

City of Brentwood

**2009/10 - 2018/19
GENERAL FUND FISCAL MODEL**





Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program (CIP), the Operating Budget, the Cost Allocation Plan, the General Fund Fiscal Model and the Comprehensive Annual Financial Report (CAFR). This year each of the covers will portray a “Snapshot of Brentwood” highlighting some of the many reasons visitors, businesses and residents are drawn to the City of Brentwood.

COVER: This year’s General Fund Fiscal Model cover shows a small sampling of Brentwood’s 58 award winning parks. Brentwood is proud to offer its residents and visitors a wide variety of parks to choose from including our Aquatic Complex, Sports Complex, Skate Park, Dog Park, Veterans Park, and play structures with water features. Brentwood has 190 developed acres of parkland and 16 miles of beautiful trails. This “commitment to play” has resulted in Brentwood being recognized by KaBOOM! as a “Playful City USA” community.



List of Principal Officials

City Officials

Robert Taylor Mayor
Erick Stonebarger..... Vice Mayor
Chris Becnel Council Member
Robert Brockman Council Member
Brandon Richey Council Member

Executive Team

Donna Landeros City Manager
Damien Brower City Attorney
Craig Bronzan Director of Parks & Recreation
Karen Chew Assistant City Manager
Pamela Ehler City Treasurer / Director of Finance & Information Systems
Mark Evenson Chief of Police
Bailey Grewal Director of Public Works / City Engineer
Casey McCann Director of Community Development



March 2010

The Honorable Mayor, Members of the City Council and Citizens of the City of Brentwood
City of Brentwood
Brentwood, California 94513

Dear Mayor, Members of the City Council and Citizens of the City of Brentwood:

We are pleased to present you with the City of Brentwood's 2009/10 – 2018/19 General Fund Fiscal Model ("Fiscal Model"). The primary objective of the Fiscal Model is to take a ten year look down the road in order to ensure the City has a financially healthy future. With the severity of the current recession, and the uncertainty facing many government agencies, the need for long range forecasting and sound financial planning has never been greater.

The Fiscal Model provides a detailed analysis and projection of the next ten years of revenues, expenses and fund balance of the General Fund. Several years ago the City Council adopted the development of a Fiscal Model as one of their goals in an effort to identify potential financial difficulties before they became a reality. The Fiscal Model provides the City Council with a tool to help determine the financial feasibility of any priorities or goals they may choose to adopt. The Fiscal Model also alerts management and the City Council to potential shortfalls and affords them the time to develop practical solutions with minimal impacts to our citizens.

The Fiscal Model is a dynamic tool that allows staff to run countless "what-if" scenarios and easily assess the fiscal impact of either a single change or multiple changes. The interactive version of the model is available through the Finance Department to assist City staff in studying the financial implications of their long-term planning decisions.

Work on the Fiscal Model began in 2005 and was a collaborative effort involving every City Department. The Fiscal Model was presented to the City Council in 2007. Since that time, staff has utilized the model in the budget development process and continues to refine and improve upon the capabilities of the model. Since the model's creation, we have continued to update and fine tune the model for every conceivable detail. Examples of variables incorporated into the model include: projected retirement contribution rate increases; impacts of bargaining unit agreements; a long-term funding strategy for retiree medical costs; bi-annual election costs; projected rising interest rates and the fiscal impacts of opening new facilities such as the City Hall, Community Center, the Senior Center and other facilities as they are completed.

The Fiscal Model identifies future ongoing General Fund shortfalls. Management staff will identify actions and strategies for the City Council's consideration which will resolve these shortfalls. The City

staff remains committed to operating with a balanced budget and will incorporate the requisite budget recommendations needed to present a balanced General Fund budget to the City Council in June.

The City Council's dedication to fiscal responsibility has been evidenced by the difficult decisions which have been made over the past several years. These decisions have allowed the City to avoid using reserves to balance the General Fund budget.

In accordance with the current prevailing economic consensus, the assumptions in the Fiscal Model incorporate a slow and gradual economic recovery over the next few years. The current economic climate, including current housing prices and consumer purchasing activity, are included in the forecast as the "new normal". The Fiscal Model shows that this new environment will present the City with several long-term fiscal challenges over the next decade. These challenges bring into question whether the current expenditure structure of the City is sustainable in the long run. **Notwithstanding a return to the economic environment of 2006, the City's long-term ability to fund rising retiree medical costs, increasing California Public Employees Retirement System (CalPERS) pension obligations and ever-increasing medical benefit expenses, all from a declining revenue base, must be closely studied.** Strategies and options will be developed for the Council's consideration as part of the budget decisions for the upcoming fiscal year.

While the City has been significantly impacted by the recession, the City continues to remain financially healthy and well-positioned for the future. Last fiscal year the City was able to use accumulated General Fund savings from previous years to establish a \$2.1 million Budget Stabilization Fund. These funds, along with the City's \$3.3 million Emergency Preparedness Fund (with funding included in this Fiscal Model to bring the Emergency Preparedness balance up to \$5.9 million), could be used by the General Fund if the recession were to deepen or extend beyond this year. Through proactive planning and strong leadership from the City Council, our City has remained fiscally strong while many other agencies are rapidly burning through their reserves.

We would like to express our appreciation to all of the City Departments for their contributions and hard work in developing the Fiscal Model. Special recognition is given to Kerry Breen, Business Services Manager, for his role as the City's principal lead on the project. Appreciation is also expressed to the Mayor and the City Council for their interest and support in planning and conducting the financial activities of the City in a responsible and responsive manner.

Respectfully submitted,



Donna Landeros
City Manager



Pamela Ehler
City Treasurer / Director of Finance and Information System

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

FISCAL MODEL FORECAST 5

GROWTH PROJECTION MODEL 8

REVENUE SUMMARY 10

EXPENSE SUMMARY 15

FUND BALANCE 22

SUB-MODELS AND REPORTS..... 24

CONCLUSION 25

APPENDIX..... 27

TABLES / GRAPHS / EXHIBITS

GRAPH 1: ENDING UNRESERVED FUND BALANCE6

TABLE 1: GROWTH PROJECTION SUMMARY – RESIDENTIAL8

TABLE 2: GROWTH PROJECTION SUMMARY – COMMERCIAL9

EXHIBIT 1: MULTI-CITY COMPARISON OF PROPERTY TAX REVENUE11

EXHIBIT 2: MULTI-CITY COMPARISON OF 2009 SALES TAX REVENUE12

TABLE 3: REVENUE SUMMARY13

GRAPH 2: REVENUES AND EXPENDITURES14

TABLE 4: EXPENSE SUMMARY BY DEPARTMENT16

TABLE 5A: DEPARTMENT’S SHARE OF BUDGET16

TABLE 5B: DEPARTMENT’S SHARE OF BUDGET (EX OPEB AND TRANSFERS OUT).....17

TABLE 6: SUMMARY OF STAFFING INCREASES17

TABLE 7: SUMMARY OF NEW STAFFING COSTS18

TABLE 8: SIGNIFICANT BENEFIT COST INCREASES18

TABLE 9: SUMMARY OF STAFFING COST INCREASES20

TABLE 10: FUND BALANCE SUMMARY23



EXECUTIVE SUMMARY

In 2003, the City of Brentwood began development on an interactive and dynamic 10-year Fiscal Model. At that time, the combination of rapid development and soaring home prices were providing the City's General Fund with significant annual revenue increases. Although the severity of the current recession was not predicted at that time, City staff understood that the rapid growth which had lasted several years could not be sustained. Sound fiscal management dictated that staff should investigate the long-term viability of the City once it began to approach build-out. Would the City's operations be sustainable in an environment with little development revenue and modest annual revenue increases? This question provided the impetus for the creation of the first Fiscal Model. Since its inception in 2004, City staff has continued to revise and improve upon the model. These achievements were recognized in 2008, when the Fiscal Model was one of only three documents recognized for an award by the California Society of Municipal Finance Officers (CSMFO) in the "Innovation" category.

The Fiscal Model was designed to be a living document, allowing staff to continually update the model as often as needed to keep up with changing economic conditions. The Fiscal Model takes the City's current financial position and, using numerous assumptions and variables, provides a full 10-year fiscal forecast. Several improvements have been added to this version, including modeling the impacts of the City Council approved retiree medical funding strategy and the impacts of the opening of a new City Hall and Community Center. For the first time, the Fiscal Model will also present alternate forecasts which simulate the impacts of different economic conditions. These alternate forecasts can be found in the Appendix, beginning on page 27. The Fiscal Model was prepared entirely in house, without the assistance or expense of outside consultants.

The model has five interlinked sections:

- A development model.
- Expense models for each department and division, summarized at the General Fund level and supported by a staffing and compensation model.
- An employee compensation model, including variables for health care, retiree medical and pension funding.
- A revenue model for each major revenue source.
- A fund balance model.

This Fiscal Model is important and different in several ways. First, the shortcoming of traditional financial models is they usually have only a few inflationary assumptions and therefore can be significantly inaccurate. This methodology does not incorporate many of the significant variables which can substantially change the projections. The City's model identifies as many variables as possible, while at the same time allowing staff to easily update and maintain the model. For example, adjustments are easily made for new

building permit issuances, housing price inflation, the bi-annual election costs borne by the City Clerk's office and for projected CalPERS retirement rates.

Second, in many cities growth has already occurred and future development will be limited. These cities' projection models become an extension of their current budget, with only minor adjustments for growth. For cities like Brentwood, who have had a downturn in development but still have growth ahead of them, the Fiscal Model begins to resemble a development impact model.

The model is a complete fiscal impact model based upon the City's General Plan. From that standpoint, it can answer the critical question: ***Does the City of Brentwood's planned development support itself, and can we still have a solvent and healthy city in 10 years?***

Third, the model serves as the foundation and starting point for the development of the City's operating budget. The development growth component of the model contains a year-by-year assessment of planned residential and commercial/industrial development. It is detailed down to the housing unit and even includes planned growth for hotel rooms.

The model becomes the basis for future budget projections, using the growth in income from development (property and sales taxes, etc.), and then provides the base data for the increased demand for services which translates into cost on the expense side of the budget. With the current recession, there have been a number of one time expenditure reductions. These include the drawdown of surplus fund balances, accumulated over the past five to ten years, in our Pavement Management Program and several of our Internal Service funds. The impacts of returning to previous funding levels once the surpluses are exhausted are also accurately modeled in our projections.

The model also allows staff to explore any number of "what if" scenarios and easily update and analyze the model as often as new information is available.

The key variables driving the City's future fiscal condition are:

- The pattern of development, including the impacts that a mild recovery will have on the City's future.
- Staff growth (there are no new employees in this Fiscal Model, with the exception of new Police sworn and non-sworn staffing necessary to maintain existing benchmarking data).
- Compensation, especially retirement costs, and wage and health care increases.
- The growth of property taxes and sales taxes from new development, along with the decline in these revenues from the recession.
- Funding for Other Post Employment Benefits (OPEB, or retiree medical coverage).
- Housing price inflation (or deflation).

The Fiscal Model analyzes every one of the City's General Fund revenues and expenditures. There are over 25,000 interlocking data points, which allow a seemingly



minor individual adjustment to the Fiscal Model to be accurately reflected throughout the model. For example, if staff were to adjust the projected number of single family housing permits, which requires changing just one cell in the program, the Fiscal Model would not only automatically adjust the City's Building, Planning and Engineering revenue for the increased fees, but it would also provide minor boosts to many of the City's other revenues as well, including property taxes; property transfer tax; sales tax; motor vehicle license revenue; investment income (due to an increase in projected cash) and franchise fees. In addition, the Fiscal Model would then automatically increase police staffing due to the increased demand for police service. Changing expenditure drivers, such as the projected annual increase in health care or capital outlay costs can be done by changing a single cell in the model. The assumptions in the model are set for each individual year, meaning we can analyze each individual assumption for each individual year, providing a more accurate forecast. The key assumptions (less than half of the total number of assumptions) can be found in the Appendix, beginning on page 27.

The Fiscal Model will be utilized by staff as a tool in the development of the 2010/11 - 2011/12 operating budget. The Fiscal Model identifies future ongoing General Fund shortfalls. Management staff will identify actions and strategies for the City Council's consideration which will resolve these shortfalls. The City staff remains committed to operating with a balanced budget and will incorporate the requisite budget recommendations needed to present a balanced General Fund budget to the City Council in June.

The City Council's dedication to fiscal responsibility has been evidenced by the difficult decisions which have been made over the past several years. These decisions have allowed the City to avoid using reserves to balance the General Fund budget.

In accordance with the current prevailing economic consensus, the assumptions in the Fiscal Model incorporate a slow and gradual economic recovery over the next few years. The current economic climate, including current housing prices and consumer purchasing activity, are included in the forecast as the "new normal". The Fiscal Model shows that this new environment will present the City with several long-term fiscal challenges over the next decade. These challenges bring into question whether the current expenditure structure of the City is sustainable in the long run. **Notwithstanding a return to the economic environment of 2006, the City's long-term ability to fund rising retiree medical costs, increasing California Public Employees Retirement System (CalPERS) pension obligations and ever-increasing medical benefit expenses, all from a declining revenue base, must be closely studied.** Strategies and options will be developed for the Council's consideration as part of the budget decisions for the upcoming fiscal year.

While the City has been significantly impacted by the recession, the City continues to remain financially healthy and well-positioned for the future. Last fiscal year the City was able to establish a \$2.1 million Budget Stabilization Fund from accumulated General Fund savings in previous fiscal years. These funds, along with the City's \$3.3 million Emergency Preparedness Fund (with funding included in this Fiscal Model to bring the

Emergency Preparedness balance up to \$5.9 million), could be used by the General Fund if the recession were to deepen or extend beyond this year. Through proactive planning and strong leadership from the City Council, our City has remained fiscally strong while many other agencies are rapidly burning through their reserves.

This Fiscal Model will be an invaluable tool for the City's current and future policymakers to examine these variables, ensuring that the City of Brentwood's vision is brought to reality, and that the City will continue to enjoy a stable financial future.



FISCAL MODEL FORECAST

Key Finding: *The City’s healthy financial position can be maintained as long as the City continues to remain committed to avoiding the use of reserves to fund ongoing expenses and to close future budget deficits. The Fiscal Model has identified future reductions which, once implemented, will allow the City to operate with a balanced budget over the next decade. The City has strong reserves of 30%, along with healthy Internal Service funds. The Emergency Preparedness and Budget Stabilization Funds, in total holding \$5.4 million (with funding included in this Fiscal Model to bring that total to \$8.0 million), could assist the General Fund should the recession extend or worsen. It is important to recognize that small changes in operational costs, or changes in the economy, can have much larger impacts over the course of a decade than might be imagined. Any sudden change in the economy, either positive or negative, can substantially impact our forecasts.*

This report will illustrate the primary summary tables for growth and development, and revenues and expenses, including staffing changes and fund balance. The City of Brentwood’s existing fiscal health is good, but solutions to the shortfalls projected over the next decade should be implemented in order to ensure the long-term health of the City. Small changes in operational costs, or changes in the economy, can have much larger impacts over the course of a decade than imagined.

The key variables impacting the City’s future fiscal condition are:

- The pattern of development, including the impacts that a mild recovery will have on the City’s future.
- Staff growth (there are no new employees in this Fiscal Model, with the exception of new Police sworn and non-sworn staffing necessary to maintain existing benchmarking data).
- Compensation, especially retirement costs, and wage and health care increases.
- The growth of property taxes and sales taxes from new development, along with the decline in these revenues from the recession.
- Funding for Other Post Employment Benefits (OPEB, or retiree medical coverage).
- Housing price inflation (or deflation).

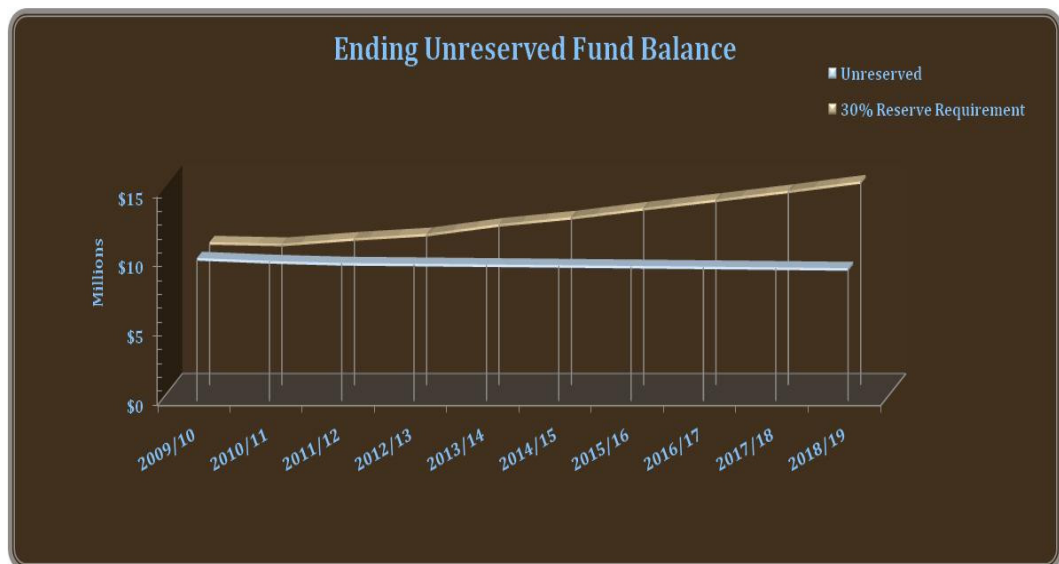
Fund Balance, along with annual additions/draws from fund balance, is the best indicator of a City’s financial health. These are illustrated together in the Fund Balance Summary, Appendix A3 found on page 29. As indicated in Appendix A3, additional expenditure

reductions are needed to allow the City to continue to operate with a balanced budget and maintain existing fund balance levels.

The City Council has adopted a 30% unreserved fund balance goal for the General Fund. The Fiscal Model shows that this ratio cannot be maintained simply by implementing the identified reductions. This is due to the fact that maintaining a reserve as a percentage of expenditures requires that funds be added to reserves as expenditures increase. The Fiscal Model forecasts total expenditure increases, after subtracting the identified reductions, of \$14.6 million over the next decade. This increase thus requires adding an additional \$4.4 million to the City’s unreserved fund balance in order to maintain the 30% reserve ratio. By the end of the next decade, the General Fund is projected to have 19.5% in unreserved fund balance – still a healthy amount in comparison to most California cities, but below the optimal level of fiscal strength established by the City Council.

Graph 1 below shows a comparison of projected ending unreserved fund balance and the 30% reserve requirement:

GRAPH 1: ENDING UNRESERVED FUND BALANCE



Over the next ten years, assuming the identified reductions are incorporated, fund balance is forecast to decline by \$1.3 million as the City uses a portion of its reserved fund balance for one time contributions, most notably a \$600,000 contribution to the Village Community Resource Center (VCRC) in 2011/12. At the same time, the 30% reserve requirement calls for an increase of \$4.4 million, leading to a \$5.1 million shortfall in the goal to maintain 30% in unreserved funds.

While a substantial revenue decline was the primary factor in the City’s recent cost cutting actions, the Fiscal Model forecasts that revenues will begin to increase in

2011/12, and continue to increase at a reasonable pace for the remainder of the decade. With revenues on the rebound, the question becomes why does the City still need to reduce expenditures in order to balance the budget? As detailed later in the Fiscal Model, there are significant expenditure increases facing the City in the near future. These increases are a result of many factors: increased pension contribution requirements, retiree medical cost increases and the expiration of certain one-time events, such as utilizing excess fund balances in our Internal Services Funds and Pavement Management Program. It will not be possible to maintain a balanced budget, while at the same time funding all of the upcoming increases, without implementing cost saving measures.

As stated in the “Key Finding” at the beginning of this section, minor changes can have significant impacts when considered over the course of a decade. For example, lowering the annual projected Consumer Price Index (CPI) for staff salaries by just **1%** per year over the next decade results in a total General Fund savings of **\$9.5 million**. This illustrates the degree by which changes made today compound themselves and amount to significant changes over time. This advance warning allows City management to address projected shortfalls in a timely manner, allowing the implemented solutions to compound over time to provide an even greater impact. This approach has served the City well over the past few years, as proactive decisions have allowed us to maintain our balanced budget. This also offers the opportunity for City Council to make informed, albeit difficult, decisions which serve to protect the fiscal health of the City, as opposed to being put in the position of limited choices due to exhausted reserves and a structural deficit, which is the situation plaguing many cities in California.

New to this Fiscal Model is the inclusion of several “what-if” forecasts which simulate the impacts of changes to the economy. These can be found in the Appendix beginning on page 31. With hundreds of variables and assumptions, there are literally thousands of unique and useful scenarios which can be simulated and reported upon. Analyzing their impacts over the course of a decade provides a further understanding of their significance. **NOTE:** These scenarios highlight the effects that changing particular variables can have on our long term finances – staff does not predict any of these particular scenarios are likely to occur:

- A5: What If Scenario 1 - Additional 100 single family residential permit issuances per year.
- A6: What If Scenario 2 - Additional 200 single family residential permit issuances per year.
- A7: What If Scenario 3 - Housing price inflation of 7% per year (resulting in Brentwood median housing price to \$574,519 by the end of the 2018/19 Fiscal Year).
- A8: What If Scenario 4 - Employee CPI reduced by 1% per year.



GROWTH PROJECTION MODEL

Key Finding: *A gradual return of development is expected over the course of the next several years. The population growth rate is expected to remain below 1% until 2012/13 and is expected to peak at 2% in 2015/16 before beginning to decline slightly. There is no expectation that the City will return to the rapid growth phase which existed during the mid 1990’s through the mid 2000’s.*

The City’s growth model is summarized in Tables 1 and 2. Table 1 presents projected residential growth. This is based on the number of residential housing permits, which is translated into estimated residents assuming an average of 3.1 people will ultimately live in each housing unit. The estimated residents per housing unit figures are based on data provided by the Association of Bay Area Governments (ABAG).

TABLE 1: GROWTH PROJECTION SUMMARY – RESIDENTIAL

Year	Total Units	Single Family	Multi Family	Added Population	Total Population	Annual Populaton Growth %
Current					51,908	
2009/10	100	100	-	310	52,218	0.6%
2010/11	100	100	-	310	52,528	0.6%
2011/12	125	125	-	388	52,916	0.7%
2012/13	210	200	10	651	53,567	1.2%
2013/14	300	250	50	930	54,497	1.7%
2014/15	300	250	50	930	55,427	1.7%
2015/16	350	300	50	1,085	56,512	2.0%
2016/17	350	300	50	1,085	57,597	1.9%
2017/18	350	300	50	1,085	58,682	1.9%
2018/19	350	300	50	1,085	59,767	1.8%
Total	2,535	2,225	310	7,859	59,767	15.14%

The total number of new single family houses planned through 2019 is 2,225. Combined with the 310 multiple-family permits, this will mean 7,859 new residents. Both of these figures have increased from the last version of the Fiscal Model, which forecasted 2,166 units and 6,472 new residents. This is reflective of the appearance that the worst of the development slowdown is now behind us. The previous Fiscal Model forecast less than 100 single family permits the first three years of its forecast, while this Fiscal Model starts at 100 permits per year. We do not expect to issue more than 300 single family permits in any single year over the next decade, which is consistent with the assumptions from the previous model. The increase in building permits is expected to occur

gradually, with only limited development activity over the next few years. If these estimates hold true, the City will have a population of approximately 59,767 in 2019. At build out, the City is estimated to have a total population of approximately 76,226 citizens.

The growth model is the key to future revenue and expense assumptions. Virtually all of the City’s revenues are impacted by development, either directly through development fees, or indirectly through the impacts of having a larger tax base from which to support operations. Similarly, expenses increase with development, as seen by the increase in police staffing forecasted in the model. A small change today can create significant impacts years later. For example, increasing the single family building permits by **100** units per year over the life of this Fiscal Model adds a total net gain of over **\$13.2 million** through 2018/19, resulting in fewer reductions necessary to balance our operating budget. Just that single change in the forecasting adjusts more than 10,000 other estimates related to expenses and revenues. The change occurs instantly and the model has built in report tables, graphs and charts so staff can quickly review the changes. **NOTE:** Staff estimates that an additional eight sworn police officers would be needed over the next decade, given the forecasted population increases, in order to maintain the existing public safety standards in the City. Due to the forecast of modest development activity, the model does not automatically adjust for any other staffing requirement increases that might be brought on from an increase in unit count. Staff, other than Police, must be added manually as part of each Department’s long term plan.

Table 2 presents projected commercial growth. Commercial growth, which has recently declined substantially, is forecast to remain sluggish for the next few years, followed by an increase over the final seven years of the model. This pattern of little development followed, by a return to modest growth, is consistent with the residential development forecast.

TABLE 2: GROWTH PROJECTION SUMMARY – COMMERCIAL

Year	Commercial Sq. Ft	Office Sq. Ft	Industrial Sq. Ft
2009/10	2,491	-	-
2010/11	10,000	-	10,000
2011/12	10,000	-	10,000
2012/13	60,000	-	40,000
2013/14	50,000	-	15,000
2014/15	50,000	-	10,000
2015/16	50,000	5,000	10,000
2016/17	50,000	5,000	10,000
2017/18	50,000	5,000	10,000
2018/19	50,000	5,000	10,000
Total	382,491	20,000	125,000



REVENUE SUMMARY

Key Finding: *General Fund revenues are expected to decline for a fourth consecutive year in 2010/11. The City does not expect to match its peak revenue, received in fiscal year 2006/07, until 2015/16. This nine year stretch of revenue stagnation has put a tremendous strain on the City's operating budget and has been the primary factor behind the City's aggressive actions of controlling costs and reducing its workforce. Over the next ten years, revenue growth is expected to increase at an average annual rate of 4.0%, with annual increases ranging from -3.2% in 2009/10 to 6.5% in 2013/14.*

Revenue growth improves the City's ability to: 1) provide services to the public, 2) maintain public safety standards and 3) keep up with the increased costs of landscape and street maintenance. Unfortunately, Brentwood's revenue growth pattern reflects the fact the country is in the midst of a historic economic downturn. Several years ago development revenue was the City's primary revenue source. It has since been supplanted by property tax, sales tax and motor vehicle license revenue. Unfortunately, of this trio of top General Fund revenues, only sales tax has managed to remain stable. Property taxes and motor vehicle license revenue are both expected to decline once again in the 2010/11 fiscal year. The four consecutive years of revenue declines were the primary drivers for previous expenditure reductions and, along with upcoming expenditure increases, are responsible for the need to find additional expense reductions (see A3: Fund Balance Summary on page 29).

Property tax revenue in 2010/11 is forecast to decline by 8.7%. Staff is confident that this is a conservative, yet reasonable estimate and has had the estimate confirmed by the City's outside property tax consultant. Following the decline in 2010/11, the Fiscal Model includes a gradual recovery of property taxes over the next decade. The Fiscal Model contains a 3.5% annual housing price inflation factor, resulting in the median housing price reaching \$425,905 by the end of the model (under this scenario the median housing price is not forecast to exceed the previous peak until fiscal year 2032/33).

While lowered property valuations have put a strain on the City's budget, the City does have the potential to recapture a portion of these reduced valuations should the housing market stage a stronger recovery over the next decade. By law, if a property is reassessed downward under the current ownership, its assessed value can be increased more than the statutory 2% in future years if home price appreciation exceeds 2%. Included in the model is \$265,000 for this type of property tax revenue, as properties that were reassessed lower are eligible to increase at a rate higher than 2%. With a total property tax loss of \$3 million, this recapture represents a recovery of just 8.8% of the total amount of property taxes lost by the City. Even with this recapture and new residential and commercial development, the City is not expecting to match its peak property tax

revenue, achieved in 2007/08, until fiscal year 2018/19. Over the decade, average annual increases of 3.7% are expected.

The City’s per capita property tax revenue (the average amount received by the City per resident) is estimated to be \$118.47 in the 2010/11 fiscal year. Every city receives a different percentage of each property tax dollar paid in their individual City. Brentwood receives approximately 13.4 cents out of each dollar paid by our citizens. This fact, along with differing property values and land use (e.g. Pleasanton has significant office and commercial property tax revenue which raise their per capita receipts) leads to significant variances in the per capita property tax amount among cities in California. Using projections provided to us by our property tax consultant, along with the most recent population numbers provided by the State, we are able to present how the City’s General Fund property tax per capita revenue compares with other local cities. The comparable cities were selected based on available data from our property tax consultant (i.e. these cities also utilize their services). The figures also represent only the General Fund portion for each City. No allowance is made for other property tax revenue which may be received (e.g. Redevelopment Agency, or Parks and Recreation property tax, which is received by Brentwood but not included in these figures). With property taxes being Brentwood’s top revenue source, and thus a key factor in determining the level of service we are able to provide our citizens, we felt this would be an important metric to analyze. The results show that the City takes in less property tax revenue per capita than the average comparison city. The results are presented below in Exhibit 1.

EXHIBIT 1: MULTI-CITY COMPARISON OF PROPERTY TAX REVENUE

City	1/1/2009 Population	Est. 2010/11 General Fund Property Tax	Revenue Per Capita
Pleasanton	70,097	\$ 42,576,445	\$ 607.39
Benicia	27,977	\$ 12,349,528	\$ 441.42
Dublin	47,922	\$ 19,244,931	\$ 401.59
Mountain View	74,762	\$ 20,848,412	\$ 278.86
Sunnyvale	117,247	\$ 32,125,242	\$ 274.00
Livermore	84,409	\$ 22,980,987	\$ 272.26
Fremont	215,636	\$ 43,752,523	\$ 202.90
San Rafael	58,363	\$ 11,251,123	\$ 192.78
Oakland	425,068	\$ 79,244,223	\$ 186.43
Danville	43,043	\$ 7,080,422	\$ 164.50
Brentwood	51,908	\$ 6,149,303	\$ 118.47
Union City	73,977	\$ 8,641,354	\$ 116.81
Vallejo	121,055	\$ 12,394,413	\$ 102.39
Vacaville	96,450	\$ 9,839,465	\$ 102.02
Stockton	290,409	\$ 27,252,388	\$ 93.84
Concord	124,599	\$ 11,054,268	\$ 88.72
Fairfield	106,440	\$ 8,738,469	\$ 82.10
Pleasant Hill	33,547	\$ 2,267,584	\$ 67.59
Average Comparison City	114,606	\$ 20,988,393	\$ 183.14

Sales tax, the General Fund’s second largest individual revenue source, has been a rare bright spot in this difficult economy. Largely due to the opening of the Streets of Brentwood Lifestyle Center, the City enjoyed the enviable position of being the only city in Contra Costa County with sales tax growth during calendar year 2009. For comparison, the County was down over 17% as a whole and the State was down over 14%. With “flat being the new up”, we are quite pleased with these results. Longer term, the City expects sales tax to post average annual gains of approximately 4.1% through the duration of the ten years of this Fiscal Model, which is slightly less than the combination of the average CPI increases of 2.8% and annual increases in population growth of 1.6%. This reflects the assumption that the consumer will continue to remain cautious in their discretionary spending and continue to focus on improving their personal balance sheets.

We felt it may be of interest to the reader to once again provide per capita information and comparisons of the City’s sales tax revenue vis-à-vis other local agencies. Sales tax information is readily available for every city in California. For this comparison we have selected several of our neighboring cities. Exhibit 2, shown below, indicates the City still has a ways yet to go in order to generate comparable per capita sales tax revenue.

EXHIBIT 2: MULTI-CITY COMPARISON OF 2009 SALES TAX REVENUE

City	1/1/2009 Population	2009 Calendar Year Sales Tax	Revenue Per Capita
Walnut Creek	65,860	\$ 16,748,205	\$ 254.30
Dublin	47,922	\$ 11,928,127	\$ 248.91
Pleasanton	70,097	\$ 16,549,456	\$ 236.09
Concord	124,599	\$ 23,627,735	\$ 189.63
Pleasant Hill	33,547	\$ 6,351,613	\$ 189.33
Livermore	84,409	\$ 15,049,344	\$ 178.29
Fremont	215,636	\$ 28,207,813	\$ 130.81
Tracy	81,714	\$ 9,857,540	\$ 120.63
San Ramon	63,176	\$ 7,291,175	\$ 115.41
Manteca	67,754	\$ 7,681,147	\$ 113.37
Stockton	290,409	\$ 32,468,538	\$ 111.80
Richmond	104,513	\$ 11,609,638	\$ 111.08
Pittsburg	63,771	\$ 6,992,608	\$ 109.65
Martinez	36,348	\$ 3,898,237	\$ 107.25
Union City	73,977	\$ 7,859,381	\$ 106.24
Danville	43,043	\$ 4,387,654	\$ 101.94
Brentwood	51,908	\$ 5,064,884	\$ 97.57
Antioch	100,957	\$ 9,278,136	\$ 91.90
Oakland	425,068	\$ 36,779,977	\$ 86.53
Oakley	34,468	\$ 1,292,887	\$ 37.51
Average Comparison City	103,959	\$ 13,146,205	\$ 136.91

Overall, the Fiscal Model is forecasting average annual revenue increases of 4.0% per year and an average annual increase of 2.5% in revenues per capita. Following a 1.6% decline in 2010/11, revenues are forecast to grow 3.9% in 2010/11. The remaining years of the Fiscal Model have an average growth rate of 4.8%, indicative of a return to stability in development and the housing market.

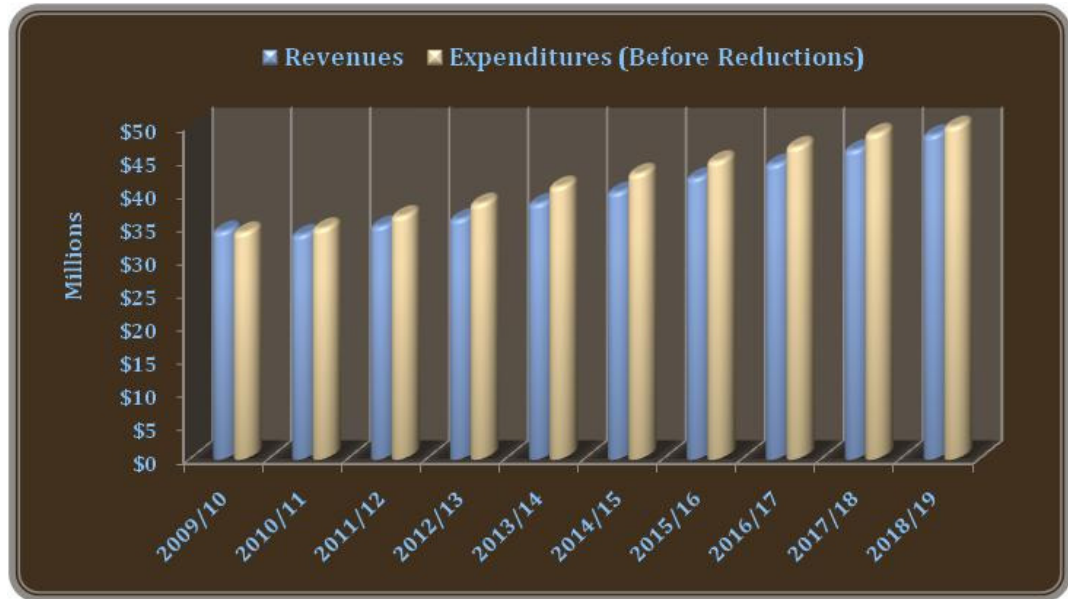
Table 3 summarizes the growth in revenues through 2018/19.

TABLE 3: REVENUE SUMMARY

Revenue Summary	2009/10	2018/19	Total Increase	Avg Growth Rate	Current Per Capita
Property Tax					
Existing Base	\$6,800,000	\$9,014,424	\$2,214,424	3.2%	\$130.22
New Residential	\$0	\$181,772	\$181,772		
Res. Turnover	\$0	\$137,448	\$137,448		
New Com/Ind	\$0	\$136,860	\$136,860		
Sub -Total	\$6,800,000	\$9,470,504	\$2,670,504	3.7%	\$130.22
Property Transfer	\$355,223	\$577,392	\$222,169	5.5%	\$6.80
Sales Tax	\$4,910,000	\$7,055,259	\$2,145,259	4.1%	\$94.03
Franchise Fees	\$1,141,492	\$1,703,580	\$562,088	4.5%	\$21.86
Transient Occupancy Tax	\$229,605	\$440,447	\$210,842	7.5%	\$4.40
Motor Vehicle License	\$2,911,255	\$4,006,920	\$1,095,665	3.6%	\$55.75
Investment Income	\$667,000	\$923,837	\$256,837	3.7%	\$12.77
Business License	\$354,680	\$501,978	\$147,298	3.9%	\$6.79
Building Fees	\$881,963	\$2,557,023	\$1,675,060	12.6%	\$16.89
Engineering Fees	\$1,004,784	\$1,906,859	\$902,075	7.4%	\$19.24
Planning Fees	\$219,520	\$645,819	\$426,299	12.7%	\$4.20
Parks and Recreation	\$2,613,869	\$3,766,866	\$1,152,997	4.1%	\$50.06
Interfund Services	\$6,112,787	\$6,958,859	\$846,072	1.5%	\$117.06
Other	\$1,688,302	\$2,576,192	\$887,890	4.8%	\$32.33
Transfers In	\$4,261,642	\$5,552,226	\$1,290,584	3.0%	\$81.61
Total	\$34,152,122	\$48,643,761	\$14,491,639	4.0%	\$ 784.25
Per Capita	\$654	\$814	\$160	2.5%	

Despite the gains in revenues, the Fiscal Model has identified expense reductions which will need to be incorporated into future operating budgets. While the 2009/10 budget is balanced without any additional reductions, absent a stronger economic recovery than forecast in the Fiscal Model, future reductions ranging from \$977,500 in 2010/11 to \$2,765,018 in 2014/15, must be identified and implemented. Should the recession worsen or extend beyond 2010, the City has \$3.3 million in the Emergency Preparedness Fund and \$2.1 million in the Budget Stabilization Fund which could be used to help cover the shortfalls. Funding is allocated in the Fiscal Model to raise the balance in the Emergency Preparedness Fund to \$5.9 million over the next eight years. Graph 2 provides a snapshot of the City’s projected revenues and expenditures over the decade, **absent any reductions.**

GRAPH 2: REVENUES AND EXPENDITURES



The Fiscal Model’s fund balance model assumes that the identified reductions will be incorporated into future operating budgets. This is due to the City’s proven history of fiscal responsibility and maintaining a balanced budget. This practice has allowed the City to be in a position to remain solvent should the economy remain stagnant. The City’s strong levels of reserves have remained 100% intact, while other cities have started depleting their reserves in the hope that the worst of the economic downturn has passed. Should the economy get worse, cities that opted to use reserves to balance their budgets will find that their options have depleted just as fast as their reserves.



EXPENSE SUMMARY

Key Finding: *The City must control expenses in order to maintain a balanced budget. Although revenues are expected to post annual increases beginning in 2011/12, the increases are not sufficient to allow for any new staffing, other than police. There are significant expenditure increases facing the City over the next decade, with increased employee benefit costs and the expiration of short term budget solutions on the horizon. Identified reductions must be implemented to offset these rising costs and to ensure fiscal sustainability. Absent these reductions, expenditure growth is expected to increase at an average annual rate of 4.4% over the next decade, while revenues increase at 4.0%.*

Since the City has only minor control over its revenue growth, it is largely on the expense side that the City must look to balance the projected deficit. The City has already reduced staffing levels, trimmed supplies and services budgets and implemented several cost saving measures in order to maintain a balanced budget through the 2009/10 fiscal year. Unfortunately, further deterioration of the City's revenues in 2010/11, along with upcoming expenditure increases in future years, necessitate that further reductions in expenses be implemented. Absent these reductions, the City will operate with a structural deficit.

The expense projection model, like the revenue model, is based on both the growth projection model and traditional inflationary pressures in a city's budget. For example, salaries will grow from inflation in compensation and benefits, Internal Service Fund charges will need to keep up with commodity pricing and police staffing increases as a result of increased demands for police services. Therefore, the expense model links elements from both the budget and growth databases.

All discussions of expenditures in this section, including the tables, are presented without incorporating any identified reductions. While we fully expect the reductions to occur, the breakdown of the reductions by Department and by type (e.g. supplies and services, personnel) has not been determined and to include them would require an assumption regarding the City Council's spending priorities. As the reductions are adopted, the Fiscal Model can be updated to reflect a more accurate distribution of the expenditure budget.

The total City General Fund expenses, absent reductions, will increase from \$34.0 million in 2009/10 to \$49.9 million in 2018/19. The average annual increase of expenses per capita is \$20.40, or 2.8%.

The Police Department is the fastest growing City Department. Police are the only department that is projected to hire additional staff over the next ten years. Projected new staff includes sworn officers along with the requisite support staff for these officers.

TABLE 4: EXPENSE SUMMARY BY DEPARTMENT

Department Summary	2009/10	2018/19	Total Increase	Avg Growth Rate
General Government	\$5,928,515	\$7,049,262	\$1,120,747	1.9%
Police	\$14,775,693	\$21,572,904	\$6,797,211	4.3%
Parks and Recreation	\$4,498,466	\$5,875,185	\$1,376,719	3.0%
Community Development	\$2,863,175	\$3,595,427	\$732,252	2.6%
Public Works	\$4,975,810	\$6,455,471	\$1,479,661	2.9%
Other Post Employment Benefits	\$0	\$3,319,381	\$3,319,381	N/A
Operational Transfers Out	\$955,419	\$2,018,972	\$1,063,553	8.7%
Total	\$33,997,078	\$49,886,602	\$15,889,524	4.4%
Per Capita	\$651	\$835	\$184	2.8%

The Police Department is projected to have the highest annual departmental expense growth rate at 4.3%. This is primarily due to Police being the only department forecast to receive additional staffing. The remaining City departments are all forecasted to have expenses increase at an annual rate between 1.9% and 3.0%. This model is only reporting on the General Fund so other departments, such as Redevelopment and the Enterprises are not included in any of these discussions.

On a percentage basis, or share of the budget as illustrated in Table 5A, the distribution of resources declines from every single department. This is a reflection of the increased OPEB costs.

TABLE 5A: DEPARTMENT'S SHARE OF BUDGET

Department Summary	2009/10	2018/19	2009/10 Share	2018/19 Share
General Government	\$5,928,515	\$7,049,262	17.4%	14.1%
Police	\$14,775,693	\$21,572,904	43.5%	43.2%
Parks and Recreation	\$4,498,466	\$5,875,185	13.2%	11.8%
Community Development	\$2,863,175	\$3,595,427	8.4%	7.2%
Public Works	\$4,975,810	\$6,455,471	14.6%	12.9%
Other Post Employment Benefits	\$0	\$3,319,381	0.0%	6.7%
Operational Transfers Out	\$955,419	\$2,018,972	2.8%	4.0%
Total	\$33,997,078	\$49,886,602	100.0%	100.0%

Excluding OPEB costs and Operational Transfers Out from the distribution of resources provides a clearer picture of the allocation of future budget resources to individual

departments. Table 5B below shows the Police Department is projected to increase their proportionate share from 44.7% to 48.4%, while all of the other departments see a reduction of their share.

TABLE 5B: DEPARTMENT’S SHARE OF BUDGET - EXCLUDING OPEB AND TRANSFERS OUT

Department Summary	2009/10	2018/19	2009/10 Share	2018/19 Share
General Government	\$5,928,515	\$7,049,262	17.9%	15.8%
Police	\$14,775,693	\$21,572,904	44.7%	48.4%
Parks and Recreation	\$4,498,466	\$5,875,185	13.6%	13.2%
Community Development	\$2,863,175	\$3,595,427	8.7%	8.1%
Public Works	\$4,975,810	\$6,455,471	15.1%	14.5%
Total	\$33,041,660	\$44,548,249	100.0%	100.0%

These mini-reports are examples of just two of the many mini-reports which exist in the model. Mini-models and reports are in each department section of the model to provide information to department managers and City policy makers. Each department section provides extensive data for budget planning.

Examples of items specifically included in these expenditure forecasts are: 1) the impacts of the current employee labor contracts, 2) the impacts of the new Civic Center, 3) increases in required pavement management contributions, 4) the end of the City’s agreed upon contributions to the Village Community Resource Center and 5) increases in funding requirements for the City’s Internal Service funds.

As shown in Tables 6 and 7 below, Police is the only department projected to increase staffing levels, at a total recurring annual cost of \$1,283,665, by 2018/19.

TABLE 6: SUMMARY OF STAFFING INCREASES

Year	General Government	Police	Parks and Recreation	Community Development	Public Works	Total General Fund
2009/10 Existing	25.50	79.00	15.63	19.06	26.82	166.01
2010/11	-	-	-	-	-	-
2011/12	-	0.37	-	-	-	0.37
2012/13	-	0.46	-	-	-	0.46
2013/14	-	0.77	-	-	-	0.77
2014/15	-	1.10	-	-	-	1.10
2015/16	-	1.10	-	-	-	1.10
2016/17	-	1.29	-	-	-	1.29
2017/18	-	1.38	-	-	-	1.38
2018/19	-	1.61	-	-	-	1.61
Total New	-	8.09	-	-	-	8.09
Total	25.50	87.09	15.63	19.06	26.82	174.10

These staffing increases are merely projections included in the current version of the Fiscal Model. They are intended to be flexible and the City may wish to shift priorities or re-analyze workloads at any point, thereby changing the staffing projections. All staff increases would require sufficient funding through the budget and the approval of the City Manager and City Council.

TABLE 7: SUMMARY OF NEW STAFFING COSTS

Year	General Government	Police	Parks and Recreation	Community Development	Public Works	Total General Fund
2009/10 Existing	\$0	\$0	\$0	\$0	\$0	\$0
2010/11	\$0	\$0	\$0	\$0	\$0	\$0
2011/12	\$0	\$52,201	\$0	\$0	\$0	\$52,201
2012/13	\$0	\$67,673	\$0	\$0	\$0	\$67,673
2013/14	\$0	\$118,501	\$0	\$0	\$0	\$118,501
2014/15	\$0	\$173,487	\$0	\$0	\$0	\$173,487
2015/16	\$0	\$177,700	\$0	\$0	\$0	\$177,700
2016/17	\$0	\$211,780	\$0	\$0	\$0	\$211,780
2017/18	\$0	\$226,590	\$0	\$0	\$0	\$226,590
2018/19	\$0	\$255,732	\$0	\$0	\$0	\$255,732
Total	\$0	\$1,283,665	\$0	\$0	\$0	\$1,283,665

There are two substantial employee related costs which will cause a significant impact on the City’s budget over the next decade. The first is the upcoming increase in CalPERS rates. The City pays CalPERS as a percentage of each employee’s salary in order to set aside and invest funds which will ultimately be used to fund that employee’s retirement. CalPERS’ sets their rates to ensure adequate funds are available to provide to retirees. With the substantial declines in the stock market, CalPERS has been forced to recover their lost funds through rate increases. These increases, along with their impact on the City’s General Fund, are outlined below in Table 8.

TABLE 8: SIGNIFICANT BENEFIT COST INCREASES

Fiscal Year	CalPERS Rates - MISC Employees	Increased General Fund Expense	CalPERS Rates - SAFETY Employees	Increased General Fund Expense	Other Post Employment Benefits (OPEB)	General Fund Cost Increases Related to CalPERS and OPEB
2010/11	22.482%	\$7,635	30.523%	\$19,490	\$228,040	\$255,165
2011/12	22.800%	\$39,134	31.470%	\$84,797	\$390,680	\$514,611
2012/13	23.100%	\$70,081	34.170%	\$275,281	\$590,170	\$935,532
2013/14	24.300%	\$194,554	38.370%	\$580,329	\$1,025,840	\$1,800,722
2014/15	24.500%	\$219,367	38.970%	\$635,583	\$1,395,680	\$2,250,630
2015/16	24.700%	\$245,095	39.470%	\$685,395	\$1,847,010	\$2,777,500
2016/17	24.700%	\$249,997	39.470%	\$699,103	\$2,574,470	\$3,523,569
2017/18	24.700%	\$254,997	39.470%	\$713,085	\$3,222,700	\$4,190,781
2018/19	24.700%	\$260,097	39.470%	\$727,346	\$3,319,381	\$4,306,824



The City has also incorporated estimated OPEB costs into the Fiscal Model. These costs are based on the outside actuarial study the City was required to obtain for the year ended June 30, 2008. Historically, the City has funded OPEB costs on a pay-as-you-go basis. In recent years, accounting regulations and sound fiscal practices require that these costs be recognized as they are earned by the employee, much like how the CalPERS pension system operates. Funds should be set aside and invested today in order to ensure that adequate funds are available in the future to pay these costs. In addition, approximately 75% of the pension benefits paid by CalPERS are from investment earnings. Pre-funding retiree medical costs allows for investment earnings, rather than City contributions, to pay for the majority of the costs. This is in contrast to pay-as-you-go financing, which also essentially shifts the burden of responsibility for benefits offered to current employees to future citizens of the City who must pay these costs once the employee has retired.

The City Council has adopted a pre-funding strategy for OPEB which calls for funding to be increased on an annual basis until the City is funding 85% of the actuarial required contribution. These increases begin in the 2010/11 fiscal year. The expenses detailed in Table 8 above include the impacts of utilizing the City's Insurance Fund, which currently has over \$4.5 million, to lessen the immediate impacts of OPEB costs.

During times of budget surpluses, many cities in California, including Brentwood, enhanced retirement benefits for their employees. In 2000, the City changed the public safety formula from 2% @ 50 to 3% @ 50, and in 2003 the formula for the general (miscellaneous) employees was raised from 2.0% @ 55 to 2.7% @ 55. In addition, the City has opted to offer further enhanced pension benefits, such as using an employee's highest annual salary for purposes of determining annual pension benefits and including a maximum 5% annual cost of living adjustment for retirees rather than the standard 2%. These higher levels are now a vested right of all current employees but may need to be reconsidered for future employees in light of the significant structural change in the economy. Similar consideration may need to be given to the sustainability of the City's retiree medical benefit in light of the \$3.3 million projected General Fund price tag in 2018/19.

Total salaries and benefits (including OPEB costs and the repayment of \$2.6 million borrowed from the Emergency Preparedness Fund to pay off the City's Safety CalPERS side fund) are compared to total expenses in Table 9. The purpose of this analysis is to answer the questions:

- 1) Are staffing costs increasing as a percent of total operations?
- 2) Are staffing costs growing faster than the City's projected revenues?

In the analysis of total salaries and benefits, illustrated in Table 9, total salary and benefits expenses will grow by \$10.3 million, or 43.5%, over the estimated 2009/10 amount of \$23.7 million. Table 9 also answers the two questions posed above. In regards to the first question, staffing costs, as a percentage of operating expenses, are projected to slightly decline over the course of the next decade.



However, to put this information in context, we must consider what a normal allocation of compensation to total operating expenses would be. We are not in normal times and this allocation has risen over the past few years as non-personnel related costs have declined significantly. For comparison, in 2005/06, compensation costs were just 59.3% of the operating budget, and in 2006/07 were 61.5%. The current percentage is 69.6%. As times became tougher, the City began to rely on one time solutions, such as drawing down excess funding balances in the Internal Service funds and Pavement Management Program, allowing for a balanced budget without reducing our standards. This caused salaries and benefits to take up a larger percentage of a now smaller budget.

One of the key themes of this Fiscal Model is that future increases in expenditure growth will more than exhaust our projected revenue growth. Once our one-time solutions have been exhausted, and ongoing annual expenses become fully recognized each year, the percentage of compensation levels would be expected to decline to previous levels. The previous Fiscal Model had this percentage at 67.2% in 2008/09, but forecast a decline to 64.2% by 2017/18, at which point the City was forecast to have a surplus of \$1.2 million. As Table 9 indicates, employee costs are expected to remain elevated over the next decade. By the end of the Fiscal Model, each 1% of compensation cost is equal to approximately \$500,000.

The second question asked if staffing costs are growing faster than the City’s projected revenues. This question is answered in Table 9 below. Employee costs are projected to increase at a more rapid rate than revenues, consistently rising until 2018/19. The decline in 2018/19 is attributable to two factors. First, the repayment of the Emergency Preparedness Fund for the payoff of the CalPERS Safety Side Fund ends in 2017/18. Second, the City achieves the desired level of 85% funding of OPEB in 2017/18, resulting in just a minor increase in this expense in 2017/18.

TABLE 9: SUMMARY OF STAFFING COST INCREASES

Year	Salary and Benefits Total	Operating Expenses	Operating Revenues	Salaries and Benefits as a % of Operating Expenses	Salaries and Benefits as a % of Operating Revenues
2009/10 Existing	\$ 23,650,928	\$ 33,997,078	\$ 34,152,122	69.6%	69.3%
2010/11	\$ 23,920,202	\$ 34,594,811	\$ 33,617,311	69.1%	71.2%
2011/12	\$ 25,093,477	\$ 36,431,018	\$ 34,941,050	68.9%	71.8%
2012/13	\$ 26,159,135	\$ 38,305,271	\$ 35,999,084	68.3%	72.7%
2013/14	\$ 27,732,572	\$ 40,864,756	\$ 38,327,902	67.9%	72.4%
2014/15	\$ 28,950,027	\$ 42,795,132	\$ 40,030,114	67.6%	72.3%
2015/16	\$ 30,266,026	\$ 44,689,713	\$ 42,204,464	67.7%	71.7%
2016/17	\$ 31,849,037	\$ 46,840,717	\$ 44,250,492	68.0%	72.0%
2017/18	\$ 33,408,827	\$ 48,792,002	\$ 46,384,044	68.5%	72.0%
2018/19	\$ 33,931,640	\$ 49,886,602	\$ 48,643,761	68.0%	69.8%
Growth	43.5%	46.7%	42.4%		

In addition to upcoming compensation increases, there are significant non-compensation oriented increases forecast in this Fiscal Model as well. These costs include: 1) a return to full General Fund contributions to the Pavement Management Program - \$950,000 per year once existing surplus funds are exhausted, 2) increased Internal Service funding requirements, in the amount of \$875,000, once surplus fund balances and accumulated excess savings are depleted and 3) the impacts of the new Civic Center which includes facilities maintenance, utilities and setting aside funds for significant repairs and replacement – total cost of \$1 million per year. These additional costs are phased in to the Fiscal Model, with the entire \$2.8 incorporated by 2018/19.

This report and analysis does not cover six types of funds: Redevelopment, Enterprise, Special Revenue, Debt Service, Fiduciary and Capital Projects, and provides only limited review of the Internal Service funds (to the extent that the General Fund must contribute to them).

The City conducts rate studies every few years in order to ensure the expenses of the Enterprise funds are fully recovered through appropriate user fees. In this way, the City is constantly monitoring and updating the long term projections for these funds and ensuring their long term health. The City also conducts an annual 10-year look at capital projects and development impact fee funds as a part of the Capital Improvement Program (CIP) budgeting process. The Debt Service funds are reviewed each time we perform a debt issuance to ensure that we have adequate revenue coverage to make our debt service payments. Special Revenue and Fiduciary funds can only be spent for specific purposes and only after the City has received the requisite funds. City staff continually monitors and analyzes all of the City's funds.

Finally, some operating capital items are included in the model, but the majority of larger projects that are planned to be funded with special assessments are not included since they will not be part of the General Fund. The fund balance analysis in the model reports on the forecasted use of reserved funds from the General Fund for capital or non-operating purposes (such as the \$600,000 contribution to VCRC).



FUND BALANCE

Key Finding: At the end of the 2009/10 fiscal year, the City is projected to have a General Fund balance of \$14.7 million, with an unreserved fund balance of \$10.2 million. This meets the City Council's 30% unreserved fund balance goal. The Fiscal Model assumes the identified expense reductions will be implemented (see A3: Fund Balance Summary on page 29). This assumption is consistent with the City's continuing resolve to balance the budget without relying on reserves. The City has strong cash balances in the Internal Services funds. Included in the Internal Service funds are the Emergency Preparedness and Budget Stabilization Funds, whose \$5.4 million (with funding in the Fiscal Model to increase this balance to \$8.0 million) could be used to help balance the budget should the recession deepen further.

The fund balance model is based on generally accepted accounting formats that report beginning balances, plus revenues, less expenses and transfers both in and out of the fund. This model considers all those elements and is formatted to be consistent with the City's annual comprehensive finance reports. One time transfers out for CIP projects are also included in these figures, causing occasional decreases in fund balance despite the ongoing adoption of balanced operating budgets.

Based upon the assumptions outlined throughout the Fiscal Model, the model generates reports detailing the beginning and ending fund balance of the General Fund. Fund balance is generally considered an overall benchmark of fiscal health. A minimal desire is to maintain a 10% to 15% ending unreserved balance. To maintain a position of modest health, a 20% level might be considered best. In Brentwood, the Council has set the desired level at 30%. The City currently meets the 30% requirement and has continued to stress the importance of balancing the budget without relying on reserves. Staff is currently working on budget solutions for the 2010/11 fiscal year which, if approved, will allow the City to avoid using reserves at any point so far during this prolonged recession.

Current projections show that, with expenditure reductions, the City will be able to successfully weather the downturn without using reserves. That said, the projections do not indicate the City will be able to maintain 30% in unreserved fund balance. This is because as expenses grow, additional amounts must be put to the reserves. As discussed previously, the \$14.6 million in additional expenditure increases over the next decade require that \$4.4 million be set aside in reserves.

Table 10 below provides a Fund Balance Summary.

TABLE 10: FUND BALANCE SUMMARY

General Fund Balance	2009/10 Existing	2018/19	Total Increase	Avg Growth Rate
Beginning Balance	\$15,584,817	\$13,476,744	(\$2,108,073)	-1.6%
Annual Revenue	\$29,890,480	\$43,091,535	\$13,201,055	4.1%
Transfers In	\$4,261,642	\$5,552,226	\$1,290,584	3.0%
Sub-Total	\$34,152,122	\$48,643,761	\$14,491,639	4.0%
Operations	\$33,021,987	\$43,305,408	\$10,283,421	3.1%
Operational Transfers Out	\$975,091	\$2,018,972	\$1,043,881	8.4%
Other Post Employment Benefits	\$0	\$3,319,381	\$3,319,381	
CIP Transfers Out	\$990,115	\$56,190	(\$933,925)	-27.3%
Sub-Total	\$34,987,193	\$48,699,951	\$13,712,758	3.7%
Net Increase (Decrease)	(\$835,071)	(\$56,190)	\$778,881	
Ending Balance	\$14,749,746	\$13,420,554	-\$1,329,192	-1.0%
Reserved	\$4,550,000	\$3,950,000	(\$600,000)	-1.5%
Unreserved	\$10,199,746	\$9,470,554	(\$729,192)	-0.8%
Percent of Operations	30.00%	19.5%		

Fund Balance is comprised of two components, reserved and unreserved funds. Reserved funds are amounts that are earmarked for specific purposes. The General Fund has reserved fund balances for Pavement Management; Village Community Resource Center; Compensated Absences; Street Lights; OPEB and City Rentals. Unreserved funds can be used to help the City through economic uncertainties or local disasters and to provide contingencies for unseen operating or capital needs. Unreserved funds can also be used for cash flow management. The City strives to maintain 30% in unreserved fund balance.

The Fiscal Model does not include any transfers between the General Fund and the Budget Stabilization Fund.



SUB-MODELS AND REPORTS

Key Finding: *There are an unlimited number of additional reports the Fiscal Model can generate. Complex analysis and specific “what-if” scenarios, which used to take several hours, can now be performed in a matter of minutes. Users and policy makers will have the ability of seeing data in new and powerful ways.*

The detail of the model provides for the creation of a number of automatic reports. For example, in each department an analysis of the expenses against some service indicator can easily be conducted. This allows for benchmarking against service indicators and for easy comparisons of the operating costs and efficiencies of various departments over time. This provides useful information for management and policy makers.

Sub-models and reports are in each department section of the model for department managers and city policymakers. The comparison of “old share” of budget to the department’s “new share” at the end of the decade is an example of a mini-model. There are many other sub-models which can help policy makers understand the changing dynamic of the City’s resources. The following are some examples:

- The fund balance model compares the ending unreserved fund balance available to the City’s desired level of 30%. This includes a projection of future designations.
- The Human Resources section includes a model for health-care and retirement costs, as well as staff increases.
- The Human Resources section has a report comparing the growth of staff costs to both total operations and revenue growth. The expenses are tracked on a cost per capita basis. This report is also used in most other department sections.
- Per capita costs for each department, along with per capita revenues by revenue source, are tracked and provide meaningful information to staff.
- Questions regarding how much property tax or sales tax revenue we receive per resident can be easily answered and analyzed to determine how we compare with other agencies.
- Community Development has an output model that measures the tax base growth related to development, as compared to Community Development operating costs.
- The Police Department has a mini-model allowing for analysis between funding levels and the police benchmark indicators adopted by the City Council.



CONCLUSION

From the beginning this project has been a collaborative effort. The Government Finance Officers Association (GFOA) recommends that all local governments maintain a long-term financial projection. GFOA recommendations note that the development of such models is typically a task best undertaken by an experienced, outside consulting firm and that resources be devoted to such an effort. However, GFOA also stresses that the model must be developed with input from staff and that staff must be able to seamlessly take over operation of the model for it to have maximum utility. While the City's original Fiscal Model was developed with the assistance of an outside consultant, the City has since assumed responsibility for the upkeep and production. In this way, this financial model is reflective of the most current thinking and best practices in long-term municipal finance modeling.

Our Fiscal Model was one of only three documents recognized by CSMFO at their annual conference in 2008, winning an award in the "Innovation" category.

The Fiscal Model could not be completed without the continued support of the City Council and the City Manager. Their leadership has allowed the City to maintain its healthy reserves and have put the City in a position to successfully navigate the current economic downturn.



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A1: REVENUE SUMMARY

Revenue	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Property Tax:										
Existing Base	\$6,800,000	\$6,149,303	\$6,364,794	\$6,599,389	\$6,891,657	\$7,244,422	\$7,623,977	\$8,053,870	\$8,516,509	\$9,014,424
New Residential	\$0	\$47,674	\$49,343	\$89,002	\$129,021	\$133,537	\$163,948	\$169,686	\$175,625	\$181,772
Residential Turnover	\$0	\$8,230	\$21,538	\$33,823	\$47,382	\$62,215	\$78,615	\$96,550	\$116,125	\$137,448
New Commercial	\$0	\$473	\$3,784	\$17,978	\$37,172	\$55,276	\$74,263	\$94,166	\$115,020	\$136,860
Sub-Total	\$6,800,000	\$6,205,680	\$6,439,459	\$6,740,192	\$7,105,232	\$7,495,450	\$7,940,803	\$8,414,272	\$8,923,279	\$9,470,504
Property Transfer	\$355,223	\$371,997	\$387,624	\$420,778	\$452,269	\$471,145	\$503,106	\$526,176	\$550,897	\$577,392
Sales Tax	\$4,910,000	\$5,021,700	\$5,160,945	\$5,446,406	\$5,722,487	\$5,969,030	\$6,225,216	\$6,491,401	\$6,767,955	\$7,055,259
Franchise Fees	\$1,141,492	\$1,192,098	\$1,230,706	\$1,282,768	\$1,343,522	\$1,406,755	\$1,476,496	\$1,549,138	\$1,624,795	\$1,703,580
Transient Occupancy Tax	\$229,605	\$235,560	\$318,189	\$331,649	\$347,357	\$363,705	\$381,736	\$400,517	\$420,078	\$440,447
Motor Vehicle	\$2,911,255	\$2,664,089	\$2,762,826	\$2,885,836	\$3,034,308	\$3,194,056	\$3,377,094	\$3,571,810	\$3,781,373	\$4,006,920
Investment	\$667,000	\$614,995	\$586,112	\$845,610	\$937,080	\$934,535	\$931,939	\$929,292	\$926,592	\$923,837
Business License	\$354,680	\$372,551	\$391,322	\$407,871	\$424,963	\$442,769	\$456,884	\$471,448	\$486,474	\$501,978
Building Fees	\$881,963	\$918,000	\$1,120,504	\$1,572,970	\$1,949,240	\$2,009,257	\$2,318,471	\$2,395,328	\$2,474,816	\$2,557,023
Engineering Fees	\$1,004,784	\$986,947	\$1,487,625	\$1,506,289	\$1,683,412	\$1,708,916	\$1,802,710	\$1,835,996	\$1,871,582	\$1,906,859
Planning Fees	\$219,520	\$270,026	\$320,675	\$403,837	\$485,649	\$500,604	\$589,629	\$607,794	\$626,518	\$645,819
Parks and Recreation	\$2,613,869	\$2,569,497	\$2,658,631	\$2,774,013	\$2,910,997	\$3,056,049	\$3,219,283	\$3,391,239	\$3,573,545	\$3,766,866
Interfund Services	\$6,112,787	\$6,114,331	\$6,079,739	\$6,162,388	\$6,262,286	\$6,359,881	\$6,492,402	\$6,642,191	\$6,777,679	\$6,958,859
Other	\$1,688,302	\$1,802,718	\$1,861,102	\$1,939,831	\$2,031,704	\$2,127,327	\$2,232,790	\$2,342,642	\$2,457,051	\$2,576,192
Sub-Total	\$23,090,480	\$23,134,509	\$24,366,000	\$25,980,246	\$27,585,274	\$28,544,029	\$30,007,756	\$31,154,972	\$32,339,355	\$33,621,031
Transfers In	\$4,261,642	\$4,277,122	\$4,135,591	\$3,278,646	\$3,637,396	\$3,990,635	\$4,255,905	\$4,681,248	\$5,121,410	\$5,552,226
Total Revenues	\$34,152,122	\$33,617,311	\$34,941,050	\$35,999,084	\$38,327,902	\$40,030,114	\$42,204,464	\$44,250,492	\$46,384,044	\$48,643,761
Growth	(\$1,121,462)	(\$534,811)	\$1,323,739	\$1,058,034	\$2,328,818	\$1,702,212	\$2,174,350	\$2,046,028	\$2,133,552	\$2,259,717
%	-3.18%	-1.57%	3.94%	3.03%	6.47%	4.44%	5.43%	4.85%	4.82%	4.87%
Per Capita	\$654.03	\$639.99	\$660.31	\$672.04	\$703.30	\$722.21	\$746.82	\$768.28	\$790.43	\$813.89

A2: EXPENDITURE SUMMARY

Department	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Legislative	\$281,158	\$288,812	\$393,499	\$402,814	\$413,724	\$422,710	\$432,128	\$441,462	\$451,370	\$461,264
City Clerk	\$397,048	\$449,112	\$422,864	\$472,327	\$447,383	\$499,103	\$469,677	\$522,883	\$492,697	\$547,982
City Manager	\$727,188	\$751,088	\$774,147	\$791,539	\$817,606	\$837,263	\$857,635	\$877,535	\$898,579	\$919,365
Human Resources	\$664,083	\$560,842	\$581,773	\$595,297	\$618,079	\$633,911	\$650,347	\$666,483	\$683,535	\$699,953
City Attorney	\$777,627	\$727,796	\$751,542	\$768,977	\$796,105	\$815,990	\$836,480	\$856,506	\$877,562	\$898,187
Finance (Including Non Departmental)	\$3,081,411	\$2,965,837	\$3,019,460	\$3,081,815	\$3,166,997	\$3,228,995	\$3,298,632	\$3,367,738	\$3,445,719	\$3,522,511
Total General Government	\$5,928,515	\$5,743,487	\$5,943,285	\$6,112,769	\$6,259,894	\$6,437,972	\$6,544,899	\$6,732,607	\$6,849,462	\$7,049,262
Police	\$14,775,693	\$15,137,858	\$16,102,431	\$17,013,134	\$18,160,143	\$18,951,287	\$19,765,464	\$20,596,901	\$21,340,886	\$21,572,904
Streets	\$2,356,134	\$2,368,649	\$2,472,195	\$2,571,628	\$2,720,996	\$2,776,205	\$2,835,709	\$2,894,228	\$2,958,227	\$3,152,809
Community Development	\$2,863,175	\$2,938,175	\$3,027,715	\$3,106,546	\$3,217,353	\$3,289,638	\$3,364,961	\$3,438,536	\$3,516,760	\$3,595,427
Engineering	\$2,619,676	\$2,682,635	\$2,770,640	\$2,830,388	\$2,939,125	\$3,005,908	\$3,078,054	\$3,149,354	\$3,227,305	\$3,302,662
Parks and Recreation	\$4,498,466	\$4,540,467	\$4,743,572	\$4,850,136	\$5,051,475	\$5,188,988	\$5,339,732	\$5,512,592	\$5,696,542	\$5,875,185
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Operational Transfers Out	\$955,419	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Subtotal Expenses	\$33,997,078	\$34,594,811	\$36,431,018	\$38,305,271	\$40,864,756	\$42,795,132	\$44,689,713	\$46,840,717	\$48,792,002	\$49,886,602
Identified Reductions	\$ -	(\$977,500)	(\$1,489,968)	(\$2,306,187)	(\$2,536,854)	(\$2,765,018)	(\$2,485,249)	(\$2,590,225)	(\$2,407,958)	(\$1,242,841)
Total Expenses	\$33,997,078	\$33,617,311	\$34,941,050	\$35,999,084	\$38,327,902	\$40,030,114	\$42,204,464	\$44,250,492	\$46,384,044	\$48,643,761

A3: FUND BALANCE SUMMARY

General Fund	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Fund Balance	\$15,584,817	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744
Revenue	\$29,890,480	\$29,340,189	\$30,805,459	\$32,720,438	\$34,690,506	\$36,039,479	\$37,948,559	\$39,569,244	\$41,262,634	\$43,091,535
Transfer In	\$4,261,642	\$4,277,122	\$4,135,591	\$3,278,646	\$3,637,396	\$3,990,635	\$4,255,905	\$4,681,248	\$5,121,410	\$5,552,226
Sub-Total	\$34,152,122	\$33,617,311	\$34,941,050	\$35,999,084	\$38,327,902	\$40,030,114	\$42,204,464	\$44,250,492	\$46,384,044	\$48,643,761
Operations	\$33,021,987	\$33,411,271	\$35,059,838	\$36,484,601	\$38,348,986	\$39,649,998	\$40,928,819	\$42,324,218	\$43,589,182	\$44,548,249
Operational Transfers Out	\$975,091	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Identified Reductions	\$0	(\$977,500)	(\$1,489,968)	(\$2,306,187)	(\$2,536,854)	(\$2,765,018)	(\$2,485,249)	(\$2,590,225)	(\$2,407,958)	(\$1,242,841)
Sub-Total	\$33,997,078	\$33,617,311	\$34,941,050	\$35,999,084	\$38,327,902	\$40,030,114	\$42,204,464	\$44,250,492	\$46,384,044	\$48,643,761
Net Operations	\$155,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
One Time Transfers Out	\$990,115	\$212,675	\$745,732	\$49,746	\$50,893	\$51,911	\$52,949	\$54,008	\$55,088	\$56,190
Ending Fund Balance	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744	\$13,420,554
Reserved	\$4,550,000	\$4,550,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000
Unreserved	\$10,199,746	\$9,987,071	\$9,841,339	\$9,791,593	\$9,740,700	\$9,688,789	\$9,635,840	\$9,581,832	\$9,526,744	\$9,470,554
30% Reserve Requirement	\$10,199,123	\$10,085,193	\$10,482,315	\$10,799,725	\$11,498,371	\$12,009,034	\$12,661,339	\$13,275,148	\$13,915,213	\$14,593,128

A4: KEY ASSUMPTIONS IN FISCAL MODEL

These assumptions form the basis for the Fiscal Model. Items such as staff CPIs are merely estimates and do not represent agreed upon increases, contractual obligations, or authorized amounts. These assumptions are subject to change.

Categories	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Expense Percentages										
Supplies and Services Increase	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.5%	1.5%	2.0%	2.0%
Internal Service Increase	0.0%	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Increase	0.0%	0.0%	0.0%	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Miscellaneous Employee CPI	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sworn Employee CPI	3.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Health Care Increases	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenue Percentages										
General Inflation (Revenues)	2.0%	2.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Price Increases	-8.7%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Investment Returns	3.7%	2.0%	3.0%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Notable Expenditures										
City Election Costs	\$ 54,358	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,804	\$ -	\$ 42,037	\$ -	\$ 43,736
New Street Sweeper	-	-	-	-	-	-	-	-	-	130,000
Dispatch Costs	702,607	786,920	881,350	987,112	1,105,566	1,238,234	1,386,822	1,553,240	1,584,305	1,615,991
Pavement Management	-	-	-	250,000	500,000	750,000	900,000	913,500	931,770	950,405
Police Shift Differential	-	-	127,654	130,207	132,811	135,467	138,177	140,940	143,759	146,634
Police Education Supplement	-	63,118	64,380	65,668	66,981	68,321	69,687	71,081	72,503	73,953
Emergency Preparedness Payback	-	-	200,000	270,000	365,000	400,000	435,000	465,000	500,000	-
Vehicle Replacement Funding	55,838	-	-	200,000	500,000	500,000	500,000	500,000	500,000	500,000
New Civic Center Replacement Set Aside	-	-	-	-	200,000	275,000	350,000	450,000	550,000	630,000
New Civic Center Operational Costs	-	-	345,075	345,075	348,526	352,011	357,291	362,651	369,904	377,302
Development										
Population	52,218	52,528	52,916	53,567	54,497	55,427	56,512	57,597	58,682	59,767
Single Family Building Permits	100	100	125	200	250	250	300	300	300	300
Multi Family Building Permits	-	-	-	10	50	50	50	50	50	50
Commercial Square Feet	2,491	10,000	10,000	60,000	50,000	50,000	50,000	50,000	50,000	50,000
Office Square Feet	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Industrial Square Feet	-	10,000	10,000	40,000	15,000	10,000	10,000	10,000	10,000	10,000
Median Housing Price	312,500	323,438	334,758	346,474	358,601	371,152	384,142	397,587	411,503	425,905
Sales Tax per Square Foot - New Stores	1.35	1.35	1.38	1.41	1.45	1.50	1.54	1.59	1.64	1.69



A5: WHAT - IF SCENARIO 1 – ADDITIONAL 100 UNITS

This scenario simulates an additional 100 Single Family Building Permits per fiscal year. Although there are still required reductions, the magnitude has been greatly reduced. By 2018/19 the General Fund is running a surplus of \$1.1 million. The City’s population increases to 62,867 and there is a total of 11.7 new staff for Police. The increased expenses cause the City’s 30% reserve requirement to increase as well. Note that in all scenarios the OPEB costs remain constant at the actuarial determined levels. If this scenario were to occur, there would be an actuarial determined increase in OPEB costs.

General Fund	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Fund Balance	\$15,584,817	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744
Revenue	\$29,890,480	\$29,410,079	\$31,415,755	\$33,880,042	\$35,976,238	\$37,480,738	\$39,532,333	\$41,326,865	\$43,204,560	\$45,229,009
Transfer In	\$4,261,642	\$4,282,483	\$4,287,143	\$3,510,606	\$3,952,994	\$4,393,233	\$4,748,950	\$5,268,312	\$5,806,176	\$6,338,492
Sub-Total	\$34,152,122	\$33,692,562	\$35,702,898	\$37,390,648	\$39,929,232	\$41,873,971	\$44,281,283	\$46,595,177	\$49,010,736	\$51,567,501
Operations	\$33,021,987	\$33,411,271	\$35,124,391	\$36,604,329	\$38,528,966	\$39,891,032	\$41,233,748	\$42,727,179	\$44,094,491	\$45,136,125
Operational Transfers Out	\$975,091	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Identified Reductions	\$0	(\$902,249)	(\$792,673)	(\$1,034,351)	(\$1,115,504)	(\$1,162,195)	(\$713,359)	(\$648,501)	(\$286,575)	\$0
Sub-Total	\$33,997,078	\$33,692,562	\$35,702,898	\$37,390,648	\$39,929,232	\$41,873,971	\$44,281,283	\$46,595,177	\$49,010,736	\$50,474,478
Net Operations	\$155,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,093,023
One Time Transfers Out	\$990,115	\$212,675	\$745,732	\$49,746	\$50,893	\$51,911	\$52,949	\$54,008	\$55,088	\$56,190
Ending Fund Balance	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744	\$14,513,577
Reserved	\$4,550,000	\$4,550,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000
Unreserved	\$10,199,746	\$9,987,071	\$9,841,339	\$9,791,593	\$9,740,700	\$9,688,789	\$9,635,840	\$9,581,832	\$9,526,744	\$10,563,577
30% Reserve Requirement	\$10,199,123	\$10,107,769	\$10,710,869	\$11,217,194	\$11,978,770	\$12,562,191	\$13,284,385	\$13,978,553	\$14,703,221	\$15,142,343

A6: WHAT - If SCENARIO 2 – ADDITIONAL 200 UNITS

This scenario simulates an additional 200 Single Family Building Permits per fiscal year. Under this unlikely scenario there is no structural deficit and, in fact, the General Fund would increase its unreserved fund balance to 37%. Population would increase to 65,967, with a total of 15.3 new Police staff. It should be noted that under this scenario additional staffing would likely be required for other departments. The increased expenses cause the City's 30% reserve requirement to increase as well. Note that in all scenarios, the OPEB costs remain constant at the actuarial determined levels. If this scenario were to occur there would be an actuarial determined increase in OPEB costs.

General Fund	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Fund Balance	\$15,584,817	\$14,749,746	\$14,537,071	\$13,791,339	\$13,978,899	\$14,245,543	\$14,661,800	\$15,683,114	\$17,004,429	\$18,958,122
Revenue	\$29,890,480	\$29,479,729	\$32,025,246	\$35,038,263	\$37,271,828	\$38,947,069	\$41,163,880	\$43,185,219	\$45,315,178	\$47,634,759
Transfer In	\$4,261,642	\$4,287,781	\$4,438,565	\$3,742,365	\$4,268,313	\$4,795,470	\$5,241,544	\$5,854,830	\$6,490,295	\$7,124,002
Sub-Total	\$34,152,122	\$33,767,510	\$36,463,811	\$38,780,628	\$41,540,141	\$43,742,539	\$46,405,424	\$49,040,049	\$51,805,473	\$54,758,761
Operations	\$33,021,987	\$33,411,271	\$35,188,186	\$36,722,652	\$38,706,834	\$40,129,237	\$41,570,267	\$43,148,227	\$44,593,872	\$45,717,102
Operational Transfers Out	\$975,091	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Identified Reductions	\$0	(\$827,301)	(\$95,555)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Total	\$33,997,078	\$33,767,510	\$36,463,811	\$38,543,322	\$41,222,604	\$43,274,371	\$45,331,161	\$47,664,726	\$49,796,692	\$51,055,455
Net Operations	\$155,044	\$0	\$0	\$237,306	\$317,537	\$468,168	\$1,074,263	\$1,375,323	\$2,008,781	\$3,703,306
One Time Transfers Out	\$990,115	\$212,675	\$745,732	\$49,746	\$50,893	\$51,911	\$52,949	\$54,008	\$55,088	\$56,190
Ending Fund Balance	\$14,749,746	\$14,537,071	\$13,791,339	\$13,978,899	\$14,245,543	\$14,661,800	\$15,683,114	\$17,004,429	\$18,958,122	\$22,605,238
Reserved	\$4,550,000	\$4,550,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000
Unreserved	\$10,199,746	\$9,987,071	\$9,841,339	\$10,028,899	\$10,295,543	\$10,711,800	\$11,733,114	\$13,054,429	\$15,008,122	\$18,655,238
30% Reserve Requirement	\$10,199,123	\$10,130,253	\$10,939,143	\$11,562,997	\$12,366,781	\$12,982,311	\$13,599,348	\$14,299,418	\$14,939,008	\$15,316,637

A7: WHAT - If SCENARIO 3 – HOUSING PRICES INCREASE 7% ANNUALLY

This scenario simulates a stronger recovery in the housing market, with 7% annual housing price increases. Under this scenario the median housing price would rise to \$574,519 by fiscal year 2018/19. In this situation the largest deficit is under \$2 million, with a \$3.5 million surplus by the 2018/19 fiscal year. The 30% reserve target is not quite met in 2018/19, although if the model were extended one additional year this condition would be satisfied.

General Fund	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Fund Balance	\$15,584,817	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,675,726	\$14,855,527
Revenue	\$29,890,480	\$29,340,790	\$31,022,862	\$33,230,175	\$35,585,752	\$37,419,630	\$39,944,456	\$42,303,363	\$44,905,481	\$47,886,383
Transfer In	\$4,261,642	\$4,277,122	\$4,135,591	\$3,278,646	\$3,637,396	\$3,990,635	\$4,255,905	\$4,681,248	\$5,121,410	\$5,552,226
Sub-Total	\$34,152,122	\$33,617,912	\$35,158,453	\$36,508,821	\$39,223,148	\$41,410,265	\$44,200,361	\$46,984,611	\$50,026,891	\$53,438,609
Operations	\$33,021,987	\$33,411,271	\$35,059,838	\$36,484,601	\$38,348,986	\$39,649,998	\$40,928,819	\$42,324,218	\$43,589,182	\$44,548,249
Operational Transfers Out	\$975,091	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Identified Reductions	\$0	(\$976,899)	(\$1,272,565)	(\$1,796,450)	(\$1,641,608)	(\$1,384,867)	(\$489,352)	\$0	\$0	\$0
Sub-Total	\$33,997,078	\$33,617,912	\$35,158,453	\$36,508,821	\$39,223,148	\$41,410,265	\$44,200,361	\$46,840,717	\$48,792,002	\$49,886,602
Net Operations	\$155,044	\$0	\$0	\$0	\$0	\$0	\$0	\$143,894	\$1,234,889	\$3,552,007
One Time Transfers Out	\$990,115	\$212,675	\$745,732	\$49,746	\$50,893	\$51,911	\$52,949	\$54,008	\$55,088	\$56,190
Ending Fund Balance	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,675,726	\$14,855,527	\$18,351,344
Reserved	\$4,550,000	\$4,550,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000
Unreserved	\$10,199,746	\$9,987,071	\$9,841,339	\$9,791,593	\$9,740,700	\$9,688,789	\$9,635,840	\$9,725,726	\$10,905,527	\$14,401,344
30% Reserve Requirement	\$10,199,123	\$10,085,374	\$10,547,536	\$10,952,646	\$11,766,944	\$12,423,080	\$13,260,108	\$14,052,215	\$14,637,601	\$14,965,981

A8: WHAT - If SCENARIO 4 – EMPLOYEE CPI REDUCED BY 1% PER YEAR

This scenario simulates the impact of a drop of 1% in the annual CPI increase for employees. For most years, this would result in a net CPI increase of 1% on an annual basis for the employee (as the base model includes mostly annual CPIs of 2%). The deficit is eliminated by 2018/19, with the largest deficit not even reaching \$2 million in any fiscal year. The 30% reserve requirement is not met under this scenario, although a projected run of surpluses beyond the 2018/19 fiscal year would serve to satisfy this requirement within the first few years of the 2020’s decade.

General Fund	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Fund Balance	\$15,584,817	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744
Revenue	\$29,890,480	\$29,336,903	\$30,798,771	\$32,710,223	\$34,676,542	\$36,021,721	\$37,926,880	\$39,543,554	\$41,232,791	\$43,057,409
Transfer In	\$4,261,642	\$4,277,122	\$4,135,591	\$3,278,646	\$3,637,396	\$3,990,635	\$4,255,905	\$4,681,248	\$5,121,410	\$5,552,226
Sub-Total	\$34,152,122	\$33,614,025	\$34,934,362	\$35,988,869	\$38,313,938	\$40,012,356	\$42,182,785	\$44,224,802	\$46,354,201	\$48,609,635
Operations	\$33,021,987	\$33,228,939	\$34,684,992	\$35,902,028	\$37,537,929	\$38,607,286	\$39,643,431	\$40,786,720	\$41,786,550	\$42,466,613
Operational Transfers Out	\$975,091	\$955,500	\$980,500	\$1,230,500	\$1,489,930	\$1,749,454	\$1,913,884	\$1,942,029	\$1,980,120	\$2,018,972
Other Post Employment Benefits	\$0	\$228,040	\$390,680	\$590,170	\$1,025,840	\$1,395,680	\$1,847,010	\$2,574,470	\$3,222,700	\$3,319,381
Identified Reductions	\$0	(\$798,454)	(\$1,121,810)	(\$1,733,829)	(\$1,739,761)	(\$1,740,064)	(\$1,221,540)	(\$1,078,417)	(\$635,169)	\$0
Sub-Total	\$33,997,078	\$33,614,025	\$34,934,362	\$35,988,869	\$38,313,938	\$40,012,356	\$42,182,785	\$44,224,802	\$46,354,201	\$47,804,966
Net Operations	\$155,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$804,669
One Time Transfers Out	\$990,115	\$212,675	\$745,732	\$49,746	\$50,893	\$51,911	\$52,949	\$54,008	\$55,088	\$56,190
Ending Fund Balance	\$14,749,746	\$14,537,071	\$13,791,339	\$13,741,593	\$13,690,700	\$13,638,789	\$13,585,840	\$13,531,832	\$13,476,744	\$14,225,223
Reserved	\$4,550,000	\$4,550,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000	\$3,950,000
Unreserved	\$10,199,746	\$9,987,071	\$9,841,339	\$9,791,593	\$9,740,700	\$9,688,789	\$9,635,840	\$9,581,832	\$9,526,744	\$10,275,223
30% Reserve Requirement	\$10,199,123	\$10,084,208	\$10,480,309	\$10,796,661	\$11,494,181	\$12,003,707	\$12,654,836	\$13,267,441	\$13,906,260	\$14,341,490