

## NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

**Date/Time:** **Tuesday, February 19, 2019, 6:00 p.m.**  
(or as soon thereafter as possible)

**Location:** **Council Chambers, City Hall**  
**333 Civic Center Plaza, Tracy**

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. Items from the Audience - *In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting.*
4. RECEIVE REPORT AND PROVIDE DIRECTION REGARDING THE GENERAL FUND TEN-YEAR FORECAST AND ASSUMPTIONS TO BUILD THE FISCAL YEAR 2020 ANNUAL BUDGET
5. Adjournment



Mayor

### **Thursday, February 14, 2019**

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

**RECEIVE REPORT AND PROVIDE DIRECTION REGARDING THE GENERAL FUND  
TEN-YEAR FORECAST AND ASSUMPTIONS TO BUILD THE FISCAL YEAR 2020  
ANNUAL BUDGET**

EXECUTIVE SUMMARY

Staff has updated the General Fund ten-year forecast for fiscal years (FY) 2019-2028. The purpose of a long-term forecast is to help create a sustainable financial vision for the City. A budget forecast does not remain static; it is a dynamic tool that allows for consideration of the most reasonable outcomes. To that end, the forecast will continue to be updated at least annually. This will allow the City to better anticipate future challenges and opportunities, thereby creating a solid foundation to make strategic decisions about the City's financial position. Further, the forecast is reflective of economic estimations and assumptions based upon what is known today. It should be noted that this report represents the financial outlook assuming the City maintains existing services into the future.

Financial forecasting is not intended as a predictor of the future. Its level of confidence diminishes over time. It is instead a snapshot of current financial policy and trends, and assumptions based on best available information. Thus, the ten-year forecast is a policy setting aid, which can be altered as new information becomes available.

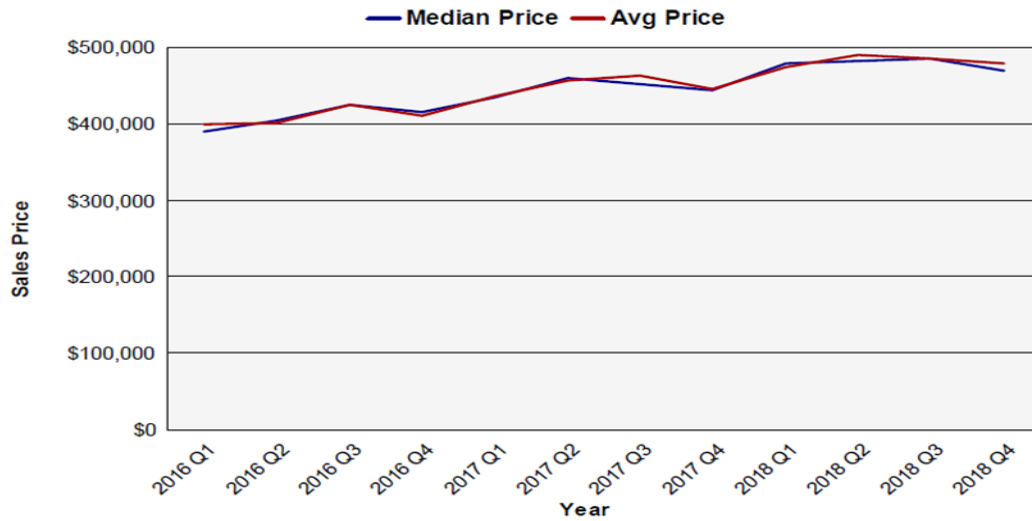
DISCUSSION

This ten year general fund budget forecast is presented to Council as part of the FY 19/20 budget adoption process. In preparation for this report, certain assumptions about both revenue and future expenses are included and are outlined in this report. The ten year general fund budget forecast includes Fiscal Years 2019 through 2028, and provides a lookback for comparison purposes to the FY2017 and FY2018 actuals. These assumptions are based on empirical data, established policy, Government Finance Officers Association best practices on financial forecasting and trend analysis.

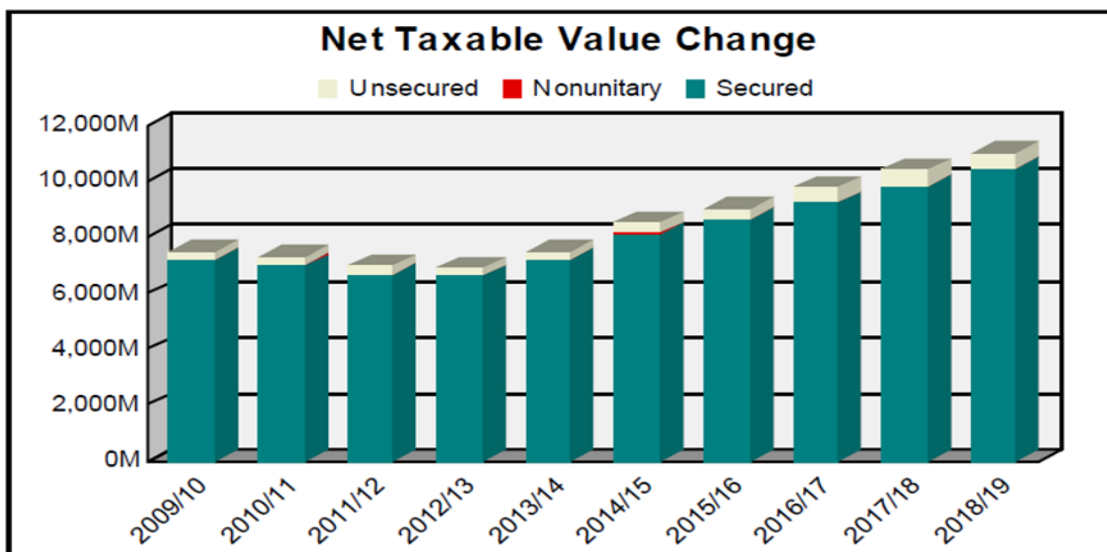
**REVENUES**

**Property Tax:** The City's revenue projections reflect the strong housing and employment markets in the Central Valley and Bay Area. Tracy has maintained housing prices above the County median. The economy is showing an increase in home sale activities as well as a return to pre-recession housing prices. This trend is predicted to continue. The housing market has fully recovered from the recent recession in many urban and coastal areas of the State while housing recovery has tended to lag in more rural and inland areas. Current median home prices, in many regions are at or above the pre-recession peak values. Affordability and inventory constraints are the main contributor to increases

in home prices over the last year. The numbers of sales year over year have declined and the lack of significant new home construction in California is one of the main factors affecting supply. The median sale price of a detached single family residential home in Tracy from January through September 2018 was \$483,000. This represents a \$33,000 (7.3%) increase in median sale price from 2017.

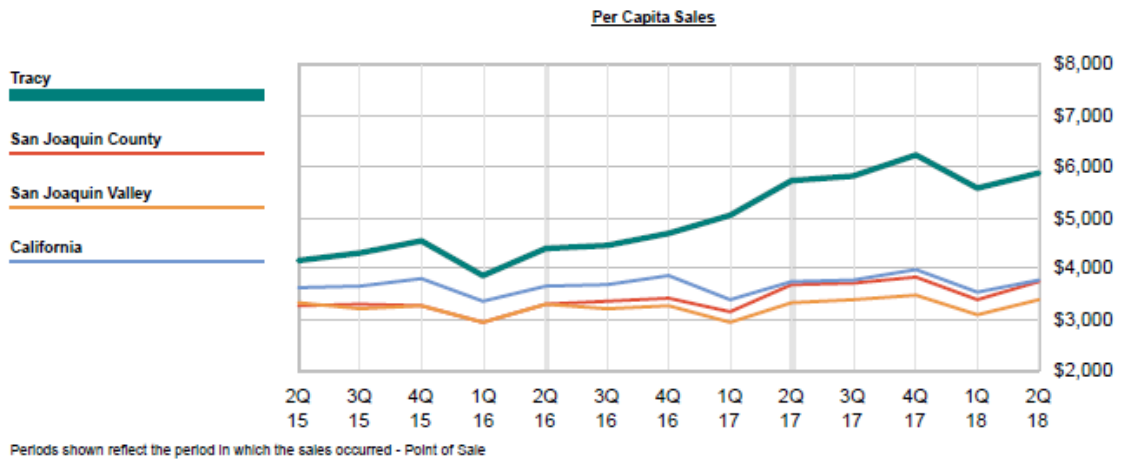


Home sales in Northern California were the slowest for a December in 11 years, since the start of the last housing downturn in 2007. This drop in activity reflects several factors – high mortgage rates, stock-market instability, and affordability. The median price paid for all Northern California homes sold in December was \$785,000, down 3.7 percent from \$815,000 in the prior month, and up 4.6 percent from \$750,500 in December 2017. Home sales of \$500,000 or more accounted for 77.1 percent of all sales, up from 75.4 percent this time last year. HdL graph for Tracy below:



Property tax has been assumed to increase 5% annually through fiscal year 2021, then 3.5% annually through fiscal year 2023 and a 2% increase for each fiscal year remaining in the 10 year forecast. This pattern reflects the current anticipated new housing construction within Tracy. Over time it is expected to slow and as a result future year growth assumptions will rely solely on Proposition 13 growth factors, currently capped at 2% annually.

Sales Tax: The City uses HdL as its sales tax consulting and auditing firm. HdL has provided a forecast for the City's regular sales tax (1 cent) based upon recent trends. This long term forecast reflects increases of 2.3% through FY2022 then tapers to annual growth of 1.4% for the remainder of the ten year forecast. This is represented by recent economic development that has materialized in the short term but assuming long term growth at this rate would be highly speculative. History has shown the economy operates in cycles of about 10 years on average with ups and downs being the norm. Since the recent recovery/expansion has been ongoing since 2009, prudence would suggest that precaution be taken into consideration during the City's Sales tax forecasting assumptions. Tracy's sales tax per capita is well above both the County and State per capita, this is represented in the chart below.



Temporary Half-Cent Sales Tax: Measure V: HdL also audits Measure V sales tax data and has prepared a 5-year forecast for this temporary half-cent sales tax. Not all sales transactions subject to the standard 1 cent sales tax are applicable to the City's half-cent temporary sales tax. The most notable exceptions are auto sales in Tracy where the auto is not registered to an owner with a City of Tracy address and internet catalog sales to customers outside of the City of Tracy. These estimates are subject to further review as such estimates have been derived from only 7 quarters of actual data from Measure V.

These three revenue sources (*Property taxes, sales taxes and temporary half-cent sales tax Measure V*) make up over 70% of the General Fund's proceeds. All other revenue sources are assumed to have modest growth ranging in the 2% to 3% range.

## **EXPENSES**

General Fund expenses are primarily associated with labor cost. For example, Police personnel expenses make up 84% of the Police Department's budget and Fire personnel expenses about 90% of the total Fire Department budget. Expenditures and recent enhancements to service levels have outpaced revenue in the past biennial budget cycle. The result is a projected deficit beginning in FY 2020. This deficit will linger throughout the 10 year forecast, absent taking specific measures to reduce expenditures. It is anticipated, however, as in past instances, budget correction measures would be enacted by the City, including a combination of reserve utilization and expenditure reductions, thereby, retaining a balanced budget in those years with a projected deficit.

Also contributing to the fiscal challenges are continuing increases in the City's mandatory retirement contributions that are expected to further increase over the next ten years and beyond as discussed during an earlier actuarial discussion. The City will need to give serious consideration to its discretionary expenditures in terms of prioritization, especially in light of reduced revenues that may be on the horizon. At the same time, staff will have to find ways to contain costs and enhance revenues to enable the City to continue to provide quality services to the Tracy community.

Given the current status of labor costs, the assumptions that will be included in the ten year general fund budget forecast are as follows:

### **Labor Related Expenses:**

It is assumed that:

- Cost of living adjustments mirroring the most recent MOU contracts have been included during this ten year period through FY 2021, with 1.7% growth as a placeholder for FY22-28;
- 100% of the costs associated with the increase to the City's PERS employer rate will be included as an expense absorbed by the City for each of the ten years;
- The costs associated with increases to the employees' health insurance will reflect the current respective labor contract agreements;
- The costs associated with increases to the employees' MOU agreements will be included in this 10 year forecast;
- Budget assumptions reflect current approved staffing levels;

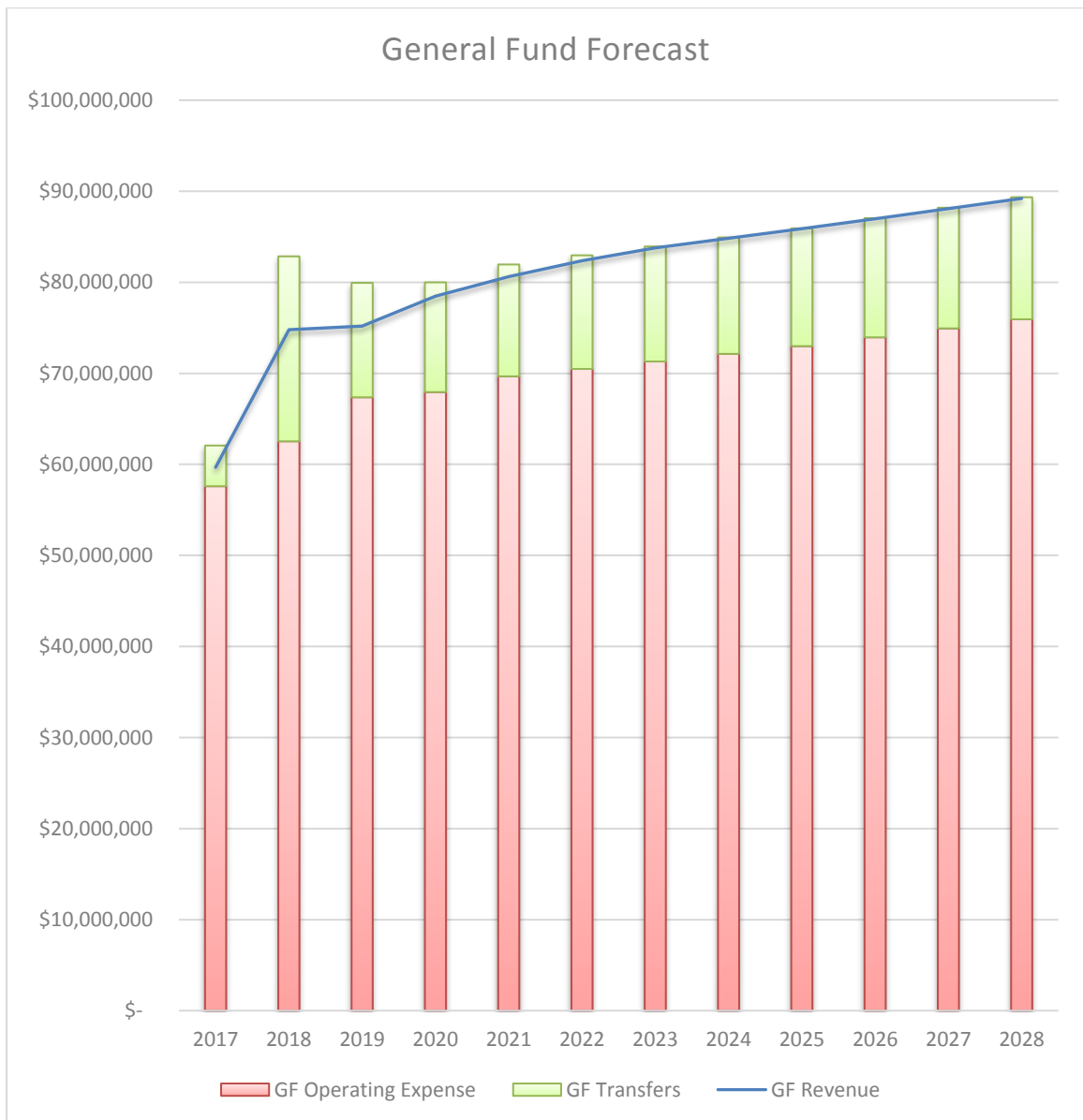
No other staff enhancements or reductions were included in this ten year general fund budget forecast.

**Operational Expenses:** Discretionary expenditures were held at ranges of 0-2% through FY 2025 then 1-2% growth was assumed for the remainder of the forecast through FY 2028. Considering the above, Police and Fire as well as other General Fund expenses would average an increase of about 1.5% per year during the forecast period.

**FORECAST**

A forecast is not a budget. The forecast attempts to reveal revenue & expenditure trends over time assuming that no other events intervene such as an economic recession, natural disaster, change in state law, loss of major taxpayers, or unanticipated expenses. It also identifies outcomes if nothing changes and guides policy direction for future expenditures. The forecast aims to provide an “Order of Magnitude” feel for the General Fund’s ability to continue services and preserve fiscal sustainability

The forecast should be viewed as a “Work in Progress” as new information becomes available (quarterly or semi-annual). The forecast table is shown on the next page:





STRATEGIC PLAN

This item is a routine matter and does not relate to one of the City Council's Strategic Plans.

FISCAL IMPACT

There is no fiscal impact associated with this item. However, the ten-year forecast is critical in establishing financial policy. The forecasted outcome has the potential to improve or worsen. Some potential outcomes that would improve the forecast would include; higher employee vacancy rates (more vacant positions or vacancies for longer periods of time), delayed or weaker recessions, PERS investment gains, stronger economic development than already included in forecast. Some potential outcomes that would worsen the forecast; PERS investment losses(or additional discount rate cuts), weaker revenue growth, fewer new hotel rooms, or more severe recession losses, higher annual COLAs approved than the assumptions in forecast, staffing levels increased beyond current levels, discretionary one-time expenditures.

RECOMMENDATION

It is recommended that the City Council receive this report and provide direction regarding assumptions to be considered in compiling a ten year general fund budget forecast.

Prepared by: Thomas Hedegard, Budget Officer

Reviewed by: Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim City Manager

ATTACHMENT

10-Year Forecast Power Point Presentation





# **Ten-Year Financial Forecast General Fund**

**FY2018-19 to FY2027-28**

City of Tracy, CA



# Forecast Agenda

- **Forecast Background**
- **Revenue/ Expenditure Assumptions**
- **Recap of CalPERS Pension Misc./ Safety Increase Projections**
- **Variables**
- **Conclusion**



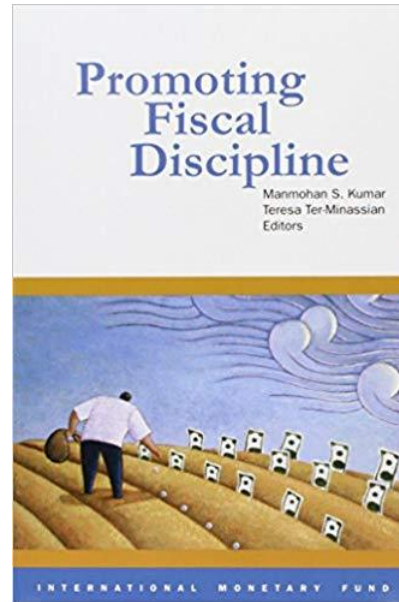
# Forecast Background

- Extends the Five-Year Forecast to a Ten-Year Period
- Forecast is not a Budget - What it does try to do is;
  - Reveal revenue & expenditure trends over time
    - Assuming no other events intervene
    - Economic recession, natural disaster, change in state law, loss of major taxpayers, unanticipated expenses
    - Identify outcomes if nothing changes





# Forecast Goals





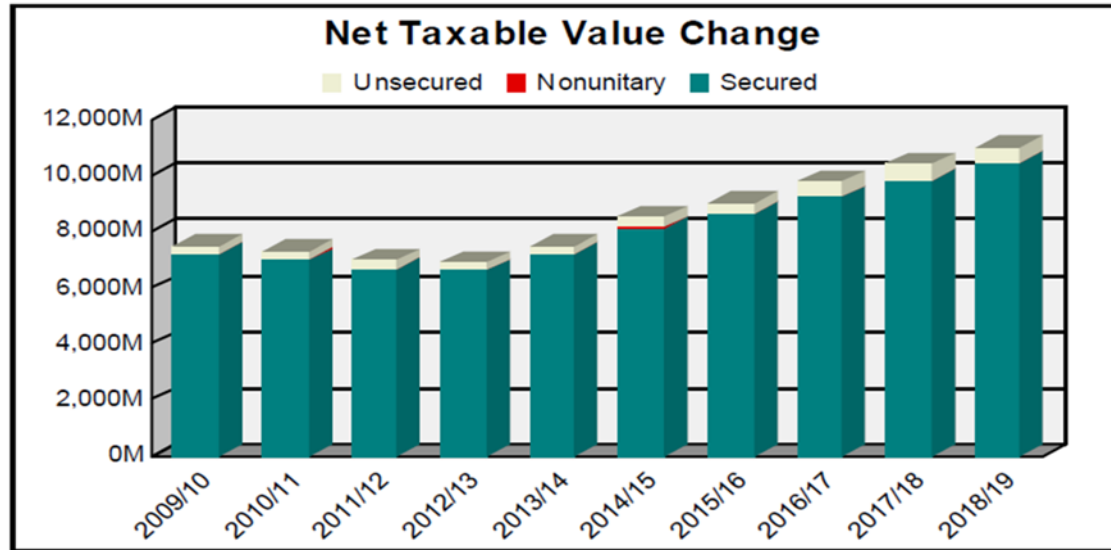
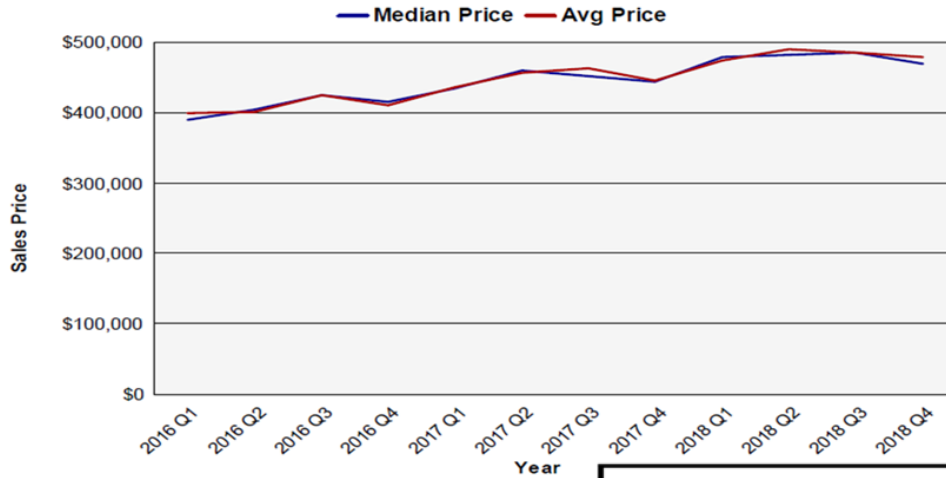
# Key Revenue Assumptions

- **Recessions:** Does not take into account an economic downturn
- **Property Tax:** Assumed to increase 5% annually through fiscal year 2021, then 3.5% annually through fiscal year 2023 and a 2% increase for each fiscal year remaining in the 10 year forecast
- **Sales Tax:** HdL has provided a forecast for the City's regular sales tax (1 cent) based upon recent trends. This long term forecast reflects increases of 2.3% through FY22 then tapers to annual growth of 1.4% for the remainder of the ten year forecast
- **Measure V:** Carved out and to be used exclusively for Measure V
  - Debt
  - Operating
  - Pay-Go Capital





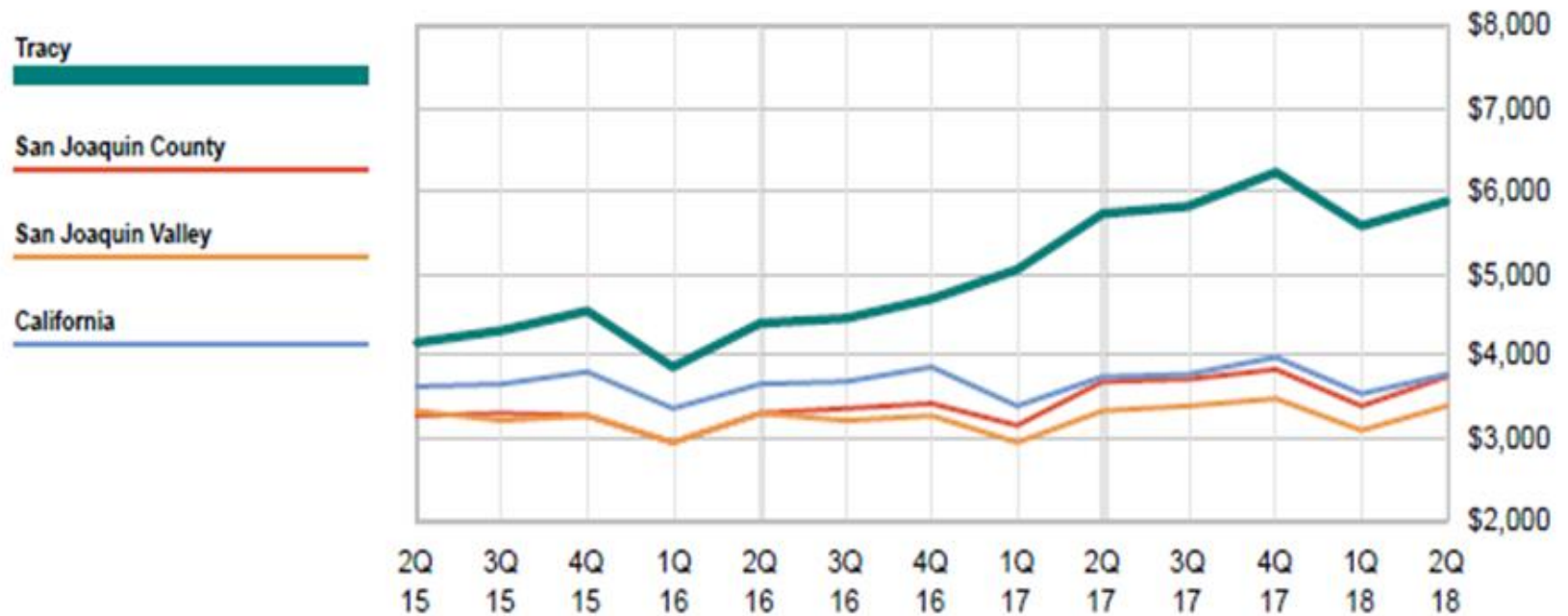
# Property Tax





# Sales Tax

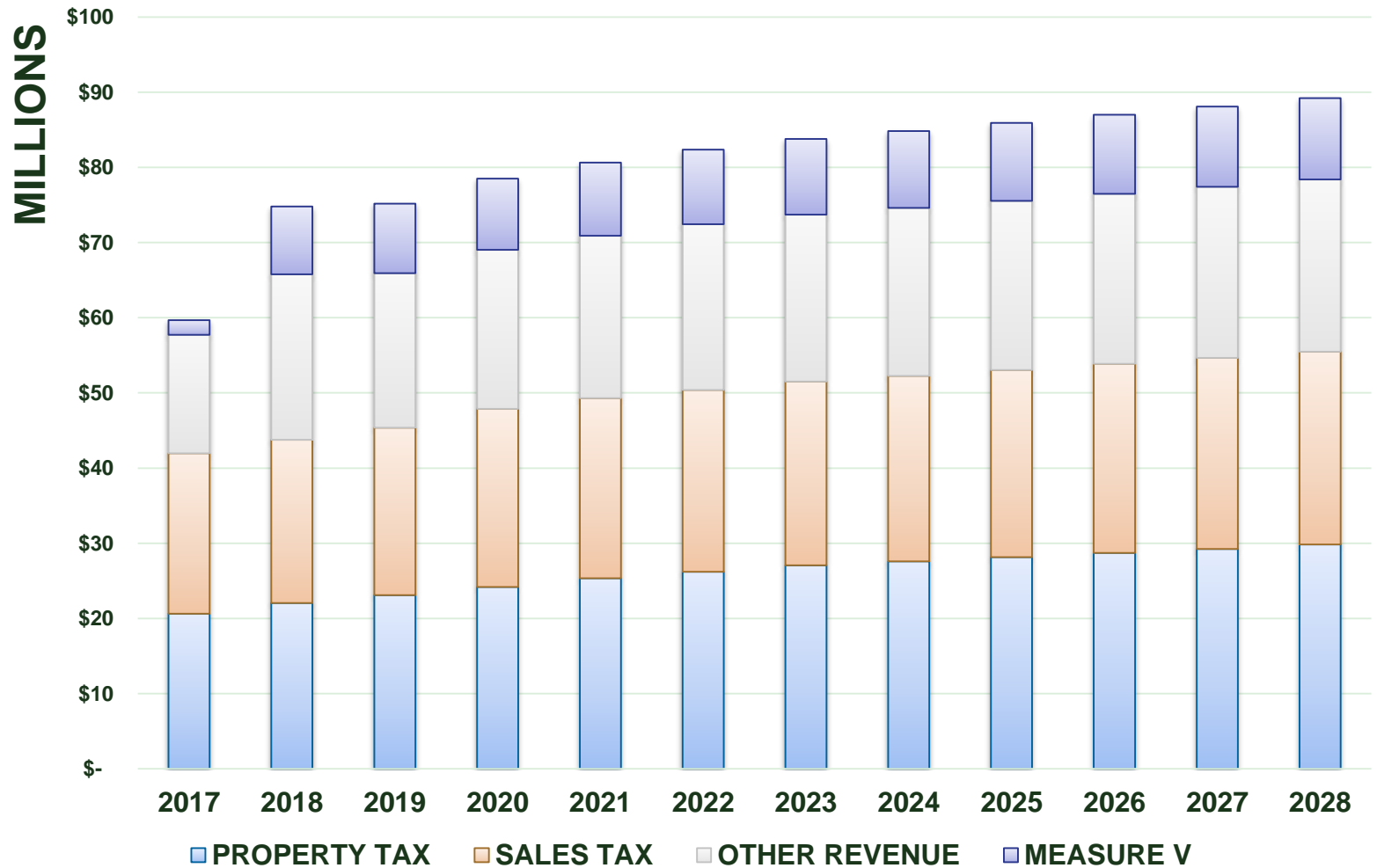
Per Capita Sales



Periods shown reflect the period in which the sales occurred - Point of Sale



# Revenue





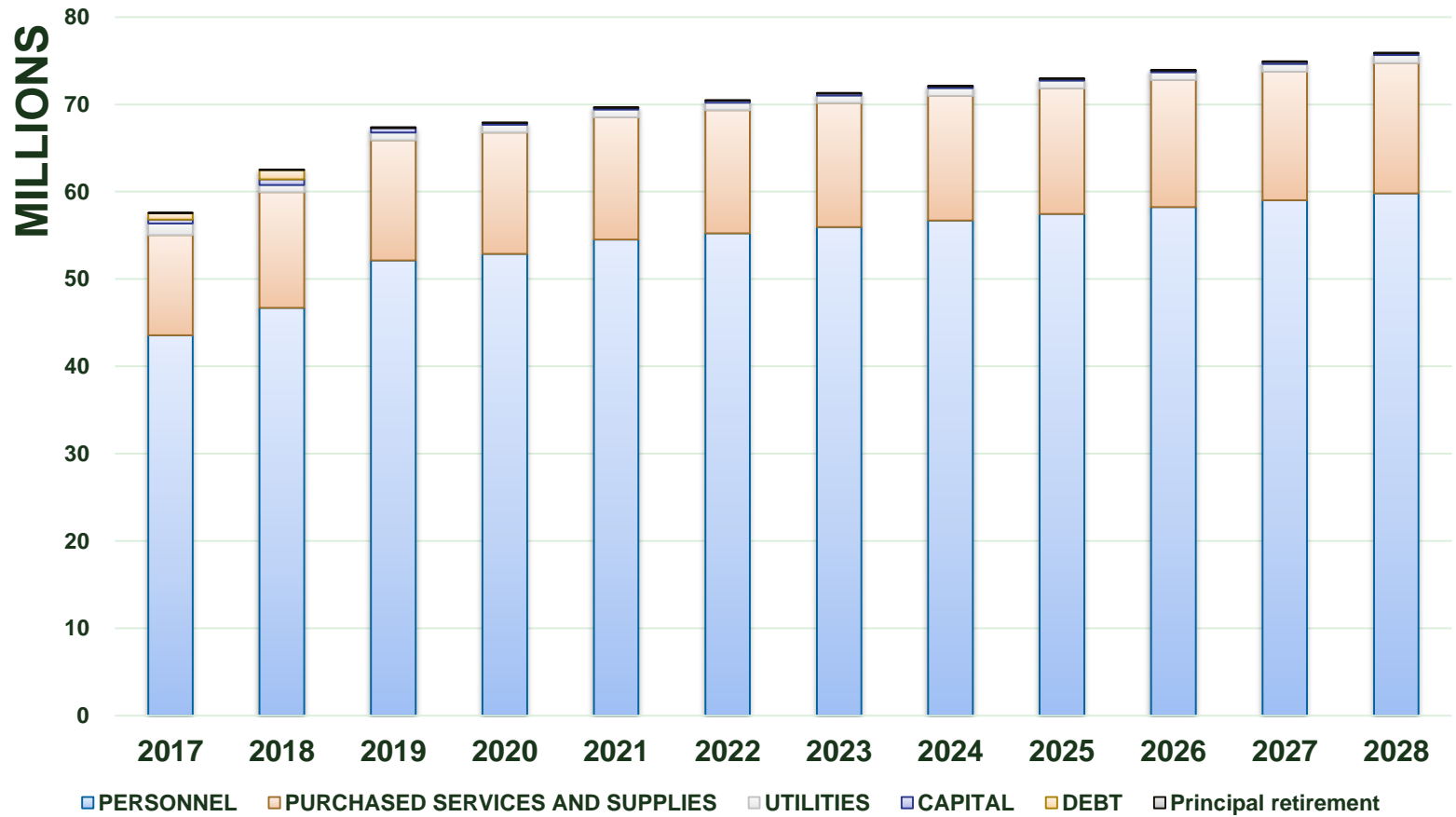


# Key Expenditure Assumptions

- **Staffing levels:** No change from current FTE
- **Wage Adjustments:** Cost of living adjustments mirroring the most recent MOU contracts have been included during this ten year period through FY 2021, with 1.7% growth as a placeholder for FY22-28;
- **Pensions:** 100% of the costs associated with the increase to the City's PERS employer rate will be included as an expense absorbed by the City for each of the ten years
- **Health:** The costs associated with increases to the employees' health insurance will reflect the current respective labor contract agreements;
- **Discretionary Expenditures:** Held at ranges of 0-2% through FY 2025 then 1-2% growth was assumed for the remainder of the forecast through FY 2028
- **Debt Service:** Per debt schedules of current obligations
- **Capital:** No General Fund Capital investment beyond FY2019
- **Subsidy of Other Funds:** As required to maintain zero balances



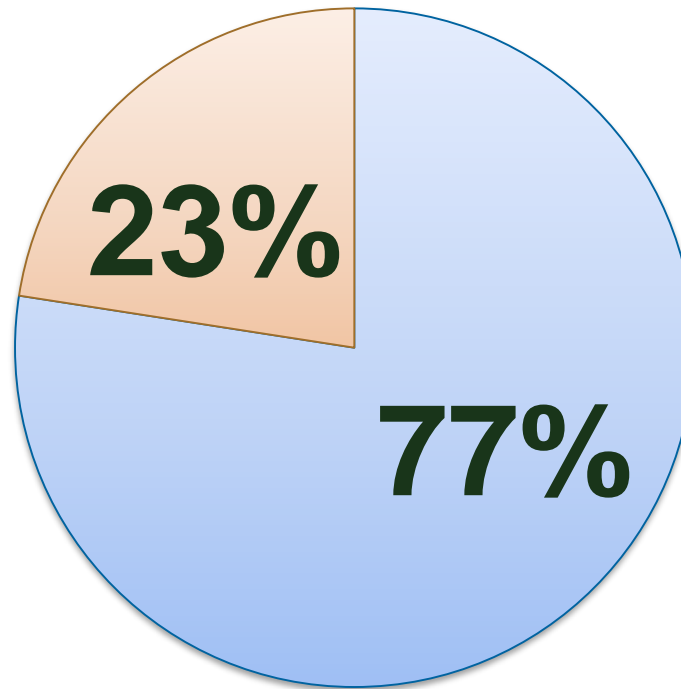
# Expenditures - Macro





# Expenditures – Micro (FY 2019 Op.)

■ PERSONNEL      ■ PURCHASED SERVICES AND SUPPLIES, UTILITIES, DEBT





# Forecast PY Actuals vs Current vs Projected

| CAFR TYPE  | OB                           | Values              |                     |                     |                     |
|--|------------------------------|---------------------|---------------------|---------------------|---------------------|
|  |                              | 2017                | 2018                | FY 18-19 PROJECTED  | FY 19-20 PROJ BUD   |
| <input type="checkbox"/> R-TAXES                     | PROPERTY TAX                 | (20,641,833)        | (22,039,158)        | (23,088,660)        | (24,190,112)        |
|  | SALES TAX                    | (21,338,139)        | (21,738,573)        | (22,282,038)        | (23,705,081)        |
|  | OTHER TAXES                  | (2,240,831)         | (2,355,533)         | (2,379,089)         | (2,719,507)         |
|  | MEASURE V                    | (1,952,528)         | (9,022,126)         | (9,247,679)         | (9,478,871)         |
| <input type="checkbox"/> R-LICENSES AND PERMITS      | LICENSES AND PERMITS         | (2,980,580)         | (3,694,143)         | (3,768,026)         | (3,843,386)         |
| <input type="checkbox"/> R-FINES AND FORFEITURES     | FINES AND FORFEITURES        | (198,176)           | (220,087)           | (466,322)           | (466,322)           |
| <input type="checkbox"/> R-USE OF MONEY AND PROPERTY | USE OF MONEY                 | (639,648)           | (672,721)           | (699,630)           | (720,619)           |
| <input type="checkbox"/> R-INTERGOVERNMENTAL         | REVENUES FROM OTHER AGENCIES | (1,433,842)         | (1,583,992)         | (1,534,072)         | (1,564,754)         |
| <input type="checkbox"/> R-CHARGES FOR SERVICES      | CHARGES FOR SERVICES         | (4,333,327)         | (11,340,070)        | (11,132,662)        | (11,216,111)        |
| <input type="checkbox"/> R-CONTRIBUTIONS             | CONTRIBUTIONS                | (159,175)           | (143,350)           | (147,221)           | (147,221)           |
| <input type="checkbox"/> R-OTHER REVENUES            | OTHER REVENUES               | (3,355,742)         | (1,574,233)         | (14,356)            | (14,356)            |
| <input type="checkbox"/> R-SPECIAL ASSESSMENT        | SPECIAL ASSESSMENT           | (404,207)           | (421,006)           | (425,216)           | (429,468)           |
| <b>Grand Total</b>                                   |                              | <b>(59,678,027)</b> | <b>(74,804,993)</b> | <b>(75,184,969)</b> | <b>(78,495,808)</b> |



# Forecast PY Actuals vs Current vs Projected

| CAFR TYPE          | OB                              | Values            |                   |                    |                   |
|--------------------|---------------------------------|-------------------|-------------------|--------------------|-------------------|
|                    |                                 | 2017              | 2018              | FY 18-19 PROJECTED | FY 19-20 PROJ BUD |
| E-                 | PERSONNEL                       | 43,553,008        | 46,703,913        | 52,128,144         | 52,859,860        |
|                    | PURCHASED SERVICES AND SUPPLIES | 11,490,486        | 13,243,197        | 13,770,851         | 13,927,488        |
|                    | UTILITIES                       | 1,308,391         | 803,585           | 875,547            | 875,547           |
|                    | CAPITAL                         | 439,264           | 672,864           | 528,814            | 211,500           |
|                    | DEBT                            | 750,020           | 1,043,515         | 0                  | 0                 |
|                    | Principal retirement            | 63,279            | 68,552            | 68,552             | 68,552            |
| <b>Grand Total</b> |                                 | <b>57,604,448</b> | <b>62,535,625</b> | <b>67,371,909</b>  | <b>67,942,947</b> |



# Forecast PY Actuals vs Current vs Projected

| CAFR TYPE                     | OB                              | Values           |                   |                    |                   |
|-------------------------------|---------------------------------|------------------|-------------------|--------------------|-------------------|
|                               |                                 | 2017             | 2018              | FY 18-19 PROJECTED | FY 19-20 PROJ BUD |
| ☐ PROCEEDS FROM SALE OF PROPE | SALE OF REAL PROPERTY           | (5,158)          | (500)             | 0                  | 0                 |
| ☐ R-TRANSFERS IN              | TRANSFERS IN                    | (1,250,000)      | (1,250,000)       | (1,250,000)        | 0                 |
| ☐ R-TRANSFERS IN (GENFD)      | TRANSFERS IN (GENFD)            | (4,728,472)      | (2,902,984)       | (2,902,984)        | (2,902,984)       |
| ☐ E-TRANSFERS OUT             | TRANSFERS OUT                   | 3,769,355        | 9,193,993         | 4,568,400          | 2,568,400         |
|                               | MEASURE V                       | 1,952,528        | 9,022,126         | 9,247,679          | 9,478,871         |
| ☐ E-TRANSFERS OUT (GENFD)     | TRANSFERS OUT (GENFD)           | 4,728,471        | 2,902,984         | 2,902,984          | 2,902,984         |
| ☐ E-SPECIAL ITEM              | PURCHASED SERVICES AND SUPPLIES |                  | 3,347,410         | 0                  | 0                 |
| <b>Grand Total</b>            |                                 | <b>4,466,725</b> | <b>20,313,028</b> | <b>12,566,079</b>  | <b>12,047,271</b> |

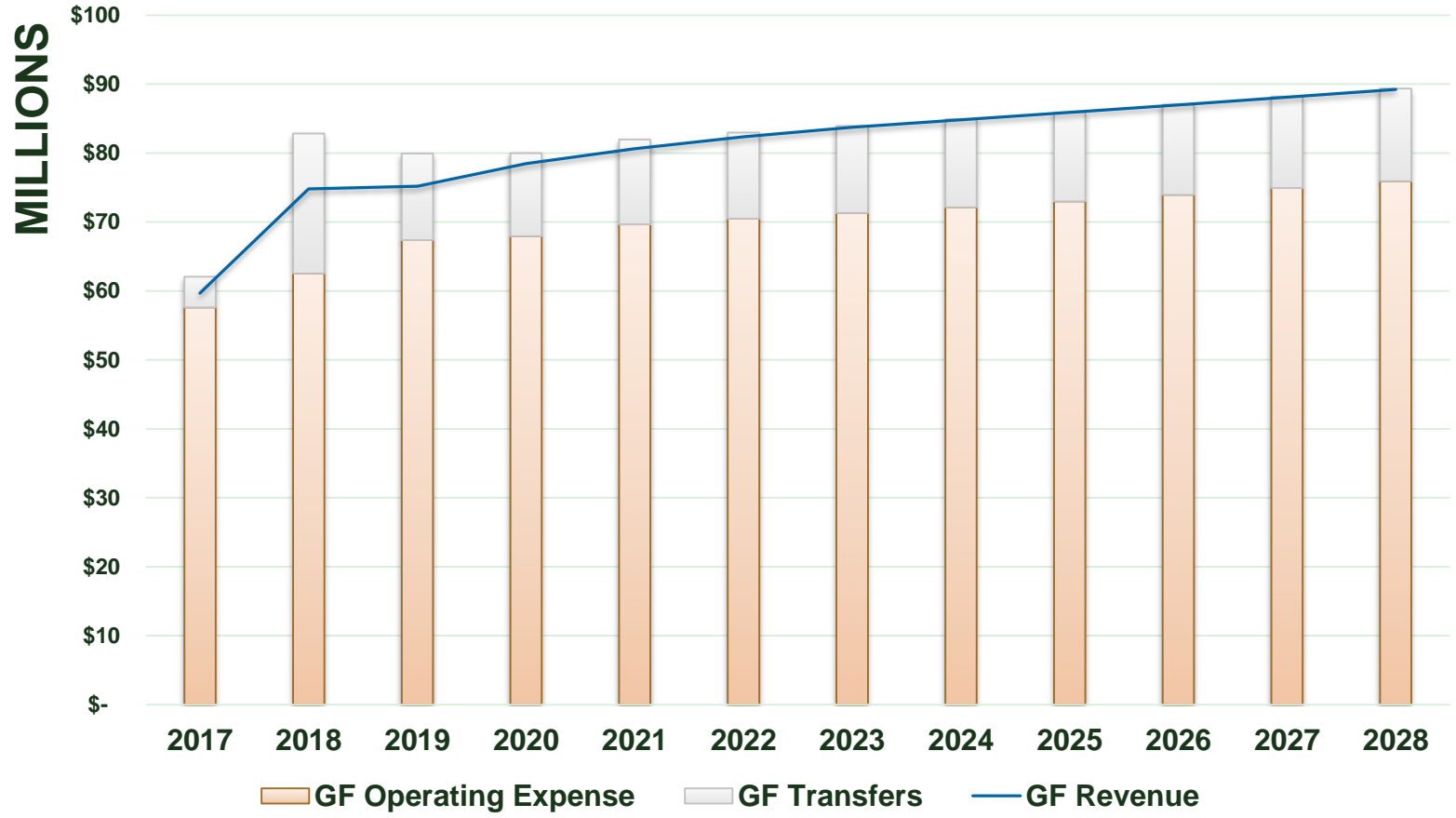


# Forecast Itemization – 10 Year

| FUND TYPE                    |                                 | GENERAL FUND        |                     | 1                   | 2                   | 3                   | 4                   | 5                   | 6                   | 7                    | 8                   | 9                   | 10                  |
|------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
|                              |                                 |                     | Values              |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
| CAFRTYPE                     | OB                              | 2017                | 2018                | FY 18-19 PROJECTED  | FY 19-20 PROJ BUD   | FY 20-21 PROJ BUD   | FY 21-22 PROJ BUD   | FY 22-23 PROJ BUD   | FY 23-24 PROJ BUD   | FY 24-25 PROJ BUDGET | FY 25-26 PROJ BUD   | FY 26-27 PROJ BUD   | FY 27-28 PROJ BUD   |
| ⊖R-TAXES                     | PROPERTY TAX                    | (20,641,833)        | (22,039,158)        | (23,088,660)        | (24,190,112)        | (25,346,107)        | (26,199,442)        | (27,082,306)        | (27,610,170)        | (28,148,452)         | (28,697,361)        | (29,257,108)        | (29,827,907)        |
|                              | SALES TAX                       | (21,338,139)        | (21,738,573)        | (22,282,038)        | (23,705,081)        | (23,942,361)        | (24,181,941)        | (24,423,840)        | (24,668,160)        | (24,914,923)         | (25,164,156)        | (25,415,882)        | (25,670,127)        |
|                              | OTHER TAXES                     | (2,240,831)         | (2,355,533)         | (2,379,089)         | (2,719,507)         | (3,058,666)         | (3,393,144)         | (3,419,503)         | (3,446,126)         | (3,473,015)          | (3,500,172)         | (3,527,602)         | (3,555,305)         |
|                              | MEASURE V                       | (1,952,528)         | (9,022,126)         | (9,247,679)         | (9,478,871)         | (9,715,842)         | (9,910,159)         | (10,058,812)        | (10,209,694)        | (10,362,839)         | (10,518,282)        | (10,676,056)        | (10,836,197)        |
| ⊖R-LICENSES AND PERMITS      | LICENSES AND PERMITS            | (2,980,580)         | (3,694,143)         | (3,768,026)         | (3,843,388)         | (3,881,820)         | (3,920,638)         | (3,959,845)         | (3,999,443)         | (4,039,488)          | (4,079,832)         | (4,120,630)         | (4,161,837)         |
| ⊖R-FINES AND FORFEITURES     | FINES AND FORFEITURES           | (198,176)           | (220,087)           | (466,322)           | (466,322)           | (466,322)           | (466,322)           | (466,322)           | (466,322)           | (466,322)            | (466,322)           | (466,322)           | (466,322)           |
| ⊖R-USE OF MONEY AND PROPERTY | USE OF MONEY                    | (639,648)           | (672,721)           | (699,630)           | (720,619)           | (735,031)           | (742,382)           | (749,805)           | (757,303)           | (757,303)            | (757,303)           | (757,303)           | (757,303)           |
| ⊖R-INTERGOVERNMENTAL         | REVENUES FROM OTHER AGENCIES    | (1,433,842)         | (1,583,992)         | (1,534,072)         | (1,564,754)         | (1,580,401)         | (1,596,205)         | (1,612,167)         | (1,628,289)         | (1,644,572)          | (1,661,018)         | (1,677,628)         | (1,694,404)         |
| ⊖R-CHARGES FOR SERVICES      | CHARGES FOR SERVICES            | (4,333,327)         | (11,340,070)        | (11,132,662)        | (11,216,111)        | (11,301,230)        | (11,344,640)        | (11,388,485)        | (11,432,788)        | (11,477,494)         | (11,522,667)        | (11,568,292)        | (11,614,373)        |
| ⊖R-CONTRIBUTIONS             | CONTRIBUTIONS                   | (159,175)           | (143,350)           | (147,221)           | (147,221)           | (147,221)           | (147,221)           | (147,221)           | (147,221)           | (147,221)            | (147,221)           | (147,221)           | (147,221)           |
| ⊖R-OTHER REVENUES            | OTHER REVENUES                  | (3,355,742)         | (1,574,233)         | (14,356)            | (14,356)            | (14,356)            | (14,356)            | (14,356)            | (14,356)            | (14,356)             | (14,356)            | (14,356)            | (14,356)            |
| ⊖R-SPECIAL ASSESSMENT        | SPECIAL ASSESSMENT              | (404,207)           | (421,006)           | (425,216)           | (429,468)           | (433,763)           | (438,100)           | (442,481)           | (446,906)           | (451,375)            | (455,889)           | (460,448)           | (465,052)           |
| <b>Grand Total</b>           |                                 | <b>(59,678,027)</b> | <b>(74,804,993)</b> | <b>(75,184,969)</b> | <b>(78,485,808)</b> | <b>(80,623,121)</b> | <b>(82,354,551)</b> | <b>(83,765,144)</b> | <b>(84,826,757)</b> | <b>(85,897,310)</b>  | <b>(86,984,579)</b> | <b>(88,088,848)</b> | <b>(89,210,404)</b> |
|                              |                                 |                     |                     |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
| FUND TYPE                    |                                 | GENERAL FUND        |                     |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
|                              |                                 |                     | Values              |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
| CAFRTYPE                     | OB                              | 2017                | 2018                | FY 18-19 PROJECTED  | FY 19-20 PROJ BUD   | FY 20-21 PROJ BUD   | FY 21-22 PROJ BUD   | FY 22-23 PROJ BUD   | FY 23-24 PROJ BUD   | FY 24-25 PROJ BUDGET | FY 25-26 PROJ BUD   | FY 26-27 PROJ BUD   | FY 27-28 PROJ BUD   |
| ⊖E-                          | PERSONNEL                       | 43,553,008          | 46,703,913          | 52,128,144          | 52,859,860          | 54,503,545          | 55,222,289          | 55,953,787          | 56,698,267          | 57,455,961           | 58,227,352          | 59,012,436          | 59,811,459          |
|                              | PURCHASED SERVICES AND SUPPLIES | 11,490,486          | 13,243,197          | 13,770,851          | 13,927,488          | 14,012,675          | 14,099,566          | 14,188,194          | 14,278,595          | 14,370,804           | 14,553,607          | 14,739,179          | 14,927,566          |
|                              | UTILITIES                       | 1,308,391           | 803,585             | 875,547             | 875,547             | 875,547             | 875,547             | 875,547             | 875,547             | 875,547              | 884,303             | 893,146             | 902,077             |
|                              | CAPITAL                         | 439,264             | 672,864             | 528,814             | 211,500             | 213,615             | 215,751             | 217,909             | 220,088             | 222,289              | 224,512             | 226,757             | 229,024             |
|                              | DEBT                            | 750,020             | 1,043,515           | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                    | 0                   | 0                   | 0                   |
|                              | Principal retirement            | 63,279              | 68,552              | 68,552              | 68,552              | 68,552              | 68,552              | 68,552              | 68,552              | 68,552               | 68,552              | 68,552              | 68,552              |
| <b>Grand Total</b>           |                                 | <b>57,604,448</b>   | <b>62,535,625</b>   | <b>67,371,909</b>   | <b>67,942,947</b>   | <b>68,673,934</b>   | <b>70,481,705</b>   | <b>71,303,989</b>   | <b>72,141,049</b>   | <b>72,993,153</b>    | <b>73,958,325</b>   | <b>74,940,069</b>   | <b>75,998,678</b>   |
|                              |                                 |                     |                     |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
| FUND TYPE                    |                                 | GENERAL FUND        |                     |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
|                              |                                 |                     | Values              |                     |                     |                     |                     |                     |                     |                      |                     |                     |                     |
| CAFRTYPE                     | OB                              | 2017                | 2018                | FY 18-19 PROJECTED  | FY 19-20 PROJ BUD   | FY 20-21 PROJ BUD   | FY 21-22 PROJ BUD   | FY 22-23 PROJ BUD   | FY 23-24 PROJ BUD   | FY 24-25 PROJ BUDGET | FY 25-26 PROJ BUD   | FY 26-27 PROJ BUD   | FY 27-28 PROJ BUD   |
| ⊖PROCEEDS FROM SALE OF PROPE | SALE OF REAL PROPERTY           | (5,158)             | (500)               | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                    | 0                   | 0                   | 0                   |
| ⊖R-TRANSFERS IN              | TRANSFERS IN                    | (1,250,000)         | (1,250,000)         | (1,250,000)         | 0                   | 0                   | 0                   | 0                   | 0                   | 0                    | 0                   | 0                   | 0                   |
| ⊖R-TRANSFERS IN (GENFD)      | TRANSFERS IN (GENFD)            | (4,728,472)         | (2,902,984)         | (2,902,984)         | (2,902,984)         | (2,902,984)         | (2,902,984)         | (2,902,984)         | (2,902,984)         | (2,902,984)          | (2,902,984)         | (2,902,984)         | (2,902,984)         |
| ⊖E-TRANSFERS OUT             | TRANSFERS OUT                   | 3,769,355           | 9,193,993           | 4,568,400           | 2,568,400           | 2,568,400           | 2,568,400           | 2,568,400           | 2,568,400           | 2,568,400            | 2,568,400           | 2,568,400           | 2,568,400           |
|                              | MEASURE V                       | 1,952,528           | 9,022,126           | 9,247,679           | 9,478,871           | 9,715,842           | 9,910,159           | 10,058,812          | 10,209,694          | 10,362,839           | 10,518,282          | 10,676,056          | 10,836,197          |
| ⊖E-TRANSFERS OUT (GENFD)     | TRANSFERS OUT (GENFD)           | 4,728,471           | 2,902,984           | 2,902,984           | 2,902,984           | 2,902,984           | 2,902,984           | 2,902,984           | 2,902,984           | 2,902,984            | 2,902,984           | 2,902,984           | 2,902,984           |
| ⊖E-SPECIAL ITEM              | PURCHASED SERVICES AND SUPPLIES |                     | 3,347,410           | 0                   | 0                   | 0                   | 0                   | 0                   | 0                   | 0                    | 0                   | 0                   | 0                   |
| <b>Grand Total</b>           |                                 | <b>4,466,725</b>    | <b>20,313,028</b>   | <b>12,566,079</b>   | <b>12,047,271</b>   | <b>12,284,242</b>   | <b>12,478,559</b>   | <b>12,627,212</b>   | <b>12,778,094</b>   | <b>12,931,299</b>    | <b>13,086,682</b>   | <b>13,244,456</b>   | <b>13,404,597</b>   |
| Surplus/Deficit              |                                 | (2,393,145)         | (8,043,661)         | (4,753,018)         | (1,494,410)         | (1,335,056)         | (605,713)           | (166,057)           | (92,386)            | (27,083)             | (60,428)            | (95,678)            | (132,870)           |



# General Fund w/ Measure V

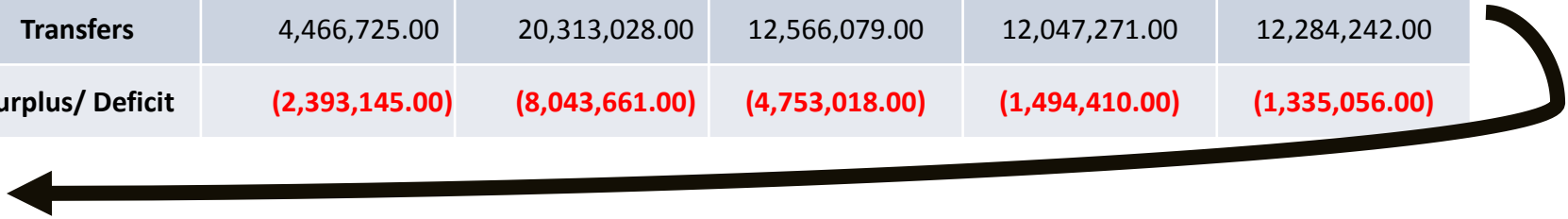






# Forecasted Deficits

|                  | 2017            | 2018            | 2019            | 2020            | 2021            |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue          | (59,678,027.00) | (74,804,993.00) | (75,184,969.00) | (78,495,808.00) | (80,623,121.00) |
| Expenditures     | 57,604,448.00   | 62,535,625.00   | 67,371,909.00   | 67,942,947.00   | 69,673,934.00   |
| Transfers        | 4,466,725.00    | 20,313,028.00   | 12,566,079.00   | 12,047,271.00   | 12,284,242.00   |
| Surplus/ Deficit | (2,393,145.00)  | (8,043,661.00)  | (4,753,018.00)  | (1,494,410.00)  | (1,335,056.00)  |



| 2022            | 2023            | 2024            | 2025            | 2026            | 2027            | 2028            |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (82,354,551.00) | (83,765,144.00) | (84,826,757.00) | (85,897,310.00) | (86,984,579.00) | (88,088,848.00) | (89,210,404.00) |
| 70,481,705.00   | 71,303,989.00   | 72,141,049.00   | 72,993,153.00   | 73,958,325.00   | 74,940,069.00   | 75,938,678.00   |
| 12,478,559.00   | 12,627,212.00   | 12,778,094.00   | 12,931,239.00   | 13,086,682.00   | 13,244,456.00   | 13,404,597.00   |
| (605,713.00)    | (166,057.00)    | (92,386.00)     | (27,083.00)     | (60,428.00)     | (95,678.00)     | (132,870.00)    |



# CalPERS Update





# CalPERS Update

## Investments (PERF\*)

Total Fund Market Value & Total Net Investment Return\*\* 10-year Review  
(for FY end 6/30)

|      | (in billions) | (%)     |
|------|---------------|---------|
| 2018 | \$354.0       | 8.6%    |
| 2017 | \$326.4       | 11.2%   |
| 2016 | \$302.0       | 0.6%    |
| 2015 | \$301.9       | 2.4%    |
| 2014 | \$300.3       | 18.4%   |
| 2013 | \$257.9       | 13.2%   |
| 2012 | \$233.4       | 0.1%    |
| 2011 | \$237.5       | 21.7%   |
| 2010 | \$200.0       | 13.3%   |
| 2009 | \$180.9       | (24.0%) |

Total Net Investment Return\* (for FY end 6/30)

|                           |             |
|---------------------------|-------------|
| FY to date . . . . .      | 8.6%        |
| 3 years . . . . .         | 6.7%        |
| 5 years . . . . .         | 8.1%        |
| 10 years . . . . .        | 5.6%        |
| 20 years . . . . .        | 6.1%        |
| <b>30 years . . . . .</b> | <b>8.4%</b> |

\* Net time-weighted rate of returns

\* Public Employees' Retirement Fund (PERF)

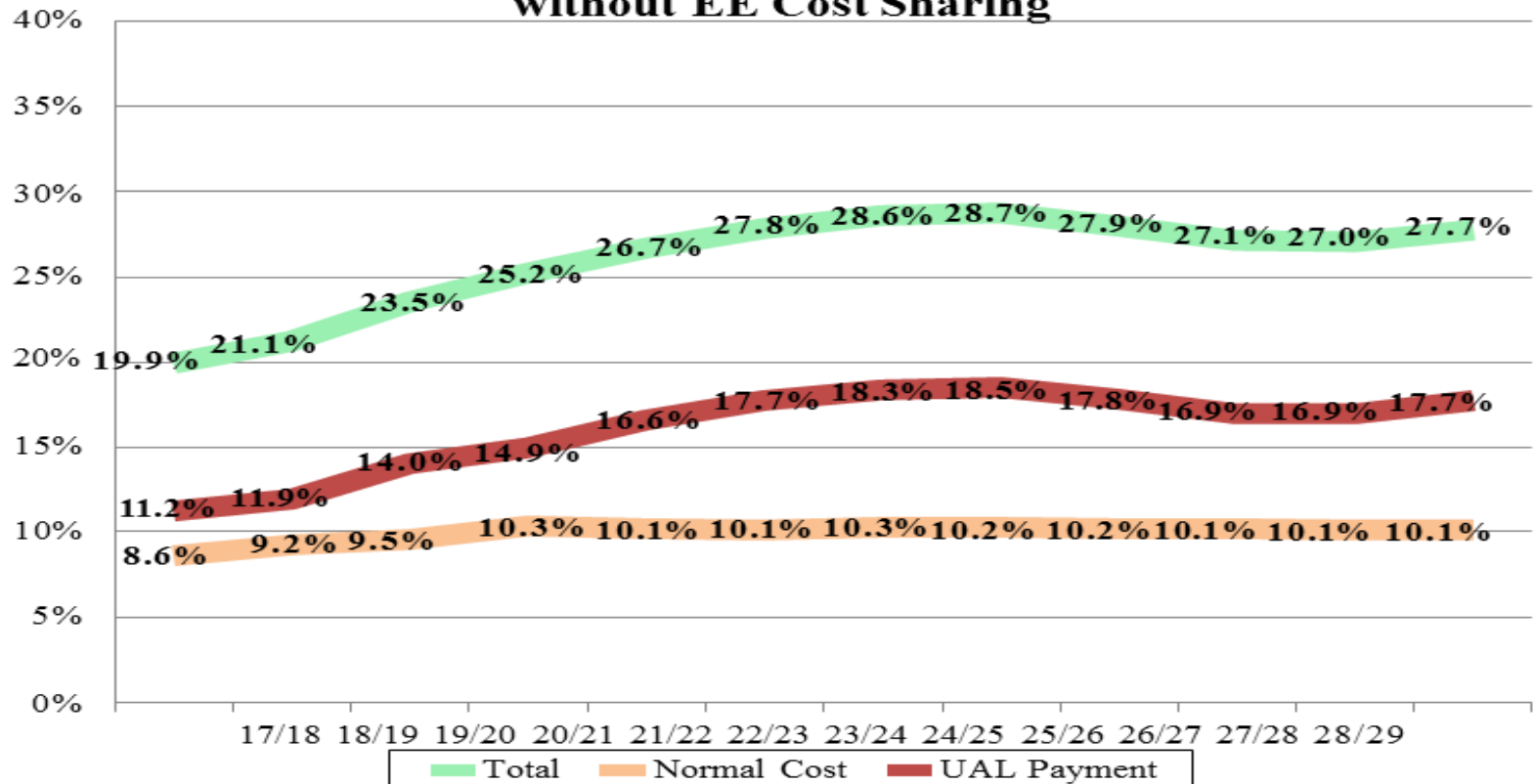
\*\* Net time-weighted rate of returns



# CalPERS Misc. Increases

## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

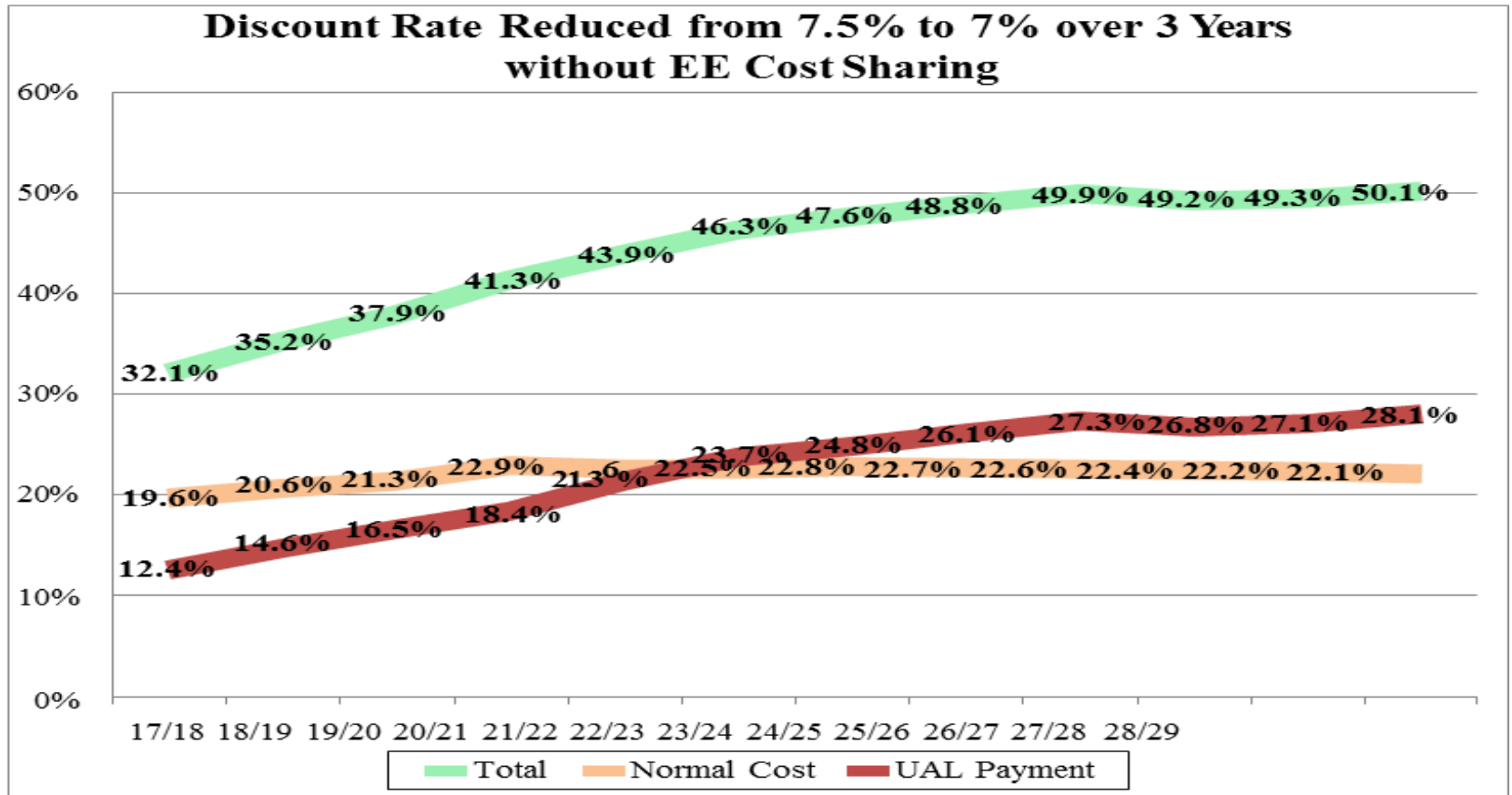
**Discount Rate Reduced from 7.5% to 7% over 3 Years without EE Cost Sharing**





# CalPERS Safety Increases

## CONTRIBUTION PROJECTIONS - SAFETY





# Fiscal Year 2018 CAFR General Fund

## Committed/ Assigned/ Unassigned

### Summary of the General Fund Reserves as of June 30, 2018

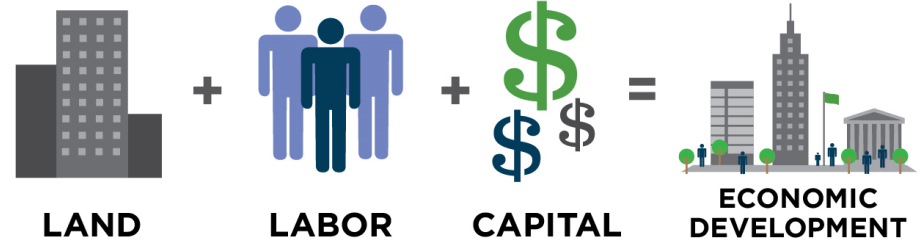
|               |                                  |              |
|---------------|----------------------------------|--------------|
| Non-spendable | Advances To Other Funds          | \$ 1,042,000 |
|               | Loans Receivable                 | 482,841      |
| Committed     | 20% reserve                      | 14,960,997   |
| Assigned      | 10% reserve (Economic Stability) | 7,480,499    |
|               | Measure V                        | 7,550,250    |
|               | Prior Year Re-Appropriations     | 1,594,000    |
|               | 2019 Budget Appropriations       | 4,350,000    |
|               | Animal Control                   | 22,193       |
| Uncommitted   | Uncommitted                      | 842,109      |
|               |                                  | <hr/>        |
|               |                                  | \$38,324,889 |

Source: FY2018 CAFR



# Forecast FY2020 Budget Guidance

- SERVICE LEVEL**
- Excellent
  - Very Good
  - Satisfactory
  - Marginal





# Forecast Variables

- **Potential Outcomes that Would Improve Forecast**

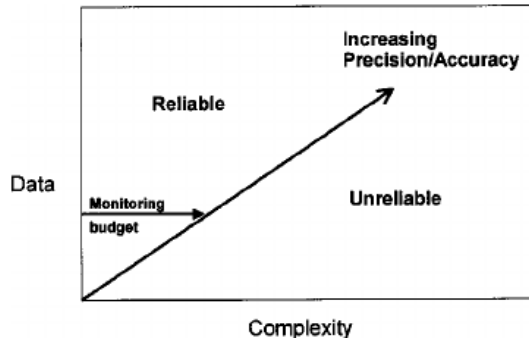
- Higher employee vacancy rates (more vacant positions or vacancies for longer periods of time)
- Delayed or weaker recessions
- PERS investment gains
- Stronger economic development than already included in forecast

- **Potential Outcomes that Would Worsen Forecast**

- PERS investment losses (or additional discount rate cuts)
- Weaker revenue growth, fewer new hotel rooms, or more severe recession losses
- Higher annual COLAs approved than the assumptions in forecast
- Staffing levels increased beyond current levels
- Discretionary one-time expenditures



# Forecast Conclusions



## What's the difference?

americanenglish.state.gov

### INDEFINITE PRONOUNS

#### EVERYTHING

= all things  
used with a singular verb

Everything is packed, and we are ready to move to our new house.

#### SOMETHING

= a thing that is not specified  
used with a singular verb  
often used in positive statements

Nina knew something was wrong because her friend's behavior was strange.

#### ANYTHING

= a thing of any kind;  
it doesn't matter which thing  
used with a singular verb  
often used in questions  
& negative statements

I'm hungry. Do you have anything to eat?

#### NOTHING

= no thing  
used with a singular verb  
not used with another negative

I've covered all the main points.  
I have nothing more to say.



# Questions and Direction

