City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2021/22

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CITY OF CLOVIS

Five -Year Financial Forecast

Through Fiscal Year 2021/2022

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CITY OF CLOVIS

FIVE-YEAR FINANCIAL FORECAST

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INTRODUCTION

INTRODUCTION

The Five-Year Financial Forecast through 2021/22 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 but at a more modest level. The forecast reflects a positive balance throughout the forecast period. While expenditure growth continues to be constrained, the City maintains a structurally balanced budget (current year expenditures do not exceed current year revenues), reserves continue to be restored and improved economic activity provides a cautiously optimistic outlook for the future of Clovis. Property and Sales taxes are the major sources of discretionary revenue for the City's General Fund (67%).

This year's forecast reflects an expenditure structure which will maintain service levels. Expenditure growth in the next couple of years in the forecast is restrained in a prudent manner. Balancing the service level needs of the community and employee compensation continues to be a critical issue over the next few years. The forecast also reflects the Emergency Reserve reaching 17.6% at the end of 2016/17 and the ability to increase it by the end of the forecast period to 18.1%, moving towards an Emergency Reserve of 25% as recommended by the City's auditors. This is vital for the long term fiscal sustainability of the City.

Measuring customer service satisfaction is instrumental in determining levels of service provided. In the summer of 2013 the City conducted a customer service survey that provided feedback to the City in regards to critical services and satisfaction levels, with 94% of the respondents stating they would recommend Clovis as a place to live. In 2015 the City conducted a follow-up customer service survey with more positive results. The 2015 survey found that 96% of the respondents said they would recommend Clovis as a place to live. The survey also compared Clovis results to 20 cities of similar size, geography and income. These cities included amongst others, Carlsbad, Concord, Santa Monica, Tracy, Walnut Creek and Boulder, CO with Clovis consistently ranking in the top 5. This includes #1 rankings for Police and Fire, Public Utilities in the street cleaning and lighting categories, land use decisions, ease of travel by bicycle, Clovis as a place to visit, Clovis' economy, and vibrancy of downtown Clovis. Going forward, the City plans to conduct the customer service survey every two years to measure trends. The plan is to use the levels of satisfaction trends to possibly dedicate increased resources toward services that the community deems important but may have a declining satisfaction trend. At this time we have not seen any declining service level trends based on the first two surveys. Results of the planned 2017 survey will be available in early 2018.

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

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

1. The General Fund ending balance for fiscal year 2016/17 is projected to be $1.18 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, improving the Emergency Reserve from $11.1 million in 2015/16 to $11.48 million in 2016/17.

2. General Fund revenues overall are projected to increase 3.0% in 2017/18 when compared to 2016/17 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 innovation in service delivery methods and limited additional staff. The forecast includes the addition of three police officers per year over the forecast, as well as six firefighters forecast in 2019/20 and three in 2020/21 with plans to support fire station number six.

4. The General Fund forecast reflects the "Emergency Reserve" growing throughout the forecast period starting at 17.6% at the end of 2016/17. It is recommended to increase the level of the Emergency Reserve by the end of the forecast period to 18.1% in an effort to increase the reserve to 25.0% as recommended by the City's auditors.

5. PERS rates for funding employee retirements are increasing and continue upward for several years affecting all funds. PERS rates are anticipated to increase for safety employees by 19% (from approximately 39% to 58% of payroll). This alone equates to a 50% increase in public safety employee retirement expense over the forecast period. For miscellaneous employees, rates are expected to increase by approximately 11% (from 22% to 33% of payroll) over the forecast period. This alone equates to a 50% increase in miscellaneous retirement expenses over the forecast period. These large increases are primarily driven by two factors: first, the California Public Employee Retirement System (CalPERS) has lowered its projected discount rate and plans to further lower it in the future; second, CalPERS overall annual earnings have declined in recent years due to changes in their investment policy. These two changes alone will represent a significant increase in costs for the City over this five year forecast period. Staff received an estimated range of increased costs over the next few years from CalPERS ranging from optimistic (best case scenario and lower costs) to pessimistic (worst case scenario with higher costs). Staff chose to include the "middle of the road" estimated cost increases which drove the significant increase.

6. A rate increase of 4% was authorized for the Community Sanitation Enterprise Fund in the current fiscal year; however, only a 2% annual increase is forecast. There was no increase in 2016/17 for the Water Enterprise Fund. The forecast includes a 3% increase in 2017/18 and in 2018/19 for the Water Enterprise Fund. The forecast includes no planned increases for the Sewer Enterprise Fund. A rebate to the users of one-half the amount of the bond surcharge ($7.30 per billing period) began in 2016/17 and is generally maintained through the five-year forecast. On an annual basis staff reviews the funding levels for the Enterprise funds and makes recommendations as appropriate.

Service Levels

A high level of service is something that the City of Clovis takes pride in providing to its residents. An easy way of determining a level of service is by national standards of ratio of employees to residents for a particular service. While these are helpful in master planning, Clovis has proven that meeting the ratio is not the only way to achieve service levels with which residents are happy. Clovis has implemented improved ways of doing business, aided by technology and innovative employees, to keep response times within targets and public facilities maintained. Continued investment in technology and innovative ideas from staff will continue to provide opportunities to meet current service level expectations and even provide improved services. An example of a lower cost service delivery method is in the Police Department, which is now utilizing Community Service Officers to respond to non-emergency calls for service which had previously been handled by sworn personnel.

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

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

As the City implements the 2014 General Plan it is critical that thoughtful consideration is given to the level of services provided to both the new areas developed and to the existing built areas. Providing service has a cost, and adding additional demand for services with population, activity, and geography without having sufficient resources may degrade overall service levels unless innovative service delivery alternatives are implemented. Managing new growth while meeting the City's service needs must be a high priority when making policy decisions.

The Economy

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

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

California Economic Snapshot			
New Auto Registrations (Fiscal Year to Date)	**1,773,495 Through June 2014**	**1,953,232 Through June 2015**	**2,087,796 Through June 2016**
Median Home Price (for Single Family Homes)	**$393,000 in August 2014**	**$415,000 in August 2015**	**$435,000 in August 2016**
Single Family Home Sales	**37,228 in August 2014**	**36,773 in August 2015**	**39,091 in August 2016**
Complete Foreclosures (Fiscal Year to Date)	**42,791 Through June 2014**	**46,451 Through June 2015**	**22,433 Through June 2016**
Total State Employment (Seasonally Adjusted)	**17,224,000 in August 2014**	**17,872,000 in August 2015**	**18,170,000 in August 2016**
Newly Permitted Residential Units (Calendar Year to Date)	**53,199 Through August 2014**	**65,465 Through August 2015**	**65,520 Through August 2016**

Data Sources: New Car Dealers Association, DataQuick, California Employment Development Department, Construction Industry Research Board, State Department of Finance, Census Bureau, CoreLogic

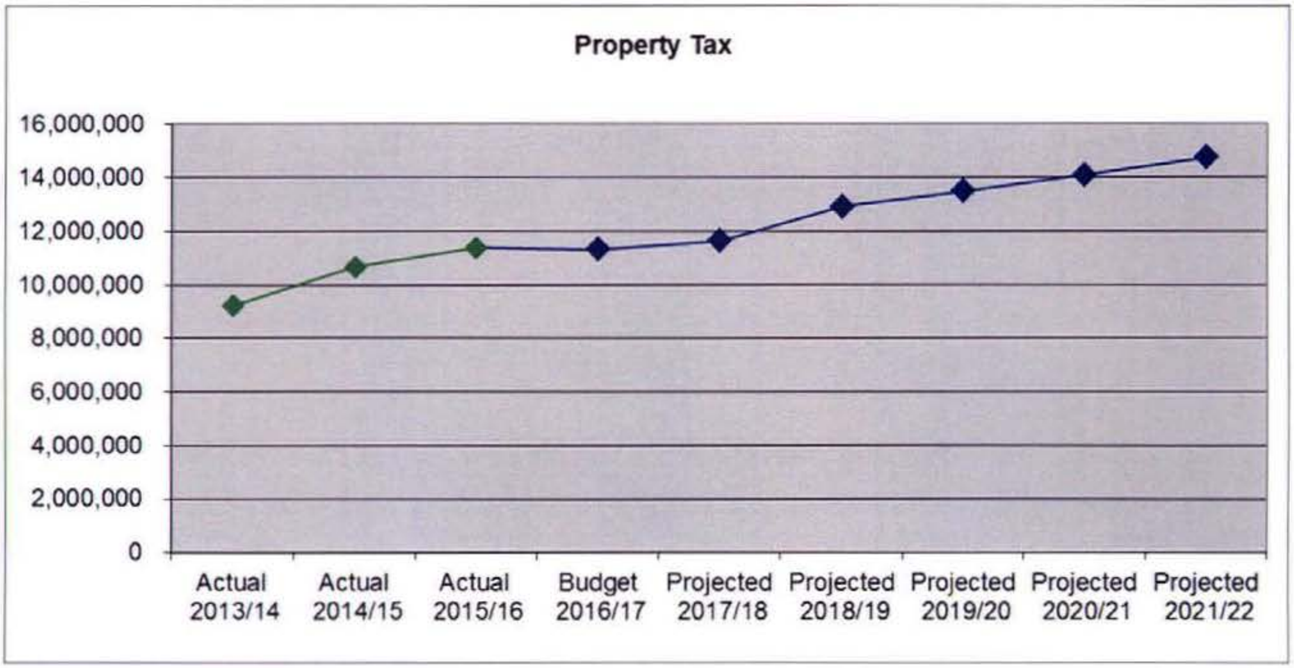
General Fund

The General Fund revenues are projected to grow at an annual average rate of 4.1% while expenditures are projected to grow at an annual average rate of 3.9% over the forecast period. The forecast currently projects the City will see modest sustained annual revenue growth over the cost of providing services at the current level during the five-year forecast. The forecast reflects maintaining service levels with opportunities for enhancements due to technology, innovation, and some increased staffing. Six firefighter positions are added in the forecast in 2019/20 and three in 2020/21 to accommodate growth of the City in the Loma Vista area. Three police officers are forecast to be added in each of the five years of the forecast to meet current and future demands.

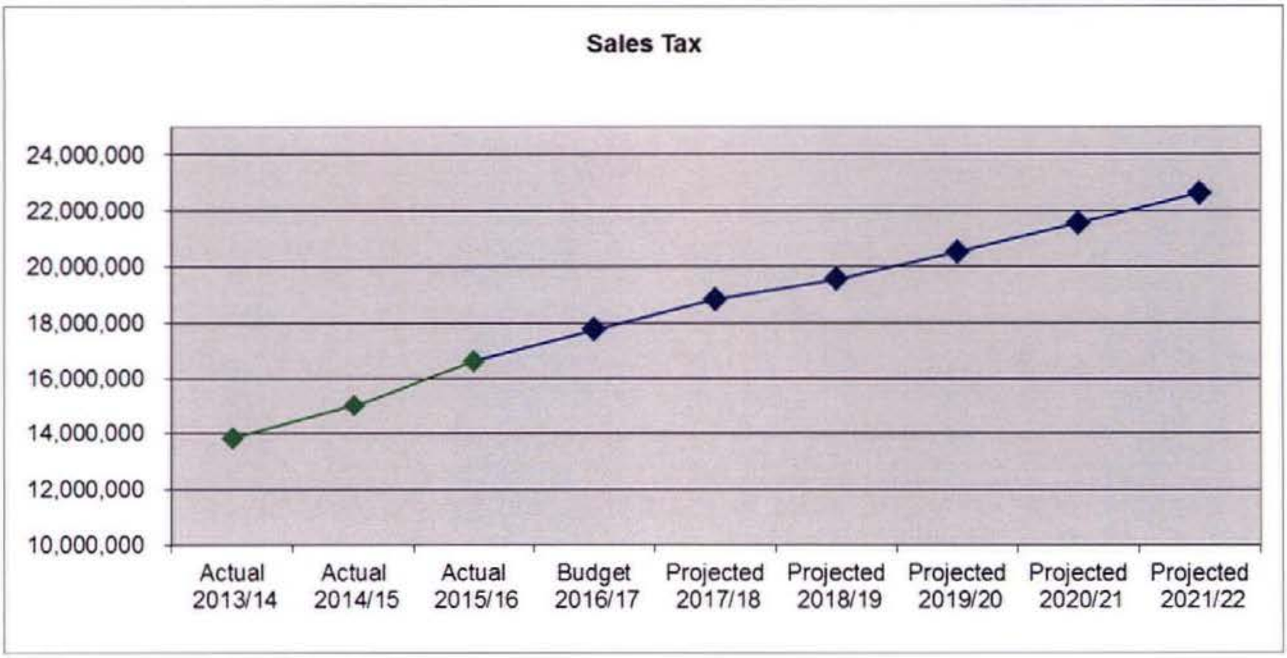
Fleet replacement, a critical non-personnel expenditure, was partially restored beginning in the 2015/16 year and is forecast through 2017/18 allowing the fund to be replenished. Over the past few years the low cost of budget lease purchase financing was used for the replacement of certain vehicles and will continue to be used as long as the cost remains low, a replenished fund will allow for a shift away from leasing when rates are no longer advantageous. Opportunities reflected in the forecast include the continued ability to make transfers to general government facilities for much needed repairs and maintenance to the City's aging facilities, as well as construction of new public facilities to service a growing population now and into the future.

The most significant General Fund revenue sources are sales taxes and property taxes (again, these two sources of revenue represent 2/3rds of the General Fund discretionary revenues and are the most volatile during an economic downturn). These were the most severely impacted revenues during the downturn of the economy. The forecast projects slightly above average construction throughout the forecast period at 800 residential units as compared to our five year average of 701 residential units. This growth in units figures into both sales and property taxes in the form of added population and property values.

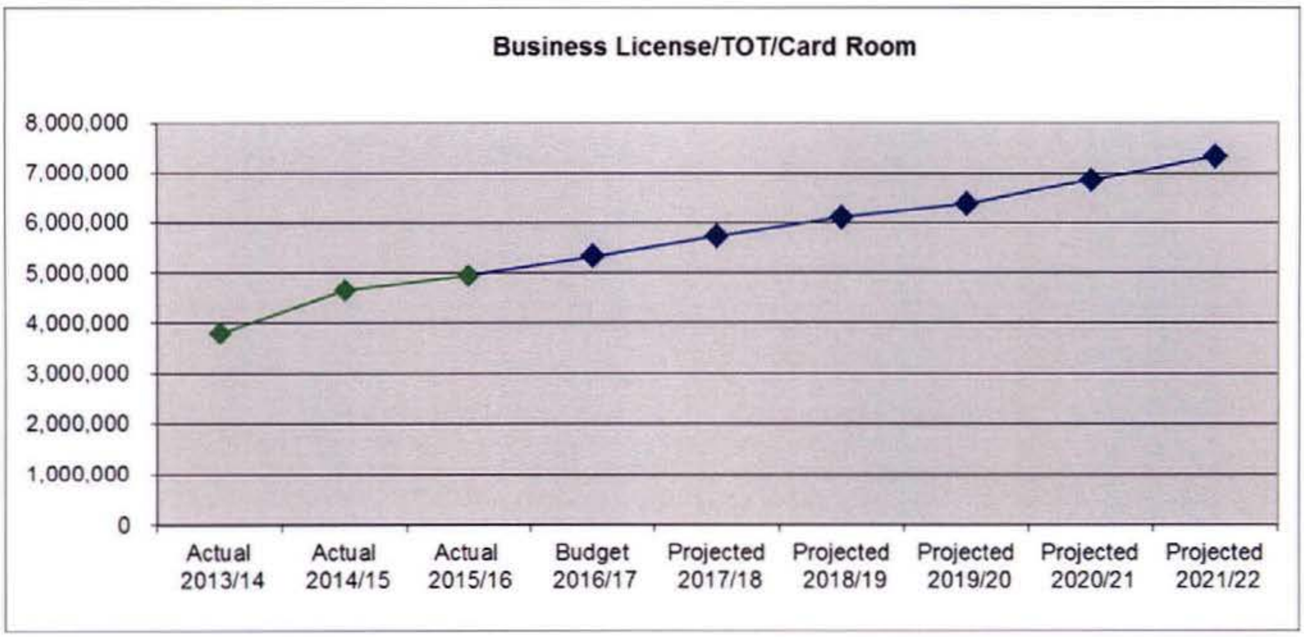
Property taxes, as indicated in the following chart, reflect the increase in construction activity and increase in valuation of property sold or constructed in the past five years. The forecast reflects an increase from the prior year in assessed value of the Proposition 13 maximum of 2% or the increase in CPI, whichever is less, plus the growth in assessed value related to the newly constructed residential and non-residential units. In 2017/18 the growth is projected at 1.02% which is the CPI growth, plus growth for new construction. Thereafter in the forecast period, assessed valuation is projected to grow at the Proposition 13 maximum of 2% plus an amount for new construction. Factors such as the tax delinquency rate may have an impact on current and future revenues.



The following chart shows Sales tax revenue is projected to climb upward at an average of 5.0% over the next five years. In 2016/17 and beyond sales tax is anticipated to grow by the CPI, additional population growth and the increased amount of businesses moving into Clovis.



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



The forecast also reflects improving the Emergency Reserve to 18.1% over the five-year period. This is possible as a result of waiting to increase expenditures until one year after revenues are projected to increase to maintain the General Fund structural balance. It should be noted that Clovis is joining good company in regards to Emergency Reserve levels. A recent survey of 70 California cities of comparable size to Clovis found that the average reserve is greater than 15%; Clovis is projected to be at 17.6% at the end of 2016/17. The City's auditor has recommended a reserve of 15%-25% and it is recommended Clovis set a goal to reach 25%. A goal of 25% would allow the City to meet greater operating needs and potential revenue volatility as the City grows in size. The forecast allows for an 18.1% reserve at the end of the forecast; this provides the City with approximately two months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. In the fiscal years 2006/07 and 2007/08 reserves were used to fill the gap for expenditures exceeding revenues in both years.

The forecast also reflects maintaining an unreserved fund balance, a contingency for "Economic Uncertainty" in order to lessen the impact on departmental operations in case of minor short-term over budget expenditures and/or revenue declines. This will be a planned fund balance each year to carry forward to the next year to address unexpected expenses of modest amounts that do not qualify as emergencies or for small unexpected dips in revenue. The contingency has been established at approximately $1.0 million and during the forecast period averages $1.0 million.

In fiscal year 2016/17, the General Fund was able to provide funds to perform ongoing facility repair, maintenance and remodeling, enhancing City facilities and strategic investment for economic development. This forecast includes annual funding for these purposes in 2016/17 and continuing throughout the five-year period. City facilities are aging and will continue to need repairs, remodeling and upgrades; deferred maintenance has in some cases increased the costs of necessary repairs.

While the forecast has become a valuable management tool to examine the trends of ever changing fiscal conditions, there are limitations to its use. It has been our experience that the first few years of the forecast are a fairly good indicator of coming events while the later years are subject to much greater variance as actual conditions become known. Recognizing this shortcoming, we are committed to continue to provide the best projections for these years based upon what is known at the time in order to reveal trends in both revenue and expenditure growth or decline. While we will not make significant changes based on daily or weekly economic changes, we need to be aware the market could be quick and volatile and severely undermine assumptions included in this forecast.

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

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FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

Throughout the forecast period, it is expected the City will continue to maintain current service levels and have opportunities for enhancing them with innovation in service delivery methods and limited additional staff. The local, state, and national economies are growing. As of the date of this forecast, the City has not received the final 2016 4th quarter numbers for Sales Tax. The current forecast carries the 5% increase forward and staff is cautiously optimistic that we will meet those numbers. Property taxes are also expected to continue increases as property values improve.

During the 2017/18 budget year and through the forecast period, the City will need to continue to be prudent with its allocation of resources and focus on its core services to maintain the health, safety, welfare and appearance of the community. The following should be addressed in the budget:

1. Public safety is a core service of the City. The current budget includes the addition of three Police Officers, a Forensic Analyst, a Community Service Officer, two Principal Office Assistants and an Office Assistant. Funding is also included for citywide camera upgrades, various equipment replacement, and community events. Also, funding is included for security and logistic improvements at various Fire stations, additional funds for acquisition of property for the future Fire Station 6 in the City's Loma Vista area, and the purchase of two Fire Department vehicles and eleven Police vehicles. Six firefighter positions are added in the forecast in 2019/20 and three positions in 2020/21 to accommodate growth of the City in the Loma Vista area. Three police officer positions are forecast to be added in each of the five years of the forecast to meet current and future demands.

2. Parks and landscape maintenance are a high priority for the City as significant investments have been made in the City greenscape to ensure a positive first impression of overall care and stewardship for the physical amenities of the community. 26 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 successful in providing a sustainable revenue source for landscaped parks and street medians in about one-half of the City area. Most Zones in the LMD include annual increases to the assessments to cover inflationary cost escalations, but a few zones do not. In these zones, assessments can only be increased through a successful election, and some of these assessments have not increased since 2004. Service levels within these zones will be constrained until such time as the assessments are increased. The level of service provided to community parks and street medians located in the older one-half of the City not included in the LMD have improved in recent years, but the need to improve their quality and appearance even further still exists. Going forward in the new areas of growth a new drought tolerant landscape palate will be used, but we will continue to struggle with maintaining the traditional landscaping in the older parts of town.

3. Planning and Development Services (PDS) are a high priority for the City. PDS is comprised of Planning, Engineering, and Building Divisions. These services guide the overall strategies for current and future land use and building throughout the City that impact the function and livability of neighborhoods and business centers as well as economic vitality of the entire community. The City is sustaining a service operation necessary to meet the needs of current demand. Economic growth cannot occur if services are not available and offered in a timely manner to review and permit residential and commercial projects. Most of these services are 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.

4. Fleet replacement funds were deferred for a number of years in General Fund operations. Replenishment of this fund began in 2015/16 and is forecast through 2017/18 allowing the fund to be replenished. Over the past few years the low cost of lease-purchase financing was used for the replacement of certain vehicles and will continue to be used as long as the cost remains low. A replenished fund will allow for a shift away from leasing when rates are not as advantageous.

5. Capital outlays will continue to be reviewed to ensure critical needs are met. Opportunities reflected in the forecast include the continued ability to make transfers to general government facilities for much needed repairs and maintenance to the City's aging facilities, as well as construction of new public facilities to service a growing population now and into the future.

6. Workforce expenditures should be constrained throughout the City because costs for salaries, healthcare, and retirement continue to increase. Healthcare costs are projected to increase at a greater rate than the rate of inflation throughout the forecast. Retirement costs are projected to increase significantly due to rates being set by PERS to accommodate greater funding levels, lower investment returns and longer life expectancy.

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. In 2016/17 the City ceased charging users the Sewer Fund bond coverage surcharge and began to rebate users one-half of the amount ($7.30 per billing period). It is not anticipated that users will be charged the Surcharge during the forecast period, and rebates to users will be made when possible while still maintaining adequate reserves for debt service. The City will continue to constrain spending for operations to lessen the impact of the timing and rate of increases to customers.

8. The Economic Development Strategy to facilitate retention and expansion of business, support business park development, and guide strategic investment in infrastructure to support business growth will continue to require more creative approaches to marketing the City. Success has been realized recently with some retail and commercial vacancies being filled but there are still some vacancies. Rebuilding of the City's economic development efforts is underway

as the City has found creative ways to deal with the loss of redevelopment funding. Results of this creativity include the increased development in the City's core area due to the in-fill fee reduction approved by Council in 2013/14 and cost effective ways of marketing the City being implemented. The in-fill fee reduction program led to approximately 300 units being built in core areas where development would not likely have occurred. As we approach 500 units, staff will return to Council to determine how long to continue the in-fill fee reduction program.

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

10. Fiscal policies establish an appropriate Emergency Reserve balance for the General Fund of no less than 15% of annual expenditures with a goal of reaching 25%. The City's auditor recommends a reserve in the range of 15%-25%. Due to one-time funds, a reserve fund of 17.6% is projected to be reached in 2016/17. Based on projected sustained revenue growth, the forecast reflects increasing the reserve to 18.1% over the next 5 budget years. An unreserved General Fund balance, known as "contingency for economic uncertainty", was established and is maintained on average at $1.0 million to provide sufficient funding each year to ensure a carry forward fund balance for general operations. This compensates for annual spikes in unanticipated expenditures or minor fluctuations in revenues that do not represent catastrophic events.

11. CalPERS' recent decision to lower the discount from 7.5% to 7.0% over the next three years will increase the City's normal costs and unfunded actuarial liabilities during the forecast period. The specific amount that these costs will increase is not yet known, but the forecast was prepared using the midpoint of the range of possible increases provided by CalPERS.

The City's overall financial condition continues to be sound due to improved economic conditions and prudent expenditure decisions during the past few years. Continued property value increases, job growth, and lower unemployment rates are positive trends for the City. Stability should continue to be sought through cautious expenditure growth and working toward an Emergency Reserve of 25%. This level of reserve will allow the City's cost of debt to remain relatively low and thus free up funds for operations.

At the State level, California continues to set new records for revenue each year, but deficits are now projected to return. The Governor's January budget projects a General Fund deficit of $1.6 billion in both 2016-17 and 2017-18. To address this gap, the Governor proposes $3.2 billion in spending adjustments over a two-year period. Under the Governor's proposal, California's budget would be only precariously balanced in future years despite the proposed spending changes and the extension of higher taxes beyond 2018 through Proposition 55. Additional steps to restrain spending and shore up the reserve would be prudent to guard against a slowing economy or possible federal policy changes. An unbalanced State budget will generally have a negative impact on Cities.

While the forecast identifies positive trends, the City has consistently taken responsible steps to deal with the demand for services, the timely expansion of public facilities, the extraordinary cost of new regulations, and the permanent loss of some revenues. The five-year forecast of the past seven or eight years has focused on recovery; this five-year forecast demonstrates that the City has taken significant steps to enhance services with the possibility of making further investments in Parks, Recreation, Senior Services, as well as Police and Fire.

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

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

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

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

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

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

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

GENERAL FUND - Current Year (2016/2017)

The 2016/2017 budget continued improvements to service levels. It included additional General Fund staffing, contracted salary increases, investment in technology to make service delivery more efficient and slight improvements in some expenditure areas that were previously reduced. Again this year the City has a structurally balanced budget. Based on current estimates revenues are projected to be approximately $0.9 million above expenditures, allowing for transfers to government facilities and fleet.

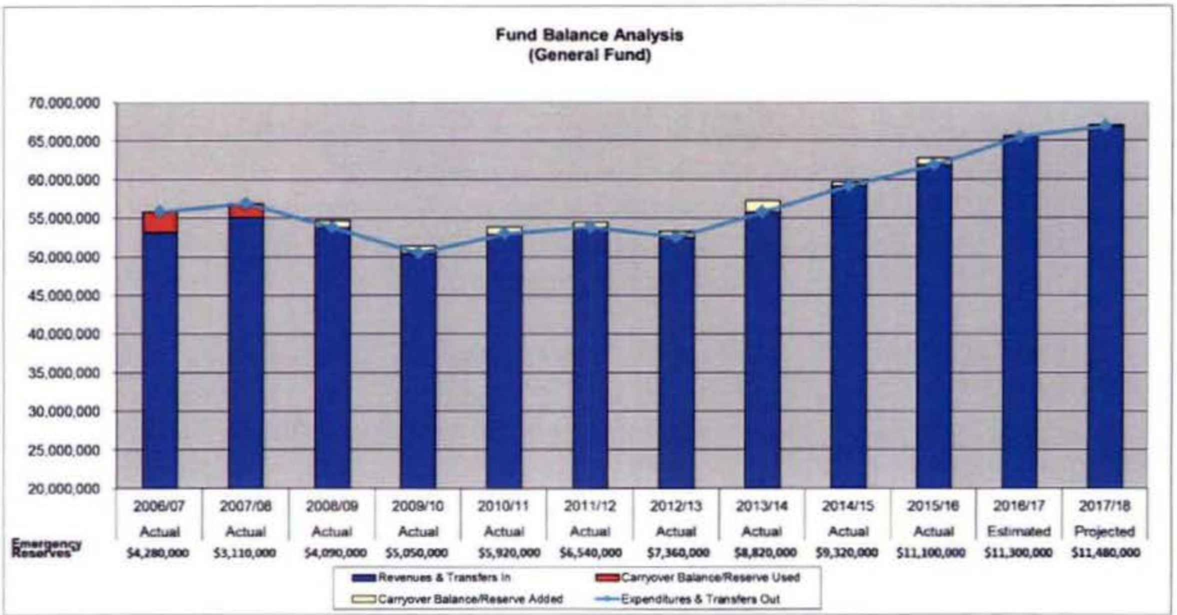
Sales taxes are projected to be $.2 million below budget with sales in most of the major categories performing close to expected. Business license has been increased $.2 million above budget due to continued business growth in the City. Other taxes increased $0.2 million above budget due to an increase in Transient Occupancy Tax and Property Transfer Tax estimates. 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 and is projected to be $.6 million below budget.

Taking into account savings offset by increases in additional grant matching requirements, expenditures are projected to be $0.2 million less than budgeted. This is partially due to savings in the administration and finance departments. The budget also maintains the $1.0 million unreserved fund balance ("Contingency for Economic Uncertainty"), which was established to address unplanned expenses of modest amounts that do not qualify as emergencies and/or for small unexpected dips in revenue. This is included in the projected ending available fund balance of $1.2 million.

Sales tax, one of the City's major discretionary revenue sources for general operations, shows year over year gains since 2010. Sales tax receipts were up 5.6% in the first quarter (1/1/16-3/31/16), 4.5% in the second quarter (4/1/16-6/30/16), and 3.2% in the third quarter of 2016 (7/1/16-9/30/16), the most recent quarter for which information is available when compared to the same quarters of the previous year. General retail and auto sales contributed to these increases. Holiday quarter sales (September through December 2016) will be crucial to the overall performance of this revenue and it is anticipated that the quarter will perform as budgeted. Information on this quarter will not be available until mid to late March, after preparation of this report.

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

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



This chart shows available funding (revenues and transfers in) compared to expenditures. A structural deficit was created beginning in 2005/06 (not shown) and continued through 2007/08 using reserves in an attempt to maintain services. In the 2009/10 fiscal year the Council approved a structurally balanced budget for the first time since 2005/06. The chart also depicts that revenues experienced a year-over-year decline in 2008/09 and 2009/10, the only times over the past ten years. In 2013/14 through 2016/17 revenues show rebounding at a modest rate. The dip in revenue in 2012/13 represents the move of Planning and Development Services out of the General Fund to its own Enterprise Fund.

GENERAL FUND - Going Forward (2017/2018)

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 12,000 for the five-year period which means the City is expected to reach 120,000 in population by 2021/22. This projection continues to assume a greater growth rate than was experienced over the past ten years in new housing and commercial growth. As stated in the Introduction Section, it should be noted that the forecast reflects maintaining of current service levels with enhancements being made possible by technology gains, innovation and minimal increases in staffing. Departments have been implementing service enhancements utilizing technology and "lower cost" service delivery options in order to provide adequate services. The Police Department is now using Community Service Officers to respond to non-critical calls for service, freeing sworn personnel for more critical calls. Additionally, Police Reserve Officers and Volunteers in Police Services (VIPS) are assisting police officers with administrative support in records, investigations, and active field patrol for service are both good examples of lower cost service delivery.

General Fund revenue in 2017/18 is projected to grow 3.0% over the previous year. Property tax is projected to increase by 4.3% due to new residential and non-residential construction and the Proposition 13 maximum increase of 1.02%. Sales tax is projected to increase 5.0%. Transient Occupancy Tax, Business Licenses and Franchise Fees are all continuing on a positive trend with CPI increases. Card room fees, reflected in Other Taxes, are projected to continue generating $0.5 million from the City's only card room.

Expenditures in the 2017/18 fiscal year are showing an increase over 2016/17, with most of the increase attributed to the negotiated 3% salary increases and increases in the cost to provide retirement and health benefits. Expenditures are projected to increase, after taking out rollover encumbrances for projects from the prior year, $1.4 million or 2.2%. Three police officers are forecast to be added in each of the five years of the forecast to meet current and future demands. Nine additional positions in the Fire department are projected in years three and four of the forecast to prepare for the opening of the next Fire Station in the Loma Vista area.

Fleet replacement funds were deferred for nine years in General Fund operations. The fund was partially restored beginning in 2015/16 and is forecast through 2017/18 allowing the fund to be replenished with $2.1 million. Over the past few years the low cost of lease purchase financing was used for the replacement of certain vehicles and will continue to be used as long as the cost remains low. A replenished fund will allow for a shift away from leasing when rates are no longer advantageous. The 2016/17 budget included funds for debt service for the replacement of a fire engine for the Fire Department as well as 2 other Fire Department vehicles and 25 Police vehicles that are beyond their useful lives.

As shown in the Exhibits Section for the "General Fund Financial Forecast-Summary", which includes the projected revenues and projected expenditures for sustaining the current organization and services, the General Fund continues to be structurally balanced, with revenues greater than expenditures, throughout the forecast period. Also reflected is retaining an average $1 million unreserved fund balance, ("Contingency for Economic Uncertainty"), and improving the "Emergency Reserve" to 17.6% of budgeted expenditures in 2016/17. The Emergency Reserve is shown to improve over the forecasted period to 18.1% of General Fund expenditures.

The General Fund is projected to continue the annual transfer of resources to the General Government Facilities Fund to address repair, remodeling and rehabilitation of existing facilities, technology improvements, debt service, new facility needs, or targeted economic development. This annual transfer is needed to provide for maintenance activities that were deferred for some time.

GENERAL FUND - Projected 2017/18 through 2021/22

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 are forecast to continue to be funded as funds become available. Revenue is projected to grow by an annual average of 4.1% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 3.9% over the forecast period. The model has been constrained in this way to provide as realistic a trend as possible based upon what is known of the City's revenue activity and economic forecasts for the region, the state, and the nation.

During the forecast period sales tax is expected to provide a 5% annual increase. Property taxes are expected to return to a positive growth rate, as housing prices and sales increase and the 2% annual growth under Proposition 13 is realized.

Expenditures are shown to reflect very modest growth utilizing current service levels. One major concern affecting expenditures in the forecast is Public Employee Retirement System (PERS) retirement rates due to the lowering of the projected discount rate, expected earnings rate and changes in actuarial assumptions such as life expectancy. During the forecast period, PERS rates for safety employees are projected to increase from of 39% of salary to 58% of salary, and for miscellaneous employees the rates are projected to increase from 22% of salary to 33% of salary. The annual General Fund cost for a 1% increase in the PERS rate is $0.15 million for safety employees and $0.10 million for miscellaneous employees. By the fifth year of the forecast, the PERS annual costs will increase by $6.2 million. In an effort to control the rising cost of retirement and comply with the State's pension reform, all employees have agreed to share in the City's retirement cost by contributing 8% of salaries for safety employees and 8.4% of salaries for miscellaneous employees to partially offset the City's rate. The Governor's pension reform, with lowered benefit levels and increased retirement age for new hires, took effect January 1, 2013 but these reforms are not expected to have a positive effect on the budget for at least 10 years.

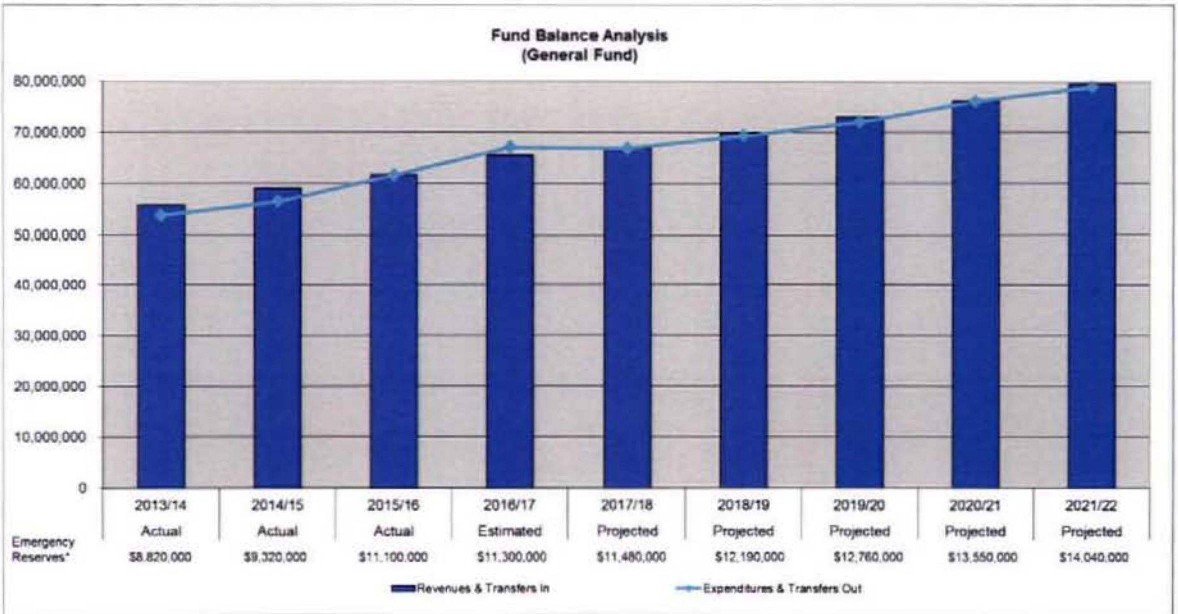
The following table shows the trends discussed above. The "net employer PERS rates" represents the percentage of payroll charged to the City. This rate was reduced beginning in 2012/13 by the 2% cost sharing negotiated with the employee groups and in 2013/14, 2014/15 and 2015/16 an additional 2% cost sharing was implemented for total cost sharing of 8% for safety and 8.4% for miscellaneous employees. Even with the cost sharing by the employees, the City's rate grows over the forecast period. Also it should be noted that the share of total General Fund expenditures consumed by PERS is increasing from around 9% ($5.0 Million) in 2013/14 to an estimated 16% ($12.7 Million) in 2021/22 with the projected cost increasing more than 154% in the same time period. As PERS costs consume a greater share of the General Fund budget, the City will have less control over spending these dollars for improving services to the community.

City of Clovis
PERS Analysis
Forecast through 2021/22

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Safety									
Net Employer rate after employee cost sharing	26.052%	26.300%	26.198%	28.351%	30.690%	35.570%	40.620%	46.320%	49.630%
PERS Cost (in Millions)	3.80	4.00	4.00	4.70	5.40	6.50	7.60	9.10	9.90
Miscellaneous									
Net Employer rate after employee cost sharing	14.051%	13.147%	11.830%	12.643%	13.330%	16.120%	19.010%	22.440%	24.450%
PERS Cost (in Millions)	1.20	1.10	1.20	1.40	1.40	1.80	2.20	2.60	2.80
Total General Fund									
PERS Cost (in Millions)	5.00	5.10	5.20	6.10	6.80	8.30	9.80	11.70	12.70
Total PERS cost as % of Total GF Exp	9.49%	9.21%	8.95%	9.53%	10.48%	12.12%	13.75%	15.54%	16.38%

Health costs have long been a concern. In 2016/17, the City joined the California State Association of Counties Excess Insurance Authority to join a larger pool of participants to be able to reduce annual premium increases; however, healthcare costs are projected to increase at a greater rate than the rate of inflation throughout the forecast. By the fifth year of the forecast the annual costs will increase by $1.6 million. The City and employees will continue to look for ways to control these costs.

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



ENTERPRISE FUNDS

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

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 water 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.

Water Enterprise

The Water Enterprise Fund is forecast to have a working capital balance of approximately $18.3 million at June 30, 2017. The Council approved adjusted water rates in the Water Enterprise Fund beginning in June 2016 in order to comply with State legal requirements regarding a tiered water rate structure. The rate adjustment was revenue neutral. Council also approved a 3% annual increase that can be implemented when necessary to fund the increased cost to treat and distribute potable water within the City, capital improvements, and to provide debt service coverage for the 2013 Surface Water Treatment Plant bonds. The forecast reflects a 3% rate increase to water rates in 2017/18 and 2018/19. 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 and/or impacts of the the Sustainable Groundwater Management Act. The Water Enterprise Fund received a legal settlement for potential future trichloropropane (TCP) treatment. The Water Enterprise Fund will be required to treat the water for any TCP present and a reserve for TCP treatment has been established for the treatment costs.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $16.7 million at June 30, 2017. The Sewer Fund shows that it is structurally balanced (current revenues greater than current expenses) with no rate increases necessary for the forecast period. Also, with development activity generating sufficient revenue to make debt service payments, not only is the bond service charge no longer necessary, but a rebate of one-half of the bond service charge is projected for most years during the forecast period. The ability to continue to rebate funds back to ratepayers will be monitored closely throughout the forecast period.

Community Sanitation Enterprise

The Community Sanitation Enterprise Fund is projected to finish the current fiscal year with a working capital balance of approximately $7.8 million. The Council approved a 4% annual increase in November 2004 to be implemented as necessary. A refuse rate increase was not necessary in 2016/17, but increases of 2% are projected for the remainder of the forecast period. To keep pace with the recycling and greenwaste contracted increases, the approved 4% annual increase is projected for these operations. Due to increased growth in residential and commercial units over the past several years, the addition of a new route is forecast for 2018/19.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $1.1 million. The Transit Fund shows a positive position in the near-term as a result of increased revenues based on population growth and as the result of all State Local Transportation Funds (LTF) funds being required to be allocated to Transit. As the long-term position of the fund degrades, options are currently being reviewed which will focus on routes and other improvements to make the system more efficient as well as additional funding sources that may become available from the State. Adjustments will be reviewed over the next year to transit operations as a shortfall begins in 2017/18. 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 forecast utilizes an estimate of 800 units to be constructed each year, as compared to the pre-recession average of 1,000 units per year. The Fund is projected to finish the current fiscal year with a working capital balance of $3.8 million. The forecast reflects that the operation will have insufficient revenues to continue operations throughout the forecast period. A full rate study will need to be performed in the coming fiscal year to evaluate the current rate structure and determine what increases or adjustments are necessary and how the rates being charged compare to other Cities performing similar services. The forecast reflects that the operation will continue to maintain a prudent reserve to allow for adjustments to be made as necessary.

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 as required.

Current goals are:

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

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

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

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

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

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

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

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

The City is in a stable financial position, primarily attributable to sound financial planning, budgeting, and management of both revenues and expenses which have led to a structurally balanced budget (where current year revenues are greater than or equal to current year expenditures). The benefits of these actions are reflected in the Five-Year Forecast which shows that based on the current assumptions the City's General Fund operations are balanced throughout the forecast period despite significant increases in labor related costs such as CalPERS rates increasing. The City has also been able to increase the Emergency Reserve to 17.6% of expenditures utilizing one time revenues or savings from prior years and anticipates reaching 18.1% by the end of the forecast period; this is consistent with recommendations from the City's auditor of maintaining a reserve fund of 15%-25% of General Fund expenditures.

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

City general operating revenues are very vulnerable in the face of a declining overall economy. The state and federal economies are very cyclical. It is prudent to increase reserves during times when revenues exceed expenditures. Changes in the economy, which could have significant impact on City revenues, prompt the need to build a strategy for more stability to the base of revenues and expenditures dedicated to general operations that are considered to be the core services of the City.

A. **Fund Reserves** – The current policy recommends that the goal for setting Emergency Reserves should be 15%-25% with the Emergency Reserve projected to be 17.6% at the end of 2016/17. This level meets the low end of recommended reserve given the current size of the City's operation. The City's auditor recommends the reserve be 15%-25%. The 17.6% level was reached due to one-time funds and savings being transferred into the fund in 2014/15. It is recommended that any savings and/or one-time funds be directed to the Emergency Reserve. The forecast shows the Emergency Reserve increasing to 18.1% of General Fund expenditures by the end of the forecast period. With the exception of self-balancing funds, most Enterprise and Internal Service Funds operate with a 15% or greater reserve depending upon need for capital spending and debt coverage.

B. **Balance of Revenues and Expenditures** – As this forecast illustrates, it is critical to maintain a balanced budget. The City will continue to prioritize services, review all expenditures, and/or develop new revenue to remain within our means and provide long-term fiscal sustainability.

C. **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 forecast to be $3.5 million over the forecast period.

D. **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.

E. **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.

F. **New Revenues** – A review of available methods for developing new revenue sources for general operations will continue to be explored. Staff has created new economic development incentives and programs in order to overcome the loss of Redevelopment Funds, but further investment in economic development needs to remain a high priority. The City will need to continue to seek ways to diversify its sources of revenue by pursuing its economic development strategies and support for business retention and expansion.

G. **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.

H. **Update the Forecast** – The City should continue to utilize the Five-Year Financial Forecast to analyze the effect of major revenue and expenditure decisions. In recent years, the assumptions utilized to build the forecast have been subject to rigorous examination due to the significant changes in the economy and will continue to need adjustment. Although the forecast and its methodologies have some limitations, it should be recognized for its usefulness in projecting trends in revenue and expenditure. Precision is not the purpose of a forecast; identification of current and future trends to allow for early interventions and for making longer range decisions is the purpose. Regular review of the history of actual conditions is recommended to continually refine the data and sources of data to improve the value of the forecast.

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EXHIBITS

CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED	PROJECTED				
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Beginning Available Fund Balance	**1,140**	**1,610**	**3,780**	**2,930**	**1,180**	**1,010**	**920**	**1,360**	**760**
Reappropriation/Encumbrances	(110)	(50)	130	550					
REVENUES									
Discretionary	42,280	44,560	46,900	49,840	52,070	54,690	57,480	60,320	63,160
Non-Discretionary	13,580	14,610	14,800	15,100	14,810	15,240	15,600	15,950	16,320
Total Revenues	55,860	59,170	61,700	64,940	66,880	69,930	73,080	76,270	79,480
EXPENDITURES									
Public Safety	38,500	40,770	43,140	46,170	47,790	50,640	53,130	56,490	58,520
Public Utilities	7,800	8,070	8,330	9,220	9,220	9,500	9,700	9,910	10,100
General Government	6,400	6,560	6,660	8,650	7,860	8,370	8,440	8,880	8,930
Total Expenditures	52,700	55,400	58,130	64,040	64,870	68,510	71,270	75,280	77,550
Resources Above/(Below) Operating Expenditures	**3,050**	**3,720**	**3,570**	**900**	**2,010**	**1,420**	**1,810**	**990**	**1,930**
ADDITIONAL ITEMS									
Transfers Out to Government Facilities	(800)	(750)	(2,500)	(2,000)	(1,000)	(500)	(500)	(500)	(1,000)
Transfers Out to PDS/Fleet	(320)	(300)	(1,000)	(1,000)	(1,000)	(300)	(300)	(300)	(300)
Total Additional Items	(1,120)	(1,050)	(3,500)	(3,000)	(2,000)	(800)	(800)	(800)	(1,300)
Net Increase/(Decrease) to Fund Balance	**1,930**	**2,670**	**70**	**(2,100)**	**10**	**620**	**1,010**	**190**	**630**
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	1,460	500	920	200	180	710	570	790	490
Total Other Items	1,460	500	920	200	180	710	570	790	490
Ending Available Fund Balance	**1,610**	**3,780**	**2,930**	**1,180**	**1,010**	**920**	**1,360**	**760**	**900**
Sales Tax Triple Flip Designation	860	860	0						
Emergency Reserve-(Dollars)	8,820	9,320	11,100	11,300	11,480	12,190	12,760	13,550	14,040
Emergency Reserve as a % of Expenditures	16.70%	16.80%	19.10%	17.60%	17.70%	17.80%	17.90%	18.00%	18.10%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED	PROJECTED				
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Residential Units (SF + MF)	735	1024	709	800	800	800	800	800	800
Discretionary									
Property Taxes	15,000	15,200	15,810	17,330	18,160	19,000	19,860	20,740	21,630
Educational Augmentation	(3,440)	(3,720)	(3,960)	(4,180)	(4,450)	(4,660)	(4,870)	(5,080)	(5,300)
County Admin Fee	(170)	(160)	(200)	(220)	(220)	(230)	(240)	(260)	(270)
Property Tax In Lieu-VLF	6,990	7,570	8,050	8,480	8,900	9,350	9,820	10,310	10,830
Sales Tax	13,140	14,000	19,820	20,580	21,610	22,690	23,820	25,010	26,260
In Lieu Sales Tax-Triple Flip	4,380	4,690	0	0	0	0	0	0	0
County Share	(880)	(930)	(990)	(1,030)	(1,080)	(1,130)	(1,190)	(1,250)	(1,310)
Franchise Fee	2,170	2,320	2,420	2,530	2,580	2,630	2,690	2,750	2,810
Business License	2,440	2,610	2,800	3,000	3,130	3,260	3,400	3,540	3,690
Other Taxes	2,510	2,720	2,940	3,110	3,250	3,590	3,930	4,280	4,630
State Subvention-Motor Vehicle	0	40	40	50	0	0	0	0	0
Interest	10	20	20	60	60	60	130	150	60
Other Revenues-Disc	130	200	150	130	130	130	130	130	130
Non-Discretionary									
Community Facility Fee	770	860	930	1,040	1,180	1,660	1,810	1,960	2,120
Sales Tax-(public safety)	270	280	290	300	320	340	360	380	400
Other Lic & Permits	100	110	110	100	100	100	100	100	100
Fines & Forfeitures	350	330	260	230	230	230	230	230	230
Building Rentals	30	40	40	30	30	30	30	30	30
State Subvention-Gas Tax	960	1,100	1,060	1,170	1,200	1,220	1,240	1,260	1,280
Grants	850	1,320	1,640	1,200	680	680	680	680	680
From Other Agencies	680	930	720	610	620	630	640	650	660
Current Services	1,320	1,270	1,310	1,320	1,340	1,360	1,380	1,400	1,420
Landscape Maint. Charges	2,960	2,930	2,770	3,230	3,270	3,310	3,350	3,390	3,430
Other Revenues-non-disc	390	280	240	250	250	250	250	250	250
Impact/Rental Fees	1,390	1,420	1,450	1,510	1,530	1,550	1,570	1,590	1,610
Admin Charges	3,510	3,740	3,980	4,110	4,060	3,880	3,960	4,030	4,110
Total Revenues	**55,860**	**59,170**	**61,700**	**64,940**	**66,880**	**69,930**	**73,080**	**76,270**	**79,480**

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES:	ANNUAL INCREASE		INCREASE IN ASSESSED VALUE		CITY TAX RATE (Before reductions)	
	2.00%		$267,000,000		17.95% of 1%	
	Note: FY17/18 Annual Increase=1.02%		***Increase in AV above is based on 800 residential units.***			
PROPERTY TAX IN LIEU-VLF:	INCREASE BY ASSESSED VALUE GROWTH			5.00%	***(Based on 800 units)***	
COMMUNITY FACILITY FEE:	2/3 OF NEW RES UNITS PER YR.	540	ANNUAL FEE: $236		INCREASE BY: 1.18%	
SALES TAX:	5.00%	SALES TAX RATE		POPULATION GROWTH		PER CAPITA $ PER YEAR
		1.00%		2,400 PER YEAR		$183
COUNTY SHARE:	5.00% OF GROSS SALES TAX			**(Based on 800 units)**		
	FY15/16 Triple Flip is Eliminated					
FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	PARTICIPATION %		P G & E
	1.18%	800	1.00%	50.00% Comcast/AT&T		$250 Per Unit per Mo
				$70 Per Unit per Month		
	Note: 3 year average for residential units is 823, 5 year average is 701 units					
BUSINESS LICENSE:	INCREASE	1.18%	THREE YR CPI	3.00%	NEW BUSINESSES	
FINES AND FORFEITURES:	PARKING AND VEHICLE		$313,000 BASED ON THREE YEAR AVERAGE			
INTEREST:	RATE ->>	1.00%	ON PRIOR YEAR'S BALANCE OR	$40,000	IF NEGATIVE FUND BALANCE	
BUILDING RENTALS:	INCREASE ANNUALLY BY: 2.00%					
STATE SUBVENTIONS:		MOTOR VEHICLE	GAS TAX	POPULATION GROWTH		
	PER CAPITA	$0.00	$10.00	2,400 PER YEAR	**(Based on 800 units)**	
	SB89 Eliminated VLF		***Gas Tax Per Capita based on two year average***			
GRANTS:		$790,000	THREE YEAR AVERAGE OF ONGOING GRANTS			
CURRENT SERVICES:	INCREASE BY THREE YEAR CPI AVERAGE		1.18%			
OTHER REVENUES:	INCREASE BY THREE YEAR CPI AVERAGE		1.18%			
IMPACT/RENTAL FEES:	BASED ON ADD'L ROUTES PROJECTED IN THE ENTERPRISE FUND AND INCREASE BY 3 YEAR CPI AVERAGE					
ADMIN CHARGES:	INCREASE	2.00%	PER YEAR	***$250K Successor Agency Admin Fee removed beg in FY18/19***		

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			BUDGETED	PROJECTED				
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
PUBLIC SAFETY									
Salaries									
Police-CPOA	7,320	8,060	8,120	8,850	9,460	9,900	10,140	10,380	10,620
Fire	4,930	5,550	5,110	5,480	5,640	5,840	6,030	6,700	6,780
Public Safety-Management	2,070	1,600	2,270	3,040	3,130	3,240	3,280	3,320	3,360
Police-Non CPOA	2,190	2,250	3,380	3,100	3,190	3,300	3,340	3,380	3,420
Fire-Non Firefighters	260	290	250	260	270	280	280	280	280
Overtime									
Overtime-Police	1,970	1,930	2,110	1,700	1,700	1,700	1,700	1,700	1,700
Overtime-Fire	1,170	1,220	1,790	1,420	1,160	1,160	1,160	1,160	1,160
Extra Help	770	710	750	650	650	650	650	650	650
Benefits									
Health	2,440	2,500	2,640	3,060	3,270	3,500	3,800	4,090	4,370
Retirement	4,330	4,710	4,820	5,690	6,060	7,320	8,580	10,250	11,180
Other	2,430	2,630	2,460	2,930	3,330	3,450	3,490	3,530	3,570
SMS	8,330	8,890	9,030	9,410	9,730	10,090	10,460	10,830	11,210
Capital Outlay	290	430	410	580	200	210	220	220	220
Total Public Safety	38,500	40,770	43,140	46,170	47,790	50,640	53,130	56,490	58,520
PUBLIC UTILITIES									
Salaries	1,710	1,820	1,970	1,990	2,050	2,120	2,150	2,180	2,210
Overtime	50	70	100	80	80	80	80	80	80
Extra Help	70	20	30	110	110	110	110	110	110
Benefits									
Health	360	380	390	460	490	520	550	580	610
Retirement	260	260	230	290	290	360	430	510	570
Other	190	250	230	290	310	320	320	320	320
SMS	5,120	5,190	5,330	5,880	5,890	5,960	6,030	6,100	6,170
Capital Outlay	40	80	50	120	0	30	30	30	30
Total Public Utilities	7,800	8,070	8,330	9,220	9,220	9,500	9,700	9,910	10,100
GENERAL GOVERNMENT									
Salaries	2,540	2,680	2,750	3,270	3,110	3,220	3,260	3,300	3,340
Overtime	20	10	30	30	30	30	30	30	30
Extra Help	340	380	390	460	460	460	460	460	460
Benefits									
Health	490	500	500	570	600	640	680	720	760
Retirement	410	420	360	460	470	590	710	840	930
Other	230	210	200	230	240	270	280	300	320
SMS	2,350	2,340	2,410	3,610	2,940	3,150	3,010	3,220	3,080
Capital Outlay	20	20	20	20	10	10	10	10	10
Total General Govt	6,400	6,560	6,660	8,650	7,860	8,370	8,440	8,880	8,930
Total Expenditures	**52,700**	**55,400**	**58,130**	**64,040**	**64,870**	**68,510**	**71,270**	**75,280**	**77,550**

Expenditure Assumptions (dollars in thousands)

SALARIES:		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
POLICE-CPOA	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
POL-SAL BASE		$8,850	$9,230	$9,670	$9,900	$10,140	$10,380
Additional Officers-Salary		$220	$230	$230	$240	$240	$240
Number of Additional Officers		3	3	3	3	3	3
Additional Non-Sworn Positions		0	0	0	0	0	0
FIRE	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
SALARY BASE		$5,480	$5,640	$5,840	$5,910	$6,460	$6,780
Additional Firefighter-Salary		$0	$0	$0	$120	$240	$0
Number of Addl Firefighters		0	0	0	6	3	0
PUBLIC UTILITIES	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
SALARY BASE		$1,990	$2,050	$2,120	$2,150	$2,180	$2,210
Additional Salaries-Park/Street		$0	$0	$0	$0	$0	$0
Addl Park/Street employees		0	0	0	0	0	0
GENERAL GOVT	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
MGMT	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%

OVERTIME:	INCREASE BY PREVIOUS THREE YEAR CPI	1.18%
EXTRA HELP:	FLAT FOR NEXT FIVE YEARS	
HEALTH:	INCREASE PER YEAR	6.0%

RETIREMENT:		2016/17	2017/18	2018/19	(PERS ESTIMATE) 2019/20	2020/21	2021/22
POLICE-SAFETY		36.351%	38.690%	43.570%	48.620%	54.320%	57.630%
DISPATCHERS		21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
FIRE		36.351%	38.690%	43.570%	48.620%	54.320%	57.630%
PUBLIC UTILITIES		21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
GENERAL GOVERNMENT		21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
MANAGEMENT		21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS EE COST SHARING -MISC		-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%
PERS EE COST SHARING -SAFETY		-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
WORKERS COMP:	Police-CPOA	12.75%	15.00%	15.00%	15.00%	15.00%	15.00%
(included in other benefits)	Fire	3.09%	3.09%	3.09%	3.09%	3.09%	3.09%
	Mgmt & Admin	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%
	Public Utility	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%

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

OTHER SMS: INCREASE 3 YEAR AVERAGE CPI 1.18%

CAPITAL OUTLAY:		
	INCREASE BY 3 YEAR AVG CPI PER YEAR	1.18%
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY	$210
	50% FOUR YEAR AVERAGE-PUBLIC UTILITIES	$30 + ADDITIONAL EQUIP FOR NEW EMPLOYEES
	50% FOUR YEAR AVERAGE-GEN GOVT	$10

CONTINGENCY RESERVE: Maintain not less than 15% with a goal to reach 25% of total expenditures. See the Summary Sheet for reserve.

CITY OF CLOVIS

Water Enterprise - Financial Forecast (dollars in thousands)

	Actual 2013/14	Actual 2014/15	Actual 2015/16	Estimated 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
BEGINNING WORKING CAPITAL	14,910	17,910	19,490	20,010	18,310	16,390	16,180	15,670	16,130
REVENUES									
WATER CHARGES	15,960	14,920	12,930	14,690	15,250	15,820	15,940	16,060	16,180
DBCP-LEGAL SETTLEMENTS	330	290	240	250	230	230	230	230	230
OTHER LEGAL SETTLEMENTS				4,960	10,150				
TOTAL REVENUES	16,290	15,210	13,170	19,900	25,630	16,050	16,170	16,290	16,410
EXPENDITURES									
SALARIES	1,980	2,100	2,200	2,510	2,640	2,730	2,760	2,790	2,820
EXTRA HELP	60	40	20	50	50	50	50	50	50
OVERTIME	90	80	90	90	90	90	90	90	90
BENEFITS									
RETIREMENT	290	300	260	310	350	440	520	630	690
HEALTH	400	410	420	480	510	540	570	600	640
OTHER	250	300	280	320	400	410	420	420	430
SERVICES, MATERIALS & SUPPLIES	8,290	6,900	7,190	9,210	8,990	8,790	8,920	9,020	9,120
MEMBRANE REPLACEMENT					310		830	0	1,280
CAPITAL OUTLAY	1,290	730	610	940	950	960	970	980	990
TOTAL EXPENDITURES	12,650	10,860	11,070	13,910	14,290	14,010	15,130	14,580	16,110
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	1,500	160	300	190	300	380	380	380	380
	1,500	160	300	190	300	380	380	380	380
TRANSFERS-OUT (CAPITAL)	(780)	(560)	(790)	(570)	(2,390)	(780)	(780)	(780)	(780)
WATER BANKING LOAN TO DEV FUND	(500)	(500)	0	(500)	(500)	(500)	(300)		
CONTRIBUTION-SURFACE WTP	(570)	(580)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
MEMBRANE REPLACEMENT RESERVE	(290)	(290)	(340)	(100)	(100)	(100)	(100)	(100)	1,280
RESERVE FOR DROUGHT CONTINGENCY		(1,000)	0	(1,000)	(1,000)	(500)			
RESERVE FOR TCP TREATMENT				(4,960)	(8,820)				
ENDING WORKING CAPITAL	17,910	19,490	20,010	18,310	16,390	16,180	15,670	16,130	16,560
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	1,180	1,470	1,810	1,910	2,010	2,110	2,210	2,310	1,030
RESERVE FOR DROUGHT CONTINGENCY	1,500	2,500	2,500	3,500	4,500	5,000	5,000	5,000	5,000
RESERVE FOR TCP TREATMENT				4,960	13,780	13,780	13,780	13,780	13,780

Water Enterprise- Revenue Assumptions (dollars in dollars)

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

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

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

Current Charges:	INCREASED EACH YEAR BY THE AVERAGE INCREASE OF THE PREVIOUS THREE YEARS						
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Rate Increase:	7/1	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%
Rate Increase:	3% Based on Council approved annual rate increase unless not necessary.						
Interest:	1.00% OF PREVIOUS YEAR'S WORKING CAPITAL OR A MINIMUM OF $10,000						

Water Enterprise - Expense Assumptions (dollars in thousands)

Salaries: CPWEA	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
Salary Base	$2,510	$2,590	$2,730	$2,760	$2,790	$2,820
Additional Employee		$50				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

			(PERS ESTIMATE)			
Retirement:	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%

Health: INCREASE PER YEAR 6.00%

Other Benefits:
- -WORKERS COMP 10.140% FOR CPWEA 0.79% FOR ADMIN
- -MEDICARE 1.450% OF SALARIES
- -DEF COMP/SICK LEAVE INC 5.250% OF SALARIES

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 1.18%
(Increase energy cost by 50% for the Surface Water Treatment Plant operation beginning in 2004/05)
Rental of the New Corp Yard-beginning 2002/03 $320 per year

Capital Outlay: FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS 1.18%

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

Reserves: WELLHEAD TREATMENT CONTINGENCY ESTABLISHED FOR POSSIBLE CLEANUP OF DBCP CONTAMINATION
MEMBRANE REPLACEMENT RESERVE ESTABLISHED FOR NEW MEMBRANE COSTS
DROUGHT CONTINGENCY ESTABLISHED FOR WATER PURCHASE DURING POSSIBLE DROUGHT
TCP TREATMENT RESERVE FOR TREATMENT CAPITAL AND O&M

CITY OF CLOVIS

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

	Actual 2013/14	Actual 2014/15	Actual 2015/16	Estimated 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
BEGINNING WORKING CAPITAL	10,280	12,240	16,140	20,130	16,720	16,120	16,000	15,670	15,560
REVENUES									
SEWER CHARGES	10,710	11,740	12,460	11,950	12,200	12,450	12,700	12,950	13,200
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	10,760	11,790	12,510	12,000	12,250	12,500	12,750	13,000	13,250
EXPENDITURES									
SALARIES	660	690	720	780	830	860	870	880	890
EXTRA HELP	0	0	0	10	10	10	10	10	10
OVERTIME	10	10	10	10	10	10	10	10	10
BENEFITS									
RETIREMENT	90	100	90	100	110	140	170	200	220
HEALTH	130	120	130	140	140	140	140	140	140
OTHER	80	100	90	100	130	130	130	130	140
SERVICES, MATERIALS & SUPPLIES	3,030	3,110	3,400	3,530	3,620	3,670	3,710	3,750	3,790
FRESNO TREATMENT PLANT	2,590	2,080	2,270	2,360	2,390	2,420	2,450	2,480	2,510
CLOVIS TRMT/REUSE PLANT (ST-WRF)	1,720	1,940	2,040	2,340	2,390	2,440	2,740	2,800	2,860
DEBT SERVICE	1,230	1,220	1,230	1,240	1,250	1,250	1,250	1,250	1,250
CAPITAL	10	10	50	60	460	60	60	60	60
CAPITAL-FRESNO PLANT IMPROVEMENTS	450	940	350	780	700	520	750	620	650
TOTAL EXPENDITURES	10,000	10,320	10,380	11,450	12,040	11,650	12,290	12,330	12,530
OTHER REVENUE AND EXPENSE									
INTEREST	90	100	200	100	270	270	270	280	280
GRANTS/MISC/SALE OF ASSETS/REFUNDS	20	170	250	310	170	170	170	170	170
BOND COVERAGE CHARGES/(REBATE)	3,290	3,360	3,320	(1,650)	0	(1,650)	(1,650)	(1,650)	(1,650)
	3,400	3,630	3,770	(1,240)	440	(1,210)	(1,210)	(1,200)	(1,200)
TRANSFERS IN-DEBT SERVICE	370	370	420	420	420	420	420	420	420
TRANSFERS OUT-CAPITAL	(340)	(340)		(2,390)					
FROM DEVELOPER-PLANT CAPITAL IMPROV	270	270	270	270	270	270	270	270	270
INTERFUND (LOANS)/REPAYMENT	(2,500)	(1,500)	(2,600)	(1,020)	(1,440)	50	230	230	230
(INC)/USE OF FRESNO PLANT CAP RESERVE					(500)	(500)	(500)	(500)	0
ENDING WORKING CAPITAL	12,240	16,140	20,130	16,720	16,120	16,000	15,670	15,560	16,000
RESERVE FOR FRESNO PLANT CAPITAL	0	0	0	0	500	1,000	1,500	2,000	2,000
RESERVE FOR RATE STABILIZATION	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
REQUIRED FOR DEBT COVERAGE	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900

Sewer Enterprise - Revenue Assumptions (dollars in dollars)

	Population Increase	New Units Per Year	Additional Commercial	Residential: 2016/17 Per Unit Per Month	Bond Charge Per Unit Per Month	Pretreatment Per Unit Per Month
Current Charges:	2,400	800	$41,000	$21.47	$7.30 To 2016/17	$0.06
Rate Rebate:					$(10.95) Beginning 2016/17	

Rate Increase:*	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revised Monthly Rate	$21.47	$21.47	$21.47	$21.47	$21.47	$21.47

Interest: 1.00% OF PREVIOUS YEAR'S WORKING CAPITAL

* **Rate Increase:** Note: The Council can approve up to a 3% annual rate increase if deemed necessary.

Sewer Enterprise - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
SALARY BASE	$780	$800	$860	$870	$880	$890
Additional employee		$30				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2016/17	2017/18	2018/19 (PERS ESTIMATE)	2019/20 (PERS ESTIMATE)	2020/21 (PERS ESTIMATE)	2021/22 (PERS ESTIMATE)
	21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%

Health:	INCREASE PER YEAR	6.00%		
Other Benefits:	-RETIREMENT	21.043%	OF EXTRA HELP	
	-WORKERS COMP	10.140%	FOR CPWEA	0.79% 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			1.18%
	Rental of the New Corp Yard-Beginning in 2002/03			$320
	Clovis Treatment/Reuse Plant Operations-Beginning 1/1/2009			$1,000
Regional Treatment Plant:	Annual payment for original plant buy-in plus O&M costs.			
	Adjusted for average 3 year CPI and per capita amount			1.18%
Debt Service:	Fresno/Clovis Regional WWTP Renovation			
	96/97 - 2023			$1,250
Capital Outlay:	FUTURE YEARS @			$50
	- ADJUSTED BY 3 YEAR AVERAGE CPI			1.18%
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			$424
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 2013/14	Actual 2014/15	Actual 2015/16	Estimated 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
BEGINNING WORKING CAPITAL	7,740	9,740	10,910	11,610	7,830	7,630	7,290	7,780	8,280
REVENUES									
REFUSE CHARGES	13,290	13,470	13,320	13,480	13,900	14,330	14,770	15,220	15,680
RECYCLING CHARGES	1,340	1,380	1,550	1,580	1,650	1,730	1,810	1,860	1,910
GREEN WASTE CHARGES	1,550	1,640	1,690	1,780	1,880	1,980	2,080	2,150	2,220
STREET SWEEPING CHARGES	1,030	1,080	1,100	1,100	1,110	1,120	1,180	1,240	1,300
TOTAL REVENUES	17,210	17,570	17,660	17,940	18,540	19,160	19,840	20,470	21,110
EXPENDITURES									
SALARIES	2,160	2,470	2,620	2,810	3,000	3,200	3,290	3,330	3,370
EXTRA HELP	110	40	40	100	100	100	100	100	100
OVERTIME	200	190	220	240	240	240	240	240	240
BENEFITS									
RETIREMENT	330	350	310	360	400	520	630	750	820
HEALTH	500	510	490	560	590	630	670	710	750
OTHER	290	370	290	380	480	510	520	530	540
SERV, MAT & SUPP	6,560	7,100	7,570	8,110	8,310	8,540	8,800	9,090	9,410
RECYCLING	1,290	1,360	1,330	1,360	1,400	1,450	1,500	1,550	1,600
GREEN WASTE PROGRAM	1,510	1,600	1,570	1,610	1,670	1,730	1,790	1,850	1,910
STREET SWEEPING	1,170	1,160	1,350	1,400	1,420	1,440	1,460	1,480	1,500
LANDFILL CLOSURE	200	220	220	220	220	220	220	220	220
CAPITAL	360	510	780	1,310	200	940	210	210	210
LANDFILL IMPROVEMENTS	10	10	110	2,760	200	200	200	200	200
LANDFILL DEBT SERVICE	780	780	780	790	790	790			
TOTAL EXPENDITURES	15,470	16,670	17,680	22,010	19,020	20,510	19,630	20,260	20,870
OTHER REVENUE AND EXPENSE									
INTEREST	90	80	100	130	120	120	120	130	140
GRANTS/MISC/SALE OF ASSETS	30	30	70						
	120	110	170	130	120	120	120	130	140
TRANSFERS	140	160	550	160	160	890	160	160	160
TRANSFERS OUT-CORP YARD									
LANDFILL LINER FEE									
ENDING WORKING CAPITAL	9,740	10,910	11,610	7,830	7,630	7,290	7,780	8,280	8,820
RESERVE FOR CLOSURE	2,840	3,060	3,280	3,500	3,720	3,940	4,160	4,380	4,600
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	16/17 Avg Unit Per Month	Recycling Per Month	Green Waste Per Month	Street Cleaning Per Month
	800	$22.72	$3.50	$5.14	$2.25

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

		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Rate Increase/(Decrease):	7/1	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Adjusted Monthly Rate:		$22.72	$23.17	$23.64	$24.11	$24.59	$25.08

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

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

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

Interest: 1.00% OF PREVIOUS YEAR'S WORKING CAPITAL

Community Sanitation - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
Salary Base:	$2,810	$2,890	$3,100	$3,230	$3,330	$3,370
Additional Personnel: Res/Comm		$110	$95	$60		

Extra Help: $100 for Operations per year

Overtime: FLAT FOR FUTURE YEARS 1.18%

(PERS ESTIMATE)

Retirement:	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%

Health: INCREASE PER YEAR 6.00%

Other Benefits:
- -WORKERS COMP 10.14% FOR CPWEA 0.79% FOR ADMIN
- -MEDICARE 1.45% OF SALARIES
- -DEF COMP/SICK LEAVE/OTHER 5.25% OF SALARIES

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 1.18%
Rental of the Corp Yard beginning 2002/03 $320 per year

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

Capital Outlay: FLAT FOR FUTURE YEARS (WITH THE EXCEPTION OF FY 2018/19) $200
ADJUSTED BY 3 YEAR AVERAGE CPI 1.18%

Transfers: In-For Toters $160 /year

Reserve For Closure: FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 1.18%

CITY OF CLOVIS

Transit - Financial Forecast *(dollars in thousands)*

	Actual 2013/14	Actual 2014/15	Actual 2015/16	Estimated 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
BEGINNING WORKING CAPITAL	340	90	1,160	1,830	1,120	950	680	340	(90)
REVENUES									
MEASURE C FUNDS	1,250	1,300	1,390	1,440	1,520	1,610	1,700	1,800	1,900
LOCAL TRANSPORTATION FUNDS (LTF)	2,120	3,460	3,750	3,580	3,620	3,660	3,700	3,740	3,780
STATE TRANSIT ASSISTANCE	580	560	250	470	470	470	470	470	470
OTHER (Fares, Advertising, Trolley Rents)	240	240	220	230	230	230	230	230	230
TOTAL REVENUES	4,190	5,560	5,610	5,720	5,840	5,970	6,100	6,240	6,380
EXPENDITURES									
SALARIES	1,050	1,150	1,230	1,380	1,420	1,470	1,490	1,510	1,530
EXTRA HELP	710	690	720	830	870	910	960	1,010	1,060
OVERTIME	30	60	70	70	70	70	70	70	70
BENEFITS									
RETIREMENT	150	160	150	180	190	240	280	340	370
HEALTH	220	220	220	270	290	310	330	350	370
OTHER	280	330	310	310	340	380	420	460	500
SERVICES, MATERIALS & SUPPLIES	1,970	1,880	2,030	2,300	2,330	2,360	2,390	2,420	2,450
CAPITAL-OTHER	180	80	570	70	40	40	40	40	40
CAPITAL-BUSES		440	0	1,030	470	470	470	470	470
TOTAL EXPENDITURES	4,590	5,010	5,300	6,440	6,020	6,250	6,450	6,670	6,860
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	150	520	360	10	10	10	10	0	0
SALE OF ASSETS									
	150	520	360	10	10	10	10	0	0
ENDING WORKING CAPITAL	90	1,160	1,830	1,120	950	680	340	(90)	(570)

Transit- Revenue Assumptions

Transit Revenue:	Measure C revenue is projected to grow by the prior 3 year average increase in revenue	5.62%
	LTF revenue is projected to grow by the 3 year average CPI	1.18%
	Beginning in 2014/15 100% of LTF revenue will be allocated to Transit.	
	Beginning in 2015/16 State Transit Assistance revenue must be used for capital purposes only.	
	Other revenue is projected to grow by the 3 year average CPI	1.18%

Interest: 1.00% OF PREVIOUS YEAR'S WORKING CAPITAL

Transit- Expense Assumptions

Salaries:		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
CUE	7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
Additional Employees							

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

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 1.18%

			(PERS ESTIMATE)			
Retirement:	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%

Health: INCREASE PER YEAR 6.00%

Other Benefits:	-WORKERS COMP	10.140% OF SALARIES	0.79%	FOR ADMIN
	-MEDICARE	1.450% OF SALARIES and EXTRA HELP		
	-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	5.250% OF SALARIES		

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 1.18%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER
ADJUSTED BY 3 YEAR AVERAGE CPI 1.18%

CITY OF CLOVIS

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

RESIDENTIAL UNITS PER YEAR	735	1024	709	800	800	800	800	800	800
	Actual 2013/14	**Actual 2014/15**	**Actual 2015/16**	**Estimated 2016/17**	**Projected 2017/18**	**Projected 2018/19**	**Projected 2019/20**	**Projected 2020/21**	**Projected 2021/22**
BEGINNING WORKING CAPITAL	1,600	2,440	3,350	4,330	3,770	2,970	2,040	960	(330)
REVENUES									
BUILDING PERMITS	2,170	2,140	2,080	2,300	2,310	2,340	2,370	2,400	2,430
PLANNING FEES	1,510	1,510	1,450	1,200	1,290	1,310	1,340	1,370	1,410
GENERAL PLAN CONSULTANT	380	210	150	110	100	100	100	100	100
ENGINEERING FEES	2,430	2,150	2,410	1,890	2,310	2,340	2,370	2,400	2,430
CAPITAL IMPROVEMENT CHARGES	2,040	2,050	2,390	2,240	2,340	2,390	2,420	2,450	2,480
TOTAL REVENUES	8,530	8,060	8,480	7,740	8,350	8,480	8,600	8,720	8,850
EXPENDITURES									
SALARIES	2,790	3,230	3,460	3,660	4,020	4,160	4,210	4,260	4,310
EXTRA HELP	530	570	600	560	500	500	500	500	500
OVERTIME	140	160	120	120	120	120	120	120	120
BENEFITS									
RETIREMENT	410	470	430	470	640	750	900	1,070	1,180
HEALTH	470	500	540	590	690	730	770	820	870
OTHER	370	380	350	390	410	410	410	410	410
SERVICES, MATERIALS & SUPPLIES	1,960	2,090	2,180	2,800	2,920	2,950	2,980	3,020	3,060
GENERAL PLAN CONSULTANT	520	290	170	110	100	100	100	100	100
CAPITAL	20	20	40	10	10	10	10	10	10
TOTAL EXPENDITURES	7,210	7,710	7,890	8,710	9,410	9,730	10,000	10,310	10,560
ADDITIONAL ITEMS									
INTEREST	10	10	40	10	40	30	20	10	0
OTHER REVENUES/GRANTS	290	330	400	100	100	100	100	100	100
TRANSFERS FROM GENERAL FUND	300	300	300	300	300	300	300	300	300
TOTAL ADDITIONAL ITEMS	600	640	740	410	440	430	420	410	400
NET INC/(DEC) TO WORKING CAPITAL	**1,920**	**990**	**1,330**	**(560)**	**(620)**	**(820)**	**(980)**	**(1,180)**	**(1,310)**
OTHER ITEMS									
(USE OF)/ADDITION TO EMERGENCY RESERVE	1,080	80	350	0	180	110	100	110	100
ENDING WORKING CAPITAL	2,440	3,350	4,330	3,770	2,970	2,040	960	(330)	(1,740)
Emergency Reserve-(Dollars)	1,080	1,160	1,510	1,510	1,690	1,800	1,900	2,010	2,110
Emergency Reserve as a % of Expenditures	15.00%	15.00%	19.10%	17.30%	18.00%	18.50%	19.00%	19.50%	20.00%

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

	2015/16 (Act.)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Residential Units Per Year:	709	800	800	800	800	800	800
Non-Residential %:	33.6%	30%	30%	30%	30%	30%	30%

Averages based on two years actuals and estimate to close

	Building	Planning	Engineering
Average Permit Fees Per Unit:	$2,000	$1,400	$2,000

3 Year Average CPI: 1.18%

	2015/16 (Act.)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Planning Program Fee (Staff):	758,632	760,000	840,000	850,000	860,000	870,000	880,000
Plan. Prgm. Fee (Consultant):	148,520	100,000	100,000	100,000	100,000	100,000	100,000
Other Planning Fees:	694,134	440,000	450,000	460,000	480,000	500,000	530,000
	1,601,286	1,300,000	1,390,000	1,410,000	1,440,000	1,470,000	1,510,000

Capital Improvement Charges: INCREASE ANNUALLY BY PROJECTED SALARY INCREASES

Interest: 1.00% OF PREVIOUS YEAR'S WORKING CAPITAL

Other Revenues: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEAR! 1.18%

Grants: BASED ON AWARDED GRANTS

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

Salaries: (CPTA)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
7/1	3.00%	3.00%	3.50%	1.18%	1.18%	1.18%
Salary Base:	$3,660	$4,020	$4,160	$4,210	$4,260	$4,310
Additional Personnel:						

Extra Help: FLAT FOR FUTURE YEARS

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 1.18%

			(PERS ESTIMATE)			
Retirement:	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	21.043%	21.730%	24.520%	27.410%	30.840%	32.850%
PERS Cost Sharing:	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%	-8.400%

Health: INCREASE PER YEAR 6.00%

Other Benefits: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 1.18%

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS 1.18%

Capital Outlay: BASED ON CAPITAL NEEDS PROJECTED FOR DEPARTMENT

Transfers: GENERAL FUND DISCRETIONARY FUNDING $300 PER YEAR

EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

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

	10-YR Average	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
Residential Units (Single Family plus Multi Family)	610	800	800	800	800	800
Assessed Valuation (in Millions)	$230	$267	$267	$267	$267	$267
Population Increase	1,812	2,400	2,400	2,400	2,400	2,400

The 2016/17 revenues were estimated based on actuals to date through January of 2017, 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 and the fact that they represent two-thirds of the General Funds discretionary revenues. The economic recovery remains a major consideration in budgeting revenues in all years projected. Some revenue sources such as sales tax are projected to experience increases due to continued business growth within the City of Clovis.

The 2016/17 expenditure estimates were based on the working budget with adjustments made based on the input received from department heads, using actual-to-date amounts through January 2017 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 2017/18 - 2021/22:

REVENUE ASSUMPTIONS

Property Taxes – will increase in 2017/18 by 4.3% from the prior year due to Proposition 13 capped annual increase of existing properties at Consumer Price Index (CPI) of 2.0% plus the assessed valuation for new units projected at 800 residential plus a component for non-residential. In 2018/19-2021/22, the increases reflect the normal growth of existing properties at the Proposition 13 cap of 2% for all projected years plus the assessed valuation for new units as noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2017/18 is projected to increase by 5.0% based on the annual 2% maximum increase on existing properties, and the increase in assessed valuation for the additional units projected.

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $236 per unit increased annually by CPI.

Sales Tax – 2017/18 is projected to increase by 5% from the prior year to reflect projected growth by the Board of Equalization. In addition, sales taxes are projected to grow by the per capita amount for increases in population. Sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County.

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

Business Licenses - Business licenses are projected to grow annually by CPI plus 3% for new businesses.

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

Fines and Forfeitures - Parking citations are based on a three year average and remain flat for projected years. Department of Justice has suspended asset forfeiture funds until further notice.

Interest - Interest is calculated at 1.0% on the prior year's ending fund balance plus emergency reserve, with a minimum of $50,000 per year.

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

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

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

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

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

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

Administrative Charges - Administrative revenue to the General Fund is expected to increase at 2% per year. Successor Agency Administrative Fee is eliminated in FY18/19 as the County will take over administration at that time.

EXPENDITURE ASSUMPTIONS

Staffing – Three police officers are added per year over the forecast along with six additional firefighters in 2019/20 and three in 2020/21 in anticipation of opening a fire station in the Loma Vista Area.

Salaries - Salary increases for all groups including merit increases are projected to be 3% in 2017/18, 3.5% in 2018/19 and at the three-year average annual CPI rate thereafter.

Overtime - Overtime remains flat over the forecast period.

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

Salary Related Costs

- *Health Benefit* – The Health Benefit costs are projected to increase by 6% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2017/18, estimated rates from PERS for 2018/19 and throughout the forecast period reflect recent rate increases due to the discount rate reductions proposed over the next three years. Rates for safety members are projected to increase 19% (from approximately 39% to 58% of payroll) over the next five years. Miscellaneous member rates are projected to increase 11% (from 22% to 33% of payroll) 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 1.45% 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 2017/18 this reserve is projected to be 17.7% of expenditures. The Council's established policy for the reserve is a minimum of 15% with the goal to reach 25% as funding is possible.

Projected throughout this forecast are increases to reach Council's goal and work towards the City auditor's recommendation of 25%.

Reserve for Triple Flip - This reserve was established in 2004/05; the first year the sales tax triple flip was in effect to allow the state to purchase Economic Recovery Bonds (ERBs), and represents an offset to the long-term accrual of revenue that is not available for appropriation. The ERBs were paid off in August 2015 bringing the triple flip to an end.

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