City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2018/19

Prepared March 2014

CITY OF CLOVIS

Five Year Financial Forecast

Through Fiscal Year 2018/19

PREPARED BY:

Robert Woolley, City Manager

Jamie G. Hughson, Finance Director

Jay Schengel, Assistant Finance Director
Bill Casarez, Deputy Finance Director
Barbara Melendez, Accounting Supervisor
Susan Evans, Accountant

CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

TABLE OF CONTENTS

INTRODUCTION

INTRODUCTION

The Five-Year Financial Forecast through 2018/19 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 <u>could</u> occur** in the future if all of the assumptions are realized.

For the City's General Fund, the positive trends seen in the last few forecasts continue. Again this year the forecast reflects a positive balance throughout the forecast period. While expenditure growth continues to be constrained the City maintains a structurally balanced budget (current year expenditures do not exceed current year revenues), reserves are restored and improved economic activity provides an optimistic outlook for the future of Clovis. Particularly positive are the continued increases in sales taxes and property taxes, both major sources of discretionary revenue for the City.

This year's forecast reflects an expenditure structure which maintains current service levels. Expenditure growth in the next couple of years in the forecast is restrained in a prudent manner. Balancing the service level needs of the community and employee compensation will be a critical issue over the next few years. The forecast also reflects the emergency reserve reaching 15% at the end of 2013/14 and the ability to increase it by the end of the forecast period to a level of 16%, which is moving towards an Emergency Reserve of 20% as recommended by the City's auditors. This is vital for the long term fiscal sustainability of the City.

Over the last several years service levels have been restored as adjustments have been made to adapt to post-recession funding limitations. Despite significant losses in positions City staff continued to provide adequate services to residents. This is due to staff's ingenuity, use of volunteers, and investments in technology. The effort by departments to maintain service levels despite funding restrictions has been noticed by residents. In the summer of 2013 the City conducted a customer service survey that provided feedback to the City in regards to critical services and satisfaction levels. The City received very positive feedback on the quality of services provided, with 94% of the respondents stating they would recommend Clovis as a place to live. This effort will be continued as staff seeks more efficient and innovative ways to serve Clovis residents and keep satisfaction levels high.

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

Based on economic indicators like Gross Domestic Product (GDP), the recession was deemed to be over in 2011, however based on current estimates it will take many years for the economy to return to pre-2007 levels. It is likely to take until 2019 for housing prices in the most depressed areas to return to pre-2007 levels and consumer spending as a percentage of personal income may never return to pre-2007 levels. This sentiment is considered in arriving at the trends used to forecast the City's revenues for the next five years.

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

1. The General Fund ending balance for fiscal year 2013/14 is projected to be \$1.07 million and no expenditure reductions are necessary to balance. Departments will continue to be asked to restrain expenditures in order to provide savings. Included are amounts for an operating fund balance and a contribution, made possible due to one-time funds and expenditure savings, to improve the Emergency Reserve to 15% of expenditures.

2. General Fund revenues overall are projected to increase 5.3% in 2014/15 when compared to 2013/14 with sales tax and property taxes comprising the majority of the increase.

3. The General Fund forecast projects the ability to maintain current service levels and provides opportunities for enhancing them with technology implementation, innovation in service delivery methods, and limited additional staff.

4. The General Fund forecast reflects the "Emergency Reserve" being held at a prudent reserve level of 15% beginning in the second year of the forecast period. It is recommended to increase the level of the Emergency Reserve by the end of the forecast period to 16% in an effort to increase the reserve to 20% as recommended by the City's auditors.

5. PERS rates for funding employee retirements are continuing to increase beginning in 2014/15 and continuing upward for several years affecting all funds. PERS rates are anticipated to increase for safety employees by 11.5% (from 32.30% of payroll to 43.80% of payroll). This alone equates to a 36% increase in public safety employee retirement expense over the forecast period. For miscellaneous employees, rates are expected to increase by 7.15% (from 19.55% of payroll to 26.70% of payroll) over the forecast period. This alone equates to 37% increase in miscellaneous retirement expenses over the forecast period.

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

Service Levels

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

An example of a lower cost service delivery method is in the Police Department, which is now utilizing Community Service Officers to respond to non-emergency calls for service which had previously been handled by sworn personnel. The Police Department is also implementing a new Computer Aided Dispatch (CAD) system that will reduce report writing time by 20%. Both of these alternate service delivery methods free up sworn personnel for servicing critical calls. The Fire Department is emphasizing inspections and fire safety as a means to lower the potential of fires. Every city department is utilizing volunteers as a very cost effective alternative of providing services to the community. All these methods have been effective in improving service levels despite funding limitations.

While technology and innovation will be a huge resource for Clovis, some services will need additional funding. An example includes parks and landscape medians outside of the Landscape Maintenance District are suffering from inadequate maintenance which was cut in half due to funding limitations. Additional funding will most likely be needed in order to address this type of issue.

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. Providing service has a cost, and adding additional demand for services with population, activity, and geography without having sufficient resources will may further degrade overall service levels if innovative service delivery alternatives are not implemented. Balancing the service needs of the existing built city with a manageable rate of new growth must be considered a high priority for future actions.

The Economy

The economy plays a critical role in any forecast, and the current condition of the economy continues to have a significant impact. While the recession is "over," there was and is no immediate relief for local governments. We still have a slow recovery ahead of us, with potential bumps in the road. Current and potential problems include higher than average unemployment, recovering property values, consumer sentiment, and last, but not least, inflation. All of these factors show that we are slowly climbing out of the recession. A bright spot includes the rebound in housing prices in Clovis that has increased economic activity locally and is projected to increase revenues. Some of the unknowns for the future include the impact of the historic drought on our region and increasing interest rates as well as limitations on home financing. The impact of both of these may have negative implications on revenues for the City and will be monitored closely. The General Fund forecast reflects that the City's early recognition of the recession and willingness to deal with the shortfall of revenues by immediate cuts followed by long-term structural balancing has helped to provide fiscal stability and sustainability every year in the forecast period.

This snapshot shows a reversal of statewide negative trends with positives in almost all areas.

California Economic Snapshot			
New Auto Registrations (Calendar Year)	**1,290,920** in 2011	**1,529,212** in 2012	**1,711,563** in 2013
Median Home Price (for Single Family Homes)	**$246,000** in December 2011	**$299,000** in December 2012	**$360,000** in November 2013
Single Family Home Sales	**37,734** in December 2011	**39,760** in December 2012	**33,429** in November 2013
Foreclosures Initiated (Notices of Default)	**61,517** in 4th Quarter 2011	**38,212** in 4th Quarter 2012	**18,120** in 4th Quarter 2013
Total State Employment (Seasonally Adjusted)	**14,199,000** in December 2011	**14,398,800** in December 2012	**14,748,200** in November 2013
Newly Permitted Residential Units (Calendar Year)	**45,471** in 2011	**58,549** in 2012	**79,028** in 2013
Data Sources: DataQuick, State Controller's Office, California New Car Dealers Association, United States Census Bureau			

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

The elimination of the Redevelopment Agency is a lost opportunity for the City. The loss of local control of a valuable economic development tool to attract and retain job generating businesses as well as the ability to provide affordable housing within the community has had a significant impact. Proposals exist to replace some of this funding but it is likely to be in a much different form than the original redevelopment program.

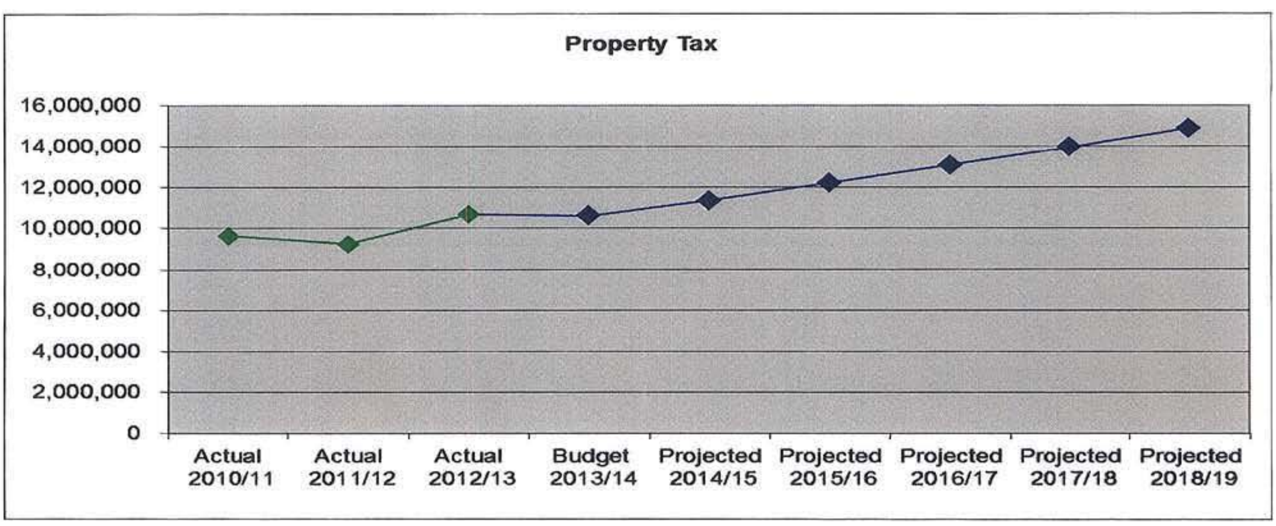
General Fund

In the General Fund revenues are projected to grow at an annual average of 5.3% while expenditures are projected to grow at an annual average of 3.5% over the forecast period. The forecast currently projects the City will see modest sustained annual revenue growth over the cost of providing services at the current level during the five-year forecast. The forecast reflects maintaining of service levels with opportunities for enhancements due to technology, innovation, and some increased staffing. Three firefighter positions are added in the forecast in both 2017/18 and 2018/19 to accommodate growth of the City in the Loma Vista area.

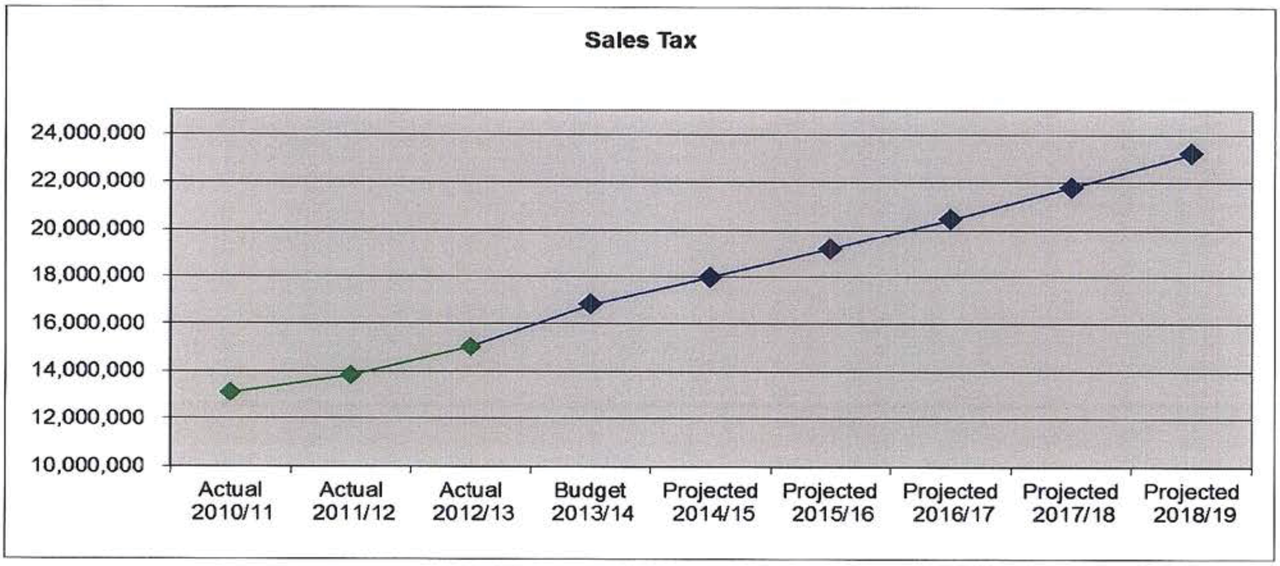
Fleet replacement, a critical non-personnel expenditure that was reduced or eliminated beginning with the 2007/08 fiscal year is partially restored beginning in the 2015/16 year and fully funded by the end of the forecast. As the City's fleet ages, especially safety vehicles, we no longer are able to postpone the replacement of these vehicles and need to consider other options including additional lease/purchase arrangements. Such expenditures are included in the Fire and Police Department estimates beginning in 2014/15 for the replacement of a 1996 engine, new fire command vehicles and 13 patrol vehicles that are beyond their useful lives. Other opportunities reflected in the forecast include the continued ability to make transfers to general government facilities for much needed repairs and maintenance to the City's aging capital facilities and general funded parks see some increased funding.

The most significant General Fund revenue sources are sales taxes and property taxes. These were the most severely impacted revenues during the downturn of the economy. The forecast projects slightly below average construction throughout the forecast period at 750 units which is three-quarters of the pre-recession average of 1,000 equivalent dwelling units annually. This growth in units figures into both sales and property taxes in the form of added property values and added population.

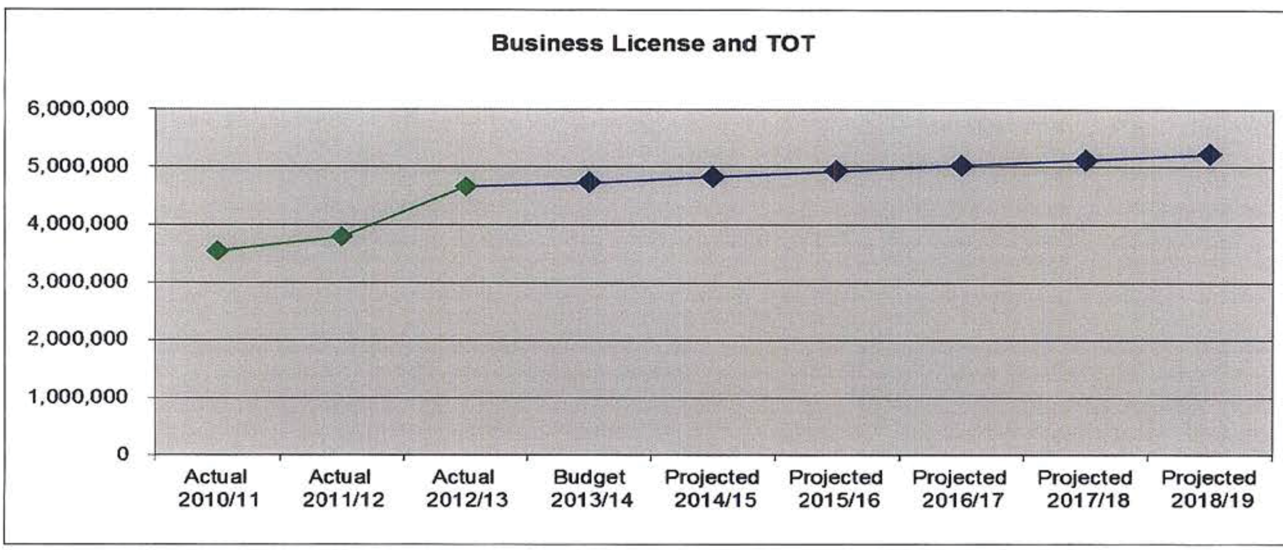
Property taxes, as indicated in the following chart, reflect the slowdown in construction activity and also the downward valuation of property sold or constructed in the past five years. The forecast reflects an increase from the prior year in assessed value of the Proposition 13 maximum of 2% or the increase in CPI, whichever is less, plus the growth in assessed value related to the newly constructed residential and non-residential units. In 2014/15 the growth is projected at 0.454% which is the CPI growth, plus growth for new construction. Thereafter in the forecast period assessed valuation is projected to grow at the Proposition 13 maximum of 2% plus an amount for new construction. Also included in projected property tax revenue is the recapture of lost valuation due to the automatic Prop 8 reductions processed by the County over the past 3 years. Factors such as the elimination of redevelopment and the tax delinquency rate may have an impact on current and future revenues. The projection reflects a small bump from redevelopment tax increment flowing into the property tax distribution.



The following chart shows that sales tax revenue continues to be a bright spot for the City since 2010/11. The forecast reflects that sales tax revenue bottomed out in 2010/11 and is now projected to begin a positive, 6.8% climb upward. In 2013/14 and beyond sales tax is anticipated to grow by the CPI, additional population growth, and the increased amount of stores moving into Clovis.



Transient Occupancy Tax continues to perform at expected levels with only a slight loss of revenue due to "government credit" approved by the council in 2012/13. 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 continues an upward trend as a result of a 2009/10 audit program identifying unlicensed businesses. Over 800 unlicensed businesses were identified doing business in Clovis. Licensing of these businesses has a positive impact for many years.



The forecast also reflects improving the emergency reserve to 16% over the five year period. This is possible as a result of waiting to increase expenditures until one year after revenues are projected to increase to maintain the general fund structural balance. It should be noted that Clovis still maintains one of the lowest emergency reserves amongst a recent survey of 70 California cities. Among cities of comparable size to Clovis the average reserve is greater than 15%. The City's auditor has recommended a reserve of 15-20% and it is recommended Clovis set a goal to reach 20% within ten years. A goal of 20% would allow the City to meet greater operating needs and potential revenue volatility as the City grows in size. The forecast allows for a 16% reserve at the end of the forecast, this provides the City with about 2 months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. In addition the credit markets have shown a favorable response to Clovis' growing Emergency Reserve fund by providing increased credit ratings, reducing the cost of debt to the City. The larger reserve will also provide available cash that can be utilized to meet cash flow needs until tax revenues are received, 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 $0.8 million during the forecast period.

In fiscal year 2013/14, the General Fund was able to provide funds to perform ongoing facility repair, maintenance and remodeling, and strategic investment for economic development. This forecast includes annual funding for these purposes beginning in 2014/15 and continuing at increasing levels throughout the five year period. City facilities are aging and will continue to need repairs, remodeling and equipment upgrades; deferred maintenance has in some cases increased the costs of necessary repairs.

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.

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.

This page intentionally left blank.

FIVE YEAR FINANCIAL FORECAST

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

During the 2014/15 budget year and through the forecast period the City will need to continue to be prudent with its allocation of resources and focus on its core services to maintain the health, safety, welfare and appearance of the community. The following should be addressed in the budget:

1. Public safety is a core service of the City and remains a high priority. Currently services are focused on direct service response to citizens and businesses in the community. Based on the forecast the City will have the financial ability to address staffing over time. In 2012/13 the Police Department implemented the expansion of responsibilities of Community Service Officers (CSO). The CSOs are responding to non-emergency calls, code enforcement, and traffic related incidents. This frees sworn staff for critical calls for service. This change in philosophy provides more service at a lower cost. The Police Department also is implementing the CAD reporting system that was approved in the 2013/14 budget and should allow sworn officers more time for priority emergency calls. In addition 2 additional sworn officers were added in 2013/14.

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

reduced use of plant material and redesign of median plantings, reduced watering, reduced maintenance schedules, increased use of private maintenance contracts, and continuing use of volunteers.

3. Planning and development services are a high priority for the City. These services guide the overall strategies for current and future land use and building throughout the City that impact the function and livability of neighborhoods and business centers as well as economic vitality of the entire community. The City is looking to sustain a service operation necessary to meet the needs of current demand. Economic growth cannot occur if services are not available and offered in a timely manner to review and permit residential and commercial projects. Most of these services can be supported by permit fees; however, general oversight of code updates and enforcement for maintaining health and safety standards and preventing neighborhood blight must be supported with general taxes. In 2013/14 these functions shifted to utilizing an enterprise fund accounting methodology with some general fund support. The department, utilizing enterprise fund accounting, will be able to be flexible in providing service levels commensurate with demand and available resources. Development services are also a source of private contracting for construction and delivery of public improvement projects and capital investment. Local, state, and federal funding is available for some of these projects. The City has the ability to advance more projects to help stimulate economic activity within the construction and trades industry that provide jobs and stimulus to the local economy.

4. Fleet replacement funds will need to be deferred for an eighth year in General Fund operations. This means the City will extend the life of the fleet to the full extent possible and that it will use a "pay-as-you-go" method of funding through lease-purchasing for the near future. Interest rates have remained low allowing for this method to be effective. Replenishment of this fund begins in 2015/16 and reaches a full funding level of $1.5 million annually in 2018/19. In addition, debt payments for the next fire apparatus and command vehicles as well as 13 replacement police vehicles are included in the forecast.

5. Capital outlays should continue to be reviewed to ensure critical needs are met. This means that some repairs and rehabilitation or replacement of equipment and facilities may be deferred if not a high priority until a future time and grant opportunities will be sought when appropriate.

6. Workforce expenditures should be constrained throughout the City because costs for salaries, healthcare, and retirement continue to increase. Healthcare costs are projected to increase at a greater rate than the rate of inflation and restructuring of benefit schedules should be considered. Retirement costs are projected to increase significantly due to new rates being set by PERS to accommodate greater funding levels, lower investment returns and longer life expectancy. Additional retirement cost sharing agreements with employees may be a prudent strategy to stabilize the increasing contribution rates.

7. Sewer and Refuse public utility enterprises are subject to approved rate increases during the forecast period to pay for increasing costs of operations and capital projects in addition to a temporary assumption of the bonded debt obligation

and bond covenants; however at this time there may be an opportunity to either defer the rate increases or even provide rate rebates in those operations, the City will continue to constrain spending for operations to lessen the impact of the timing and rate of increases to customers.

8. The Economic Development Strategy to facilitate retention and expansion of business, support business park development, and guide strategic investment in infrastructure to support business growth will continue to require more creative approaches to marketing the City. Success has been realized recently with some retail and commercial vacancies being filled but there is still a number of commercial and retail vacancies. While the loss of Redevelopment funding struck a near fatal blow to the City's economic development efforts, creative methods to encourage economic activity have been implemented. An example of this creativity is the in-fill fee reduction approved by Council in 2013/14 that is encouraging development activity and should result in a more vibrant core of the City.

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

10. Public Transit services will need to be restructured within the requirements of the law to meet the new fiscal realities due to the loss of State Transit Assistance funding for operations in 2014/15. Although bus fares were increased in 2012/13, 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%. The City's auditor recommends a reserve in the range 15% - 20%. A 20% reserve is a prudent goal and is anticipated to be reached within 10 years with incremental increases and one-time funds. Due to one-time funds, the 15% goal is projected to be reached in 2013/14. Based on projected sustained revenue growth, the forecast reflects increasing the reserve to 16% over the next 5 budget years. An unreserved General Fund balance, known as "contingency for economic uncertainty", which was established and is maintained at $0.8 million to provide sufficient funding each year to ensure a carry forward fund balance for general operations. This compensates for annual spikes in unanticipated expenditures or minor fluctuations in revenues that do not represent catastrophic events.

The City's overall financial condition is continues to look up due to improved economic conditions and prudent expenditure decisions during the past few years. Continued property value increases, job growth, and lower unemployment rates are positive trends for the City. Caution is still in order, for in many ways the recovery is still fragile and has not been fully experienced by all economic sectors. Stability should continue to be sought through cautious expenditure growth and working toward an Emergency Reserve of 16% with incremental increases beyond the forecast period to 20%. This level of reserve will allow the City's cost of debt to remain relatively low and thus free up funds for operations.

Decisions of the Governor and the State Legislature for resolving the state government issues continue to be a concern. In the past, local government revenues were regularly placed at risk for the taking and that trend continues as was seen with the elimination of redevelopment. With recent temporary tax increases helping fund State operations it does not appear the State will need to utilize local revenues in the near future.

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 willingness to analyze the financial trends, the courage to make changes when they are called for, and the commitment to consider long-term budget policies will all serve to improve the effectiveness of our financial management strategies and will maintain the public's confidence in the decision-making and accountability of its public leadership.

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, public safety, and some field maintenance activities, such as parks and street maintenance.

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

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

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

GENERAL FUND - Current Year (2013/14)

The 2013/14 budget continued improvements to service levels. It included additional general fund staffing, small salary increases, investment in technology to make service delivery more efficient and slight improvements in some expenditure areas previously reduced. Again this year the City has a structurally balanced budget. Based on current estimates, revenues are projected to be approximately $0.5 million above the budget.

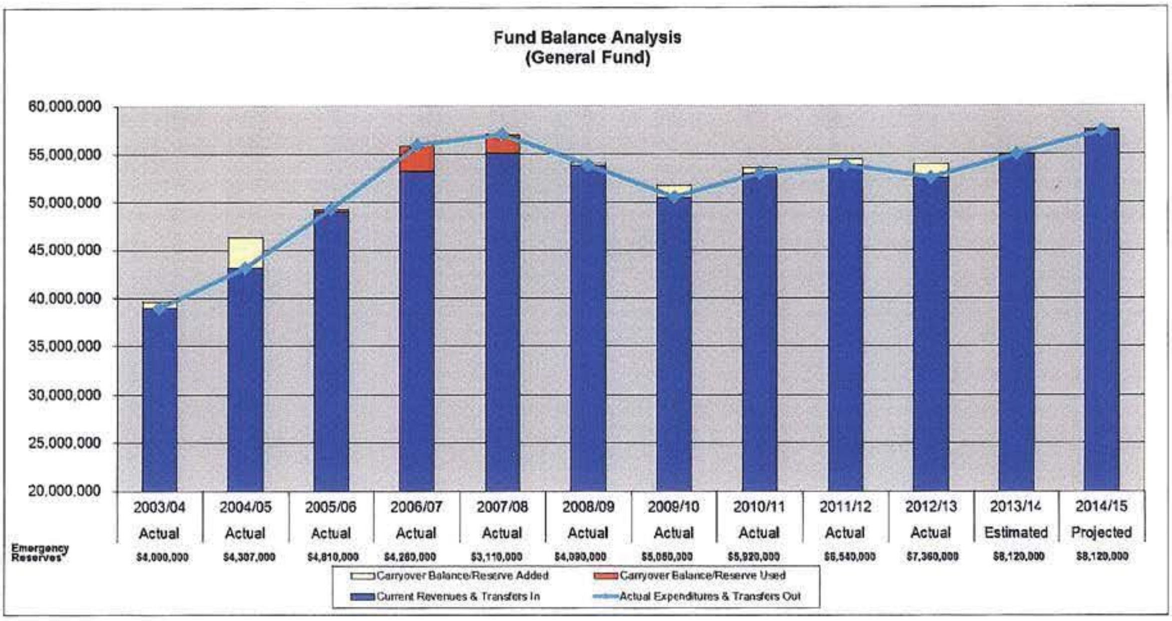
Sales taxes are projected to be at budget due to the new Clovis Herndon Center preforming as expected and auto sales; general retail sales also are within projections. Other Taxes has been reduced $0.1 million below budget due to a reduction in card room fees as a result of increased promotions. Gas tax with the exchange of a per gallon excise tax versus the previous percentage of dollars sales tax method has meant collections will remain stagnant. Property taxes and property taxes in lieu of motor vehicle license fees are expected to come in $0.3 million more than projected as a result of Prop 8 recapture of property taxes and additional revenue from Redevelopment dissolution.

Taking into account savings offset by increases in additional grant matching requirements, expenditures are projected to be $0.3 million less than budgeted. This is largely due to salary savings in the police and public utilities departments. The budget also maintains the $0.8 million unreserved fund balance ("Contingency for Economic Uncertainty"), which was established to address unplanned expenses of modest amounts that do not qualify as emergencies and/or for small unexpected dips in revenue. This is included in the projected ending available fund balance of $1.1 million.

Sales tax, one of the City's major discretionary revenue sources for general operations, shows year over year gains since 2010. Sales tax receipts were up 12.7% in the first quarter (1/1/13-3/31/13), 8.0% in the second quarter (4/1/13-6/30/13), and 6.9% in the third quarter of 2013 (7/1/13-9/30/13), 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 2013) will be crucial to the overall performance of this revenue and it is anticipated that the quarter will perform as budgeted. Information on this quarter will not be available until mid to late March, after preparation of this report.

Assumptions have been made in regards to revenues in the forecast that reflect positive trends in the economy. Negative economic performance would result in reduced reductions in expenditures to be made to ensure a structurally balanced budget. Also, any increases in ongoing expenditures in the near-term of the forecast directly reduce the amount available in the out-years of the forecast. Diligence in monitoring economic conditions, revenues, and expenditures is a necessary task in order to ensure the financial sustainability of the City.

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



This chart shows available funding (revenues and transfers in) compared to expenditures. As 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 2013/14 through 2014/15 revenues are projected to rebound at a modest rate. The dip in revenue in 2012/13 represents the move of Planning and Development Services out of the General Fund to its own Enterprise Fund.

GENERAL FUND - Going Forward (2014/15)

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 10,000 for the five-year period which means the City is expected to reach nearly 110,000 in population by 2018/19. This projection continues to assume a slower growth rate than was experienced over the past ten years, with only average new housing and commercial growth. As stated in the Introduction Section, it should be noted that the forecast reflects maintaining of current service levels with enhancements being made possible by technology gains, innovation and minimal increases in staffing. Departments have been implementing service enhancements utilizing technology and "lower cost" service delivery options in order to provide adequate services. The implementation of the CAD system by the Police Department should reduce report writing times by 20% and use of Community Service Officers responding to non-critical calls for service, freeing sworn personnel for more critical calls for service are good examples of lower cost service delivery.

General Fund revenue in 2014/15 is projected to grow 5.3% over the previous year. Property tax is projected to increase by 6.9% due to new residential and non-residential construction, the Proposition 13 maximum increase of 2%, and recapture of past Prop 8 property tax reductions. Sales tax is projected to increase 6.8%. Transient Occupancy Tax, Business Licenses and Franchise Fees are all continuing on a positive trend with CPI increases. Card room fees, reflected in Other Taxes, are projected to continue generating $0.5 million due to the relocation and expansion of the City's only card room.

Expenditures in the 2014/15 fiscal year are showing an increase over 2013/14, with most of the increase attributed to the net 2% salary increases and increases in the cost to provide retirement and health benefits. Expenditures are projected to increase, after taking out rollover encumbrances for projects from the prior year, $2.1 million or 3.9%.

Six additional positions are projected in the last two years (2017/18 and 2018/19) of the forecast. In addition, it should be noted the grant funding for 6 firefighters and 5 police officers is no longer available with the entire cost to sustain these positions now being absorbed by the City. These safety positions have provided increased services to the community and the ability to continue fully funding them into the future indicates stability.

This will be the eighth year the City has not been able to fund approximately $1.5 million annually in public safety vehicle replacement funds. This is a critical issue in the short and long term and is addressed in the forecast with partial funding expected beginning in the 2015/16 year with full restoration by 2018/19. With insufficient funds being set aside currently for the replacement of an aging fleet, especially for public safety vehicles, leasing or other financing options will be used as needed. This will lower the annual expenditure amount for now, placing the City in a pay-as-you-go condition, which will contribute to an increase in the cost of operations as vehicle replacements are funded with lease purchase financing or delayed until cash is available to pay for them.

As shown in the Exhibits Section for the "General Fund Financial Forecast-Summary", which includes the projected revenues and projected expenditures for sustaining the current organization and services, the General Fund continues to be structurally balanced, with revenues greater than expenditures throughout the forecast period. Also reflected is retaining at least a $0.8 million unreserved fund balance, ("Contingency for Economic Uncertainty"), and improving the "Emergency Reserve" to 15% of budgeted expenditures in 2013/14. The Emergency Reserve is shown to improve over the forecasted period to 16% of general fund expenditures, towards a goal of 20%.

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

The General Fund is projected to continue the annual transfer of resources to the General Government Facilities Fund to address repair, remodeling and rehabilitation of existing facilities, technology improvements, debt service, new facility needs, or targeted economic development. This annual transfer is needed to provide for maintenance activities that were deferred for some time. It is noted that the City continues to reserve nearly $0.9 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 Governor has proposed paying this debt off to the Cities in 2015/16. Reserving this amount improves the fiscal position of the General Fund.

GENERAL FUND - Projected 2014/15 through 2018/19

This forecast includes maintaining services and provides for some enhancements through investments in technology, implementing innovative ideas and some small increases in staffing. Fleet replacement and transfers for general facilities have been restored. Revenue is projected to grow by an annual average of 4.6% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 3.7% over the forecast period. The model has been constrained in this way to provide as realistic a trend as possible based upon what is known of the City's revenue activity and economic forecasts for the region, the state, and the nation.

During the forecast period sales tax is expected to provide a moderate annual increase. In 2013/14 several new retail shops including Dick's Sporting Goods, Walmart, BevMo!, HomeGoods, Old Navy, and Ulta opened in the shopping center on the corner of Herndon and Clovis Avenues with additional tenants such as Joann's and Steinmart opening during the first half of 2014/15. Estimated amounts of sales tax are included accordingly. Property taxes are expected to return to a positive growth rate, as housing prices and sales increase and the 2% annual growth under Proposition 13 is realized. Also included in the property tax projection is the recapture of a portion of the value lost as a result of the previous Prop 8 automatic reductions.

Expenditures are shown to reflect very modest growth utilizing current service levels. One major concern affecting expenditures in the forecast is Public Employee Retirement System (PERS) retirement rates. Due to stock market losses incurred in past years by the retirement system and changes in actuarial assumptions such as life expectancy, PERS rates are projected to increase from 32.3% to 43.8% for safety employees and from 19.6% to 26.7% for miscellaneous employees by the 2018/19 fiscal year. The annual General Fund cost for a 1% increase in the PERS rate is $0.15 million for safety employees and $0.07 million for miscellaneous employees. By the fifth year of the forecast, the PERS annual costs will increase by $3.57 million. In an effort to control the rising cost of retirement and comply with the State's pension reform, all employees have agreed to share in the City's retirement cost by contributing 4% of salaries to partially offset the City's rate. The Governor's pension reform, with lowered benefit levels and increased retirement age for new hires, took effect January 1, 2013 but these reforms are not expected to have a positive effect on the budget for at least 10 years.

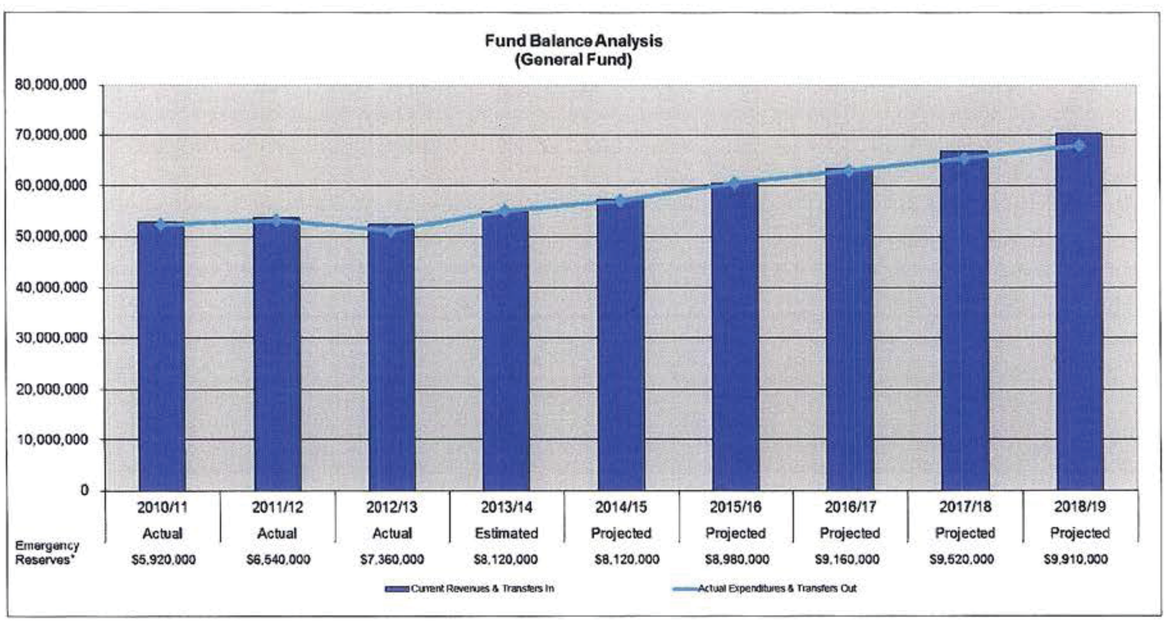
The following table shows some the trends discussed above. The "net employer PERS rates" represents the percentage of payroll charged to the City. This rate is reduced beginning in 2012/13 by the 2% cost sharing negotiated with the employee groups and in 2013/14 through 2018/19 an additional 2% cost sharing was implemented for total cost sharing of 4%. Even with the cost sharing by the employees the City's rate grows significantly over the forecast period. Also it should be noted that the share of total general fund expenditures consumed by PERS is increasing from around 8% ($4.1 Million) in 2010/11 to an estimated 13% ($8.6 Million) in 2018/19 with the projected cost more than doubling in the same time period. As PERS costs consume a greater share of the general fund budget the Council will have less control over spending these dollars for improving services to the community.

City of Clovis
PERS Analysis
Forecast through 2018/19

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Safety									
Net Employer rate after 4% cost sharing	23.251%	27.885%	27.157%	26.052%	28.300%	30.000%	33.800%	36.800%	39.800%
PERS Cost (in Millions)	**3.10**	**3.80**	**3.70**	**3.90**	**4.20**	**4.50**	**5.20**	**5.80**	**6.40**
Miscellaneous									
Net Employer rate after 4% cost sharing	14.208%	16.590%	15.484%	14.051%	15.547%	16.600%	19.000%	20.900%	22.700%
PERS Cost (in Millions)	**1.00**	**1.10**	**1.10**	**1.10**	**1.40**	**1.60**	**1.80**	**2.00**	**2.20**
Total General Fund									
PERS Cost (in Millions)	**4.10**	**4.90**	**4.80**	**5.00**	**5.60**	**6.10**	**7.00**	**7.80**	**8.60**
Total PERS cost as % of Total GF Exp	8.00%	9.21%	9.62%	9.22%	10.03%	10.40%	11.46%	12.29%	13.02%

Health costs also continue to be a concern and the forecast projects a 10% annual increase. By the fifth year of the forecast the annual costs will increase by $1.8 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 thus experiencing less than a 5% annual increase since 2010/11.

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 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 beginning to stabilize but is still too soon to project the fees will be able 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 the 5% rate reduction in 2013/14 and plans for a 5% rebate in 2014/15 with no additional rate adjustments projected after 2014/15. Rate rebates will be further examined during budget preparations as the fund's status is reviewed in more detail. Beginning July 2010 the Street Cleaning Enterprise Fund was combined with the Refuse Enterprise Fund because of the similarity and the crossover of the operations. The current street cleaning fee will remain the same and will not require an increase during the forecast period.

The Transit Fund shows a positive position in the near-term as a result of increased revenues based on population growth. As the long-term position of the fund degrades options are currently being reviewed which will focus on routes and make the system more efficient.

The Planning and Development Services Fund was separated from the general fund in 2013/14. This allows for development services to be adjusted as demand fluctuates. This fund has seen a resurgence in revenue in the last six months as new residential and commercial construction began a marked uptick. This will be monitored going forward to determine if this is a new normal or if development will drop off.

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

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of approximately $15.0 million at June 30, 2014. The Council previously approved rate increases in the water enterprise beginning in January 2010 that were necessary to fund the increased cost to treat and distribute potable water within the City, some major water capital improvements, and to provide debt service coverage for the 2003 Surface Water Treatment Plant bonds. A portion of the debt service was to be repaid with developer impact fees. Due to the decline in development activity it was necessary to increase rates for users to meet debt service obligations and bond covenants. As development levels increase the ability to moderate rates will be monitored. Overall, with the rate increases implemented, the fund balance will be stable during the next five years. Reflected in this forecast are interfund loans to the developer fund to cover the debt service payments. The reserve for drought contingency has been increased over the forecast period for the increased likelihood that the City will have to purchase water on the open market at much higher rates due to drought conditions.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $15.8 million at June 30, 2014. 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, Sewage Treatment-Water Reuse Facility (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 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 the City experienced significantly less development fees and as a result it was necessary to begin to use the $10.0 million rate stabilization fund. This fund was established in 2007 at the time of the issuance of the last bonds to offset shortfalls in revenue due to minor downturns in development. However, the significant slow-down in development would have depleted the rate stabilization fund by mid-2011/12 had the users not partially supported debt service and bond covenants. The covenants require a minimum fund reserve or coverage ratio of 1.2 times debt service. The user rate increases were necessary to accommodate debt service and bond covenants and are phased in over the forecast period. With the return in development in the past six months the ability to moderate rates, or reduce approved increases will be examined going forward if the level of development is sustained. 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 approximately $7.0 million. The Council approved a 4% annual increase in November 2004, but due to the ability to delay the construction of the new waste cell, rates were increased only 2% in July 2011, and the annual increase was not necessary in 2012/13. In 2013/14 rates were reduced 5% and an additional 5% rebate is planned in the forecast for the 2014/15 year with no increases projected for the remainder of the forecast period. This rate adjustment will be addressed with the City Council at the end of the current fiscal year when actual results of revenue and expenditure are more complete. At this time with the limited growth projected in residential and commercial units no additional routes are anticipated throughout the forecast period.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $0.08 million. The forecast reflects that the operation will have insufficient revenues to continue operations throughout the forecast period. Adjustments will be reviewed over the next year to transit operations as a shortfall begins in 2015/16. With funding for Transit constantly in flux due to State budget issues the types and levels of funding will be closely monitored to make any necessary adjustments to current service levels should the need arise.

Planning and Development Services Enterprise

The Planning and Development Services Enterprise Fund was separated from the General Fund in 2012/13. This allows for services to be adjusted as demand fluctuates. The Fund is projected to finish the current fiscal year with a working capital balance of $1.7 million. The forecast reflects that the operation will have to reduce expenditures in the out years but maintains a 15% reserve to allow for adjustments to be made as necessary. This fund has seen a resurgence in revenue in the last six months as new residential and commercial construction increased to historic norms. The forecast utilizes a number of units rate of 750, as compared to the pre-recession average of 1,000 units.

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

INTERNAL SERVICE FUNDS

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

DEBT SERVICE FUNDS

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

ALTERNATIVES & RECOMMENDATIONS

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

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

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

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

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 15% of expenditures utilizing one time revenues or savings from prior years and anticipates reaching 16% by the end of the forecast period, this is consistent with recommendations from the City's auditor of maintaining a reserve fund of 15% - 20% of general fund expenditures.

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 are being utilized for acquisition of large volumes of replacement vehicles and vehicles will be retained for use for a longer period of time, when possible. This forecast includes, beginning in 2015/16, fleet replacement charges at one-half the original amount, with increases to the full amount, $1.5 million, by the end of the forecast period.

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

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

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

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

A. **Fund Reserves** – The current policy recommends that the goal for setting Emergency Reserves should be 10%-15% with the Emergency Reserve currently 15%. This level is low given the current size of the City's operation. The City's auditor recommends the reserve be 15%-20%. The 15% level was reached due to one-time funds and savings being transferred into the fund in 2013/14. The reserve is projected to maintain the same cash balance as 2013/14 in 2014/15, however any savings and/or one-time funds will be directed to the Emergency Reserve. The forecast shows the Emergency Reserve increasing to 16% of General Fund expenditures by the end of the forecast period. It is recommened the reserve be incrementally increased to 20% over the next ten years. 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 in order to increase the reserve balance towards a 20% Emergency Reserve fund. 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.

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

D. General Government Services Fund – In the past, this fund received regular transfers of accumulated savings from the General Fund for investment in public facilities, facility repairs and remodels, technology, and economic development. The fund also received allocations for maintenance and depreciation for buildings and support services from all city operations and receipts from the sale of properties owned by the General Fund. This fund has debt service and deferred maintenance obligations for public facilities. This transfer is restored partially to $1.0 million in 2014/15, reaching $1.5 million each year by 2015/16 and following to fully restore this fund.

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

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

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

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

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

EXHIBITS

CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED	PROJECTED				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Available Fund Balance	810	550	560	1,150	1,070	1,260	1,980	3,080	4,620
Reappropriation	30	(30)	150	520					
REVENUES									
Discretionary	35,680	35,760	39,190	41,380	44,070	46,920	49,860	52,890	56,050
Non-Discretionary	17,230	18,080	13,160	13,030	13,230	13,580	13,700	14,070	14,460
Total Revenues	52,910	53,840	52,350	54,410	57,300	60,500	63,560	66,960	70,510
EXPENDITURES									
Public Safety	33,300	34,580	36,050	38,600	40,030	41,900	43,780	45,760	48,170
Public Utilities	7,080	7,360	7,480	8,130	8,200	8,440	8,700	8,970	9,240
Planning/Development	5,660	5,800	0	0	0	0	0	0	0
General Government	5,200	5,440	6,380	7,480	7,580	7,640	8,080	8,210	8,640
Total Expenditures	51,240	53,180	49,910	54,210	55,810	57,980	60,560	62,940	66,050
Resources Above/(Below) Operating Expenditures	**1,700**	**630**	**2,590**	**720**	**1,490**	**2,520**	**3,000**	**4,020**	**4,460**
ADDITIONAL ITEMS									
One-Time Revenue				760					
Transfers Out to Government Facilities	(800)		(500)	(500)	(1,000)	(1,500)	(1,500)	(1,500)	(1,500)
Transfers Out to PDS/Other	(290)		(680)	(300)	(300)	(300)	(300)	(300)	(300)
Total Additional Items	(1,090)	0	(1,180)	(40)	(1,300)	(1,800)	(1,800)	(1,800)	(1,800)
Net Increase/(Decrease) to Fund Balance	**610**	**630**	**1,410**	**680**	**190**	**720**	**1,200**	**2,220**	**2,660**
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	870	620	820	760	0	0	100	680	810
Total Other Items	870	620	820	760	0	0	100	680	810
Ending Available Fund Balance	550	560	1,150	1,070	1,260	1,980	3,080	4,620	6,470
Sales Tax Triple Flip Designation	860	860	860	860	860	0	0	0	0
Emergency Reserve-(Dollars)	5,920	6,540	7,360	8,120	8,120	8,980	9,080	9,760	10,570
Emergency Reserve as a % of Expenditures	11.60%	12.30%	14.70%	15.00%	14.50%	15.50%	15.00%	15.50%	16.00%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED	PROJECTED				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Residential Units (SF + MF)	430	478	521	750	750	750	750	750	750
Discretionary									
Property Taxes	13,240	12,800	14,040	14,200	15,100	16,240	17,400	18,590	19,800
Educational Augmentation	(3,280)	(3,260)	(3,200)	(3,440)	(3,580)	(3,850)	(4,120)	(4,410)	(4,690)
County Admin Fee	(340)	(310)	(170)	(170)	(190)	(210)	(220)	(240)	(250)
Property Tax In Lieu-VLF	6,720	6,650	6,550	6,990	7,580	8,190	8,810	9,440	10,090
Sales Tax	10,350	10,920	11,860	13,280	14,190	15,150	21,540	22,950	24,430
In Lieu Sales Tax-Triple Flip	3,450	3,650	3,960	4,430	4,730	5,050	0	0	0
County Share	(690)	(730)	(790)	(890)	(950)	(1,010)	(1,080)	(1,150)	(1,220)
Franchise Fee	2,020	2,040	2,100	2,100	2,170	2,240	2,310	2,380	2,450
Business License	2,010	2,100	2,230	2,300	2,350	2,400	2,450	2,500	2,550
Other Taxes	1,550	1,700	2,430	2,420	2,470	2,520	2,570	2,620	2,670
State Subvention-Motor Vehicle	490	50	40	0	0	0	0	0	0
Interest	20	10	10	20	50	50	50	60	70
Other Revenues-Disc	140	140	130	140	150	150	150	150	150
Non-Discretionary									
Community Facility Fee	590	660	720	810	940	1,070	1,210	1,350	1,500
Sales Tax-(public safety)	220	240	250	260	270	280	290	300	320
Building Permits	980	1,130	0	0	0	0	0	0	0
Other Lic & Permits	110	160	120	80	80	80	80	80	80
Fines & Forfeit	220	230	230	260	260	260	260	260	260
Building Rentals	30	30	30	30	30	30	30	30	30
State Subvention-Gas Tax	920	1,010	960	960	950	970	990	1,010	1,030
Grants	1,390	1,980	1,430	880	750	750	750	750	750
From Other Agencies	680	430	530	530	540	550	560	570	580
Planning Fees	1,020	1,150	0	0	0	0	0	0	0
Engineering Fees	880	970	0	0	0	0	0	0	0
Capital Improvement Charges	2,230	2,010	40	100	100	100	100	100	100
Current Services	3,990	4,010	4,150	4,100	4,190	4,280	4,370	4,460	4,550
Other Revenues-non-disc	400	390	200	120	120	120	120	120	120
Impact/Rental Fees	1,160	1,210	1,260	1,390	1,420	1,450	1,480	1,510	1,540
Admin Charges	2,410	2,470	3,240	3,510	3,580	3,640	3,460	3,530	3,600
Total Revenues	**52,910**	**53,840**	**52,350**	**54,410**	**57,300**	**60,500**	**63,560**	**66,960**	**70,510**

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES:	ANNUAL INCREASE		INCREASE IN ASSESSED VALUE		CITY TAX RATE (Before reductions)
	2.00%		$222,000,000		17.97% of 1%
Note:	***FY14/15 Annual Increase=0.454%***		***Increase in AV above is based on 750 residential units.***		
			Adjust for recapture of Prop8 devalued properties of $1.22 Billion over 5 years		
PROPERTY TAX IN LIEU-VLF:	INCREASE BY ASSESSED VALUE GROWTH		5.10% ***(based on 750 units)***		
COMMUNITY FACILITY FEE:	2/3 OF NEW RES UNITS PER YEAR	500	ANNUAL FEE: $218		INCREASE BY: 2.09%
SALES TAX:	5.00%	SALES TAX RATE	POPULATION GROWTH		PER CAPITA $ PER YEAR
		1.00%	2,000 PER YEAR		$158
COUNTY SHARE:	5.00% OF GROSS SALES TAX		(Based on 750 units)		
FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	PARTICIPATION %	P G & E
				50.00% Comcast/AT&T	$250 Per Unit per Mo
	2.09%	750	1.00%	$70 Per Unit per Month	
	Note: 5 year average for residential units is 500, 10 year average is 813				
BUSINESS LICENSE:	INCREASE ANNUALLY BY THREE YEAR CPI:		2.09%		
FINES AND FORFEITURES:	PARKING AND VEHICLE		$253,000 BASED ON THREE YEAR AVERAGE		
INTEREST:	RATE ->>	0.50%	ON PRIOR YEAR'S BALANCE OR	$40,000	IF NEGATIVE FUND BALANCE
BUILDING RENTALS:	INCREASE ANNUALLY BY: 2.00%				
STATE SUBVENTIONS:		MOTOR VEH	GAS TAX	POPULATION GROWTH	
	PER CAPITA	$0.00	$9.60	2,000 PER YEAR	
	SB89 ELIMINATED VLF			(Based on 750 units)	
GRANTS:	THREE YR. AVG.	$1,456,605	$774,395 3 YEAR AVG. WITHOUT STIMULUS FUNDS		
CURRENT SERVICES:	INCREASE BY THREE YEAR CPI AVERAGE		2.09%		
OTHER REVENUES:	INCREASE BY THREE YEAR CPI AVERAGE		2.09%		
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	***250K Successor Agency Admin Fee removed in FY16/17 out***	

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			ESTIMATED	PROJECTED				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
PUBLIC SAFETY									
Salaries									
Police-CPOA	6,340	6,530	6,610	7,110	7,720	7,750	7,910	8,080	8,250
Fire	4,500	4,530	4,460	4,930	5,030	5,140	5,250	5,460	5,900
Public Safety-Management	1,970	2,080	2,240	2,370	2,420	2,470	2,520	2,570	2,620
Police-Non CPOA	1,760	1,750	1,960	2,390	2,440	2,490	2,540	2,590	2,640
Fire-Non Firefighters	140	140	140	150	150	160	160	160	160
Overtime									
Overtime-CPOA	1,860	1,900	1,840	1,900	1,660	1,660	1,660	1,660	1,660
Overtime-Fire	730	910	1,180	1,010	960	960	960	960	960
Extra Help	780	810	840	770	770	770	770	770	770
Benefits									
Health	2,140	2,230	2,270	2,550	2,810	3,090	3,400	3,740	4,110
Retirement	3,620	4,320	4,260	4,410	4,810	5,170	5,930	6,630	7,440
Other	1,990	2,170	2,410	2,380	2,890	2,950	3,010	3,070	3,130
SMS	6,640	6,860	7,260	8,260	8,100	9,020	9,390	9,790	10,240
Capital Outlay	830	350	580	370	270	270	280	280	290
Total Public Safety	33,300	34,580	36,050	38,600	40,030	41,900	43,780	45,760	48,170
PUBLIC UTILITIES									
Salaries	1,750	1,530	1,450	1,710	1,850	1,890	1,930	1,970	2,010
Overtime	50	50	40	40	40	40	40	40	40
Extra Help	120	90	40	80	80	80	80	80	80
Benefits									
Health	370	320	290	410	450	500	550	610	670
Retirement	290	280	230	270	300	330	380	430	470
Other	290	240	250	200	210	220	230	240	250
SMS	4,150	4,770	5,140	5,310	5,230	5,340	5,450	5,560	5,680
Capital Outlay	60	80	40	110	40	40	40	40	40
Total Public Utilities	7,080	7,360	7,480	8,130	8,200	8,440	8,700	8,970	9,240
PLANNING/DEVELOPMENT									
Salaries	2,580	2,470	0	0	0	0	0	0	0
Overtime	130	90	0	0	0	0	0	0	0
Extra Help	160	310	0	0	0	0	0	0	0
Benefits									
Health	430	430	0	0	0	0	0	0	0
Retirement	380	450	0	0	0	0	0	0	0
Other	340	350	0	0	0	0	0	0	0
SMS	1,620	1,680	0	0	0	0	0	0	0
Capital Outlay	20	20	0	0	0	0	0	0	0
Total Planning/Development	5,660	5,800	0	0	0	0	0	0	0
GENERAL GOVERNMENT									
Salaries	1,970	1,930	2,370	2,630	2,680	2,740	2,800	2,860	2,920
Overtime	10	10	10	20	20	20	20	20	20
Extra Help	210	250	310	420	420	420	420	420	420
Benefits									
Health	370	400	470	490	540	590	650	720	790
Retirement	290	350	400	420	490	520	610	690	760
Other	240	260	240	290	300	310	320	330	340
SMS	2,090	2,230	2,570	3,200	3,120	3,030	3,250	3,160	3,380
Capital Outlay	20	10	10	10	10	10	10	10	10
Total General Govt	5,200	5,440	6,380	7,480	7,580	7,640	8,080	8,210	8,640
Total Expenditures	**51,240**	**53,180**	**49,910**	**54,210**	**55,810**	**57,980**	**60,560**	**62,940**	**66,050**

Expenditure Assumptions (dollars in thousands)

SALARIES:		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
POLICE-CPOA	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
POL-SAL BASE		$7,430	$7,590	$7,750	$7,910	$8,080	$8,250
Additional Officers-Salary		$130	0	0	0	0	0
Number of Additional Officers		2	0	0	0	0	0
Additional Non-Sworn Positions		0	0	0	0	0	0
FIRE	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
SALARY BASE		$4,930	$5,030	$5,140	$5,250	$5,570	$5,900
Additional Firefighter-Salary		0	0	0	0	$210	$210
Number of Addl Firefighters		0	0	0	0	3	3
PUBLIC UTILITIES	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
SALARY BASE		$1,810	$1,850	$1,890	$1,930	$1,970	$2,010
Additional Salaries-Park/Street		0	0	0	0	0	0
Addl Park/Street employees		0	0	0	0	0	0
GENERAL GOVT	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
MGMT	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 2.09%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 10.0%

RETIREMENT:		2013/14	2014/15	(PERS est.) 2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
POLICE-SAFETY		30.052%	32.300%	34.000%	37.800%	40.800%	43.800%
DISPATCHERS		18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
FIRE		30.052%	32.300%	34.000%	37.800%	40.800%	43.800%
PUBLIC UTILITIES		18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
GENERAL GOVERNMENT		18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
MANAGEMENT		18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS COST SHARING		-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%
WORKERS COMP:	Police-CPOA	14.21%	15.00%	15.00%	15.00%	15.00%	15.00%
(included in other benefits)	Fire	7.14%	8.00%	8.00%	8.00%	8.00%	8.00%
	Mgmt & Admin	3.16%	4.00%	4.00%	4.00%	4.00%	4.00%
	Public Utility	6.57%	7.00%	7.00%	7.00%	7.00%	7.00%

OTHER BENEFITS: Previous year's amount increased by contracted and estimated salary increases. Includes 2% of non-safety salaries for deferred comp, 1% of total salaries for sick leave incentive, 1.45% for medicare and 1% for other benefits.

OTHER SMS: INCREASE 3 YEAR AVERAGE CPI 2.09%

CAPITAL OUTLAY:		
	INCREASE BY 3 YEAR AVG CPI PER YEAR	2.09%
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY	$260
	50% FOUR YEAR AVERAGE-PUBLIC UTILITIES	$40 + ADDITIONAL EQUIP FOR NEW EMPLOYEES
	50% FOUR YEAR AVERAGE-PLANNING/DEV	$30
	50% FOUR YEAR AVERAGE-GEN GOVT	$10

CONTINGENCY RESERVE: Maintain not less than 10% with a goal to reach 20% of total expenditures. See the Summary Sheet for reserve.

CITY OF CLOVIS

Water Enterprise - Financial Forecast (dollars in thousands)

	Actual 2010/11	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
BEG WORKING CAPITAL	6,110	7,960	9,080	14,910	14,960	14,720	14,340	14,240	13,840
REVENUES									
WATER CHARGES	12,290	14,230	16,310	15,550	15,480	15,570	15,660	15,750	15,840
DBCP-LEGAL SETTLEMENTS	340	360	360	330	230	170	170	170	170
OTHER LEGAL SETTLEMENTS			2,310						
TOTAL REVENUES	12,630	14,590	18,980	15,880	15,710	15,740	15,830	15,920	16,010
EXPENDITURES									
SALARIES	1,780	1,840	1,930	2,110	2,150	2,250	2,300	2,350	2,400
EXTRA HELP	30	30	20	50	50	50	50	50	50
OVERTIME	90	90	90	100	100	100	100	100	100
BENEFITS									
RETIREMENT	280	310	320	300	330	370	440	490	540
HEALTH	350	370	380	390	430	470	520	570	630
OTHER	300	280	310	260	290	310	310	320	320
SERV, MAT & SUPP	5,980	6,570	7,130	9,380	8,180	8,340	8,510	8,680	8,850
MEMBRANE REPLACEMENT	0	0	0	0	0	430		1,180	0
CAPITAL OUTLAY	530	540	2,920	1,330	980	1,000	1,020	1,040	1,060
TOTAL EXPENDITURES	9,340	10,030	13,100	13,920	12,510	13,320	13,250	14,780	13,950
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	120	180	1,760	1,530	90	100	100	110	110
	120	180	1,760	1,530	90	100	100	110	110
INTERFUND LOANS-(DEBT SERVICE)		(1,750)		(1,200)	(500)				
TRANSFERS-OUT (CAPITAL)	(500)	(850)	(710)	(780)	(560)	(780)	(730)	(780)	(780)
WATER BANKING LOAN TO DEV FUND				(500)	(500)	(500)			
CONTRIBUTION-SURFACE WTP	(810)	(810)	(810)	(670)	(680)	(760)	(760)	(760)	(760)
MEMBRANE REPLACEMENT RESERVE	(200)	(210)	(290)	(290)	(290)	(290)	(290)	(290)	(290)
WELL HEAD TREATMENT(RESERVE)	(50)								
RESERVE FOR DROUGHT CONTINGENCY					(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
END WORKING CAPITAL	7,960	9,080	14,910	14,960	14,720	14,340	14,240	13,840	13,180
RESERVE FOR WELLHEAD TREATMENT	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
RESERVE FOR MEMBRANE REPLACEMENT	390	600	890	1,180	1,470	1,330	1,620	730	1,020
RESERVE FOR DROUGHT CONTINGENCY	1,500	1,500	1,500	1,500	2,500	3,500	4,500	5,500	6,500

Water Enterprise - Revenue Assumptions (dollars in dollars)

Residential Rates: $1.71 per 1,000 gallons for 10,001 - 35,000 gallons, $2.14 per 1,000 gallons for 35,001 - 70,000 gallons,
$2.57 per 1,000 gallons above 70,000 gallons. Minimum monthly charge $8.40.
Commercial Rates: $1.47 per 1,000 gallons over 5,000 gallons. Minimum monthly charge from $8.40(1") to $637.06(10") includes 5,000 gallons.

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

		2013/14*	2014/15	2015/16	2016/17	2017/18	2018/19
Rate Increase:	7/1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*** Rate Increase:** Based on Council approved annual rate increase unless not necessary.
Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF $10,000

Water Enterprise - Expense Assumptions (dollars in thousands)

Salaries: CPWEA	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
SALARY BASE	$2,110	$2,150	$2,250	$2,300	$2,350	$2,400
Add'l employee for Surface Water Plant		$60				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

			(PERS est.)	0.0%		
Retirement:	2013/14	2014/15	2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
	18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS Cost Sharing:	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:
- -RETIREMENT 18.051% OF EXTRA HELP
- -WORKERS COMP 7.000% FOR CPWEA 4.00% FOR ADMIN
- -MEDICARE 1.450% OF SALARIES
- -DEF COMP/SICK LEAVE INC 5.250% OF SALARIES

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 2.09%
(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 2.09%

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 2010/11	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
BEG WORKING CAPITAL	11,790	17,500	15,110	20,280	15,830	16,450	16,460	17,540	18,980
REVENUES									
SEWER CHARGES	8,420	9,520	10,370	10,320	11,210	11,780	12,370	12,980	13,620
BOND COVERAGE CHARGES	2,840	3,250	3,150	3,240	3,340	500			
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	11,310	12,820	13,570	13,610	14,600	12,330	12,420	13,030	13,670
EXPENDITURES									
SALARIES	600	640	640	710	720	740	760	780	830
EXTRA HELP	0	0	0	10	10	10	10	10	10
OVERTIME	10	20	10	20	20	20	20	20	20
BENEFITS									
RETIREMENT	90	110	100	100	110	120	140	160	190
HEALTH	130	140	120	130	140	150	170	190	210
OTHER	90	90	110	90	100	100	100	100	110
SERV, MAT & SUPP	2,700	2,740	2,850	3,290	3,350	3,410	3,470	3,540	3,610
FRESNO TREATMENT PLANT	1,630	2,460	1,510	2,590	2,090	2,260	2,310	2,360	2,410
CLOVIS TRMT/REUSE PLANT (ST-WRF)	1,520	1,530	1,900	2,000	2,060	2,120	2,190	2,260	2,330
DEBT SERVICE	1,180	1,180	1,230	1,240	1,250	1,250	1,250	1,250	1,250
CAPITAL	0	70	60	50	50	50	60	60	390
CAPITAL-FRESNO PLANT IMPROVEMENTS	1,320	1,220	380	1,500	1,500	1,500	1,360	1,360	1,360
TOTAL EXPENDITURES	9,270	10,200	8,910	11,730	11,400	11,730	11,840	12,090	12,720
OTHER REVENUE AND EXPENSE									
INTEREST	70	50	80	80	80	80	80	90	90
GRANTS/MISC/SALE OF ASSETS/REFUNDS	20	20	170	190	150	150	150	150	150
	90	70	250	270	230	230	230	240	240
TRANSFERS IN-DEBT SERVICE	370	370	370	370	370	370	370	370	370
TRANSFERS OUT-CAPITAL	0	(500)	(380)	(340)	(350)	(360)	(370)	(380)	(390)
FROM DEVELOPER-PLANT CAPITAL IMPROV	270	270	270	270	270	270	270	270	270
INTERFUND LOANS	2,000								
INTERFUND LOANS-(DEBT SERVICE)		(5,220)		(6,900)	(3,100)	(1,100)			
(INC)/USE OF FRESNO PLANT CAP RESERVE	940								
END WORKING CAPITAL	17,500	15,110	20,280	15,830	16,450	16,460	17,540	18,980	20,420
RESERVE FOR FRESNO PLANT CAPITAL	0	0	0	0	0	0	0	0	0
REQUIRED FOR DEBT COVERAGE	5,800	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900

Sewer Enterprise - Revenue Assumptions (dollars in dollars)

Current Charges:	Population Increase	Residential:	New Units Per Year	Additional Commercial	2013/14 Per Unit Per Month	Bond Charge Per Unit Per Month	Pretreatment Per Unit Per Month
	2,000		750	$36,000	$20.03	$7.30	$0.06

Rate Increase:		2013/14 *	2014/15 *	2015/16 *	2016/17*	2017/18*	2018/19*
	Percentage	5.00%	4.00%	3.00%	3.00%	3.00%	3.00%
	Revised Monthly Rate	$20.03	$20.83	$21.47	$22.11	$22.77	$23.46
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)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
SALARY BASE	$710	$720	$740	$760	$780	$830
Additional employee					$30	
Extra Help:	FLAT FOR NEXT FIVE YEARS					
Overtime:	FLAT FOR NEXT FIVE YEARS		(PERS est.)			
Retirement:	2013/14	2014/15	2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
	18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS Cost Sharing:	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%
Health:	INCREASE PER YEAR				10.00%	

Other Benefits:	-RETIREMENT	18.051%	OF EXTRA HELP	
	-WORKERS COMP	7.000%	FOR CPWEA	4.00% FOR ADMIN
	-MEDICARE	1.450%	OF SALARIES	
	-DEF COMP/SICK LEAVE INC/OTHER	5.250%	OF SALARIES	

Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS	2.09%
	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	2.09%
Debt Service:	Fresno/Clovis Regional WWTP Renovation	
	96/97 - 2023	$1,250
Capital Outlay:	FUTURE YEARS @	$50
	- ADJUSTED BY 3 YEAR AVERAGE CPI	2.09%
Capital-Plant Improvements:	Based on estimates from the City of Fresno for sewer main and plant refurbishments	
Transfers In-Debt Service:	In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation	$370
Transfers Out:	Out for on-going capital improvements-per Five Year CIP	
Interfund Loans:	Temporary cash loans to conform with various bond covenants	

CITY OF CLOVIS

Community Sanitation - Financial Forecast (dollars in thousands)

	Actual 2010/11	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
BEG WORKING CAPITAL	5,650	4,640	4,170	7,740	7,000	6,480	6,960	7,190	6,530
REVENUES									
REFUSE CHARGES	13,150	13,860	13,980	12,660	12,770	12,910	13,050	13,190	13,330
RECYCLING CHARGES	1,070	1,130	1,260	1,240	1,300	1,310	1,320	1,330	1,340
GREEN WASTE CHARGES	1,300	1,370	1,460	1,540	1,620	1,710	1,800	1,890	1,990
STREET SWEEPING CHARGES	1,000	1,020	1,040	1,020	1,060	1,070	1,080	1,090	1,100
TOTAL REVENUES	16,520	17,380	17,740	16,460	16,750	17,000	17,250	17,500	17,760
EXPENDITURES									
SALARIES	2,050	2,170	2,110	2,380	2,560	2,610	2,660	2,720	2,780
EXTRA HELP	80	70	80	100	100	100	100	100	100
OVERTIME	190	160	150	190	190	190	190	190	190
BENEFITS									
RETIREMENT	320	370	350	340	400	430	510	570	630
HEALTH	480	500	490	560	620	680	750	830	910
OTHER	340	320	380	290	360	370	370	380	390
SERV, MAT & SUPP	5,390	5,190	5,700	6,900	7,040	7,180	7,320	7,470	7,620
RECYCLING	1,100	1,160	1,120	1,080	1,140	1,200	1,260	1,330	1,400
GREEN WASTE PROGRAM	1,270	1,340	1,420	1,470	1,550	1,630	1,720	1,810	1,900
STREET SWEEPING	1,000	1,070	1,100	1,000	1,020	1,040	1,060	1,080	1,100
DEBT SERVICE	10	0	0	0	0	0	0	0	0
LANDFILL CLOSURE	150	180	180	150	150	150	150	150	150
CAPITAL	200	290	460	590	150	150	150	150	150
LANDFILL IMPROVEMENTS	890	4,200	30	1,590	1,400	200	200	800	200
LANDFILL DEBT SERVICE	790	780	780	790	790	790	790	790	790
TOTAL EXPENDITURES	14,260	17,800	14,350	17,430	17,470	16,720	17,230	18,370	18,310
OTHER REVENUE AND EXPENSE									
INTEREST	70	60	50	60	50	50	60	60	50
GRANTS/MISC/SALE OF ASSETS	30	30	30	20					
	100	90	80	80	50	50	60	60	50
TRANSFERS	50	70	90	150	150	150	150	150	150
TRANSFERS OUT-CAPITAL		(270)	(10)						
LANDFILL LINER FEE	80	60	20	0	0	0	0	0	0
INTERFUND LOAN REPAYMENT	(3,500)								
END WORKING CAPITAL	4,640	4,170	7,740	7,000	6,480	6,960	7,190	6,530	6,180
RESERVE FOR CLOSURE	2,280	2,460	2,640	2,790	2,940	3,090	3,240	3,390	3,540
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	13/14 Avg Unit Per Month	Recycling Per Month	Green Waste Per Month	Street Cleaning Per Month
	750	$24.65	$3.24	$4.75	$2.25

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

		2013/14 *	2014/15 *	2015/16 *	2016/17 *	2017/18 *	2018/19 *
Rate Increase/(Decrease):	7/1	-5.0%	-5.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Monthly Rate:		$24.65	$23.42	$23.42	$23.42	$23.42	$23.42

*** 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)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
Salary Base:	$2,380	$2,480	$2,610	$2,660	$2,720	$2,780
Additional Personnel: Res/Comm		$80				

Extra Help: $110 for Operations per year
Overtime: FLAT FOR FUTURE YEARS 2.09%

Retirement:	2013/14	2014/15	(PERS est.) 2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
	18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS Cost Sharing:	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health:	INCREASE PER YEAR			10.00%
Other Benefits:	-RETIREMENT	18.051%	OF EXTRA HELP	
	-WORKERS COMP	7.00%	FOR CPWEA	4.00% FOR ADMIN
	-MEDICARE	1.45%	OF SALARIES	
	-DEF COMP/SICK LEAVE INC/OTHEI	5.25%	OF SALARIES	
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS			2.09%
	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			$150
	ADJUSTED BY 3 YEAR AVERAGE CPI			2.09%
Transfers:	In-For Toters	$150 /year		
Reserve For Closure:	FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI			2.09%

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 2010/11	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
BEG WORKING CAPITAL	280	370	450	340	80	590	500	300	10
REVENUES									
MEASURE C FUNDS	1,010	1,120	1,180	1,290	1,320	1,350	1,380	1,410	1,440
LOCAL TRANSPORTATION FUNDS (LTF)	2,090	2,040	2,360	2,120	3,000	3,060	3,120	3,190	3,260
STATE TRANSIT ASSISTANCE	520	540	590	540	530	530	530	530	530
OTHER(Fares, Advertising, Trolley Rents)	230	250	230	210	230	230	230	230	230
TOTAL REVENUES	3,850	3,950	4,360	4,160	5,080	5,170	5,260	5,360	5,460
EXPENDITURES									
SALARIES	900	960	1,010	1,070	1,090	1,110	1,130	1,150	1,170
EXTRA HELP	640	610	680	740	780	820	860	900	950
OVERTIME	30	30	30	30	30	30	30	30	30
BENEFITS									
RETIREMENT	130	160	170	160	170	180	210	240	270
HEALTH	190	210	220	240	260	290	320	350	390
OTHER	300	300	340	280	300	320	360	390	420
SERV, MAT & SUPP	1,490	1,590	1,790	1,900	1,940	1,980	2,020	2,060	2,100
CAPITAL-OTHER	120	100	10	230	0	0	0	0	0
CAPITAL-BUSES	80	0	960			530	530	530	530
TOTAL EXPENDITURES	3,880	3,960	5,210	4,650	4,570	5,260	5,460	5,650	5,860
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	120	90	720	230	0	0	0	0	0
SALE OF ASSETS			20						
	120	90	740	230	0	0	0	0	0
END WORKING CAPITAL	370	450	340	80	590	500	300	10	(390)

Transit- Revenue Assumptions

Transit Revenue:	Measure C revenue is projected to grow by 3 year average CPI	2.09%
	LTF revenue is projected to grow by the 3 year average CPI	2.09%
	Beginning in 2014/15 100% of LTF revenue will be allocated to Transit.	
	Beginning in 2015/16 State Transit Assistance revenue must be used for capital purposes only.	
	Other revenue is projected to grow by the 3 year average CPI	2.09%
Interest:	0.50% OF PREVIOUS YEARS WORKING CAPITAL	

Transit- Expense Assumptions

Salaries:		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
CUE	7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
Additional Employees							

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

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.09%

	2013/14	2014/15	(PERS est.) 2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
Retirement:	18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS Cost Sharing:	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits:			
	-RETIREMENT	18.051% OF EXTRA HELP	
	-WORKERS COMP	7.000% OF SALARIES	4.00% FOR ADMIN
	-MEDICARE	1.450% OF SALARIES and EXTRA HELP	
	-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	5.250% OF SALARIES	

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.09%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER
ADJUSTED BY 3 YEAR AVERAGE CPI 2.09%

CITY OF CLOVIS

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

UNITS	521	750	750	750	750	750	750
	Actual 2012/13	**Estimated 2013/14**	**Projected 2014/15**	**Projected 2015/16**	**Projected 2016/17**	**Projected 2017/18**	**Projected 2018/19**
BEG WORKING CAPITAL	0	1,690	1,690	1,950	1,770	1,360	780
REVENUES							
BUILDING PERMITS	2,040	1,850	2,080	2,010	2,050	2,090	2,140
PLANNING FEES	1,320	1,170	1,150	1,110	1,150	1,190	1,250
GENERAL PLAN CONSULTANT	310	200	250	250	250	250	250
ENGINEERING FEES	1,750	2,380	1,610	1,530	1,560	1,600	1,630
CAPITAL IMP CHARGES	2,250	2,010	2,370	2,370	2,370	2,370	2,370
TOTAL REVENUES	7,670	7,610	7,460	7,270	7,380	7,500	7,640
EXPENDITURES							
SALARIES	2,560	2,840	3,580	3,650	3,730	3,810	3,890
EXTRA HELP	480	500	430	430	430	430	430
OVERTIME	90	140	70	70	70	70	70
BENEFITS							
RETIREMENT	410	470	620	680	790	890	980
HEALTH	430	480	540	590	650	720	790
OTHER	710	360	370	380	390	400	410
SERV, MAT & SUPP	1,590	2,000	1,790	1,760	1,800	1,840	1,880
GENERAL PLAN CONSULTANT	390	320	340	250	250	250	250
CAPITAL	120	30	20	10	10	10	10
TOTAL EXPENDITURES	6,780	7,140	7,760	7,820	8,120	8,420	8,710
OTHER REVENUE AND EXPENSE							
INTEREST	0	10	10	10	10	10	0
GRANTS	100	180	290	20	20	20	20
OTHER REVENUES	50	110	50	50	50	50	50
TOTAL OTHER REVENUE AND EXPENSE	150	300	350	80	80	80	70
ADDITIONAL ITEMS							
TRANSFERS FROM GENERAL FUND	650	300	300	300	300	300	300
OTHER ITEMS							
(USE OF)/ADDITION TO EMERGENCY RESERVE		1,070	90	10	50	40	50
END WORKING CAPITAL	1,690	1,690	1,950	1,770	1,360	780	30
Emergency Reserve-(Dollars)	0	1,070	1,160	1,170	1,220	1,260	1,310
Emergency Reserve as a % of Expenditures		15.00%	15.00%	15.00%	15.00%	15.00%	15.00%

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

	2012/13 (Act.)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Residential Units Per Year:	521	750	750	750	750	750	750
Non-Residential %:	31%	25%	25%	25%	25%	25%	25%

Averages based on two years actuals and estimate to close

Average Permit Fees Per Unit:	Building	Planning	Engineering
	$2,100	**$1,900**	**$1,600**

(NOTE: Eng.Fees represent 1400 development units for FY13/14)

3 Year Average CPI: 2.09%

	2012/13 (actual)	2013/14(estimated)	2014/15(DR)	2015/16	2016/17	2017/18	2018/19
Planning Program Fee (Staff):	690,000	680,000	750,000	700,000	720,000	730,000	750,000
Plan. Prgm. Fee (Consultant):	310,000	200,000	250,000	250,000	250,000	250,000	250,000
Other Planning Fees:	630,000	500,000	400,000	410,000	430,000	460,000	500,000
	1,630,000	1,370,000	1,400,000	1,360,000	1,400,000	1,440,000	1,500,000

Capital Improvement Charges: CIP STAFF HOURS TO REMAIN FLAT

Interest: 0.50% OF PREVIOUS YEARS WORKING CAPITAL

Other Revenues: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.09%

Grants: BASED ON AWARDED GRANTS

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

Salaries: (CPTA)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7/1	4.00%	2.09%	2.09%	2.09%	2.09%	2.09%
Salary Base:	$3,200	$3,520	$3,650	$3,730	$3,810	$3,890
Additional Personnel:	$190	$120				

Extra Help: FLAT FOR FUTURE YEARS

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.09%

	2013/14	2014/15	(PERS est.) 2015/16	2016/17(est.)	2017/18(est.)	2018/19(est.)
Retirement:	18.051%	19.547%	20.600%	23.000%	24.900%	26.700%
PERS Cost Sharing:	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%	-4.000%

Health: INCREASE PER YEAR 10.00%

Other Benefits: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.09%

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 2.09%

Capital Outlay: BASED ON CAPITAL NEEDS PROJECTED FOR DEPARTMENT

Transfers: GENERAL FUND DISCRETIONARY FUNDING $300 PER YEAR

EXHIBIT B
PROJECTION ASSUMPTIONS
GENERAL FUND

Generally in preparation of the forecast, trends are determined and utilized for projecting future activity. 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 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
Residential Units (Single Family plus Multi Family)	813	750	750	750	750	750
Assessed Valuation (in Millions)	$262	$222	$222	$222	$222	$222
Population Increase	2,399	2,000	2,000	2,000	2,000	2,000

The 2013/14 revenues were estimated based on actuals to date through January of 2014, and projected out for the remainder of the fiscal year based on trend analysis of prior year's receipts. Some revenues such as property taxes and sales taxes were given special consideration due to the current economic climate along with budgetary actions taken at the state level such as the elimination of redevelopment. The economic recovery remains a major consideration in budgeting revenues in all years projected with some revenue sources projected to experience marked increases such as property taxes due to recapture of Proposition 8 devalued properties and sales tax due to the opening of BevMo and JoAnn's in the Clovis Crossing Shopping Center, and the Burlington Coat Factory at Shaw and Villa Avenues.

The 2013/14 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 2014 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 2014/15 - 2018/19:

REVENUE ASSUMPTIONS

Property Taxes – will increase in 2014/15 by 6.9% from the prior year due to Proposition 13 capped annual increase of existing properties at CPI of 0.454 % and a percentage of Proposition 8 recapture of devalued properties. In 2015/16-2018/19, the increases reflect an additional assessed valuation of 20% of the $1.2 billion Prop 8 potential recapture of reduced property values, along with existing properties at the Proposition 13 cap of 2% for all projected years through 2018/19 plus the assessed valuation for new units as noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2014/15 is projected to increase by 8.4% based on the increased assessed valuations of Prop 8 recapture, the annual 2% maximum increase on existing properties, and the increase in assessed valuation for the additional units projected.

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $218 per unit increased annually by CPI.

Sales Tax – 2014/15 is projected to increase by over 6.8% from the prior year to reflect a full year of sales from the Clovis Crossings Shopping Center including the opening of BevMo and JoAnn's, the opening of Burlington Coat Factory, along with analysis of growth by the Board of Equalization. In addition, sales taxes are projected to grow by the per capita amount for additional population. Sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County.

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

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

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

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

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.

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

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

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

Administrative Charges - Administrative revenue to the General Fund is expected to increase at 2% per year. Successor Agency Administrative Fee is eliminated in FY16/17 as the County will take over administration at that time.

EXPENDITURE ASSUMPTIONS

Staffing – Additional firefighters are added in 2017/18 and three additional in 2018/19 in anticipation of opening a fire station in the Loma Vista Area in 2020.

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

Overtime - Overtime remains flat over the forecast period.

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

Salary Related Costs

- *Health Benefit* – The Health Benefit costs are projected to increase by 10% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2014/15, estimated rates from PERS for 2015/16 and throughout the forecast period reflecting recent rate increases due to the retirement system stock market losses in past years and changes in recent actuarial assumptions. Rates for safety members are projected to increase 11.5% over the next five years. Miscellaneous member rates are projected to increase 7.2% over the next five years.
- *Other Benefits*
    - *Worker's Compensation* – Rates are projected to remain relatively flat throughout the forecast period.
    - *Medicare and Unemployment* – Medicare is projected at 1% of salaries and Unemployment is projected as part of other benefits and has sufficient reserves for this expenditure.
    - *Deferred Compensation and Sick Leave Incentive* – Deferred compensation is projected at 3% of non-safety salaries and sick leave incentive is projected at 1% of total salaries.
    - An additional 1% of salaries have been added for other benefits.

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

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

TRANSFER ASSUMPTIONS

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

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

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

RESERVE ASSUMPTIONS

Emergency Reserve - The reserve established for emergencies. In 2014/15 this reserve is projected to be 14.5% 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. In 2015/16 by moving the triple flip revenue to the emergency reserve, it is possible to reach 15%, increasing to 16% by the end of the forecast period. Projected throughout this forecast are increases to reach Council's goal and work towards the City auditor's recommendation of 15%-20%.

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. The Governor of the State of California is proposing paying this debt off to cities in 2015/16.