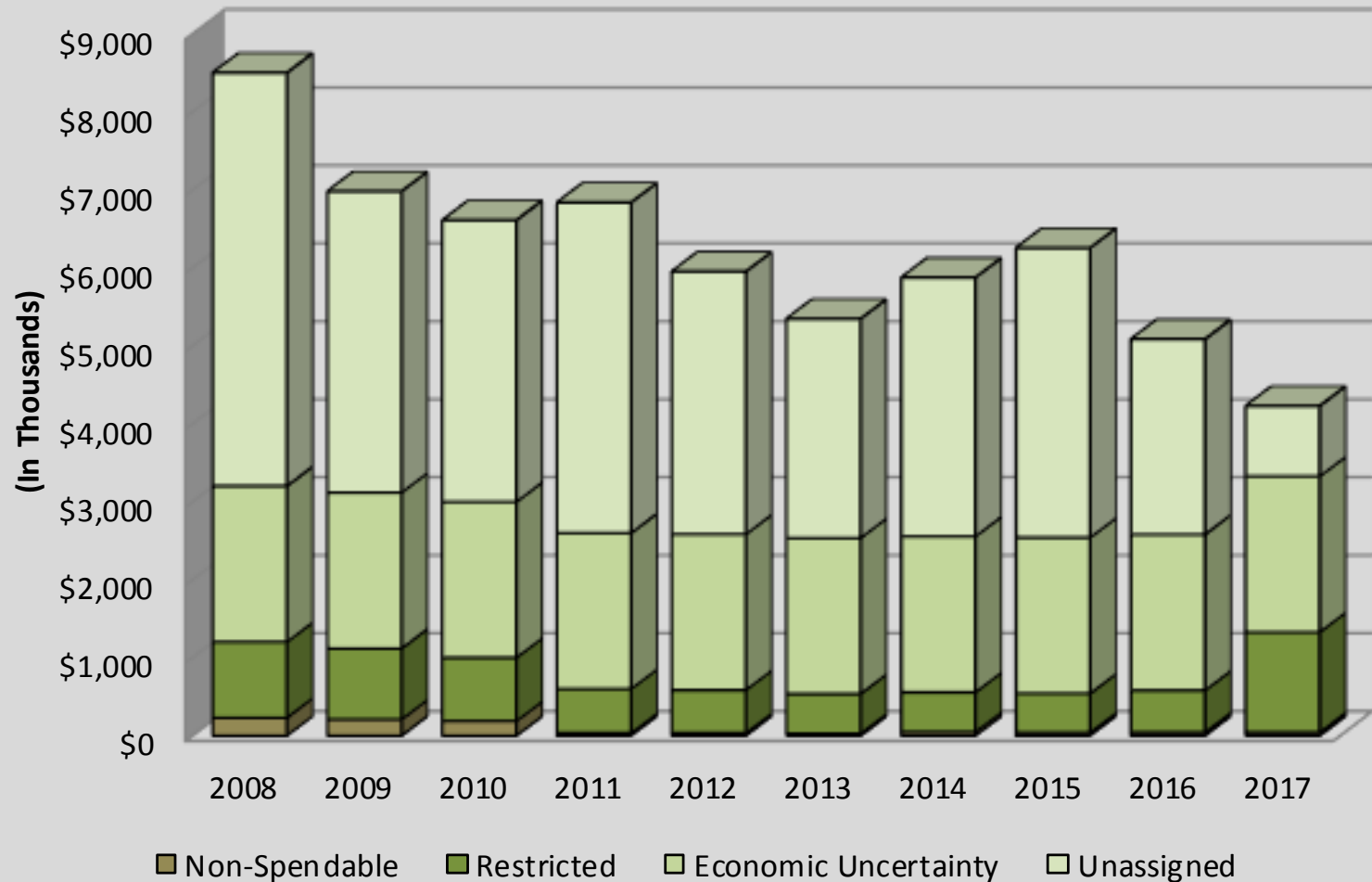
Department	FY 2019		FY 2018		Variance
	Net Cost GF	%	Net Cost GF	%	
Police	\$ 9,891,366	45.5%	\$ 9,266,194	45.3%	625,172
Fire	6,236,327	28.7%	5,776,877	28.2%	459,451
Parks	1,650,497	7.6%	1,672,947	8.2%	(22,451)
General Government	826,394	3.8%	1,340,240	6.6%	(513,846)
Recreation	1,097,452	5.0%	952,785	4.7%	144,667
Library	844,511	3.9%	616,578	3.0%	227,932
Planning	779,185	3.6%	500,595	2.4%	278,590
Building Inspection	107,031	0.5%	219,377	1.1%	(112,345)
City engineer and streets	327,160	1.5%	112,448	0.5%	214,712
Total	\$ 21,759,923		\$ 20,458,041		\$ 1,301,882

Incremental Increased Net Cost \$1,301,882

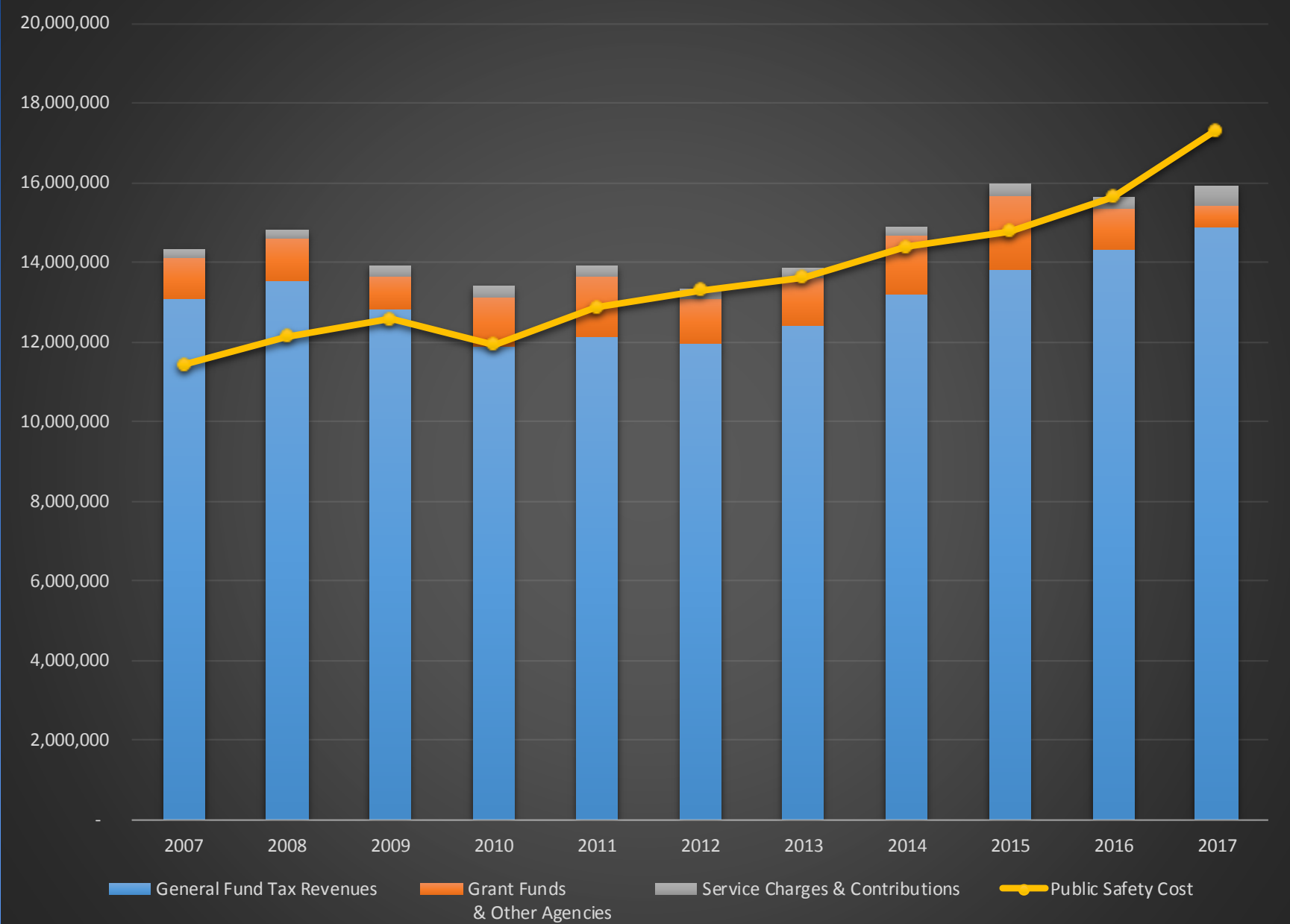
Fully Allocated GF Net Expenditures by Department



GF - Fund Balance 10 Years History



General Fund Public Safety Funding



$$\begin{aligned}
(1 + e_4) & \left[\frac{D}{Dt} \overline{w'^i \left(\frac{T'}{\bar{T}} \right)^2} + \overline{w'^\alpha \left(\frac{T'}{\bar{T}} \right)^2 \nabla_\alpha \bar{u}^i} - \alpha \overline{\left(\frac{T'}{\bar{T}} \right)^3} g^{i\alpha} \left(\nabla_\alpha \bar{\Phi} + \frac{D\bar{u}_\alpha}{Dt} \right) \right] - 2f(t) \overline{w'^i \left(\frac{T'}{\bar{T}} \right)^2} - 2 \overline{w'^i w'^\alpha} \frac{T'}{\bar{T}} D_\alpha \\
& + \frac{1}{(1 + e_4) C_p^2} \overline{w'^i w'^\alpha \nabla_\alpha \left[(1 + e_4)^2 C_p^2 \left(\frac{T'}{\bar{T}} \right)^2 \right]} + \frac{2}{C_p} \overline{w'^\alpha \frac{T'}{\bar{T}} \nabla_\alpha \left[(1 + e_4) C_p w'^i \frac{T'}{\bar{T}} \right]} + \frac{2}{\bar{\rho}} \overline{w'^i \left(\frac{T'}{\bar{T}} \right)^2 \nabla_\alpha (\rho u'^\alpha)} \\
& = \frac{1}{\bar{\rho}} \overline{\left(\frac{T'}{\bar{T}} \right)^2 \nabla_\alpha \sigma^{i\alpha}(u')} + \frac{2}{\bar{\rho} \bar{T} C_p} \overline{w'^i \frac{T'}{\bar{T}} [\sigma^{\alpha\beta}(u') \nabla_\alpha u'_\beta - \overline{\sigma^{\alpha\beta}(u') \nabla_\alpha u'_\beta} - \nabla_\alpha F_r'^\alpha]} = -\epsilon_3^i, \quad (36)
\end{aligned}$$

$$\begin{aligned}
(1 + e_4) & \frac{D}{Dt} \overline{\left(\frac{T'}{\bar{T}} \right)^3} - 3f(t) \overline{\left(\frac{T'}{\bar{T}} \right)^3} - 3 \overline{w'^\alpha \left(\frac{T'}{\bar{T}} \right)^2} D_\alpha + \frac{3}{(1 + e_4) C_p^2} \overline{w'^\alpha \frac{T'}{\bar{T}} \nabla_\alpha \left[(1 + e_4)^2 C_p^2 \left(\frac{T'}{\bar{T}} \right)^2 \right]} \\
& + \frac{2}{\bar{\rho}} \overline{\left(\frac{T'}{\bar{T}} \right)^3 \nabla_\alpha (\rho u'^\alpha)} + \frac{3}{\bar{\rho} \bar{T} C_p} \overline{\left(\frac{T'}{\bar{T}} \right)^2 \left[P' \nabla_\alpha w'^\alpha - \overline{P' \nabla_\alpha w'^\alpha} - \nabla_\alpha (P'_g w'^\alpha - \overline{P'_g w'^\alpha}) - \frac{DP'_g}{Dt} \right]} \\
& = \frac{3}{\bar{\rho} \bar{T} C_p} \overline{\left(\frac{T'}{\bar{T}} \right)^2 [\sigma^{\alpha\beta}(u') \nabla_\alpha u'_\beta - \overline{\sigma^{\alpha\beta}(u') \nabla_\alpha u'_\beta} - \nabla_\alpha F_r'^\alpha]} = -\epsilon_3. \quad (37)
\end{aligned}$$

General Fund - Expense Assumptions 2015-2025 (Baseline)

Expense Categories	Budgeted		Estimates		Estimates		Estimates		Estimates	
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Percent Increase - Salaries	2.0%	4.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Percent Increase - Other Benefits	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Contribution Rate - CalPERS Misc	22.8%	24.7%	26.3%	28.2%	30.1%	30.5%	31.1%	31.1%	31.1%	31.1%
							*			
Effective Contribution Rate - CalPERS Safety	36.7%	38.3%	41.6%	46.0%	47.4%	48.5%	49.6%	49.6%	49.6%	49.6%
Contribution Rate - Retiree Benefits	8.0%	9.0%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Percent of Increase - Retiree Benefits	14.3%	12.5%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Expenditures - CPI	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

* CalPERS contribution rates maxing out later than earlier expected