City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2016/17

Prepared March 2012

CITY OF CLOVIS

Five Year Financial Forecast

Through Fiscal Year 2016/17

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CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

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INTRODUCTION

INTRODUCTION

The Five-Year Financial Forecast through 2016-2017 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, economic uncertainty has been the foundation of the last few forecasts, and while this forecast is no exception, positive fiscal signs are beginning to emerge. When compared to the forecasts presented the last couple of years, which have reflected the potential need for expenditure reductions and/or additional revenue at some point during the forecast period, this year's forecast reflects a positive balance throughout the forecast period. This "turnaround" has been accomplished by constrained expenditure growth and maintaining a structurally balanced budget (current year expenditures do not exceed current year revenues). One particular positive is the increase in sales taxes, one of the major sources of discretionary revenue for the City. In the 1st quarter of 2010 sales taxes began to show positive, yet small, year over year growth improving throughout the forecast and with the addition of the Clovis/Herndon Shopping Center, additional sales tax revenue is being projected.

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

As a basis of where the City service levels are today as compared to pre 2007, the reader is invited to review the "Restoration of Service Levels" later in this report. It is projected that the City will not be able to provide the same level of service as seen in the period leading up to the recent recession in the foreseeable future, thus the City is experiencing the "great reset" or "new normal."

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

Based on economic indicators like Gross Domestic Product (GDP), the recession is deemed to be over, however most economists agree that it will take many years for the economy to return to pre-2007 levels. It is likely to take until 2030 for housing prices in the most depressed areas to return to pre-2007 levels and consumer spending as a percentage of personal income may not ever return to pre-2007 levels. This sentiment is considered in arriving at the trends used to forecast the City's revenues for the next five years.

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

1. The General Fund ending balance for fiscal year 2012/13 is projected to remain at $0.5 million and no expenditure reductions are necessary to balance. Included are amounts for an operating fund balance; a modest increase to employee salaries; and a contribution to improve the emergency reserve to 12.5% for the year.

2. General Fund revenues overall are projected to increase 3.4% in 2012/13 when compared to 2011/12 with sales tax and property taxes comprising the majority of the increase.

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

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

5. PERS rates for funding employee retirements are continuing to increase beginning in 2012/13 and continuing upward for several years affecting all funds. PERS rates are anticipated to increase for safety employees by 9% (from 27.885 percent of payroll to 30.400 percent of payroll) and for miscellaneous employees by 12% (from 16.590 percent of payroll to 18.600 percent of payroll) over the forecast period.

6. Previously approved rate increases for the Water, Sewer and Community Sanitation Enterprise funds are reflected in the forecast.

Restoration of Service Levels

It is important to fully understand the impact the recession had on the City's ability to meet its goals for service levels and the implications this has on future fiscal and land use decisions. As discussed over the past few years the estimated cost to fully restore service levels to pre-2007 is over $13 million. With the reduction of 89 positions, including 25 police and fire personnel (net of the 11 positions restored with grant funds), services provided to the citizens of Clovis were diminished significantly. This includes longer response times for both police and fire; the brown out of the fire station #1 (now open full time with the use of grant funds), the near elimination of recreation and senior services, currently operating at a minimum level funded primarily by donations, grants and fees for services, and the reduction in administrative office hours available to customers. Also, parks and landscape medians outside of the Landscape Maintenance District are suffering from inadequate maintenance which was necessarily cut in half due to funding limitations.

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

The Economy

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

California Economic Snapshot			
New Auto Registrations (Fiscal Year to Date)	**265,076** Through September 2009	**353,534** Through October 2010	**253,220** Through October 2011
Median Home Price (for Single Family Homes)	**$264,000** in December 2009	**$254,000** in December 2010	**$246,000** in December 2011
Single Family Home Sales	**41,837** in December 2009	**36,215** in December 2010	**37,734** in December 2011
Foreclosures Initiated (Notices of Default)	**84,568** in 4th Quarter 2009	**69,799** in 4th Quarter 2010	**61,517** in 4th Quarter 2011
Total State Employment (Seasonally Adjusted)	**13,809,600** in December 2009	**13,958,700** in December 2010	**14,199,000** in December 2011
Newly Permitted Residential Units (Seasonally Adjusted Annual Rate)	**38,960** in December 2009	**70,243** in December 2010	**55,635** in December 2011
Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance			

This snapshot shows the statewide negative trend in auto sales, median home prices, and newly permitted residential units. On a positive note, statewide there has been an increase in single family home sales, a decrease in foreclosures when compared to last year, and a slight improvement in employment numbers.

The State of California continues to experience severe budget deficits, currently projected to be over $9 Billion for the balance of this fiscal year and next, The Governor has proposed a budget that includes expenditure reductions of $4.2 Billion and $4.7 Billion in revenue solutions, including tax increases to appear on the November 2012 ballot. If the tax increases fail, additional "Ballot Trigger Reductions" of $5.4 Billion would be required.

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

General Fund

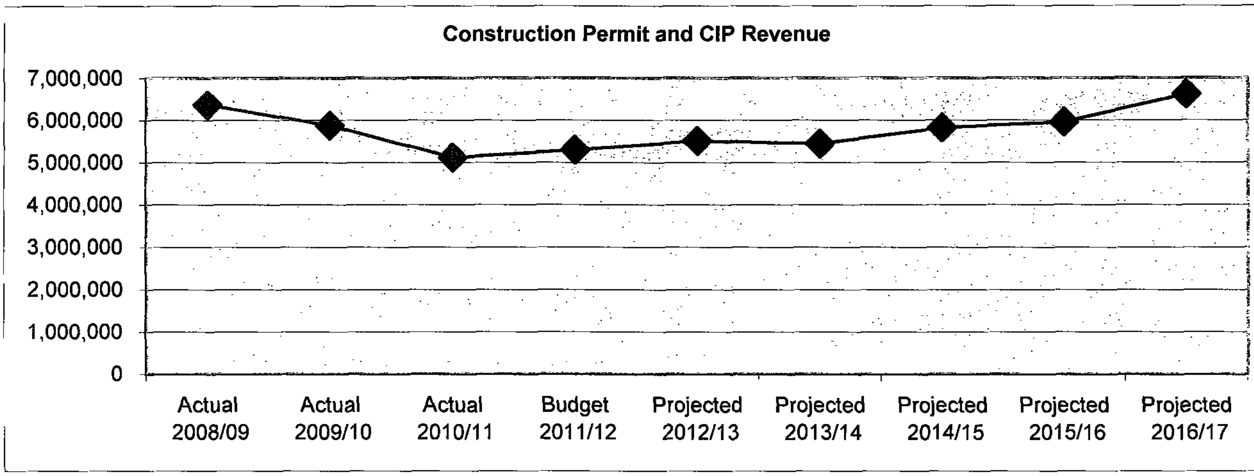
In the General Fund revenues are projected to grow at an annual average of 3.7% while expenditures are projected to grow at an annual average of 2.9% over the forecast period. The forecast currently projects the City will see modest sustained annual revenue growth over the cost of providing services at the current level during the five-year forecast. As was previously noted, the forecast does not reflect any restoration of service levels that were reduced or eliminated in the previous or current budget years but does reflect a limited opportunity to restore some services in the early years with the potential of more restoration of services in the later years.

Based on the potential of sustained revenue growth, both Police and Fire have been instructed to look into the possibility of applying for additional sworn personnel via the COPS and SAFER grants respectively. These grants pay the costs of these personnel in the early years of the grant with the City becoming responsible three years out from the award, when city revenues will be adequate to adsorb the full costs. If successful, the City will be able to increase its sworn personnel sooner than would be possible utilizing only city resources. This opportunity will allow the City to begin getting closer to meeting staffing goals established by the Police Department's "Master Service Plan" and the Fire Department's "Standards of Coverage for Emergency Response." The staffing levels recommended by these plans are 1.3 sworn police officers and 0.8 firefighters per 1,000 population. Currently these departments are operating at 1.0 sworn police officers and 0.66 firefighters per 1,000 population.

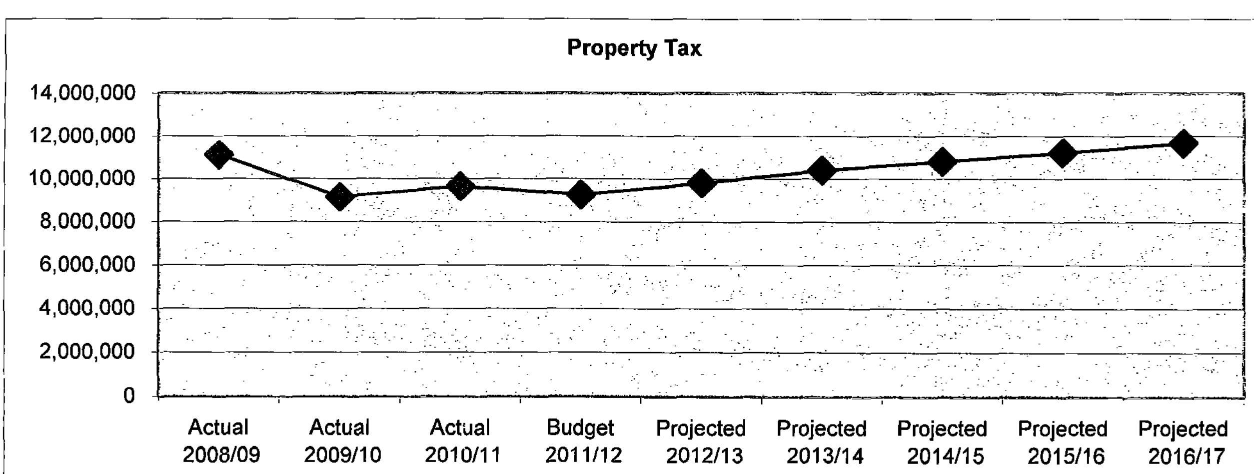
Critical non-personnel expenditures such as fleet replacement that were reduced or eliminated beginning with the 2007/08 fiscal year have also not been restored in the forecast. As the City's fleet begins to age, especially safety vehicles, we will no longer be able to postpone the replacement of these vehicles but will need to consider other options including additional lease/purchase arrangements. One such expenditure is included in the Fire Department estimate beginning in 2013/14 for the replacement of a 1996 engine.

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

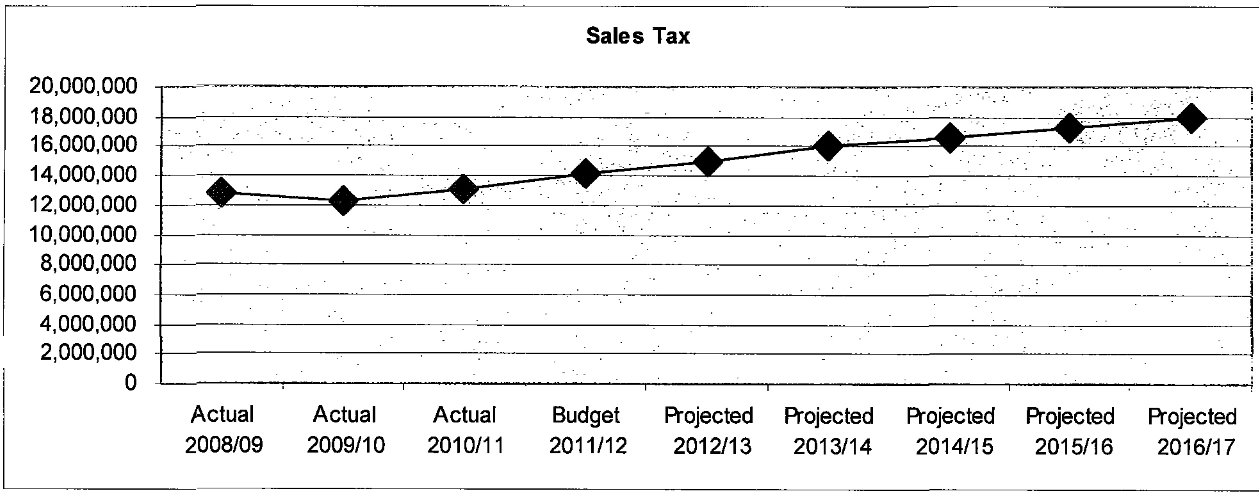
The most significant General Fund revenue sources --- sales taxes, property taxes, and development related fees --- were the most severely impacted revenues during the downturn of the economy. Development fees, which include planning and building permits, began to fall at the end of 2006 and have remained at a depressed level since that time. The forecast continues to project below average construction throughout the forecast period with a modest increase in 2013-2014, reaching 500 units which is one-half of the pre-recession average of 1,000 equivalent dwelling units annually. This can be seen in the chart below showing the revenues generated by construction related activity.



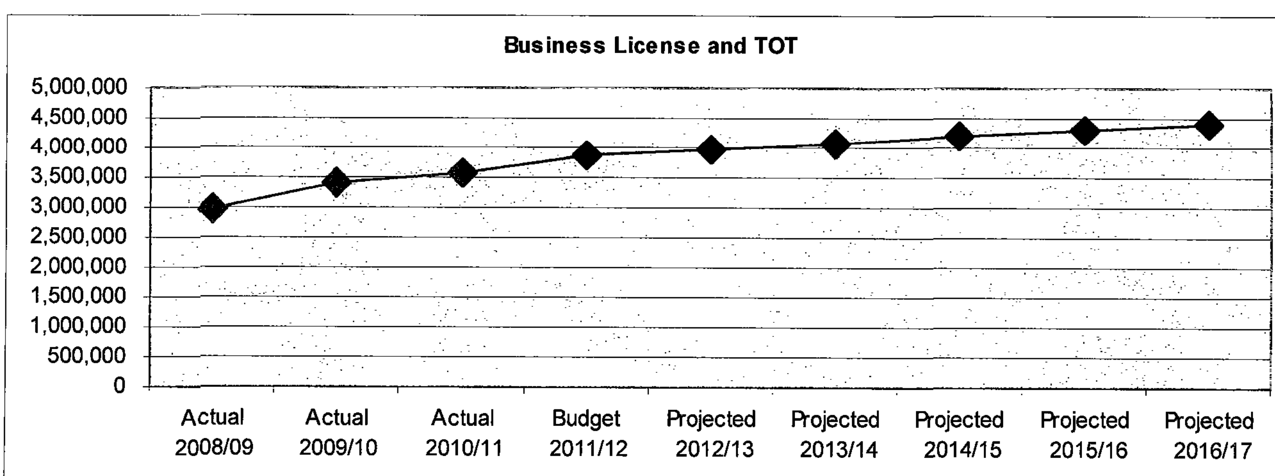
Property taxes, as indicated in the following chart, reflect the slow down in construction activity and also the downward valuation of property sold or constructed in the past five years. The forecast reflects an increase from the prior year in assessed value of the Proposition 13 maximum of 2% in 2011-2012 plus the growth in assessed value related to the newly constructed residential and non-residential units including approximately $350 million for Clovis Community Hospital improvements. Throughout the forecast period assessed valuation is projected to grow at the Proposition 13 maximum of 2% plus an amount for new construction. Unknown factors such as the elimination of redevelopment and the tax delinquency rate may have an impact on current and future revenues. Historically the City has experienced a very low property tax delinquency rate However, as more homes continue to go into foreclosure, delinquent property taxes may become a more important factor and will need to be closely monitored.



The following chart shows one year of declining sales tax revenues as a result of declines in auto sales, building supplies and materials, and general retail due to a decline in consumer spending and new home sales. However, sales tax revenue has turned out to be a bright spot for the City. The forecast reflects that sales tax revenue bottomed out in 2009/10 and is now projected to begin a positive, 5.4% climb upward. In 2012/13 and beyond sales tax is anticipated to grow by the CPI, additional population growth, and the anticipated opening of the Clovis/Herndon shopping center in the 3rd quarter of 2012.



Transient Occupancy Tax is also a bright spot in the forecast with the new hotels open and experiencing greater occupancy rates than last year. Economic development efforts by the City and community partners to secure target industries, in this case hospitality and tourism, are beginning to have a positive impact on the local economy. Also included in the following chart are business licenses, which showed an increase in 2008/09 and 2009/10 as a result of an audit program identifying unlicensed businesses. Over 800 unlicensed businesses were indentified doing business in Clovis. Licensing of these businesses will have a positive impact on this revenue source for many years.



The forecast also reflects improving the emergency reserve to 15% over the five year period. This is possible as a result of waiting to increase expenditures until one year after revenues are projected to increase to maintain the general fund structural balance. It should be noted that Clovis currently maintains one of the lowest emergency reserves amongst a recent survey of 70 California cities. Among cities of comparable size to Clovis the average reserve is greater than 15%. As the City has grown, the current reserve policy should be addressed and aligned with the greater operating needs and revenue volatility. A 15% reserve provides the City with less than 2 months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. Failure to increase the reserve to a more prudent amount could cause the City's credit rating to be downgraded by the rating agencies in the future, affecting both the City's ability to borrow money and the cost of borrowing. The larger reserve will also provide available cash that can be utilized to meet cash flow needs until tax revenues are received, eliminating the need for the general fund to temporarily borrow from the City's pooled cash fund.

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

Although suspended in 2008/09 and 2009/10 fiscal years, the General Fund was able to utilize one time revenues and expenditure savings to set aside some funds to perform ongoing facility repair, maintenance and remodeling, equipment maintenance and replacement, new facility construction, and strategic investment for economic development in 2010/11. This forecast does not include annual funding for these purposes. City facilities are aging and will continue to need repairs, remodeling and equipment upgrades; deferred maintenance will only serve to potentially increase the costs of necessary repairs. This practice can be utilized for the short term but is not recommended for the long term. All revenues from property sales held by this account will need to be held in reserve to ensure cash availability to pay for debt service for the construction of Fire Station #31 and the Pet Adoption Center or any urgent facility repairs.

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

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

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FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

This year and throughout the forecast period, it is expected the City will begin to slowly restore service levels lost during the last few years as the major sources of revenue that support the general operations experience modest growth. The local, state, and national economies have begun to recover. Local governments normally will not experience the benefit of a recovering economy for up to two years after a sustainable level has been reached. Positive signs are beginning to emerge, primarily the performance of property and sales taxes which are expected to show gains and are directly related to economic conditions.

During the 2012-2013 budget year and through the forecast period the City will need to continue to be prudent with its allocation of resources and focus on its core services to maintain the health, safety, welfare and appearance of the community. The following challenges should be addressed in the budget:

1. Public safety is a core service of the City and remains a high priority. However, there is insufficient funding to expand staffing and resources sufficiently to meet the goals and standards for master service plan levels for staffing and coverage. Currently services are focused on direct service response to citizens and businesses in the community. As previously mentioned, both the Police and Fire Departments have been authorized to pursue COPS and SAFER grants. These grants provide the funding for the salaries and benefits of hiring sworn safety positions for approximately two years, with the City required to assume funding the third year. Based on the forecast the City will have the financial ability to assume full funding at that time. If successful these grants will allow for the immediate hiring of sworn positions. The Police Department is looking at expanding the responsibilities of the Community Service Officer (CSO). The CSO will respond to non-dangerous calls, code enforcement, municipal code enforcement, and traffic related incidents. The recommended deployment methodology will free sworn staff for the more critical call for service. It is believed this change in philosophy will provide more service at a lower cost. Staffing ratios per population and geography of the City continue at low levels. This will make future growth and expansion of the City boundary a difficult challenge going forward as the City grows both in population and area.

2. Parks and landscape maintenance have been a high priority to the City because there has been significant investment made in the City greenscape and it provides the first impression of overall care and stewardship for the physical amenities of the community. Over 25 years ago, the City Council initiated a Landscape Maintenance District (LMD) and the related tax assessment for new growth areas to improve the public greenscape of the City. The LMD has been a great success in providing a sustainable revenue source for landscaped parks and street medians in about one-half of the City area. However, community parks and street medians located in the older one-half of the City which were not included in the LMD continue to decline in quality and appearance as a result of insufficient funding. Funding is needed to sustain or improve service and materials to meet the goals and

standards for master plan service levels for a clean and green community. Much of this area supports a more mature urban forest that must be maintained adequately or a large investment in the community could be lost. Cost containment strategies must continue to be considered and should include reduced use of plant material and redesign of median plantings, reduced watering, reduced maintenance schedules, more use of private maintenance contracts, and greater use of volunteers. The use of the LMD throughout the entire city boundary should be revisited at some time in the future.

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 has already reduced staffing significantly and is looking to sustain a service operation necessary to meet the needs of current demand. Economic growth cannot occur if services are not available and offered in a timely manner to review and permit residential and commercial projects. Most of these services can be supported by permit fees; however, general oversight of code updates and enforcement for maintaining health and safety standards and preventing neighborhood blight must be supported with general taxes. The department will continue to be constrained by a lack of funding and resources for these types of services. Development services are also a source of private contracting for construction and delivery of public improvement projects and capital investment. Local, state, and federal funding is available for some of these projects. The City has had the ability to advance more projects to help stimulate economic activity within the construction and trades industry that provide jobs and stimulus to the local economy.

4. Fleet replacement funds will need to be deferred for a sixth year in General Fund operations. This means that the City will be extending the life of the fleet to the extent that it is possible and that it will be migrating to a "pay-as-you-go" method of funding through lease-purchasing for the foreseeable future. Interest rates have remained low allowing for this method to be effective. Funds for the purchase of the next fire apparatus are included in the forecast.

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

6. Workforce expenditures should be constrained throughout the City because costs for salaries, healthcare benefits, and retirement plans continue to increase. Healthcare and retirement costs are projected to increase at rates near or greater than the rate of inflation and restructuring of benefit schedules and cost-sharing should be considered.

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

8. The Economic Development Strategy to facilitate retention and expansion of business, support business park development, and guide strategic investment in infrastructure to support business growth will continue to require more creative approaches to marketing the City to address the high commercial and retail vacancy rates within a very constrained budget. The loss of Redevelopment funding struck a near fatal blow to the City's economic development efforts. The City will need to focus on finding additional and creative funding opportunities for this critical function. If and when any previous redevelopment tax increment flows back to the City, the first priority for that funding must include economic development.

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

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

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

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

Decisions of the Governor and the State Legislature for resolving the persistent deficits of state government continue to be a serious concern. In the past local government revenues were regularly placed at risk for the taking and that trend continues as can be seen by the recent elimination of redevelopment.

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

ANALYSIS OF FUNDS

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

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

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

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

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

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

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

GENERAL FUND - Current Year (2011/12)

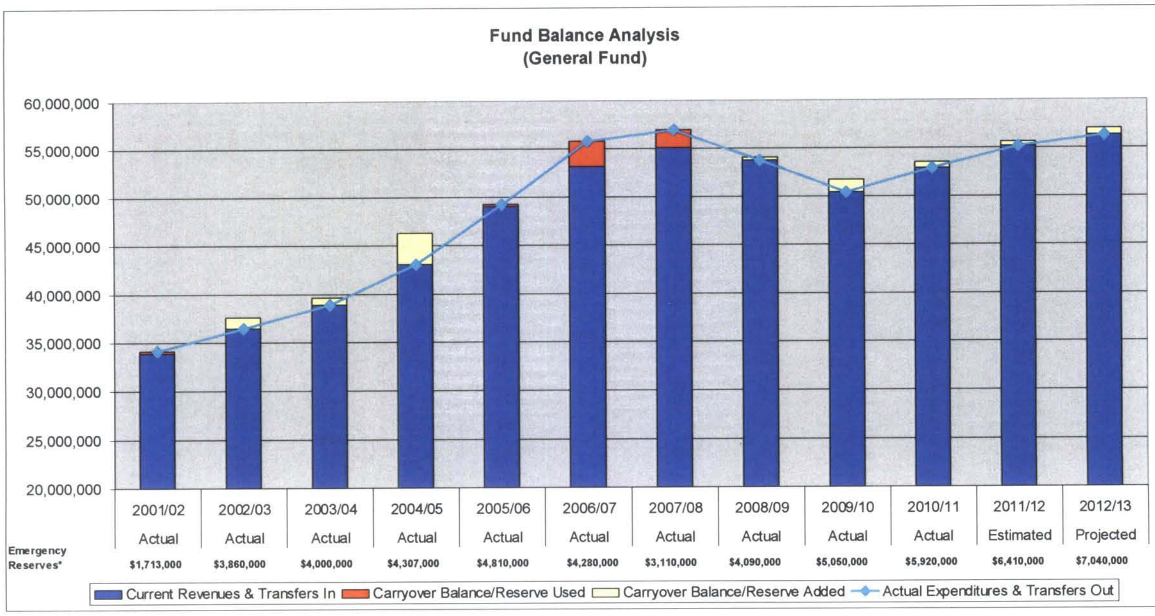
The budget year began with no employee wage and benefit concessions and holding prior years' expenditure reductions in place allowing the City to have a structurally balanced budget. Based on current estimates, revenues are projected to be approximately $0.7 million above the budget. Grant revenue increased by $0.5 million offset by $0.6 million in grant expenditures to fund additional equipment for public safety and allow for the continuation of funding for additional police officers and firefighters hired in previous years. Sales taxes are projected to increase by $0.5 million due to improved auto sales; general retail sales and higher fuel prices. Franchise fees and temporary occupancy taxes are experiencing increases of $0.3 million as more households purchase cable and the new hotels are experiencing higher than expected occupancy rates. Gas tax includes $0.1 million of additional deferred revenue from the 2010/11 year. Property taxes and property taxes in lieu of motor vehicle license fees are expected to come in $0.5 million less than projected as a result of declining assessed valuation of commercial properties. In the State's 2011/12 budget the motor vehicle license fee was swapped for Supplemental Law Enforcement funding representing a net loss of $0.2 million to the City. Taking into account savings and increases due to additional grant matching requirements expenditures are projected to be $0.3 million more than the budget. The budget also maintains the $0.5 million unreserved fund balance ("Contingency for Economic Uncertainty"), which was established to address unplanned expenses of modest amounts that do not qualify as emergencies and/or for small unexpected dips in revenue.

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 8.9% in the first quarter, 12.2% in the second quarter and 6.9% in the third quarter of 2011 (the most recent quarter for which information is available) when compared to the same quarters of the previous year. General retail and auto sales as well as fuel prices all contributed to these increases. Holiday quarter sales (September through December 2011) will be crucial to the overall performance of this revenue and it is anticipated that the quarter will perform better than budget. Information on this quarter will not be available until mid March, after preparation of this report.

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

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

As a result of the downturn in development fees, the Planning and Development Services Department may be required to keep positions unfilled as they become vacant due to retirements or attrition until development activity begins to pick up. Expenditure savings will result from these vacant positions. It is anticipated that there will be additional expenditure savings as city departments begin to review their current budgets and look for potential savings. These savings are difficult to project at this time but any additional savings resulting from this budget year can be utilized to fund future year's budgets. All departments are projected to be within budget at this time.



This chart shows available funding (revenues and transfers in) compared to expenditures. As can be seen, a structural deficit was created beginning in 2005/06 and continuing through 2007/08 using accumulated savings in an attempt to expand services to catch up with community growth. In the 2009/10 fiscal year the Council approved a structurally balanced budget for the first time since 2004/05. The chart also depicts that revenues experienced a year-over-year decline in 2008/09 and 2009/10, the only times over the past ten years. In 2010/11 through 2012/13 revenues are projected to rebound at a modest rate, but not nearly as rapidly as they did between 2001/02 and 2007/08.

GENERAL FUND - Going Forward (2012/13)

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

The forecast projects a population increase of over 7,000 for the five-year period which means the City is expected to reach over 104,000 in population by 2017. This projection continues to assume a much slower growth rate than was experienced over the past ten years, with only moderate new housing and commercial growth. As stated in the Introduction Section, it should be noted that the forecast does not reflect any restoration of service levels that were reduced or eliminated in the current and prior budget years. This leaves the City farther away from meeting staffing and service goals established by police, fire and parks maintenance Master Service Plans and such plans may need to be revisited during the five year period as service priorities and methods of service delivery are adjusted. **It is currently estimated that it would take over $13 million annually to restore General Fund services to pre- 2007/08 levels.** It could take ten years or more to achieve the same level of services.

General Fund revenue in 2012/13 is projected to grow by 3.4% over the previous year. Property tax is projected to increase by 5.9% due to the added valuation for a portion of the new construction at Clovis Community Hospital, new residential and non-residential construction, and the Proposition 13 maximum increase of 2%. Sales tax is projected to increase 6.2% including the opening of Dick's Sporting Goods and Walmart mid-year. Development related revenues are projected to remain near the currently depressed levels as new development remains constrained and capital projects funded by Federal stimulus programs are completed. The projection does include the payment of development fees for the construction of the shopping center on the corner of Clovis and Herndon Avenues. Transient Occupancy Tax continues to be a positive revenue as the newly constructed hotels are experiencing improved occupancy rates.

Expenditures in the 2012/13 fiscal year are showing an increase over 2011/12, with most of the increase attributed to salary increases of 1% and increases in retirement and health benefit costs. Expenditures are projected to increase after taking out rollover encumbrances for projects from the prior year of $1.6 million or 2.9%.

Service levels remain reduced; however with grant funding fire station #1 will remain open 100% of the time. This will be the sixth year that the City has not been able to fund public safety vehicle replacement which is approximately $1.0 million annually. This is a critical issue in the short and long term that the City must address. With insufficient funds being set aside for the replacement of an aging fleet, especially for public safety vehicles, leasing or other financing options are being explored. This will lower the annual expenditure amount for now placing the City in a pay-as-you-go condition which will contribute to an increase in the cost of operations as vehicle replacements are funded with lease purchase financing or delayed until cash is available to pay for them.

As shown in the Exhibits Section for the "General Fund Financial Forecast-Summary", which includes the projected revenues and projected expenditures for sustaining the current organization and services, the General fund continues to be structurally balanced, with revenues greater than expenditures in 2012/13. Also reflected is retaining a $0.5 million unreserved fund balance, ("Contingency for Economic Uncertainty"), and improving the "Emergency Reserve" to 12% of budgeted expenditures in 2012/13. The Emergency Reserve is shown to improve over the forecasted period to Council's recommended goal of 15% of expenditures.

One positive to note in 2012/13 is a projected 1% net salary increase for all employees. This is the first time in several years any increase has been projected in the forecast.

As noted in the Introduction Section, the General Fund is not expected to make an annual transfer of resources previously made each year to the General Government Services Fund to address repair, remodeling and rehabilitation of existing facilities, technology improvements, debt service, new facility needs, or targeted economic development during the forecast period. Not providing for annual transfers can be a risky approach because it will require that certain maintenance activities be deferred for the time being. In addition, per fiscal policy, the emergency reserve is growing to 15% over the forecast period. The emergency reserve is deemed prudent to deal with both unforeseen emergencies and potential catastrophic losses of revenue to the General Fund. It is noted that the City continues to reserve $0.855 million in response to the implementation of the "Triple Flip" by the State of California. This is the estimated amount withheld by the State but owed to the City each year. The City won't receive this amount from the State until the conclusion of the triple flip in 2035. Reserving this amount improves the fiscal position of the General Fund.

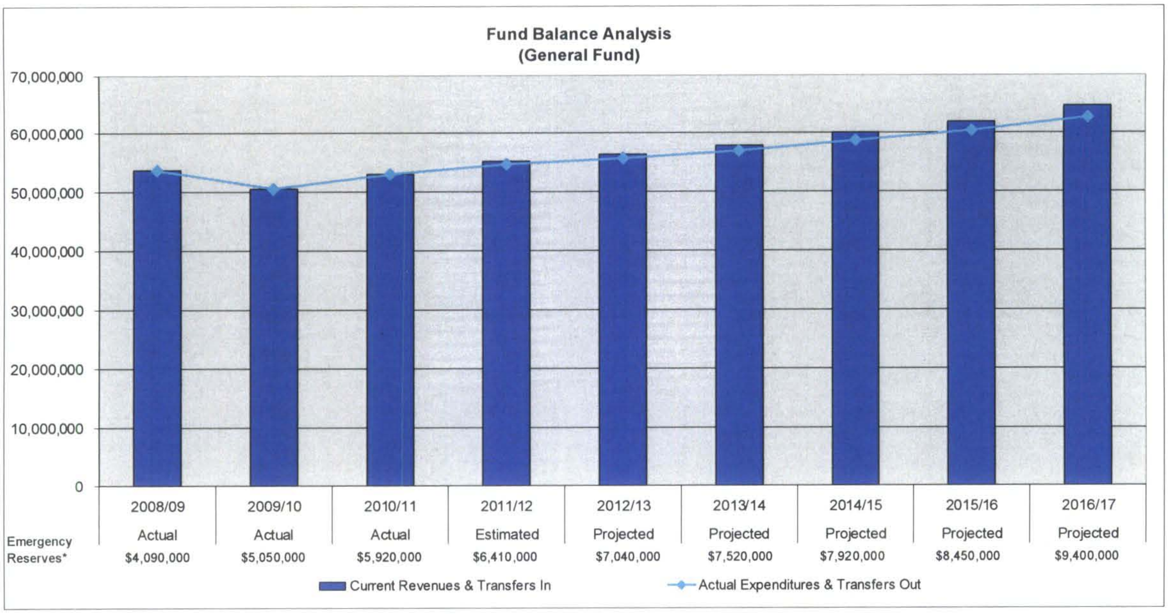
GENERAL FUND - Projected 2013/14 through 2016/17

This forecast does not include any additional restoration of services that were reduced or eliminated in prior budget years. Revenue is projected to grow by an annual average of 3.7% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 2.9% over the forecast period. The model has been constrained in this way to provide as realistic a trend as possible based upon what is known of the City's revenue activity and economic forecasts for the region, the state, and the nation.

During the forecast period sales tax is expected to return to a moderate annual increase. In mid-2012/13 we anticipate the opening of the Dick's Sporting Goods and Walmart in the shopping center on the corner of Herndon and Clovis Avenues with the remaining tenants opening by 2013/14 and have included appropriate amounts in sales tax accordingly. Property taxes are expected to return to a positive growth rate, although very moderate, as housing prices stabilize and the 2% annual growth under Proposition 13 is realized. Expenditures are shown to reflect very modest growth utilizing current service levels. One major concern affecting expenditures in the forecast is Public Employee Retirement System (PERS) retirement rates. Due to stock market losses incurred in past years by the retirement system and PERS changes in actuarial assumptions, we anticipate PERS rates to increase from 29.157% to 30.400% for safety employees in 2012/13 and from 17.484% to 18.600% for miscellaneous employees and through 2016/17. The annual General Fund cost for a 1% increase in the PERS rate is $0.10 million for miscellaneous employees and $0.13 million for safety employees. By the fifth year of the forecast, the PERS annual costs will have increased $0.90 million. Health costs are also a concern and the forecast projects a 12% annual increase and by the fifth year of the forecast the annual costs will have increased $2.40 million. The City and the employees are continuing to look for ways to control these costs. Some success was achieved in the containment of health cost increases in past years by adjusting plan benefits.

It should be noted, that **with the permanent nature of the majority of the expenditure reductions, the General Fund is able to maintain a structural balance in all of the forecast years.** Balancing the budget relied largely on expenditure reductions and changes in service delivery including the mix of services provided. Details of the General Fund are found in the Exhibits Section of the forecast.

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



ENTERPRISE FUNDS

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

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

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

In November 2004 the City Council approved an annual 4% rate increase for the Community Sanitation Enterprise Fund to pay for increased operating costs, the repayment of inter-fund loans, environmental remediation and necessary major capital outlays at the landfill. The forecast reflects that the annual increase was reduced to 2% in 2011-12 and could be reduced annually throughout the forecast period as the inter-fund loans were repaid and the anticipated construction of a new cell is complete. Lowering the approved 4% to a lesser increase will be further examined during budget preparations as the fund's status is reviewed in more detail. Beginning in July 2010 the Street Cleaning Enterprise Fund was combined with the Refuse Enterprise Fund because of the similarity of the operations. The current street cleaning fee will remain and will not require an increase during the forecast period.

The Transit Fund shows a deficit position indicating the need for service cuts to keep the operation fiscally balanced. Options are currently being reviewed which will consolidate routes and make the system more efficient, reducing operating costs.

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 all the major enterprise operations have increases approved, barring any unforeseen or catastrophic event, sufficient to carry the operations through the forecast period. Once these rate increases meet their objectives, staff will begin to evaluate implementing smaller more measured increases on an annual basis to avoid large one-time increases. As a note, when development activity returns to a higher volume and the associated development fees are able to meet debt service obligations and repay the user account, user rates in the Water and Sewer Enterprise operations will likely see rate reductions.

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of about $6.3 million at June 30, 2012. The Council approved rate increases in the water enterprise beginning in January 2010 that were necessary to fund the increased cost to treat and distribute potable water within the City, some major water capital improvements, and to provide debt service coverage for the 2003 Surface Water Treatment Plant bonds. Like the sewer bonds a portion of the debt service was to be repaid with developer impact fees. However, due to the decline in development activity it was necessary to increase rates for users to meet debt service obligations and bond covenants. Overall, with the projected rate increases, the fund balance will be stable during the next five years. Reflected in this forecast are interfund loans to the developer fund to cover the debt service payments.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $14.7 million at June 30, 2012. The approved rate increases are included in the forecast. The need for the rate increases was primarily driven by added operating expenses for the new sewer pump stations, ST-WRF, and meeting the debt service obligation that development fees can no longer cover due to the reduced building activity. General expenses to provide sewage treatment and disposal and the City's share of capital improvements at the regional treatment facility also contributed to the need for rate increase.

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

Community Sanitation Enterprise

The Community Sanitation Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $3.1 million. The fund completed repayment of all $6.0 million in outstanding loans in 2010/11 ahead of the original schedule. The five-year forecast reflects concluding the landfill reclamation project and completing a $3.8 million program to construct a new waste cell at the landfill which should be completed in the 2011/12 fiscal year. The Council approved a 4% annual increase in November 2004, but due to the ability to delay the construction of the new waste cell, rates were increased only 2% in July 2011, and the annual increase is projected to be 0% for the 2012/13 year, 4% for the 2013/14 year and then no increases are projected for the remainder of the forecast period. This rate adjustment will be addressed with the City Council at the end of the current fiscal year when actual results of revenue and expenditure are more complete. At this time with the limited growth projected in residential and commercial units no additional routes are anticipated throughout the forecast period.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $0.1 million. The forecast reflects that the operation will not have sufficient revenues unless fares are raised or expenses are decreased. With funding for Transit constantly in flux due to State budget issues the types and levels of funding will be closely monitored to make any necessary adjustments to current service levels should the need arise.

INTERNAL SERVICE FUNDS

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

DEBT SERVICE FUNDS

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

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ALTERNATIVES & RECOMMENDATIONS

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

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

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

- GOAL #1. Provide for orderly and planned community growth consistent with the vision adopted with the General Plan.
- GOAL #2. Make Clovis the safest city in the Valley providing quick and effective response to high priority calls for emergency services.
- GOAL #3. Provide for economic development strategies to grow business, jobs and to enhance the revenue base of the community; position the City to compete in the global market.
- GOAL #4. Provide for a financially sustainable city as the community grows.
- GOAL #5. Make Clovis a great place for families to live.
- GOAL #6. Foster regional leadership by maintaining a distinct community identity and pride.
- GOAL #7. Encourage and promote citizen engagement and community leadership.
- GOAL #8. Maintain Clovis as a public sector employer of choice.

Attributable to the foresight of the City Council and the early recognition of the economic downturn, and the subsequent actions taken to maintain a structurally balanced budget (where current year revenues are greater than or equal to current year expenditures) the City is in a stable financial position. The benefits of these actions are reflected in the five-year forecast which shows that based on the current assumptions the City's general fund operations are essentially balanced throughout the forecast period with the potential of restoring a limited level of community needs, especially in the out years of the forecast. The City has also been able to increase the emergency reserve to over 11% of expenditures utilizing one time revenues or savings from prior years and anticipates reaching 15% by the end of the forecast period.

Funding for fleet replacement is a concern. Full funding in advance is no longer occurring for the general operations and the program has migrated to a pay-as-you-go model. Lease-purchase methods will need to be utilized for acquisition of large volumes of replacement vehicles and vehicles will be retained for use for a longer period of time, when possible.

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

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

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

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

A. **Fund Reserves** – The current policy recommends that the goal for setting reserves should be 10%-15% with the reserve currently sitting at 11.6%. This level is low given the current size of the City's operation and is shown to increase to 15% for the General Fund by the end of the forecast period. With the exception of self-balancing funds, most Enterprise and Internal Service Funds operate with a 10-20% reserve depending upon need for capital spending and debt coverage. This policy should also be revisited given the need for rate stabilization in the enterprise funds and the intensity of corrective action needed when user rates must be adjusted to pay for bonded debt obligations.

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

C. **Balance of Revenues and Expenditures** – As this forecast illustrates, the tough decisions to cut expenditures and therefore services to the citizens of Clovis in the past has a lasting impact on the City's financial sustainability. The City will continue to prioritize services, review expenditures for personnel and associated benefits, and/or develop new revenue. All of these strategies should be utilized.

D. **General Government Services Fund** – In the past, this fund received regular transfers of accumulated savings from the General Fund for investment in public facilities, facility repairs and remodels, technology, and economic development. The fund also received allocations for maintenance and depreciation for buildings and support services from all city operations and receipts from the sale of properties owned by the General Fund. This fund has debt service and deferred maintenance obligations for public facilities. This transfer should be restored up to $0.5 million each year as soon as recovery occurs.

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

F. **Development Impact Fees** – Current policy recommends that new development should 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 such fees has provided a sound method for collection and reimbursement for 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. One issue has been raised that will require a review of the underlying methodology for allocation of costs for the various categories of development --- residential, commercial, and industrial. Staff will undertake a review of this methodology, including discussions with home builders and commercial developers.

G. **New Revenues** – A review of available methods for developing new revenue sources for general operations will continue to be explored. Although funding is tightly constrained, the City will need to seek ways to diversify its sources of revenue by also pursuing its economic development strategies and support for business retention and expansion. This will remain a significant challenge particularly against a backdrop of devaluation that is occurring with business properties.

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

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

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CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED	PROJECTED				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Beginning Available Fund Balance	1,170	480	810	550	500	820	1,330	2,110	2,890
Reappropriation	(520)	(150)	30	640					
REVENUES									
Discretionary	36,230	33,890	35,680	36,160	38,020	40,120	41,610	43,140	44,830
Non-Discretionary	18,010	16,720	17,230	18,330	18,300	17,730	18,410	18,840	19,840
Total Revenues	54,240	50,610	52,910	54,490	56,320	57,850	60,020	61,980	64,670
EXPENDITURES									
Public Safety	33,830	31,290	33,300	35,220	35,630	36,760	37,870	39,070	40,320
Public Utilities	6,680	6,950	7,080	7,720	7,800	7,980	8,170	8,390	8,600
Planning/Development	6,790	5,950	5,660	6,010	6,350	6,260	6,450	6,660	7,140
General Government	6,170	4,980	5,200	5,790	5,870	5,880	6,200	6,230	6,580
Total Expenditures	53,470	49,170	51,240	54,740	55,650	56,880	58,690	60,350	62,640
Resources Above/(Below) Operating Expenditures	250	1,290	1,700	390	670	970	1,330	1,630	2,030
ADDITIONAL ITEMS									
Transfers Out to Government Facilities	0	0	(800)						
Transfers Out to WIB/Other	50	0	(290)		(30)	(30)	(30)	(30)	(30)
Total Additional Items	50	0	(1,090)	0	(30)	(30)	(30)	(30)	(30)
Net Increase/(Decrease) to Fund Balance	300	1,290	610	390	640	940	1,300	1,600	2,000
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	990	960	870	440	320	430	520	820	950
Total Other Items	990	960	870	440	320	430	520	820	950
Ending Available Fund Balance	480	810	550	500	820	1,330	2,110	2,890	3,940
Sales Tax Triple Flip Designation	860	860	860	860	860	860	860	860	860
Emergency Reserve-(Dollars)	4,090	5,050	5,920	6,360	6,680	7,110	7,630	8,450	9,400
Emergency Reserve as a % of Expenditures	7.60%	10.30%	11.60%	11.60%	12.00%	12.50%	13.00%	14.00%	15.00%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED	PROJECTED				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Residential Units (SF + MF)	447	474	430	450	450	450	500	500	600
Discretionary									
Property Taxes	14,800	12,720	13,240	12,750	13,570	14,400	14,960	15,530	16,170
Educational Augmentation	(3,430)	(3,280)	(3,280)	(3,210)	(3,510)	(3,730)	(3,870)	(4,020)	(4,190)
County Admin Fee	(280)	(320)	(340)	(300)	(270)	(290)	(300)	(310)	(320)
Property Tax In Lieu-VLF	7,030	6,760	6,720	6,650	6,910	7,180	7,470	7,780	8,130
Sales Tax	10,090	9,630	10,350	11,140	11,830	12,790	13,260	13,750	14,280
In Lieu Sales Tax-Triple Flip	3,310	3,220	3,450	3,700	3,940	4,090	4,240	4,400	4,570
County Share	(670)	(640)	(690)	(740)	(790)	(840)	(880)	(910)	(940)
Franchise Fee	1,780	1,910	2,020	2,110	2,180	2,250	2,330	2,410	2,500
Business License	2,160	2,090	2,010	2,120	2,170	2,230	2,290	2,350	2,410
Other Taxes	820	1,300	1,550	1,760	1,800	1,850	1,900	1,950	2,000
State Subvention-Motor Vehicle	390	300	490	0	0	0	0	0	0
Interest	50	20	20	30	40	40	50	50	60
Other Revenues-Disc	180	180	140	150	150	150	160	160	160
Non-Discretionary									
Community Facility Fee	420	470	590	630	690	750	820	890	980
Sales Tax-(public safety)	260	200	220	240	250	260	270	280	290
Building Permits	1,220	1,340	980	1,110	1,180	1,010	1,150	1,170	1,450
Other Lic & Permits	70	100	110	120	120	120	120	120	120
Fines & Forfeit	280	310	220	230	230	230	230	230	230
Building Rentals	20	30	30	30	30	30	30	30	30
State Subvention-Gas Tax	970	970	920	1,080	1,010	1,020	1,030	1,040	1,060
Grants	1,500	1,000	1,390	2,520	2,070	1,290	1,290	1,290	1,290
From Other Agencies	490	440	680	300	310	320	330	340	350
Planning Fees	1,280	1,060	1,020	980	1,050	1,070	1,220	1,250	1,540
Engineering Fees	880	900	880	760	830	850	880	900	1,110
Capital Improvement Charges	2,980	2,570	2,230	2,440	2,450	2,510	2,570	2,640	2,520
Current Services	4,120	3,550	3,990	4,150	4,260	4,370	4,480	4,590	4,710
Other Revenues-non-disc	140	280	400	110	110	110	120	120	130
Impact/Rental Fees	920	1,140	1,160	1,210	1,240	1,270	1,300	1,330	1,360
Admin Charges	2,460	2,360	2,410	2,420	2,470	2,520	2,570	2,620	2,670
Total Revenues	**54,240**	**50,610**	**52,910**	**54,490**	**56,320**	**57,850**	**60,020**	**61,980**	**64,670**

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES: ANNUAL INCREASE 2.00% — INCREASE IN ASSESSED VALUE $151,000,000 — CITY TAX RATE (Before reductions) 18.11% of 1%

Increase in AV above based on 500 units; AV of $350M added for Clovis Community Hospital Improvements ($175M in FY12/13 and $175M in FY13/14)

PROPERTY TAX IN LIEU-VLF: INCREASE BY ASSESSED VALUE GROWTH 4.10% ***(based on 500 units)***

COMMUNITY FACILITY FEE: 2/3 OF NEW RES UNITS PER YEAR 335 — ANNUAL FEE: $209 — INCREASE BY: 2.54%

SALES TAX: 3 YEAR CPI 2.54% — SALES TAX RATE 1.00% — POPULATION GROWTH 1,400 PER YEAR (Based on 500 units) — PER CAPITA $ PER YEAR $142

COUNTY SHARE: 5.00% OF GROSS SALES TAX

12/13: add $210k Walmart/Dicks; 13/14 add $520k for Walmart, Dicks, et al ***Note: Annual Population: 450 units =1300; 600 units=1700***

FRANCHISE TAX: 3 YEAR CPI 2.54% — NEW RES UNITS PER YEAR 500 — FEE OF GROSS 1.00% — PARTICIPATION % 65.00% Comcast/AT&T; $70 Per Unit per Month — P G & E $300 Per Unit per Mo

Note: Adjusted for units accordingly for respective fiscal year

BUSINESS LICENSE: INCREASE ANNUALLY BY THREE YEAR CPI: 2.54%

BUILDING PERMITS: NEW RES UNITS PER YEAR 500 — FEES PER RES UNIT $1,700 — NEW NON-RESIDENTIAL 25.00% of the residential amount — ANNUAL INCREASE 2.54%

PER UNIT BASED ON 3 YR. ACTUALS

FINES AND FORFEITURES: PARKING AND VEHICLE $270,000 BASED ON THREE YEAR AVERAGE

INTEREST: RATE ->> 0.50% ON PRIOR YEAR'S BALANCE OR $50,000 IF NEGATIVE FUND BALANCE

BUILDING RENTALS: INCREASE ANNUALLY BY: 2.00%

STATE SUBVENTIONS: PER CAPITA — MOTOR VEH $0.00 — GAS TAX $10.25 — POPULATION GROWTH 1,400 PER YEAR (Based on 500 units)

SB89 ELIMINATED VLF

Note: Annual Population: 450 units =1300; 600 units=1700

STATE GRANTS: THREE YR. AVG $1,297,000 — $971,000 3 YEAR AVG. WITHOUT STIMULUS FUNDS

UNITS:	430	450	450	450	500	500	600
PLANNING FEES:	2010/11 (actual)	2011/12 (rev est)	2012/13 (DR)	2013/14	2014/15	2015/16	2016/17
General Plan Fees	417,522	380,000	420,000	420,000	467,000	467,000	560,000
Regular Planning Fees	602,478	600,000	600,000	600,000	667,000	667,000	800,000

AVG. PLANNING FEES PER UN $1,100 (BASED ON 3 YEAR ACTUALS)

Note: Adjusted for units accordingly for respective fiscal year

PER UNIT BASED ON 3 YR. ACTUALS ***Adjusted for units accordingly for respective fiscal year***

ENGINEERING FEES: NEW RES UNITS 500 — AVG. ENG FEES PER UNIT $1,300 — ANNUAL INCREASE 2.54% — ADD'L NON-RESIDENTIAL 25%

IMPACT/RENTAL FEES: BASED ON ADD'L ROUTES PROJECTED IN THE ENTERPRISE FUND AND INCREASE BY THREE YEAR CPI AVERAGE

ADMIN CHARGES: INCREASE 2.00% PER YEAR

CURRENT CHARGES: INCREASE BY THREE YEAR CPI AVERAGE 2.54%

OTHER REVENUE: INCREASE BY THREE YEAR CPI AVERAGE 2.54%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			ESTIMATED	PROJECTED				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
PUBLIC SAFETY									
Salaries									
Police-CPOA	7,140	6,750	6,440	6,710	6,780	6,920	7,100	7,280	7,460
Fire	4,560	4,280	4,500	4,540	4,590	4,680	4,800	4,920	5,040
Public Safety-Management	1,370	1,650	1,870	2,100	2,120	2,160	2,210	2,270	2,330
Dispatchers	780	680	730	810	820	850	860	880	900
Police-Non CPOA	1,550	1,020	1,030	1,150	1,160	1,180	1,210	1,240	1,270
Fire-Non Firefighters	260	170	140	140	140	150	150	160	160
Overtime									
Overtime-CPOA	1,400	1,300	1,860	1,630	1,650	1,680	1,720	1,760	1,800
Overtime-Fire	1,340	530	730	810	820	840	860	880	900
Extra Help	760	650	780	820	820	820	820	820	820
Benefits									
Health	2,240	2,300	2,140	2,280	2,600	2,950	3,300	3,700	4,140
Retirement	3,460	3,360	3,520	4,020	4,360	4,510	4,670	4,830	5,000
Other	1,820	1,870	2,090	2,270	2,280	2,330	2,390	2,450	2,510
SMS	6,270	6,460	6,640	7,100	7,170	7,360	7,450	7,540	7,640
Capital Outlay	880	270	830	840	320	330	330	340	350
Total Public Safety	33,830	31,290	33,300	35,220	35,630	36,760	37,870	39,070	40,320
PUBLIC UTILITIES									
Salaries	1,750	1,700	1,750	1,900	1,920	1,960	2,010	2,060	2,110
Overtime	60	60	50	80	80	80	80	80	80
Extra Help	160	150	120	110	110	110	110	110	110
Benefits									
Health	390	420	370	390	450	500	560	630	710
Retirement	270	250	280	310	350	370	380	400	410
Other	260	300	300	300	300	310	320	330	340
SMS	3,670	3,840	4,150	4,540	4,530	4,590	4,650	4,710	4,770
Capital Outlay	120	230	60	90	60	60	60	70	70
Total Public Utilities	6,680	6,950	7,080	7,720	7,800	7,980	8,170	8,390	8,600
PLANNING/DEVELOPMENT									
Salaries	3,130	2,710	2,580	2,600	2,700	2,750	2,820	2,890	3,040
Overtime	120	190	130	150	150	150	150	150	150
Extra Help	150	120	160	250	250	150	150	150	250
Benefits									
Health	510	490	430	440	510	580	650	730	850
Retirement	460	380	360	420	520	510	530	560	620
Other	270	330	360	370	380	390	400	410	440
SMS	2,110	1,550	1,620	1,770	1,810	1,700	1,720	1,740	1,760
Capital Outlay	40	180	20	10	30	30	30	30	30
Total Planning/Development	6,790	5,950	5,660	6,010	6,350	6,260	6,450	6,660	7,140
GENERAL GOVERNMENT									
Salaries	2,300	1,890	1,970	2,020	2,040	2,080	2,130	2,180	2,240
Overtime	10	10	10	10	10	10	10	10	10
Extra Help	260	170	210	240	240	240	240	240	240
Benefits									
Health	370	360	370	420	480	550	620	690	770
Retirement	320	250	260	320	400	410	420	440	460
Other	170	230	270	300	300	310	320	330	340
SMS	2,740	2,060	2,090	2,480	2,390	2,270	2,450	2,330	2,510
Capital Outlay	0	10	20	0	10	10	10	10	10
Total General Govt	6,170	4,980	5,200	5,790	5,870	5,880	6,200	6,230	6,580
Total Expenditures	**53,470**	**49,170**	**51,240**	**54,740**	**55,650**	**56,880**	**58,690**	**60,350**	**62,640**

Expenditure Assumptions (dollars in thousands)

SALARIES:		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
POLICE-CPOA	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
POL-SAL BASE		$6,710	$6,780	$6,920	$7,100	$7,280	$7,460
Additional Officers-Salary		0	0	0	0	0	0
Number of Additional Officers		0	0	0	0	0	0
DISPATCH-SAL BASE		$810	$820	$840	$860	$880	$900
FIRE	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
SALARY BASE		$4,540	$4,590	$4,680	$4,800	$4,920	$5,040
Additional Firefighter-Salary		0	0	0	0	0	0
Number of Addl Firefighters		0	0	0	0	0	0
PUBLIC UTILITIES	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
SALARY BASE		$1,900	$1,920	$1,960	$2,010	$2,060	$2,110
Additional Salaries-Park/Street		0	0	0	0	0	0
Addl Park/Street employees		0	0	0	0	0	0
GENERAL GOVT	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
MGMT	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 2.54%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 12.00%

RETIREMENT:		2011/12	2012/13	(PERS est.) 2013/14	(PERS est.) 2014/15	2015/16(est.)	2016/17(est.)
POLICE-SAFETY		27.885%	29.157%	29.500%	29.800%	30.100%	30.400%
DISPATCHERS		16.590%	17.484%	17.700%	18.000%	18.300%	18.600%
FIRE		27.885%	29.157%	29.500%	29.800%	30.100%	30.400%
PUBLIC UTILITIES		16.590%	17.484%	17.700%	18.000%	18.300%	18.600%
GENERAL GOVERNMENT		16.590%	17.484%	17.700%	18.000%	18.300%	18.600%
MANAGEMENT		16.590%	17.484%	17.700%	18.000%	18.300%	18.600%
WORKERS COMP:	Police-CPOA	9.58%	10.54%	10.54%	10.54%	10.54%	10.54%
(included in other benefits)	Fire	6.50%	7.15%	7.15%	7.15%	7.15%	7.15%
	Mgmt & CUE	5.73%	6.30%	6.30%	6.30%	6.30%	6.30%
	Public Utility	10.17%	11.19%	11.19%	11.19%	11.19%	11.19%

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

OTHER SMS: INCREASE BY ONE HALF OF AVERAGE PREVIOUS 3 YEAR CPI 1.27%

CAPITAL OUTLAY:		
	INCREASE BY 3 YEAR AVG CPI PER YEAR	2.54%
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY	$310
	50% FOUR YEAR AVERAGE-PUBLIC UTILITIES	$60 + ADDITIONAL EQUIP FOR NEW EMPLOYEES
	50% FOUR YEAR AVERAGE-COMMUNITY DEV	$30
	50% FOUR YEAR AVERAGE-GEN GOVT	$0

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

CITY OF CLOVIS

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

	Actual 2008/09	Actual 2009/10	Actual 2010/11	Estimated 2011/12	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17
BEG WORKING CAPITAL	7,750	7,160	6,110	7,960	6,250	6,500	6,560	7,500	7,970
REVENUES									
WATER CHARGES	9,050	9,560	12,290	14,110	15,050	15,100	15,160	15,220	15,290
DBCP-LEGAL SETTLEMENTS	360	330	340	360	330	240	190	190	190
TOTAL REVENUES	9,410	9,890	12,630	14,470	15,380	15,340	15,350	15,410	15,480
EXPENDITURES									
SALARIES	1,750	1,780	1,780	1,960	1,980	2,020	2,070	2,120	2,170
EXTRA HELP	50	50	30	50	50	50	50	50	50
OVERTIME	70	70	90	80	80	80	80	80	80
BENEFITS									
RETIREMENT	260	250	280	320	350	360	370	390	400
HEALTH	360	400	350	390	440	490	550	620	690
OTHER	260	270	300	310	340	350	360	370	380
SERV, MAT & SUPP	5,910	6,710	5,980	7,060	7,230	7,410	7,590	7,770	7,960
GAC REPLACEMENT/GEOSIMIN TREATMENT	190	110	0	0	0	0	0	330	890
CAPITAL OUTLAY	610	420	530	2,530	1,160	1,190	1,220	1,250	1,280
TOTAL EXPENDITURES	9,460	10,060	9,340	12,700	11,630	11,950	12,290	12,980	13,900
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	320	170	120	150	50	50	50	60	10
	320	170	120	150	50	50	50	60	10
INTERFUND LOANS-(DEBT SERVICE)				(1,750)	(1,250)	(1,000)			
TRANSFERS-OUT (CAPITAL)	0	0	(500)	(850)	(700)	(780)	(570)	(750)	(750)
WATER BANKING LOAN TO DEV FUND					(500)	(500)	(500)	(500)	
CONTRIBUTION-SURFACE WTP	(810)	(810)	(810)	(810)	(810)	(810)	(810)	(810)	(810)
MEMBRANE REPLACEMENT RESERVE		(190)	(200)	(220)	(290)	(290)	(290)	(290)	(290)
WELL HEAD TREATMENT(RESERVE)	(50)	(50)	(50)						
RESERVE FOR DROUGHT CONTINGENCY									
END WORKING CAPITAL	7,160	6,110	7,960	6,250	6,500	6,560	7,500	7,970	8,600
RESERVE FOR WELLHEAD TREATMENT	900	950	1,000	1,000	1,000	1,000	1,000	1,000	1,000
RESERVE FOR MEMBRANE REPLACEMENT		190	390	610	900	1,190	1,480	1,440	840
RESERVE FOR DROUGHT CONTINGENCY	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500

Water Enterprise- Revenue Assumptions (dollars in dollars)

Residential Rates: $1.63 per 1,000 gallons for 10,001 - 35,000 gallons, $2.04 per 1,000 gallons for 35,000 - 70,000 gallons, $2.45 per 1,000 gallons above 70,000 gallons. Minimum monthly charge $8.00.

Commercial Rates: $1.40 per 1,000 gallons over 5,000 gallons. Minimum monthly charge from $8.00(1") to $222.22(6") includes 5,000 gallons.

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

		2011/12*	2012/13*	2013/14	2014/15	2015/16	2016/17
Rate Increase:	7/1	15.0%	5.0%	0.0%	0.0%	0.0%	0.0%

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

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

Water Enterprise - Expense Assumptions (dollars in thousands)

Salaries: CPWEA	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
SALARY BASE	$1,960	$1,980	$2,020	$2,070	$2,120	$2,170

Add'l employee for Surface Water Plant

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2011/12	2012/13	(PERS est.) 2013/14	(PERS est.) 2014/15	2015/16(est.)	2016/17(est.)
	16.590%	17.484%	17.700%	18.000%	18.300%	18.600%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-RETIREMENT	17.484% OF EXTRA HELP	
-WORKERS COMP	11.190% FOR CPWEA	5.73% FOR ADMIN
-MEDICARE	1.450% OF SALARIES	
-DEF COMP/SICK LEAVE INC	5.250% OF SALARIES	

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 2.54%

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

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

Capital Outlay: FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS 2.54%

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

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

CITY OF CLOVIS

Sewer Enterprise - Financial Forecast (dollars in thousands)

	Actual 2008/09	Actual 2009/10	Actual 2010/11	Estimated 2011/12	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17
BEG WORKING CAPITAL	9,090	11,680	11,790	17,500	14,740	12,070	11,750	13,510	15,640
REVENUES									
SEWER CHARGES	7,810	7,510	8,420	9,650	10,320	10,960	11,540	12,030	12,570
BOND COVERAGE CHARGES	0	0	2,840	3,250	3,290	3,330	3,370	1,640	0
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	7,860	7,560	11,310	12,950	13,660	14,340	14,960	13,720	12,620
EXPENDITURES									
SALARIES	570	580	600	660	670	680	700	720	740
EXTRA HELP	0	0	0	10	10	10	10	10	10
OVERTIME	10	20	10	20	20	20	20	20	20
BENEFITS									
RETIREMENT	80	80	90	110	120	120	130	130	140
HEALTH	130	150	130	130	150	170	190	210	240
OTHER	80	90	90	100	110	120	120	120	130
SERV, MAT & SUPP	1,830	2,860	2,700	3,090	3,160	3,230	3,300	3,380	3,460
FRESNO TREATMENT PLANT	2,910	2,520	1,630	2,460	1,960	2,010	2,060	2,110	2,160
CLOVIS TRMT/REUSE PLANT (ST-WRF)	30	1,770	1,520	1,530	1,600	1,660	1,720	1,780	1,840
DEBT SERVICE	1,190	1,180	1,180	1,250	1,250	1,250	1,250	1,250	1,250
CAPITAL	80	40	0	100	70	50	50	60	60
CAPITAL-FRESNO PLANT IMPROVEMENTS	(60)	1,060	1,320	1,300	1,800	1,700	1,500	1,900	2,700
TOTAL EXPENDITURES	6,850	10,350	9,270	10,760	10,920	11,020	11,050	11,690	12,750
OTHER REVENUE AND EXPENSE									
INTEREST	420	190	70	110	70	60	60	70	80
GRANTS/MISC/SALE OF ASSETS	20	10	20	20					
	440	200	90	130	70	60	60	70	80
TRANSFERS IN-DEBT SERVICE	370	370	370	370	370	370	370	370	370
TRANSFERS OUT-CAPITAL	0	0	0	(500)	(370)	(340)	(350)	(360)	(370)
FROM DEVELOPER-PLANT CAPITAL IMPROV	270	270	270	270	270	270	270	270	270
INTERFUND LOANS	500	1,000	2,000						
INTERFUND LOANS-(DEBT SERVICE)				(5,220)	(5,750)	(4,000)	(2,500)	(250)	0
(INC)/USE OF FRESNO PLANT CAP RESERVE		1,060	940						
END WORKING CAPITAL	11,680	11,790	17,500	14,740	12,070	11,750	13,510	15,640	15,860
RESERVE FOR FRESNO PLANT CAPITAL	2,000	940	0	0	0	0	0	0	0
REQUIRED FOR DEBT COVERAGE		1,800	5,800	6,900	6,900	6,900	6,900	6,900	6,900

Sewer Enterprise - Revenue Assumptions (dollars in dollars)

Current Charges:	Population Increase	Residential:	New Units Per Year	Additional Commercial	2011/12 Per Unit Per Month	Bond Charge Per Unit Per Month	Pretreatment Per Unit Per Month
	1,400		500	$16,000	$18.00	$7.30	$0.06

(Note: Adjusted to 450 units for 11/12, 12/13 and 13/14 and 600 units for 16/17)

Rate Increase:	2011/12 *	2012/13 *	2013/14 *	2014/15 *	2015/16 *	2016/17*
Percentage	14.00%	6.00%	5.00%	4.00%	3.00%	3.00%
Revised Monthly Rate	$18.00	$19.08	$20.03	$20.84	$21.46	$22.10

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

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

Sewer Enterprise - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
SALARY BASE	$660	$670	$680	$700	$720	$740
Additional employee						

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2011/12	2012/13	(PERS est.) 2013/14	(PERS est.) 2014/15	2015/16(est.)	2016/17(est.)
	16.590%	17.484%	17.700%	18.000%	18.300%	18.600%

Health:	INCREASE PER YEAR			12.00%
Other Benefits:	-RETIREMENT	17.484%	OF EXTRA HELP	
	-WORKERS COMP	11.190%	FOR CPWEA	5.73% FOR ADMIN
	-MEDICARE	1.450%	OF SALARIES	
	-DEF COMP/SICK LEAVE INC/OTHER	5.250%	OF SALARIES	
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS			2.54%
	Rental New Corp Yard-Beginning in 2002/03			$320
	Clovis Treatment/Reuse Plant Operations-Beginning 1/1/2009			$1,000
Regional Treatment Plant:	Annual payment for original plant buy-in plus O&M costs.			
	Adjusted for average 3 year CPI and per capita amount			2.54%
Debt Service:	Fresno/Clovis Regional WWTP Renovation			
	96/97 - 2023			$1,250
Capital Outlay:	FUTURE YEARS @			$50
	- ADJUSTED BY 3 YEAR AVERAGE CPI			2.54%
Capital-Plant Improvements:	Based on estimates from the City of Fresno for sewer main and plant refurbishments			
Transfers In-Debt Service:	In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation/Expa			$370
Transfers Out:	Out for on-going capital improvements-per Five Year CIP			
Interfund Loans:	Temporary cash loans to conform with various bond covenants			

CITY OF CLOVIS

Community Sanitation - Financial Forecast (dollars in thousands)

	Actual 2008/09	Actual 2009/10	Actual 2010/11	Estimated 2011/12	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17
BEG WORKING CAPITAL	4,230	5,430	5,650	4,640	3,070	3,870	4,600	6,610	8,670
REVENUES									
REFUSE CHARGES	12,670	13,030	13,150	13,470	12,580	13,190	13,310	13,430	13,560
RECYCLING CHARGES	970	1,030	1,070	1,110	1,160	1,210	1,270	1,270	1,270
GREEN WASTE CHARGES	1,180	1,250	1,300	1,350	1,420	1,490	1,560	1,560	1,560
STREET SWEEPING CHARGES	980	1,000	1,000	1,000	1,010	1,020	1,030	1,040	1,060
TOTAL REVENUES	15,800	16,310	16,520	16,930	16,170	16,910	17,170	17,300	17,450
EXPENDITURES									
SALARIES	1,950	1,920	2,050	2,200	2,220	2,260	2,320	2,380	2,440
EXTRA HELP	150	160	80	120	120	120	120	120	120
OVERTIME	150	190	190	160	160	160	160	160	160
BENEFITS									
RETIREMENT	290	280	320	360	390	400	420	440	450
HEALTH	400	470	480	510	570	640	720	720	720
OTHER	320	340	340	360	410	410	420	430	130
SERV, MAT & SUPP	5,530	5,510	5,390	5,740	5,880	6,020	6,160	6,310	6,460
RECYCLING	910	1,040	1,100	990	1,040	1,090	1,140	1,150	1,150
GREEN WASTE PROGRAM	1,210	1,200	1,270	1,300	1,360	1,410	1,480	1,490	1,490
STREET SWEEPING	860	930	1,000	1,030	1,050	1,080	1,110	1,140	1,170
DEBT SERVICE	160	70	10	0	0	0	0	0	0
LANDFILL CLOSURE	140	140	150	150	150	150	150	150	150
CAPITAL	760	1,040	200	800	500	1,580	90	90	90
LANDFILL IMPROVEMENTS	840	770	890	4,180	850	200	390	190	190
LANDFILL DEBT SERVICE	810	790	790	800	790	790	790	790	790
TOTAL EXPENDITURES	14,480	14,850	14,260	18,700	15,490	16,310	15,470	15,560	15,510
OTHER REVENUE AND EXPENSE									
INTEREST	210	110	70	70	30	40	40	50	60
GRANTS/MISC/SALE OF ASSETS		30	30	20					
	210	140	100	90	30	40	40	50	60
TRANSFERS	80	50	50	70	90	90	100	100	120
LANDFILL LINER FEE	90	70	80	40	0	0	170	170	210
INTERFUND LOAN REPAYMENT	(500)	(1,500)	(3,500)						
END WORKING CAPITAL	5,430	5,650	4,640	3,070	3,870	4,600	6,610	8,670	11,000
RESERVE FOR CLOSURE	1,990	2,130	2,280	2,430	2,580	2,730	2,880	3,030	3,180
RESERVE FOR LIABILITY INS	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

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

Community Sanitation - Revenue Assumptions (dollars in dollars)

Current Charges:	New Units Per Year	11/12 Avg Unit Per Month	Recycling Per Month	Green Waste Per Month	Street Cleaning Per Month
	500	$25.95	$2.99	$4.38	$2.25

(Note: Adjusted to 450 units for 11/12, 12/13 and 13/14 and 600 units for 16/17)

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

		2011/12 *	2012/13 *	2013/14 *	2014/15 *	2015/16 *	2016/17 *
Rate Increase:	7/1	2.0%	0.0%	4.0%	0.0%	0.0%	0.0%
Adjusted Monthly Rate:		$25.95	$25.95	$26.99	$26.99	$26.99	$26.99

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

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

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

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

Community Sanitation - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
Salary Base:	$2,200	$2,220	$2,260	$2,320	$2,380	$2,440

Additional Personnel: Res/Comm

Extra Help: $110 for Operations per year

Overtime: FLAT FOR FUTURE YEARS 2.54%

Retirement:	2011/12	2012/13	(PERS est.) 2013/14	2014/15	2015/16(est.)	2016/17(est.)
	16.590%	17.484%	17.700%	18.000%	18.300%	18.600%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-RETIREMENT	17.484%	OF EXTRA HELP		
-WORKERS COMP	11.19%	FOR CPWEA	5.73%	FOR ADMIN
-MEDICARE	1.45%	OF SALARIES		
-DEF COMP/SICK LEAVE INC/OTHER	5.25%	OF SALARIES		

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.54%
Rental for 25% of the Corp Yard beginning 2002/03 $320 per year

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

Capital Outlay: FLAT FOR FUTURE YEARS $80
ADJUSTED BY 3 YEAR AVERAGE CPI 2.54%

Transfers: In-For Toters $100 /year

Reserve For Closure: FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 2.54%

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

CITY OF CLOVIS

Transit - Financial Forecast *(dollars in thousands)*

	Actual 2008/09	Actual 2009/10	Actual 2010/11	Estimated 2011/12	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17
BEG WORKING CAPITAL	1,350	360	280	370	120	(50)	(260)	(520)	(840)
REVENUES									
MEASURE C FUNDS	1,070	950	1,010	1,060	1,090	1,120	1,150	1,180	1,210
LOCAL TRANSPORTATION FUNDS (LTF)	1,840	2,340	2,090	2,000	2,450 *	2,510	2,570	2,640	2,710
STATE TRANSIT ASSISTANCE	210	0	520	520	500	500	500	500	500
OTHER(Fares, Advertising, Trolley Rents)	230	250	230	220	230	240	250	260	270
TOTAL REVENUES	3,350	3,540	3,850	3,800	4,270	4,370	4,470	4,580	4,690
EXPENDITURES									
SALARIES	880	910	900	980	990	1,010	1,040	1,070	1,100
EXTRA HELP	670	660	640	550	580	610	640	670	700
OVERTIME	30	30	30	30	30	30	30	30	30
BENEFITS									
RETIREMENT	130	130	130	160	170	180	190	200	200
HEALTH	190	210	190	210	240	270	300	340	380
OTHER	270	270	300	330	310	320	330	350	230
SERV, MAT & SUPP	1,340	1,410	1,490	1,580	1,620	1,660	1,700	1,740	1,780
CAPITAL-OTHER	70	0	120	170	0	0	0	0	0
CAPITAL-BUSES	1,680	0	80	930	500	500	500	500	500
TOTAL EXPENDITURES	5,260	3,620	3,880	4,940	4,440	4,580	4,730	4,900	4,920
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	820	0	120	890	0	0	0	0	0
SALE OF ASSETS	100	0							
	920	0	120	890	0	0	0	0	0
END WORKING CAPITAL	360	280	370	120	(50)	(260)	(520)	(840)	(1,070)

* Note: Starting in 2012/13, Transit will consume 100% of LTF funding available to the City.

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Transit- Revenue Assumptions

Transit Revenue: Measure C revenue is projected to grow by 3 year average CPI 2.54%
LTF Revenues are projected to grow by the 3 year average CPI 2.54%
(Note: LTF Revenues may need to be increased to fund transit operations, thus reducing the amount available to fund street construction projects)
State Transit Assistance is not projected to be available during the 5 year period and when available is used primarily for capital.
Other revenue is projected to grow by the 3 year average CPI 2.54%

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

Transit- Expense Assumptions

Salaries:		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
CUE	7/1	0.00%	1.00%	2.00%	2.54%	2.54%	2.54%
Additional Employees							

Extra Help: INCREASE 5% PER YEAR FOR ADDITIONAL DEMAND IN ROUNDUP TRANSIT SERVICES
Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.54%

	2011/12	2012/13	(PERS est.) 2013/14 (est.)	(PERS est.) 2014/15 (est.)	2015/16 (est.)	2016/17 (est.)
Retirement:	16.590%	17.484%	17.700%	18.000%	18.300%	18.600%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-RETIREMENT	17.484% OF EXTRA HELP		
-WORKERS COMP	11.190% OF SALARIES	5.73%	FOR ADMIN
-MEDICARE	1.450% OF SALARIES and EXTRA HELP		
-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	5.250% OF SALARIES		

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.54%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER
ADJUSTED BY 3 YEAR AVERAGE CPI 2.54%

EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

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

	10-YR Average	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17
Residential Units (Single Family plus Multi Family)	982	450	450	500	500	600
Assessed Valuation (in Millions)	$296	$136	$136	$151	$151	$181
Population Increase	2,638	1,300	1,300	1,400	1,400	1,700

The 2011/12 revenues were estimated based on actuals to date through January of 2012, and projected out for the remainder of the fiscal year based on trend analysis of prior years receipts. Some revenues were given special consideration due to the current economic climate along with budgetary actions taken at the state level such as property taxes, sales taxes, motor vehicle license fees, and state COPS funding. The economic recovery remains a major consideration in budgeting revenues in 2011/12, 2012/13, and 2013/14 with some revenue sources projected to experience marked increases such as property taxes and sales taxes due to the expansion of the Clovis Community Hospital campus and the opening of the Clovis/Herndon Shopping Center (Walmart) in 2012/13 and WinCo Foods in 2013/14. Transient Occupancy Tax increased due to greater occupancy rates, showing continued increases in the first two quarters of 2011/12 from the prior year.

The 2011/12 expenditures estimates were based on the working budget with adjustments made based on the input received from department heads, using actual to date through January 2012 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 2012/13-2016/17:

REVENUE ASSUMPTIONS

Property Taxes – will increase in 2012/13 by almost 6% from the prior year mainly due to the increased valuation of the Clovis Community Hospital expansion at a projected $175 million in 2012/13 and $175 million in 2013/14, along with existing properties at the Proposition 13 maximum of 2% along with additional units added; Increases are projected at 2% for all projected years through 2016/17 on existing properties plus the assessed valuation for new units as noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2012/13 is projected to decline based on the County Assessor decreasing Clovis' assessed valuation. Fiscal years 2013/14-2016/17 are to increase 2% plus increase in assessed valuation for the additional units projected, with additional valuation for the opening of the Clovis/Herndon Shopping Center (Walmart) and the expansion of Clovis Community Hospital.

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $209 per unit increased annually by CPI.

Sales Tax – 2012/13 is projected to increase by over 6% from the prior year to reflect two quarters for the opening of the Clovis/Herndon Shopping Center's Walmart and Dicks Sporting Goods, along with analysis of growth by the Board of Equalization. For 2013/14, the Clovis/Herndon Shopping Center will be opened for a full year. In addition, sales taxes are projected to grow by the three-year CPI average plus a per capita amount for additional population. Sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County.

Franchise Taxes - Franchise fees will increase by the three-year average annual CPI plus the addition of new residential units per year along with calculating an increase in monthly cable t.v. fees.

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

Building Permits - Construction permits are estimated based on the number of new residential units per year plus 25% of the residential fees for commercial activity calculated using a three year average on fees, plus the three year average annual CPI.

Other Taxes – Includes Transient Occupancy Tax which reflects an increase for the improved occupancy rates.

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

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

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

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

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

Planning Fees – Regular planning fees and the general plan update fee are projected based on the estimated number of units, the planning fee per unit based upon a three year average, and adjusted by CPI.

Engineering Fees - Engineering fees are projected by taking the average engineering fee based upon three year actuals, plus fees for new residential units adjusted for the three year average annual CPI.

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

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

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

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

EXPENDITURE ASSUMPTIONS

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

Salaries - Salary increases are projected for all groups including merit increases in 2012/13 at a net of 1% and a net of 2% for fiscal year 2013/14. Thereafter increases of the three-year average annual CPI is projected.

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

Extra Help - Extra Help is projected to remain flat for the next five years except in planning and development services. Planning and development services show an increase during the 2012/13 year because of development activity related to the construction of the Clovis/Herndon Shopping Center and additional construction for the Clovis Community Hospital. With construction completed in the 2012/13 year the extra help will be reduced in the 2013/14 year and will remain flat until the 2016/17 year when development increases by 100 units.

Salary Related Costs

- *Health Benefit* – The Health Benefit costs are projected to increase by 12% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2012/13, estimated rates from PERS for 2013/14 and 2014/15. Rates for safety members are projected to increase 2.5% over the next five years. Miscellaneous member rates are projected to increase 2.0% over the next five years as well.
- *Other Benefits*
    - *Worker's Compensation* – Rates are projected to increase slightly in the 2012/13 year, and then remain flat.
    - *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 one half of the three-year average annual CPI.

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

TRANSFER ASSUMPTIONS

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

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

RESERVE ASSUMPTIONS

Emergency Reserve - The reserve established for emergencies. In 2012/13 this reserve is projected to be 12.5% of expenditures. The Council's established policy for the reserve is a minimum of 10% with the goal to reach 15% as funding is possible. Projected throughout this forecast are increases to reach Council's goal.

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