

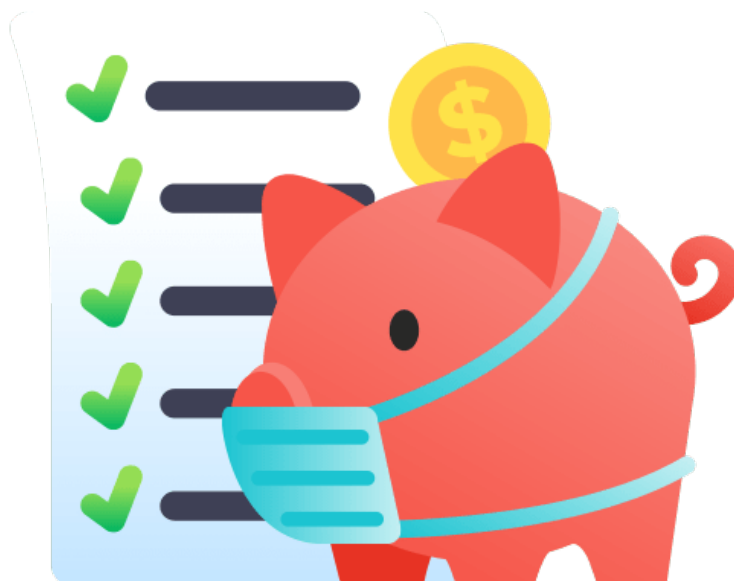
Message from the Director of Finance and Information Systems:

The City publishes many annual financial documents; however, given the volume, timing and complexity of those documents it can be difficult to identify and focus on the most critical information. We have created this report to help consolidate these critical items into a simple format. We hope you find the Snapshot helpful and welcome any feedback.

PANDEMIC ECONOMIC IMPACTS**General Fund**

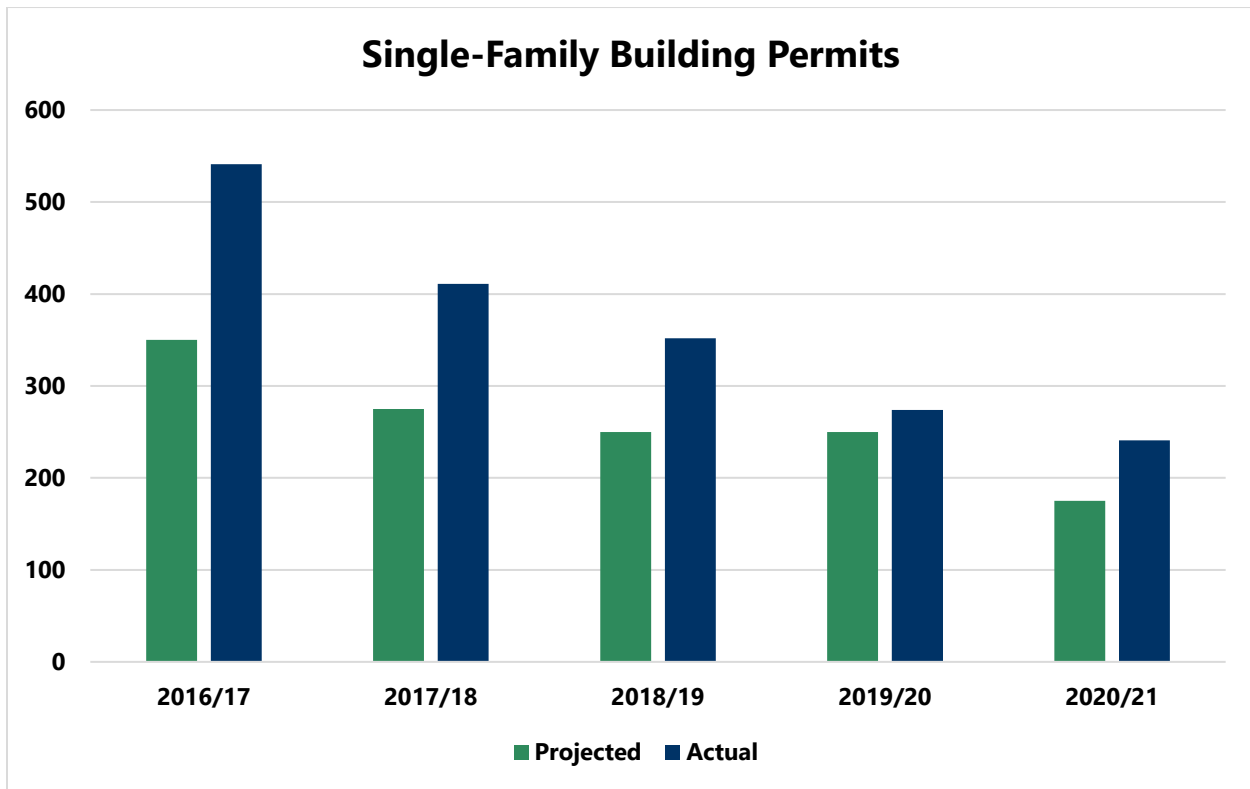
The past fifteen months have been some of the most fiscally unpredictable ever experienced by the City. In the initial days of the pandemic there were dire economic projections - the stock market crashed, strict stay at home orders were implemented and there was fear of a modern day Great Depression. Since that initial shock in March/April 2020, the City's fiscal condition has continued to improve. Record amounts of government stimulus kept dollars flowing and consumers spending. Historic low interest rates and the onset of work from home capabilities helped spur demand for housing, pushing values to record highs. The stock market recovered, and then some, setting new highs only months after the initial shock. General Fund revenues now exceed pre-pandemic levels.

The City initially took steps to reduce spending, and has gradually restored the majority of spending reductions over the past nine months. The City finished the year with a surplus of approximately \$2.0 million, or about 3.5% of the General Fund budget. While some of this surplus will be used to fund new services yet to come online, such as the Police Department 5th Beat, the City's future costs will be somewhat controlled as a result of strategies to paydown unfunded pension and retiree medical liabilities. The City entered the pandemic in good financial shape and is well positioned for the future.



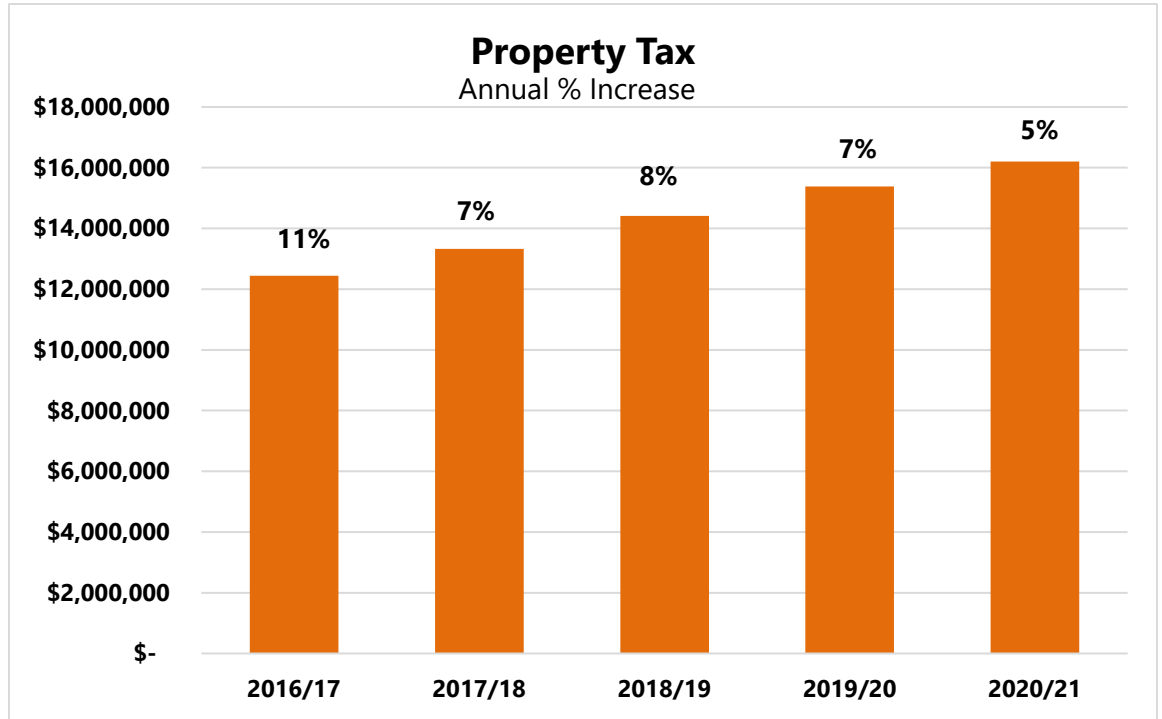
PERMIT ACTIVITY – 241 Single-Family Building Permits

The housing market remained very strong throughout the year, with rising values and increased demand. The City exceeded its budgeted permit count of 175 new single-family permits during the year, resulting in development revenues above budget. The trend of reduced single family housing development continued, however, as the permit issuance is down 50% over the past three years.



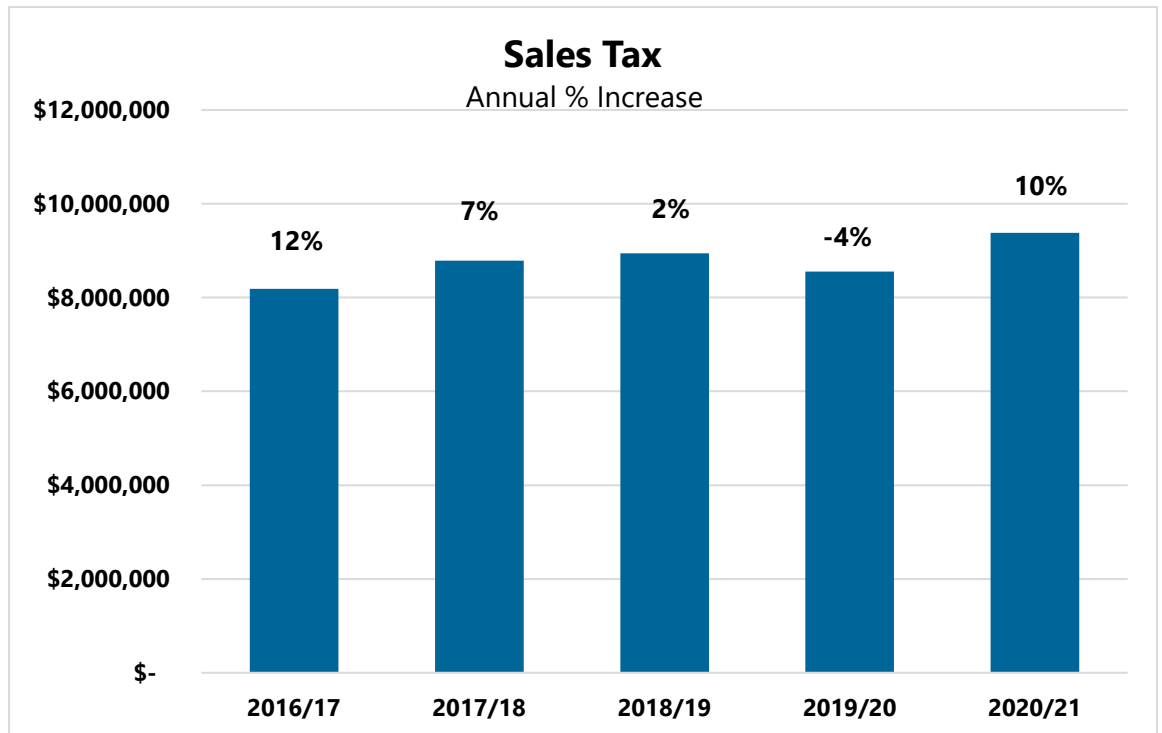
Property Tax Revenue

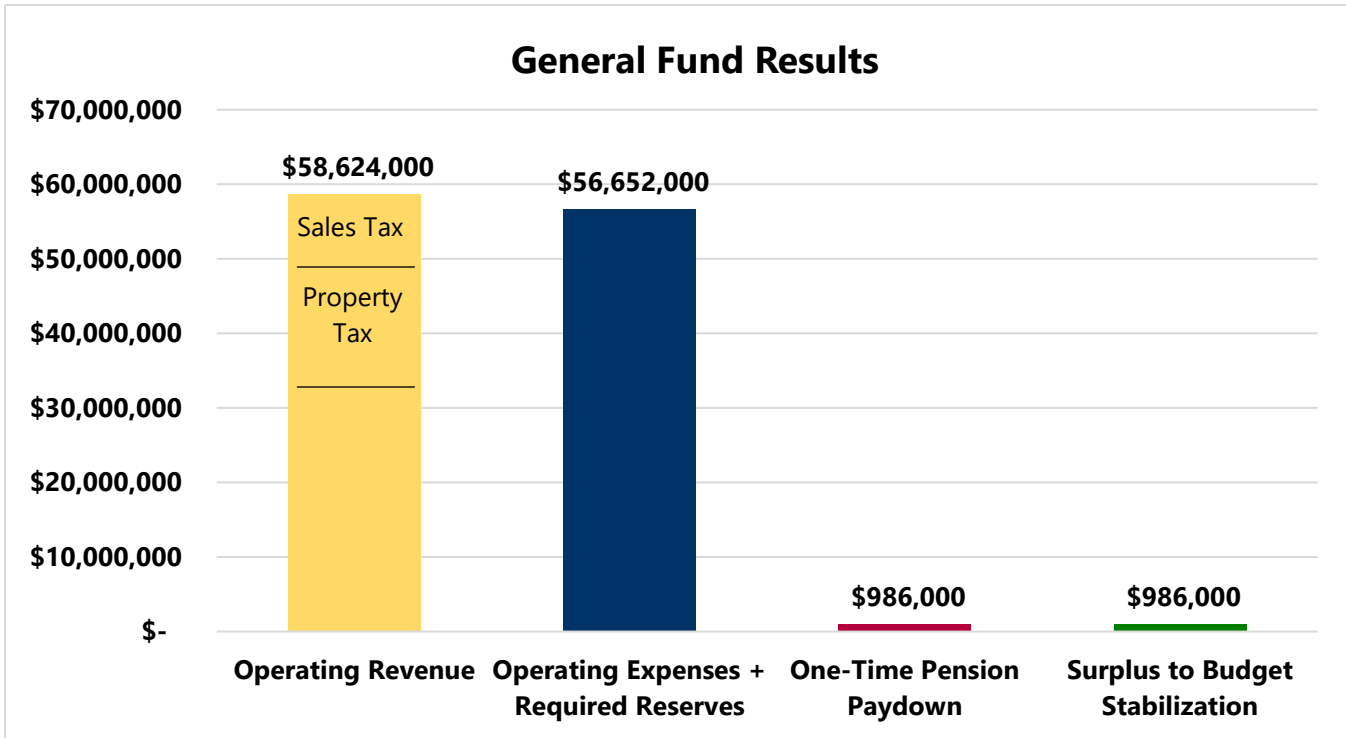
Property tax revenue, the General Fund's top revenue source, has performed well over the past five years. FY 2021/22 property taxes are expected to continue to trend upward as the housing market has shown remarkable strength despite the pandemic.



Sales Tax Revenue

Sales tax revenue, the General Fund's second largest revenue source, was growing at a healthy pace until the pandemic induced slowdown. A strong recovery has since occurred, with continued growth projected in the coming years.





GENERAL FUND RESULTS

General Fund revenues exceeded expenses and amounts set aside for Council directed reserves by \$2.0 million during the fiscal year. The surplus was due to the following factors:

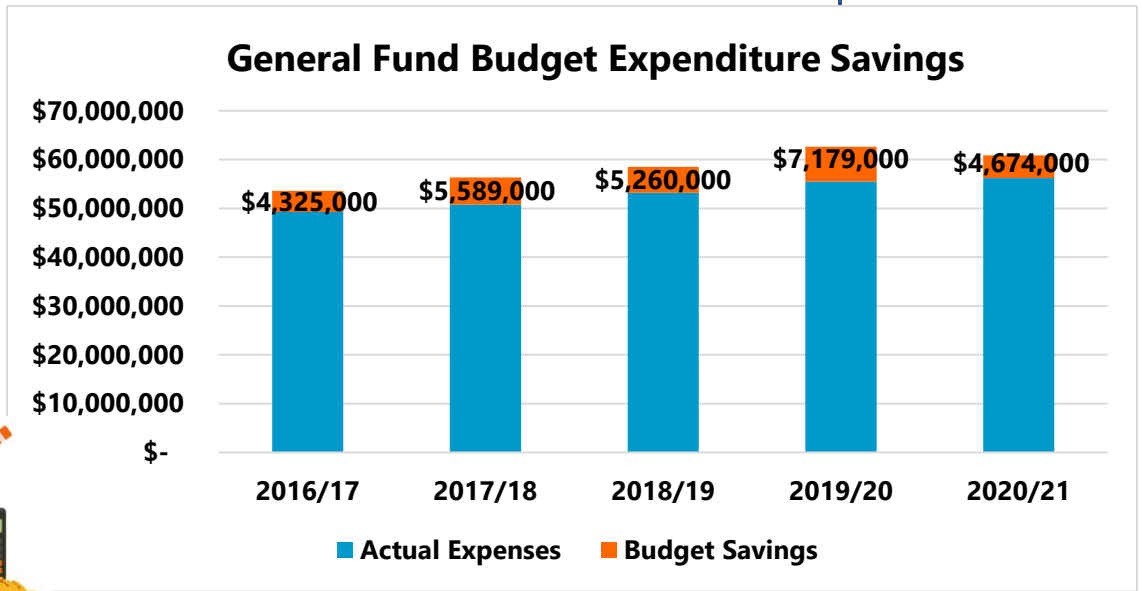
- Continued strength in the housing market resulting in better than expected development revenues, property transfer taxes and supplemental property taxes
- A significant amount of government stimulus, resulting in a 10% increase in sales tax revenues, along with better than expected business license and hotel tax revenues
- Savings on Parks programs and part-time staffing costs from the cancellation of activities and facility rentals

Pursuant to City Council policy, 1/2 of the surplus (\$1 million) will be used to reduce unfunded pension obligations via a lump sum payment while the other 1/2 will be transferred to the Budget Stabilization Fund. The Budget Stabilization Fund is used to offset rising pension and retiree medical costs in the intermediate-term, and has provided a source for additional pension pay down payments in 2018, 2019 and 2021. In the coming 10-12 years, pension costs are projected to level off and decline, eliminating the need for the Budget Stabilization Fund to help balance future budgets.



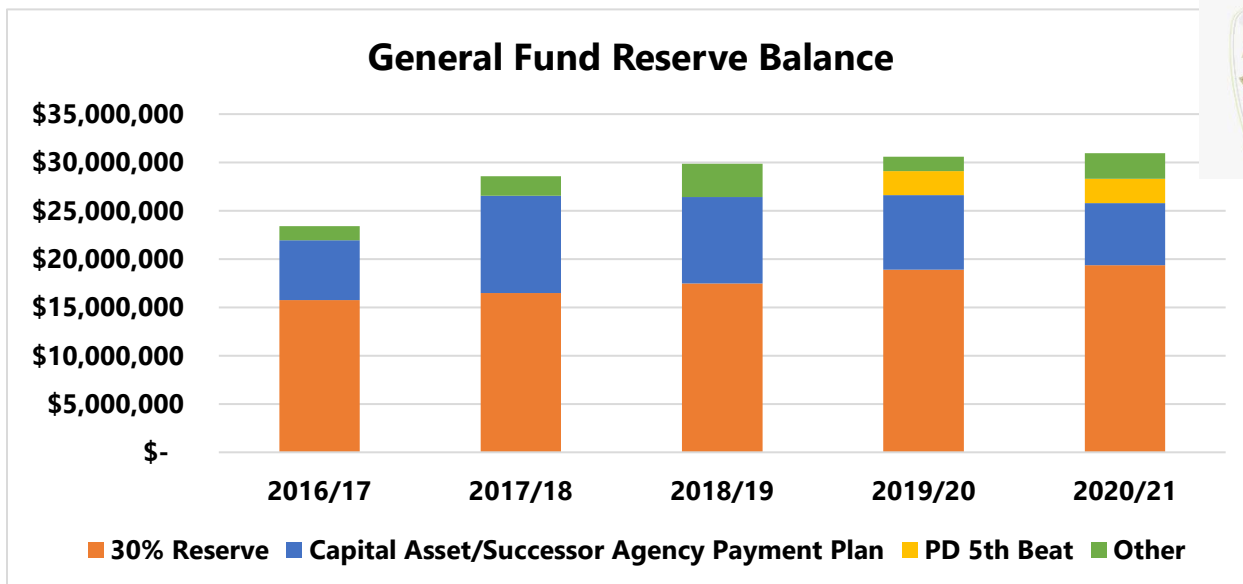
GENERAL FUND EXPENDITURE SAVINGS

Historically, we have had significant expenditure savings when comparing results to the budget. This helps reduce or eliminate the need to transfer in funds from the Budget Stabilization Fund. Last year we saved about \$4.7 million compared to the budget. Vacant positions throughout the year, along with pandemic related impacts such as reduced parks programming options were responsible for a large portion of this savings.



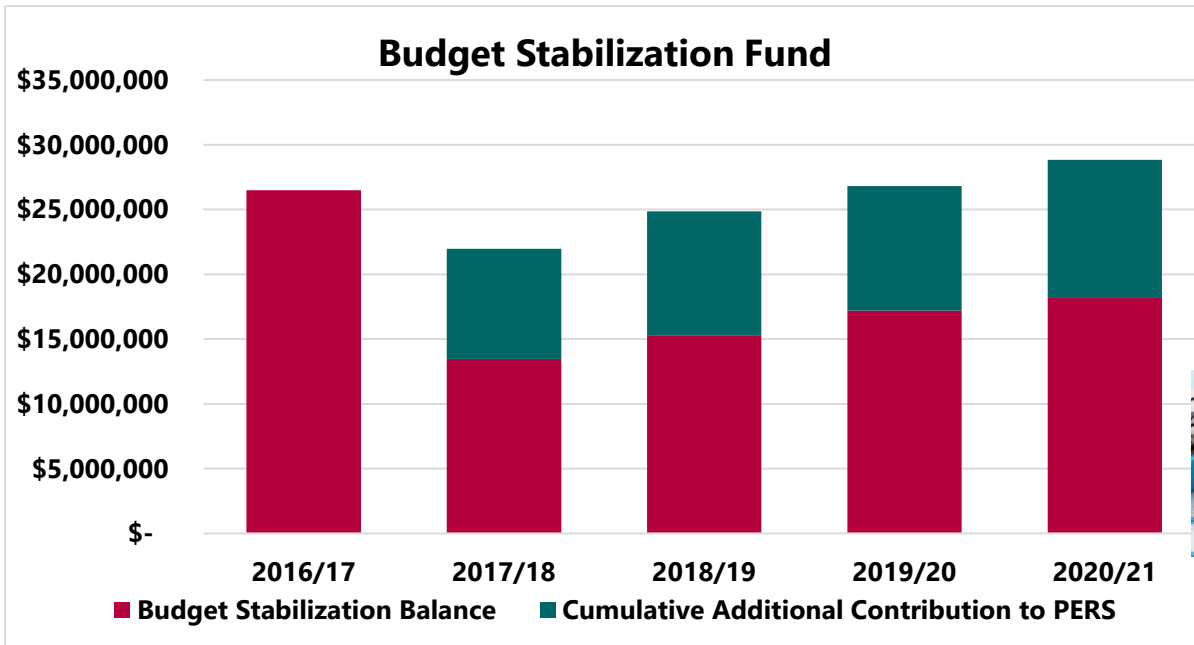
GENERAL FUND RESERVES

Per City Council Policy, the General Fund maintains a 30% reserve. In addition, we have reserves for other future expenses. For example, the Successor Agency Payment Plan reserve is fully funded. Other reserve items include amounts set aside to fund the first two years of the Police Department 5th beat and future Strategic Initiatives.



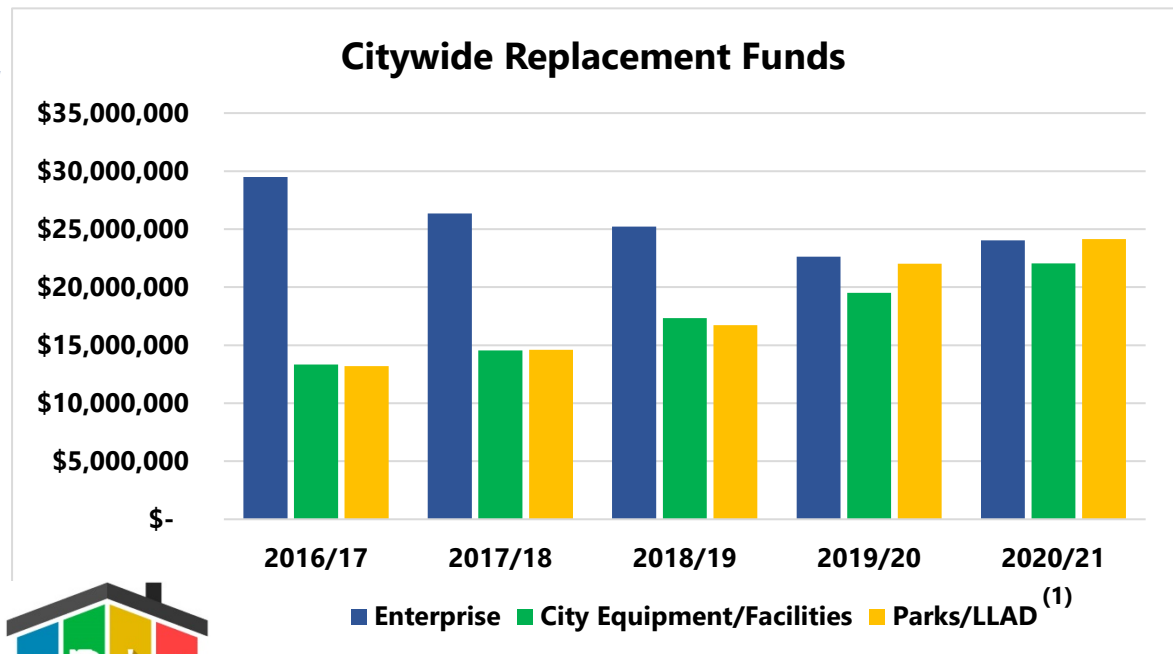
BUDGET STABILIZATION FUND

In July 2018, \$8.5 million of the Budget Stabilization Fund balance was used for a pension paydown payment, reducing the City's unfunded pension obligation. An additional \$1.1 million pension paydown payment was made in October 2019. These payments will save the General Fund nearly \$17 million in future pension costs. Additional payments are planned for 2021. The current balance of the Budget Stabilization Fund is approximately \$18.3 million, equivalent to about 28% of General Fund expenditures.



CITYWIDE REPLACEMENT FUNDS

The City ensures that sufficient funds are being set aside annually for future asset replacement needs. By the end of FY 2020/21, we had \$70.2 million set-aside for citywide asset replacement. Enterprise replacement funds were used over the past several years to fund several significant water replacement capital projects.



(1) LLAD - Landscape and Lighting Assessment District

PANDEMIC ECONOMIC IMPACTS

Enterprise Funds

The pandemic has had a significant negative fiscal impact on the City’s Enterprise (Water, Wastewater and Solid Waste) funds. As of June 30, 2021 delinquent balances were \$1,571,000 as compared to \$509,000 in 2019. The City is working with residents who have fallen behind and is also applying for relief funding from State agencies.

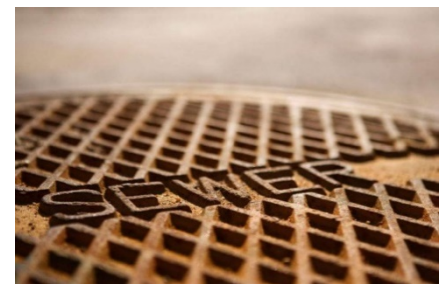


ENTERPRISE RESERVES

We have a 30% cash reserve goal for the Enterprise Funds. The following table shows the status of each fund at 2020/21 fiscal year-end. The Water Enterprise is in danger of falling below 30% in the months ahead due to unpaid customer balances.

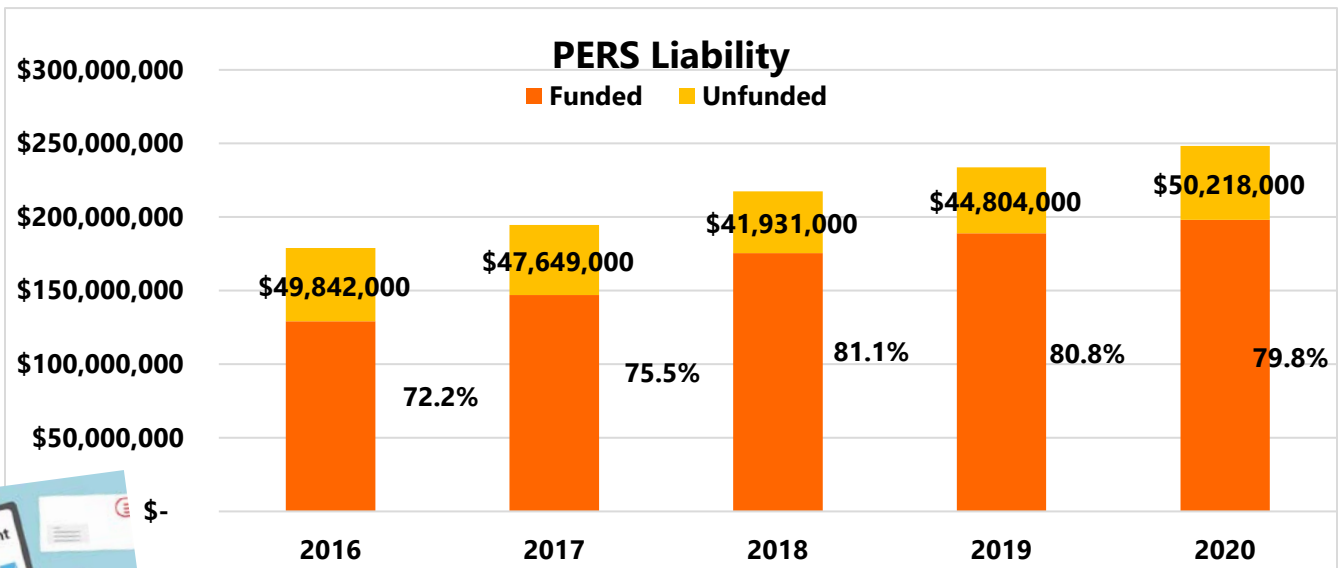
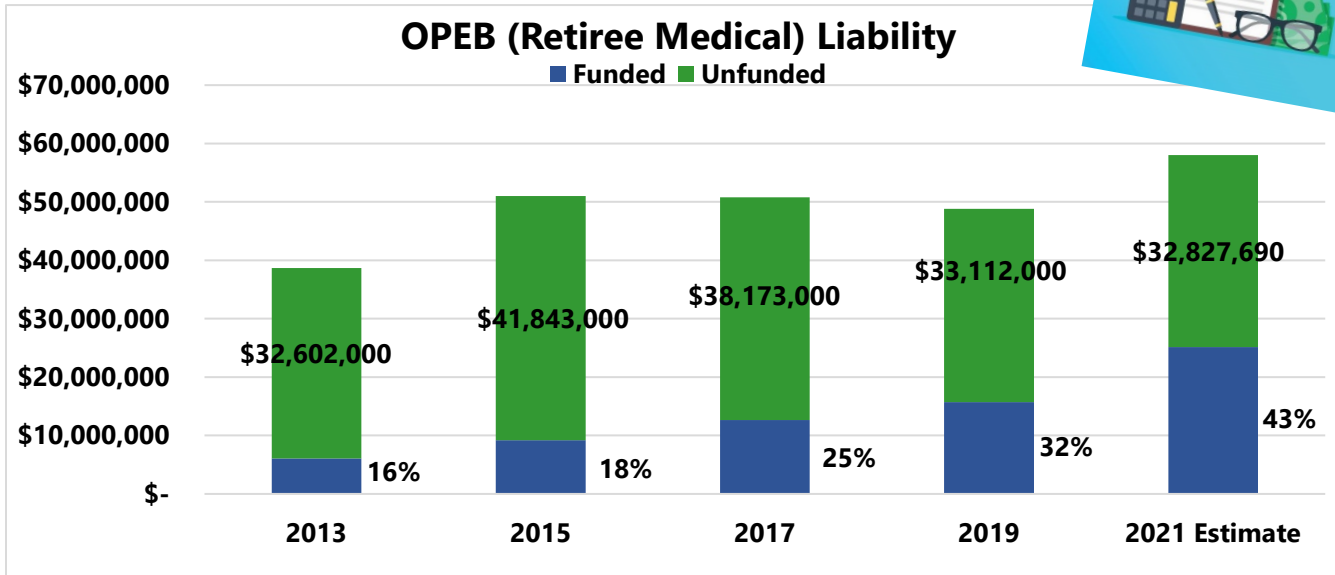


Enterprise Fund	30% Reserve Met?
Solid Waste	Yes
Water	Yes
Wastewater	Yes



OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The funding percentage for retiree medical benefits continues to improve. In 2011 the City's OPEB Trust was only 1% funded! Similar advances are projected in the coming decade.



PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The City's pension funding percentage is well above the statewide average due in large part due to extra contributions made in 2018 and 2019. The most recent valuation from CalPERS is as of June 30, 2020, prior to significant gains in the stock market. As such, the City will see a large increase in the funded percentage when the 2021 valuation is released next year. The City also continues to make additional payments to reduce the unfunded liability.