

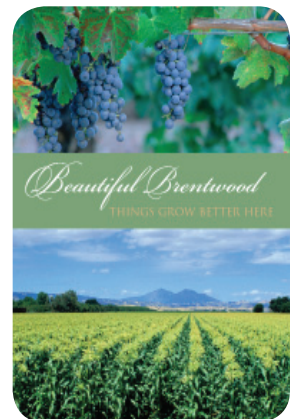
2010/11 - 2019/20
General Fund Fiscal Model



City of Brentwood
708 Third Street Brentwood, CA 94513



Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program (CIP), the Fiscal Model, the Operating Budget, the Cost Allocation Plan, the Comprehensive Annual Financial Report (CAFR) and the Public Facilities Fee Report. *This year each of the covers showcases an aspect of “Beautiful Brentwood.”*



List of Principal Officials

City Council

- Robert Taylor Mayor
- Steve Barr Vice Mayor
- Robert Brockman Council Member
- Joel Bryant Council Member
- Erick Stonebarger Council Member

Executive Team

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



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April 2011

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 2010/11 – 2019/20 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. The size and scope of long-term financial challenges facing local agencies in California has never been greater. Local agencies throughout the State are developing new ways of doing business just in order to maintain existing operations, as the dual challenges of shrinking revenue bases and escalating employee benefit costs continue to put a strain on local budgets. At the same time, continued threats of State raids and takeaways are a constant peril. Suffice it to say, the need for long range forecasting and sound financial planning has never been greater.

The Fiscal Model provides detailed analysis and projections 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 first 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 and the newly created second tier for miscellaneous employees; a long-term funding strategy for retiree medical costs; the impacts from a projected rising interest rate environment; stabilization of the housing market and the fiscal impacts of opening new facilities such as the new City Hall, new Community Center, the Senior Center and other facilities as they are completed.



The Fiscal Model has identified future structural General Fund shortfalls. Unlike years past, where declining revenues necessitated aggressive cost reductions, future years will bring challenges on the expenditure side. The City is facing significant increases in our pension and other post employment benefits (OPEB) costs over the next several years, while at the same time health care cost increases continue to outpace the rate of inflation. Strategies and options for managing these long-term expenditure increases will be developed for the Council's consideration as part of the budget development process. 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.

While the City has been significantly impacted by the recession, it continues to remain financially healthy and well-positioned for the future. Revenues are projected to increase this fiscal year for the first time since 2006/07. Property tax losses have slowed and sales tax revenue has continued to increase. 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. Over the past two fiscal years the City was able to use accumulated General Fund savings from previous years to establish a \$5.6 million Budget Stabilization Fund. In addition, the City has \$3.2 million in the Emergency Preparedness Fund and \$5.2 million in our Insurance Fund. These Funds afford the City the option of foregoing immediate service level reductions and dramatic cuts by offering a funding source to help bridge the gap while more palatable, long-term budget solutions are allowed to take hold. Key to this plan will be the timely implementation of long-term cost control measures in order to ensure sufficient cost savings are available once our temporary funding sources have been exhausted.

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, Assistant Finance Director, 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 Systems





EXECUTIVE SUMMARY

The Fiscal Model has identified an ongoing budgetary shortfall which must be addressed to ensure the continued financial strength of the City. The City has maintained fiscal health throughout the economic downturn by remaining committed to protecting its reserves and through proactive cost reduction measures which served to ensure that the City's operating expenditures did not exceed its revenues. The City must develop a long-term strategy to control expenditure growth and bring it in line with revenue growth in order to maintain with a balanced budget.

General Fund revenues are projected to post minor increases in 2010/11, following three consecutive years of declines during which revenues fell by \$7.1 million. Despite the challenging economic environment, average annual revenue increases of 4.4% are projected over the next decade. Even with these gains, the City is not projected to match its peak revenue, received in 2006/07, until 2015/16. This nine year stretch of revenue stagnation put a tremendous strain on the City's operating budget and was the primary factor behind the City's previous cost cutting actions and workforce reductions.

Development activity is expected to increase only moderately over the course of the decade, rising from 125 permits in 2011/12 to 300 permits in 2016/17. The City's population growth rate is expected to remain below 1% until 2013/14 and peak at 1.9% in 2016/17. The key variables impacting the City's future revenue forecast include this projected level of development activity, sales tax growth, both from new development and from consumer spending activity, and housing price inflation (or deflation).

Unlike past years, where declining revenues necessitated aggressive cost reductions, future years will bring challenges on the expenditure side. The City is facing significant increases in its pension and other post employment benefits (OPEB) costs over the next several years, while at the same time health care cost increases continue to outpace the rate of inflation. Action to reduce future expenditures is needed in order to allow the City to fully fund its pension and retiree medical obligations and to maintain a long-term balanced budget.

The Fiscal Model does not project any staffing level increases over the next decade, as staff believes incremental workload changes resulting from forecasted population increases can be successfully managed by existing staff. In addition, the high costs currently associated with adding new staff present too significant of a financial barrier to either allow for or to justify the added cost. Despite not adding any new staff, expenditure growth is projected to increase at an average annual rate of 5.7% over the next four years and 4.6% over the next decade.

Key variables impacting the City's future expenditure forecast include: compensation growth trends, especially retirement costs; wage and health care cost increases; funding requirements for OPEB and staff growth (of which there is no staff growth included in the Fiscal Model). Strategies and options for managing the long-term expenditure challenges will be developed for City Council consideration.

At the end of the 2010/11 fiscal year, the City is projected to have a General Fund balance of \$15.0 million, with an unassigned (also referred to as "reserves") fund balance of \$12.1 million. This meets the

City Council's 30% unassigned fund balance goal, with the caveat the City's unfunded pension and OPEB liabilities must be carefully managed in the future. The City has continued to maintain strong reserves of 30% throughout this economic downturn.

In addition, over the past several years the City has also been able to establish a \$5.6 million Budget Stabilization Fund and \$5.2 million Insurance Fund. These funds might now be strategically used as an intermediate term funding source to help bridge the budget gap while more palatable, long-term budget solutions are put in place and begin to accumulate savings. Using this strategy will allow the City to avoid immediate and dramatic service level reductions, while still preserving the City's long-term fiscal health. Key to this plan will be the timely implementation of long-term cost control measures in order to allow sufficient time for expenditure savings to accumulate and become large enough to supplant these temporary funding sources once they have become exhausted.

While the City has been significantly impacted by the economic downturn, it continues to remain fiscally healthy and has the necessary tools and resources available to ensure that it can emerge from the recession with a stronger, more sustainable fiscal future.



INTRODUCTION

In 2005, 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 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 2007, 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: 1) modeling the impacts of the recently implemented second tier for new miscellaneous employees and 2) a comprehensive model for forecasting property tax "recapture" amounts which occur when property valuations, which were temporarily reduced by the County Assessor's office, are eligible to increase at a rate greater than 2% as a result of a housing market recovery. In addition, this year's Fiscal Model breaks down employee costs into miscellaneous and public safety employee groupings. This allows for a much better analysis of the impacts of the newly created second tier for miscellaneous employees and also allows for the user to isolate the impacts that cost of living adjustments, pension rate increases, OPEB costs and rising health care expenses have on each group.

The model has five interlinked sections:

1. A development model.
2. Expense models for each department and division, summarized at the General Fund level and supported by a staffing and compensation model.
3. An employee compensation model, including variables for health care, retiree medical and pension funding, broken down between miscellaneous and public safety employees.
4. A revenue model for each major revenue source.
5. 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 the different projected Public Employees Retirement System (PERS) pension rate increases for miscellaneous and public safety employees.

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 number of housing units 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 economic downturn, 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 the City's Pavement Management Program and several of its Internal Service funds. The impacts of returning to previous funding levels once the surpluses are exhausted are also accurately modeled in the 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 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. 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 staff 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 on page A4 of the Appendix.

This Fiscal Model will continue to be an invaluable tool for the City's current and future policymakers, ensuring 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 remains committed to avoiding the use of reserves to fund ongoing expenses and to closing future budget deficits. To this end, action to reduce future expenditures is needed. The Fiscal Model has identified significant reductions which will be necessary to allow the City to fully fund its pension and retiree medical obligations while maintaining a balanced budget for the long-term. The City has strong reserves of 30% which will be difficult to maintain given future expenditure pressures, although funds from the City's Budget Stabilization and Insurance Fund may bridge the gap while long-term cost solutions are implemented. 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 the forecasts.*

This report will quantify the various aspects of the City's budget, including growth and development, and revenues and expenses, including staffing changes and fund balance. The City of Brentwood's existing fiscal health is good, but significant projected deficits over the next decade suggest that actions should be taken 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 a mild recovery will have on the City's future.
- Staff growth (there are no new employees in this Fiscal Model).
- Compensation cost increases, especially retirement, health care, OPEB and cost of living increases.
- The growth of property taxes and sales taxes from new development.
- Housing price inflation (or deflation).
- Outside cost pressures (e.g. dispatch cost increases).

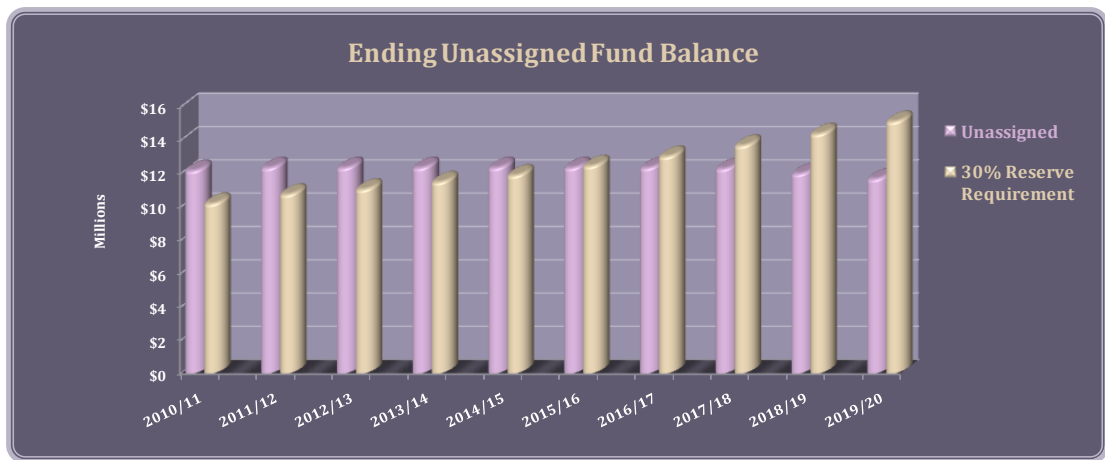
Fund balance, along with annual additions/draws from fund balance, is the best indicator of a City's financial health. These are illustrated together in the Financial Summary located on page A3 of the Appendix. As indicated in that Summary, significant additional expenditure reductions are needed to allow the City to operate with a balanced budget and maintain existing fund balance levels.

The City Council has adopted a 30% unassigned (“reserves”) fund balance goal for the General Fund. The Fiscal Model shows this ratio cannot be maintained simply by implementing the identified reductions and operating with a balanced budget. This is due to the mathematical fact that maintaining a reserve as a percentage of expenditures requires funds to be added to reserves as expenditures increase. The Fiscal Model forecasts total expenditure increases, after subtracting the identified reductions, of \$16.4 million over the next decade. The increase in expenditures thus requires that an additional \$4.9 million be set aside in the General Fund’s unassigned fund balance in order to maintain the 30% ratio. By the end of the next decade, simply operating with a balanced budget will leave the General Fund with 23.1% in unassigned fund balance, considered a reasonable amount in comparison to most California cities, but below the optimal level of fiscal strength established by the City Council and what staff would recommend.

It should be noted current accounting reporting standards do not require unfunded OPEB obligations be counted against a reserve balance. Likewise, the City does not record the gains or losses associated with its pension obligations. As such, the City’s 30% unassigned Fund Balance does not take into account unfunded pension or OPEB liabilities. These liabilities are scheduled to be paid off through 1) the City Council directed plan to increase funding for OPEB over the next decade to fund 85% of the annual required contribution, and 2) PERS adjusting their rates higher to cover the pension shortfall. While the City’s existing fund balance figures do not include these unfunded liabilities, the Fiscal Model captures their impacts through the increased funding requirements included in the projections over the next decade.

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

EXHIBIT 1: Ending Unassigned Fund Balance



Over the next ten years, assuming the identified reductions are incorporated, fund balance is forecast to decline by \$2.9 million as the City uses existing fund balance for non-operating transfers. At the same time, 30% of the rising expenditure number results in a higher unassigned fund balance requirement. The combination of these two factors results in the City falling \$3.4 million short of the 30% reserve target in 2019/20.



While the recession and resulting revenue decline was the primary factor in the City's initial cost cutting actions, the Fiscal Model forecasts that revenues will increase at a reasonable pace over the course of the next 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; health care increases and the expiration of certain short-term solutions, such as utilizing excess fund balances in our Internal Services Funds and Pavement Management Program. Budgetary pressures from outside influences, such as rising dispatch service costs, are also negatively impacting the long range forecast. It simply will not be possible to maintain a balanced budget without implementing cost saving measures.

As stated in the "Key Finding" at the beginning of this section, changes made today can result in significant impacts when considered over the course of a decade. For instance, lowering the annual projected cost of living adjustment for staff salaries by just **1%** per year over the next decade results in a total cumulative General Fund savings of **\$8.2 million**.

This example illustrates the degree by which changes made today compound themselves and amount to significant changes over time. The key is to continually plan ahead, and to be proactive rather than reactive. Therein lies one of the benefits of the Fiscal Model – an early warning system which allows City management to address projected shortfalls in a timely manner, allowing for proactive decisions to be considered, and affording the City time to allow savings from long-term cost solutions to ultimately grow and provide fiscal sustainability.

The City has also put itself in a position to be able to implement long-term solutions while the \$5.6 million in the Budget Stabilization Fund and \$5.2 million in the Insurance Fund are used to help offset the deficits in the shorter term. Caution must be exercised, however, as the Fiscal Model draws down the entire Budget Stabilization and Insurance Funds over the next decade under the assumption that long-term budget solutions will be implemented and the General Fund will be self supporting once the savings from those solutions are allowed to compound. The Insurance Fund is forecast to subsidize funding for OPEB while the Budget Stabilization fund can fill the budget gap while savings from a second tier employee cost saving program are given a chance to grow.

This proactive approach to managing expenses has served the City well over the past few years, as sound fiscal decisions have allowed the City to maintain its balanced budget. The newly implemented second tier for miscellaneous employees is already generating savings and is projected to save the General Fund nearly \$1 million per year by the last year of the model. Proactive fiscal management also allows the 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. The City's financial goal is to have an annually balanced budget and 30% reserves while maintaining fully funding its OPEB and pension obligations.





GROWTH PROJECTION MODEL

Key Finding: *A gradual return of development is expected over the course of the next several years. The City’s population growth rate is expected to remain below 1% until 2013/14 and peak at 1.9% in 2016/17. The City will not return to the rapid growth phase of the mid 1990’s through the mid 2000’s, and development activity is unlikely to exceed the three-fold increase in single family building permit issuances incorporated into the Fiscal Model.*

The City’s growth model is summarized in Exhibits 2 and 3. Exhibit 2 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).

EXHIBIT 2: Growth Projection Summary – Residential

Year	Total Units	Single Family	Multi Family	Added Population	Total Population	Annual Population Growth %
Current					52,492	
2010/11	100	100	-	310	52,802	0.6%
2011/12	125	125	-	388	53,190	0.7%
2012/13	150	150	-	465	53,655	0.9%
2013/14	230	200	30	713	54,368	1.3%
2014/15	255	225	30	791	55,159	1.5%
2015/16	255	225	30	791	55,950	1.4%
2016/17	350	300	50	1,085	57,035	1.9%
2017/18	350	300	50	1,085	58,120	1.9%
2018/19	350	300	50	1,085	59,205	1.9%
2019/20	350	300	50	1,085	60,290	1.8%
Total	2,515	2,225	290	7,798	60,290	14.86%

The total number of new single family houses planned through 2020 is 2,225. Combined with the 290 multiple-family permits, the City is expecting 7,798 new residents over the next decade. These numbers suggest that development activity is expected to remain sluggish for the near-term. The increase in building permits is consistent with the forecast in the City’s Capital Improvement Program (CIP). If these estimates hold true, the City will have a population of approximately 60,290 in 2020. At build out, the City is estimated to have a total population of approximately 76,226 residents.



The growth model is the key to future revenue, and to a lesser extent, expense assumptions. Virtually all of the City’s largest revenue sources are impacted by development, either directly through development fees, or indirectly through the impacts of having a larger property and sales tax base from which to support operations. Similarly, expenses increase with development. A small assumption change creates significant impacts when looked at over the course of a decade.

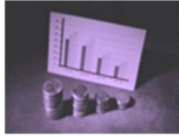
For example, increasing the single family building permits by **100** units per year over the life of this Fiscal Model adds a total net gain of over **\$15.6 million** through 2019/20, resulting in fewer reductions needed in order to balance the operating budget. Of course, such a “boom” is considered unlikely, considering the model already forecasts a tripling of development activity from today’s levels. Conversely, issuing 100 fewer annual permits also results in a reduction of \$15.6 million. 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 exhibits and charts so staff can quickly review the changes.

It should be noted there are no staffing additions included in the Fiscal Model, as projected population increases are such that existing staff can manage the incremental workload. In addition, the costs associated with adding new staff also present a significant financial barrier. As such, future staffing needs, if applicable, will be carefully weighed against these costs and will be brought separately to the City Council for consideration.

Exhibit 3 presents projected commercial growth. Commercial growth, which has declined substantially over the past several years, 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 over the short term, followed by a return to minor growth activity, is consistent with the residential development forecast.

EXHIBIT 3: Growth Projection Summary – Commercial

Year	Commercial Sq. Ft	Office Sq. Ft	Industrial Sq. Ft
2010/11	10,000	-	10,000
2011/12	10,000	-	10,000
2012/13	10,000	-	10,000
2013/14	60,000	-	40,000
2014/15	50,000	-	15,000
2015/16	50,000	-	15,000
2016/17	50,000	5,000	15,000
2017/18	50,000	5,000	15,000
2018/19	50,000	5,000	15,000
2019/20	50,000	5,000	15,000
Total	390,000	20,000	160,000



REVENUE SUMMARY

Key Finding: *General Fund revenues are currently projected to post minor increases in 2010/11, following three consecutive annual declines totaling \$7.1million, or 17.3%. Annual increases are also projected going forward, although the City is not projected 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 was the primary factor behind the City's initial cost cutting actions and workforce reductions. Despite the difficult environment, revenue growth is expected to increase at an average annual rate of 4.4% over the next ten years, with annual increases ranging from 1.3% in 2010/11 to 5.2% in 2019/20.*

Revenue growth enhances 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 City maintenance, such as landscaping and street maintenance. Unfortunately, Brentwood's revenue trends reflect the fact the country has been through 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. The top revenue source, property tax, has declined by 30.3% from its peak. While revenue declines were the main cause of the City's cost reduction efforts, projected expenditure increases, and in particular staffing costs, are responsible for the future projected budget shortfalls. (see Exhibit A3: Financial Summary).

Property tax revenue in 2011/12 is forecast to increase by 0.6%. Staff is comfortable this is a conservative, yet reasonable estimate and has had this estimate confirmed by the City's outside property tax consultant. This would be the first property tax gain seen by the City since fiscal year 2007/08. Looking ahead, the Fiscal Model forecasts a gradual recovery of property taxes over the next decade. Included in the model is a variable housing price inflation factor, ranging from 2.0% in fiscal year 2010/11 and peaking at 5% in the later years of the model (see Exhibit A4 for a list of all key assumptions in the Fiscal Model). This results in the median housing price reaching \$438,881 in ten years. Under this scenario, where housing prices continue to rise at 5% throughout the 2020's, the median housing price is not projected to exceed the previous peak price point until fiscal year 2028/29.

While lowered property values have put a significant strain on the City's budget, the City does have the potential to recapture a portion of these reduced revenues should the housing market stage a recovery. By law, if a property is reassessed downward to "fair market value" under the current ownership, its assessed value can be increased more than the statutory 2% in future years to keep up with the fair market value. Once a property changes hands, however, the new sales price is locked in and the City has permanently lost the ability to recover lost property taxes from that parcel (other than waiting for annual 2% increases or for a future sale at a higher price to generate additional property tax).



Staff obtained assessed valuation data for every residential parcel in the City and was able to link the projected housing price increases contained in the Fiscal Model (see Exhibit A4), projected property turnover rates and existing assessor reductions to calculate a “recapture” amount. The combination of these input factors currently indicate that over the next decade the City will receive a property tax recapture amount of \$310,770. With a total property tax loss of \$2.8 million, this recapture represents a recovery of just 11.1% of the total amount of property taxes lost by the City. Despite the projection of a minor recovery in the housing market, and a return of some development, the Fiscal Model does not predict the City will match its peak property tax revenue, achieved in 2007/08, until fiscal year 2018/19. However, these factors do result in a healthy projected average annual increase in property tax revenue of 4.9% over the next decade.

The City’s per capita property tax revenue (the average amount received by the City per resident) is projected to be \$123.24 in the 2010/11 fiscal year. Each city receives a differing percentage of each property tax dollar paid in their individual city. Brentwood receives approximately 13.4 cents out of each dollar paid by its residents. The fact different cities receive different allocations, 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), results in significant variances in the per capita property tax amount among cities in California.

Using projections provided by the City’s property tax consultant, the City developed a comparison of Brentwood’s General Fund property tax revenue, on a per capita basis, with other local cities. The comparable cities were selected based on available data from the City’s 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 the City’s top revenue source, and thus a key factor in determining the level of service provided to Brentwood residents, it was felt this would be an important metric to analyze. The results show the City takes in less property tax revenue per capita than the average comparison city. The results are presented on the next page in Exhibit 4.



EXHIBIT 4: Multi-City Comparison of Property Tax Revenue

City	1/1/2010 Population	Est. 2011/12 General Fund Property Tax	Revenue Per Capita
Pleasanton	70,711	\$ 43,356,450	\$ 613.15
Benicia	28,086	\$ 11,850,987	\$ 421.95
Dublin	48,821	\$ 19,739,617	\$ 404.33
Mountain View	75,787	\$ 21,174,396	\$ 279.39
Livermore	85,312	\$ 21,962,387	\$ 257.44
Sunnyvale	140,450	\$ 32,040,274	\$ 228.13
Fremont	218,128	\$ 43,250,280	\$ 198.28
San Rafael	58,822	\$ 11,359,732	\$ 193.12
Oakland	430,666	\$ 79,748,876	\$ 185.18
Danville	43,574	\$ 6,843,676	\$ 157.06
Brentwood	52,492	\$ 6,469,294	\$ 123.24
Union City	75,054	\$ 8,859,007	\$ 118.04
Vacaville	97,305	\$ 10,451,747	\$ 107.41
Vallejo	121,435	\$ 12,867,971	\$ 105.97
Stockton	292,133	\$ 27,827,635	\$ 95.26
Fairfield	105,955	\$ 9,735,601	\$ 91.88
Concord	125,864	\$ 11,059,759	\$ 87.87
Pleasant Hill	33,844	\$ 2,156,145	\$ 63.71
Average Comparison City	116,913	\$ 21,152,991	\$ 180.93

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 being the only city in Contra Costa County with sales tax growth during calendar year 2009, and followed that up with a 6.5% gain in 2010. For comparison, Contra Costa County was down over 17% in 2009 and eked out a 0.7% gain in 2010. Longer term, the City expects sales tax to post average annual gains of 4.1% through the duration of the ten years of this Fiscal Model. This limited growth (little more than inflationary pressures and an increase in the number of residents in the City) reflects the assumption the consumer will continue to remain cautious in their discretionary spending and focus on improving their personal balance sheets, as well as the projection the City is unlikely to see significant commercial development over the near term.

Exhibit 5, shown on the next page, provides 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, and this comparison consists of several of Brentwood’s neighboring cities. The exhibit shows that although the City has made progress, it still has a ways yet to go in order to generate comparable per capita sales tax revenue.



EXHIBIT 5: Multi-City Comparison of 2010 Sales Tax Revenue

City	1/1/2010 Population	2010 Calendar Year Gross Sales Tax	Revenue Per Capita
Pleasanton	70,711	\$ 19,180,481	\$ 271.25
Dublin	48,821	\$ 12,928,937	\$ 264.82
Walnut Creek	66,584	\$ 17,294,632	\$ 259.74
Pleasant Hill	33,844	\$ 6,351,613	\$ 187.67
Concord	125,864	\$ 23,453,723	\$ 186.34
Livermore	85,312	\$ 15,621,328	\$ 183.11
Fremont	218,128	\$ 30,132,348	\$ 138.14
Martinez	36,663	\$ 4,807,008	\$ 131.11
Tracy	82,107	\$ 10,484,477	\$ 127.69
Manteca	68,847	\$ 8,239,515	\$ 119.68
San Ramon	64,860	\$ 7,719,191	\$ 119.01
Richmond	105,630	\$ 12,548,877	\$ 118.80
Stockton	292,133	\$ 32,883,998	\$ 112.57
Union City	75,054	\$ 8,414,373	\$ 112.11
Danville	43,574	\$ 4,554,659	\$ 104.53
Brentwood	52,492	\$ 5,394,930	\$ 102.78
Pittsburg	64,967	\$ 6,003,939	\$ 92.42
Antioch	102,330	\$ 9,316,661	\$ 91.05
Oakland	430,666	\$ 37,765,062	\$ 87.69
Oakley	35,646	\$ 1,419,397	\$ 39.82
Average Comparison City	105,212	\$ 13,725,757	\$ 142.52

In looking at total General Fund revenue, the Fiscal Model is forecasting average annual increases of 4.4% per year, with an average annual increase of 2.9% in per capita revenue. Following a 1.3% increase in 2010/11, revenues are forecast to grow 5.0% in 2011/12. The remaining eight years of the Fiscal Model have an average annual growth rate of 4.3%, indicative of a return to stability in development and in the housing market. This level of revenue growth should be sufficient to offset normal inflationary expenditure pressures (e.g. if the City could hold long-term annual expenditure growth to 4.3% or less the City would be “in balance” and no further reductions would be needed). Exhibit 6 summarizes revenue growth over the next decade.

EXHIBIT 6: Revenue Summary

Revenue Summary	2010/11	2019/20	Total Increase	Avg Growth Rate	Current Per Capita
Property Tax					
Existing Base	\$6,430,680	\$9,394,697	\$2,964,017	4.3%	\$121.79
New Residential	\$0	\$187,310	\$187,310	N/A	N/A
Res. Turnover	\$0	\$203,202	\$203,202	N/A	N/A
New Com/Ind	\$0	\$143,285	\$143,285	N/A	N/A
Sub -Total	\$6,430,680	\$9,928,494	\$3,497,814	4.9%	\$121.79
Property Transfer	\$253,500	\$506,643	\$253,143	8.0%	\$4.80
Sales Tax	\$5,122,930	\$7,383,146	\$2,260,216	4.1%	\$97.02
Franchise Fees	\$1,210,000	\$1,802,649	\$592,649	4.5%	\$22.92
Transient Occupancy Tax	\$225,559	\$409,538	\$183,979	6.9%	\$4.27
Motor Vehicle License	\$2,885,248	\$4,385,149	\$1,499,901	4.8%	\$54.64
Investment Income	\$400,000	\$997,238	\$597,238	10.7%	\$7.58
Business License	\$470,414	\$654,259	\$183,845	3.7%	\$8.91
Building Fees	\$925,000	\$2,518,735	\$1,593,735	11.8%	\$17.52
Engineering Fees	\$1,138,340	\$2,143,681	\$1,005,341	7.3%	\$21.56
Planning Fees	\$221,545	\$637,892	\$416,347	12.5%	\$4.20
Parks and Recreation	\$2,355,120	\$3,745,254	\$1,390,134	5.3%	\$44.60
Interfund Services	\$6,060,659	\$6,975,949	\$915,290	1.6%	\$114.78
Other	\$1,230,752	\$1,628,564	\$397,812	3.2%	\$23.31
Transfers In	\$5,086,155	\$6,573,860	\$1,487,705	2.9%	\$96.33
Total	\$34,015,902	\$50,291,051	\$16,275,149	4.4%	\$644.22
Per Capita	\$644	\$834	\$190	2.9%	

While analyzing trends in revenues or expenses by comparing the first and last years of a ten year period is a useful tool for spotting long-term trends, such analysis does not provide a complete picture of how the City may be faring on an annual basis. In looking at the City’s revenue projections on an annual basis, as opposed to just the first and last years, a new revenue source emerges during the early to mid years of the forecast. This revenue source is the Budget Stabilization Fund.

The Budget Stabilization Fund has accumulated a total of \$5.6 million from previous General Fund savings. As the Fiscal Model shows, the City is about to enter some extremely challenging years – ones in which no reasonable budget reductions could be implemented which could possibly serve to immediately balance an annual budget. The Budget Stabilization Fund could be utilized as an interim solution, one which helps bridge the budget gap while longer term solutions are implemented. During the establishment of the second tiered retirement plan for new miscellaneous (non-public safety) workers this very concept was utilized. It was determined that while the savings from the second tier would be substantial over time, the fact that immediate savings from the plan were relatively minor warranted the use of the Budget Stabilization Fund as a tool to fill that gap while the savings amount grows. Exhibit 7, shown on the next page, summarizes the usage of the Budget Stabilization (considered revenues in the Fiscal Model).



EXHIBIT 7: Budget Stabilization Fund Usage

Fiscal Year	Transfer to General Fund	Ending Budget Stabilization Fund Balance
2010/11	\$ -	\$ 5,612,776
2011/12	\$ 700,000	\$ 4,912,776
2012/13	\$ 1,900,000	\$ 3,012,776
2013/14	\$ 1,300,000	\$ 1,712,776
2014/15	\$ 700,000	\$ 1,012,776
2015/16	\$ 1,012,776	\$ -
2016/17	\$ -	\$ -
2017/18	\$ -	\$ -
2018/19	\$ -	\$ -
2019/20	\$ -	\$ -

The City is fortunate to be in the position to be able to utilize the Budget Stabilization Fund to help bridge the projected budget deficit for the next five years. The eventual exhaustion of these funds, however, underscores the immediate need to implement long-term budgetary measures which will eventually offset the loss of Budget Stabilization funding over the long-term. The City’s Insurance Fund is projected to be used in the same way – the OPEB costs discussed in this model are net of funding contributions from the Insurance Fund – once the \$5.2 million in the Insurance Fund is exhausted a long-term funding solution will be needed.

While the 2010/11 budget is balanced without any additional reductions or transfers from the Budget Stabilization Fund, the current model indicates reductions ranging from \$408,801 to \$3,062,576 must be identified and implemented in order to maintain a balanced budget. Exhibit 8 provides a snapshot of the City’s projected revenues and expenditures over the decade, **absent any reductions.**

EXHIBIT 8: Revenues and Expenditures (Before Reductions)

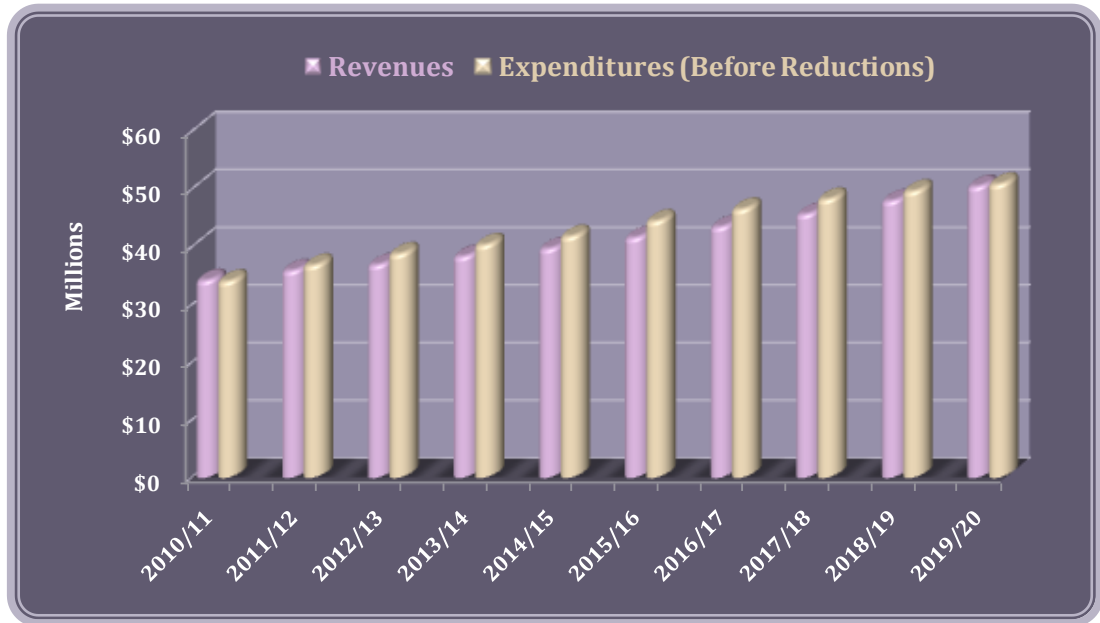
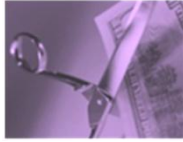


Exhibit 8 clearly illustrates the structural deficit facing the City over the next decade. During the early years of the model, the Budget Stabilization and Insurance funds help shore up the deficit to manageable levels. By the middle part of the decade, these funds will be depleted and the deficits will likely be too large to be dealt with at that time. As the model has illustrated, changes made today will compound and can have substantial impacts on the model over time, making this a recommended approach to managing this projected deficit.

It is important to note that the fund balance model in this report assumes 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 while the economy has remained stagnant. The City’s strong levels of reserves have remained fully intact, while other cities have started depleting their reserves in the hope the worst of the economic downturn has passed. If the City elected not to address the structural deficit, the existing fund balance would provide the funds necessary to cover the shortfall for approximately eight years before eventually running out.



EXPENSE SUMMARY

Key Finding: *The City must control expenses in order to operate with a balanced budget. Although revenues are expected to post reasonable annual increases, expenditure pressures result in persistent projected deficits over the next decade, with the most significant expenditure increases being employee staffing costs. Even without adding any new staff over the next decade, identified reductions must still be implemented to ensure fiscal sustainability. Absent these reductions, expenditure growth is expected to increase at an average annual rate of 4.6% over the next decade, while revenues are increasing at just 4.4%.*

Since the City has only minor control over its revenue growth, it is largely on the expense side where the City must look to balance the projected deficit. The City has already reduced staffing levels, trimmed supplies and services budgets and implemented significant cost saving measures in order to balance the budget and maintain 30% reserves through the 2010/11 fiscal year (as will be discussed later in this section, the City does have unfunded OPEB obligations and upcoming pension rate increases related to underfunded pension plans which, as dictated by accounting standards, are not reported as General Fund liabilities). Unfortunately, projected expenditure increases in future years require that further reductions be considered. 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 the City's budget. For example, salaries will grow from inflation in compensation and benefits and Internal Service fund charges will need to keep up with commodity pricing. Therefore, the expense model links elements from both the budget and growth databases.

There are no staffing additions included in the Fiscal Model for two reasons. First, the projected population increases are mild enough to suggest existing staff can manage the incremental workload through increased productivity and technological advances. Second, it would not be fiscally responsible to project additional staffing level increases given the current costs associated with adding staff. Future staffing needs, if applicable, will be carefully weighed against these costs and will be brought separately to the City Council for consideration. Performance measures and workload indicators will continue to be monitored on a regular basis (e.g. the annual Police Benchmarking Report).

All discussions of expenditures in this section, including the exhibits, are presented without incorporating any identified reductions. While the City fully expects 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 will be updated to reflect a more accurate distribution of the expenditure budget.

In addition, included in the Fiscal Model is a budgetary expenditure savings of \$1 million per year through 2014/15. This was done after analyzing the current and previous three fiscal years and noting

that in each year the City has achieved no less than \$1.1 million in budgeted expenditure savings. This is important to note, as deficits through 2014/15 exist even after crediting the General Fund back \$1 million in budgetary savings. In this sense, they represent actual spending deficits – the City must go beyond simply cutting the \$1 million in unused budget and reduce actual expenditures.

In total, General Fund expenses, absent identified reductions, will increase from \$33.9 million in 2010/11 to \$50.7 million in 2019/20. This equates to an average annual expenditure growth rate of 4.6%, which is not sustainable, especially in light of the City’s projected revenue growth rate of 4.4%. **Over the next five years the disparity is even greater, with expenses projected to grow at 5.5% annual rate while revenues are increasing at a rate of just 4.0%.**

The Fiscal Model presents two ways of analyzing expenditures, first at a departmental level (e.g. what are the spending needs of each department and how does the City allocate a limited supply of resources in the most desirable manner), and second, at a category level (e.g. total salary expense, pension expense and analyzing the cost drivers which will impact those expenses). The departmental analysis is a reflection of “how the pie is divided up” and is a zero-sum game – increases in one department’s expenditure allocation percentages will result in a decrease of another and is largely driven by City Council spending priorities, while the analysis of the spending category detail identifies the underlying trends and variables which impact specific expenses across all departments.

A. DEPARTMENT EXPENDITURE ANALYSIS

Exhibit 9 presents a summary comparison of expenditures by Department. Note: for financial reporting consistency with the City’s Comprehensive Annual Financial Report (CAFR), the General Government category combines the following City administrative departments: City Administration, City Attorney and Finance and Information Systems. Detailed expenditure data for each of these departments can be found in Exhibit A2).

The Police Department is projected to have the highest annual expense growth rate at 4.2%. This is due to two primary factors. First, police benefit costs, especially pension related expenses, are projected to increase faster than miscellaneous employee benefit costs, which are slowing due to the newly implemented second tier. Secondly, police dispatch costs are projected to rise at a much faster pace than inflation.

The remaining City departments are all forecasted to have expenses increase at an average annual rate between 2.6% and 3.3%.



EXHIBIT 9: Expense Summary by Department (OPEB Unallocated)

Department Summary	2010/11	2019/20	Total Increase	Avg Growth Rate
General Government	\$5,709,911	\$7,171,136	\$1,461,225	2.6%
Police	\$15,378,177	\$22,264,441	\$6,886,264	4.2%
Parks and Recreation	\$4,283,418	\$5,732,756	\$1,449,338	3.3%
Community Development	\$2,818,329	\$3,691,359	\$873,030	3.0%
Public Works	\$5,231,078	\$6,593,219	\$1,362,141	2.6%
OPEB	\$222,322	\$3,808,243	\$3,585,921	37.1%
Operational Transfers Out	\$233,149	\$1,438,698	\$1,205,549	22.4%
Total	\$33,876,384	\$50,699,852	\$16,823,468	4.6%
Per Capita	\$642	\$841	\$199	3.1%

The figures in Exhibit 9 do not tell a complete story, as the rapid escalation in OPEB costs, which are in fact individual departmental employee benefit expenses, have been tracked separately in the Fiscal Model. Exhibit 10 allocates the General Fund’s OPEB costs to the appropriate department in order to provide a truer analysis of where the funds are being spent on a departmental basis. Using this method, Police costs are projected to rise at a 5.1% annual growth rate, far exceeding the rate of revenue growth by which those operations are funded. The growth rates of the remaining departments range from 3.3% up to 4.1%.

EXHIBIT 10: Expense Summary by Department

Department Summary	2010/11	2019/20	Total Increase	Avg Growth Rate
General Government	\$5,742,218	\$7,705,627	\$1,963,408	3.3%
Police	\$15,494,437	\$24,265,961	\$8,771,524	5.1%
Parks and Recreation	\$4,302,070	\$6,053,864	\$1,751,794	3.9%
Community Development	\$2,840,019	\$4,075,117	\$1,235,098	4.1%
Public Works	\$5,264,490	\$7,160,585	\$1,896,095	3.5%
OPEB	\$0	\$0	\$0	0.0%
Operational Transfers Out	\$233,149	\$1,438,698	\$1,205,549	22.4%
Total	\$33,876,384	\$50,699,852	\$16,823,468	4.6%
Per Capita	\$642	\$841	\$199	3.1%

A comparison of each department’s percentage share of the budget for both 2010/11 and 2019/20 is illustrated in Exhibit 11. As was the case in Exhibit 9, the impacts of OPEB are so significant that they skew the results. By 2019/20 OPEB as a “department” becomes 7.5% of the General Fund all by itself and actually exceeds the entire cost of the General Fund portion of the Community Development Department!

EXHIBIT 11: Department’s Share of Budget (Excluding OPEB from Departments)

Department Summary	2010/11	2019/20	2010/11 Share	2019/20 Share
General Government	\$5,709,911	\$7,171,136	16.9%	14.1%
Police	\$15,378,177	\$22,264,441	45.4%	43.9%
Parks and Recreation	\$4,283,418	\$5,732,756	12.6%	11.3%
Community Development	\$2,818,329	\$3,691,359	8.3%	7.3%
Public Works	\$5,231,078	\$6,593,219	15.4%	13.0%
OPEB	\$222,322	\$3,808,243	0.7%	7.5%
Operational Transfers Out	\$233,149	\$1,438,698	0.7%	2.8%
Total	\$33,876,384	\$50,699,852	100.0%	100.0%

Allocating the OPEB costs to the appropriate department once again provides a preferred way of analyzing the data. Exhibit 12 below shows the results once OPEB costs have been allocated. As might be expected, the allocation of resources declines for each department with the exception of Police, who are projected to increase their proportionate share from 45.7% to 47.9%.

EXHIBIT 12: Department’s Share of Budget

Department Summary	2010/11	2019/20	2010/11 Share	2019/20 Share
General Government	\$5,742,218	\$7,705,627	17.0%	15.2%
Police	\$15,494,437	\$24,265,961	45.7%	47.9%
Parks and Recreation	\$4,302,070	\$6,053,864	12.7%	11.9%
Community Development	\$2,840,019	\$4,075,117	8.4%	8.0%
Public Works	\$5,264,490	\$7,160,585	15.5%	14.1%
Operational Transfers Out	\$233,149	\$1,438,698	0.7%	2.8%
Total	\$33,876,384	\$50,699,852	100.0%	100.0%

Examples of significant items specifically included in these expenditure forecasts include the impacts of the current employee labor contracts, including the impacts of the newly implemented second tier for new miscellaneous employees, along with the latest pension and OPEB contribution figures provided by PERS and the City’s OPEB actuary.

Examples of additional items included in the Fiscal Model include the impacts of the biannual election costs; projected increases in pavement management funding; impacts from the opening of the new Civic Center and increases in funding requirements for the City’s Internal Service Funds.

As previously discussed, the Fiscal Model does not contain funding for any additional positions over the next decade. Current projections indicate existing staff can manage the workload increases associated with the City’s minor population increases. If growth should accelerate, it is likely additional revenues would become available to potentially allow for staffing increases, although the current costs of adding additional staff are somewhat prohibitive.

B. CATEGORY COST ANALYSIS

To understand what the City’s main cost drivers are, an analysis of the two main expenditure categories (personnel costs and “everything else”, namely supplies and services costs) must be undertaken. To illustrate the relative importance and projected growth patterns for each, Exhibit 13 summarizes these categories.

EXHIBIT 13: Summary of Cost Increases by Type of Expense

Year	Salary and Benefits Total	Other Expenses Total	Total Operating Expenses	Operating Revenues
2010/11	\$ 23,223,649	\$ 10,652,735	\$ 33,876,384	\$ 34,015,902
2011/12	\$ 25,089,357	\$ 11,564,622	\$ 36,653,979	\$ 35,709,516
2012/13	\$ 26,132,117	\$ 12,483,060	\$ 38,615,177	\$ 36,719,666
2013/14	\$ 27,463,456	\$ 12,717,047	\$ 40,180,503	\$ 38,174,814
2014/15	\$ 28,590,890	\$ 13,065,552	\$ 41,656,442	\$ 39,528,503
2015/16	\$ 30,717,015	\$ 13,609,589	\$ 44,326,604	\$ 41,411,467
2016/17	\$ 32,016,711	\$ 14,336,439	\$ 46,353,150	\$ 43,290,574
2017/18	\$ 33,355,845	\$ 14,726,063	\$ 48,081,908	\$ 45,488,585
2018/19	\$ 34,244,794	\$ 15,245,749	\$ 49,490,543	\$ 47,816,431
2019/20	\$ 35,151,817	\$ 15,548,035	\$ 50,699,852	\$ 50,291,051
Avg Growth Rate	4.7%	4.3%	4.6%	4.4%
Total Growth Rate	51.4%	46.0%	49.7%	47.8%

Exhibit 13 illustrates that salary and benefit expenses are projected to grow by \$11.9 million, or 51.4%, over the next decade (with no additional staffing). This equates to an average annual growth rate of 4.7%. As was previously noted, revenues are only projected to grow at 4.4%, making the rate of growth in staffing costs unsustainable. The General Fund's "Other Expenses", are projected to grow at an average annual rate of 4.3%.

Exhibit 13 clearly highlights that the City's projected shortfalls are due to cost increases associated with salaries and benefits. Further analysis is needed, however, to determine specific areas of concern within this category. The most effective way to do this is to analyze each of the largest expenditure line items (e.g. salary costs, pension expenses, OPEB, and health care costs).

In order to appropriately analyze and forecast these expenses, the Fiscal Model must break down the costs by the two separate classifications for City employees – miscellaneous and public safety. This breakdown is necessary because the City offers different benefit levels to employees largely based upon this classification, and the growth rates of each expense can vary significantly between these two classifications.

i. Cost of Living Adjustments

1. **Miscellaneous** - The Fiscal Model includes two years of 2.5% cost of living adjustments (in accordance with existing bargaining unit contracts) followed by 2.0% annual increases for the remainder of the decade (which are not contractually obligated but merely assumed here for presentation and forecasting purposes). For reference, each 1% in salary increase for miscellaneous employees is projected to cost the General Fund approximately \$86,000 in salary expenses on an annual basis. By the end of the decade, cost of living adjustments for miscellaneous employees are projected to cost an additional \$2.2 million in annual expenses (See Exhibit 17). The City has the ability to further control these costs through the negotiation of annual cost of living adjustments.
2. **Public Safety** - The Fiscal Model includes annual 2.0% cost of living adjustments for Public Safety employees, although once again it is important to note that the use of this number does not represent a contractual obligation. Each 1% in salary increase for safety employees is projected to cost the General Fund approximately \$66,000 in salary expenses on an annual basis, with a total additional annual cost of \$1.4 million by the end of the decade. These costs are illustrated in Exhibit 18. The City has the ability to further control these costs through the negotiation of annual cost of living adjustments.

ii. Pensions (PERS)

The City pays PERS a percentage of each employee's salary in order to fund that employee's retirement. PERS sets their rates to ensure adequate funds are available to provide to retirees. 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 2010



a second tier was adopted for miscellaneous employees, lowering the benefit down to 2.0% @ 60). In addition, the City opted to further enhance pension benefits by including 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 two enhanced benefits were also eliminated in the second tier for miscellaneous employees).

PERS sets the annual pension contribution rates and the City pays the amount requested. Pensions are pre-funded (meaning money is set aside as the employee works, rather than paid by the City after the employee retires). Although the City's pension plans have unfunded liabilities (see Exhibits 14 and 15), PERS is actively addressing those shortfalls through rate increases as illustrated in Exhibit 17. In this way, the Fiscal Model captures the expenditure impacts of closing the existing unfunded pension liability.

Current accounting regulations (there is a proposal to change this) only require the City to disclose the funded status of its pension plan as a footnote (i.e. the amount of the unfunded liability is not recorded on the City's financials, but rather disclosed in a note to the reader). The only current instance in which a pension liability must be recorded in an agency's financials is if it doesn't pay 100% of the PERS required contribution.

Note: In these ways pensions differ from OPEB costs, which are largely funded after an employee retires (pay-as-you-go), with agencies rarely being able to afford to make 100% of the annual required contribution as calculated by an actuary. Also, the difference between an agency's contribution and the actuarial determined contribution amount **IS** reported in the City's books, although not in individual funds (e.g. it is not present in the General Fund). The liability is reported on the City's CAFR. Following is a discussion of the costs associated with Miscellaneous and Public Safety employee groups:

1. **Miscellaneous** - The projected PERS contribution rate is expected to rise from 22.482% of salary in the 2010/11 fiscal year to 26.0% of salary over the next three years. By the end of the decade, the rate is projected to be 26.550% of salary, costing the General Fund an additional \$1 million on an annual basis and a cumulative total of \$6.4 million over the course of the decade. It was concern over these rapidly increasing pension costs that led to the City to negotiate a second tier PERS benefit structure for miscellaneous employees. Under the new second tier, new employees hired after October 1, 2010:

- Receive reduced pension benefits of 2% @ 60 (versus the previous 2.7% @ 55).
- Are subject to a cap on retirement cost of living increases of 2% (versus the previous 5%).
- Have their pension benefit determined by the highest average three years of annual salary (rather than highest one year).
- Immediately begin paying the full employee share of PERS (7% of salary due to the reduced benefits described above, the previous employee share was 8%).

In addition, employees hired before October 1, 2010 agreed to:

- Immediately contribute 1% of salary towards PERS in the first year of the agreement (2010/11) and a 2% contribution in the second year.
- Accept annual 2.5% cost of living salary increase for two years.

The budgetary impacts of establishing the second tier are already being realized. As noted above, the increase in PERS rates is projected to cost the City \$6.4 million over the next decade; however, the savings from the second tier is projected to save the City \$4.6 million. As illustrated in Exhibit 17, by the end of the decade the second tier is estimated to save the City \$816,799 on an annual basis, nearly offsetting the \$961,729 cost increase resulting from the increased rates. This gap of \$144,929 continues to close over time, and indicates that the budgetary impacts caused by rising pension costs have been largely mitigated for miscellaneous employees.

The City has the ability to further control these costs through negotiating for increased employee contributions for first tier employees, as second tier employees already contribute their full employee share, to PERS or through negotiated cost sharing arrangements whereby existing employees help cover the cost of enhanced benefits (e.g. the 5% CPI benefit cost).

EXHIBIT 14: Current and Historical Funding Status – Misc. PERS Pension Plan

Fiscal Year Ending	Accrued Liabilities	Market Value of Assets	Unfunded Liability	Funded Ratio
6/30/2005	\$30,745,530	\$26,523,944	\$ 4,221,586	86.27%
6/30/2006	\$37,323,519	\$29,802,610	\$ 7,520,909	79.85%
6/30/2007	\$43,082,548	\$35,656,589	\$ 7,425,959	82.76%
6/30/2008	\$49,977,718	\$41,409,270	\$ 8,568,448	82.86%
6/30/2009	\$59,231,285	\$34,563,042	\$24,668,243	58.35%

2. **Public Safety** – The pension costs associated with public safety employees will escalate far more rapidly than for miscellaneous employees. This is due to two primary factors. First, on average public safety employees retire earlier than miscellaneous employees, meaning there is a shorter timeframe in which to set aside enough funds for the eventual retirement of each employee. Second, public safety employees have more lucrative pension plans (i.e. 3% @ 50). The combination of richer benefits and a shorter timeframe in which to accumulate the funds needed to pay for these benefits results in a high sensitivity to investment losses (see Exhibit 15).

The projected PERS contribution rate is expected to rise from 30.52% in the 2010/11 fiscal year to 41.20% over the next three years. By the end of the decade, the rate is projected to be 42.90%, costing the General Fund \$1.7 million on an annual basis, and a total of \$11.1 million during this time period. There are no second tier savings to offset these costs. As such, while the costs of rising pensions for the miscellaneous employees are largely mitigated, rising pension costs for public safety are projected to continue their unabated escalation, as shown in Exhibit 18. The City has the ability to control these costs through the negotiation of a second tier for new hires, requiring existing employees to contribute towards their retirement or through negotiated cost sharing arrangements whereby employees help cover the cost of enhanced benefits (e.g. the 5% CPI benefit cost).

EXHIBIT 15: Current and Historical Funding Status – Safety PERS Pooled Pension Plan

Fiscal Year Ending	Accrued Liabilities	Market Value of Assets	Unfunded Liability	Funded Ratio
6/30/2005	\$6,367,049,264	\$5,449,784,537	\$ 917,264,727	85.59%
6/30/2006	\$7,278,049,834	\$6,469,775,316	\$ 808,274,518	88.89%
6/30/2007	\$7,986,055,176	\$7,903,684,460	\$ 82,370,716	98.97%
6/30/2008	\$8,700,467,733	\$7,596,723,149	\$1,103,744,584	87.31%
6/30/2009	\$9,721,675,347	\$5,850,794,301	\$3,870,881,046	60.18%

Note that the City participates in a Statewide public safety pool plan and as such, Brentwood's share of this pool is less than 1%.

iii. Other Post Employment Benefits (OPEB)

- Miscellaneous/Public Safety – OPEB costs are projected to present the single largest obstacle in attempting to balance the City's General Fund budget.** OPEB costs in the Fiscal Model are based on the City's June 30, 2010 actuarial study and incorporate the City Council direction to gradually increase funding over the next several years until the City achieves 85% funding of the annual required contribution (ARC). This would complete a shift from pay-as-you-go financing to pre-funding, as is done with the City's PERS pension plan. Pre-funding 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 essentially shifts the burden of responsibility for benefits offered to current employees to future citizens of the City who must pay these costs after the employee has retired and is no longer providing any service to the City.

The OPEB benefits offered to miscellaneous and public safety employees are similar in nature, with the largest differences being that public safety employees are eligible for a slightly higher coverage amount. The main cost difference for the City is that

public safety employees can retire earlier, resulting in a shorter timeframe to set aside funds and a longer time period that the employee will draw the benefit. Current annual OPEB funding from the General Fund is set at \$1,201 per miscellaneous employee and \$1,546 per public safety employee (this reflects only minor pre-funding contributions). These amounts are projected to increase to \$20,677 per miscellaneous employee and \$26,613 per public safety employee over the next decade, as the City achieves 85% funding of the annual required contribution.

The City (including all funds, not just the General Fund) has a current unfunded OPEB obligation of \$5.1 million, as is reported in the City's CAFR. This amount is projected to rise to \$7.9 million by the end of the current fiscal year, and surpass \$21.6 million by the end of the decade (see Exhibit 16). Perhaps the most alarming fact is that the City's liability is projected to rise to this extreme level *despite projected City wide contributions of \$34.9 million to fund OPEB during this same timeframe*. The costs for OPEB are so significant that if the City did not have an OPEB obligation, the General Fund would be projected to run a surplus of \$3.4 million (albeit with no new staffing and holding expenses at or below inflation levels), without any additional reductions, by the end of the decade. The impacts from the rising costs of OPEB are of paramount concern going forward.

Included in the Fiscal Model is the drawdown of \$5.2 million from the Insurance Internal Service Fund to help offset these costs over the next several years. In this way, the Insurance Fund is acting much like the Budget Stabilization Fund – these funds can help keep the General Fund balanced while long-term solutions are given a chance to develop and generate sufficient expenditure savings to allow the General Fund to operate in a fiscally responsible (i.e. balanced) manner over the long-term. The City has the ability to control OPEB costs through the negotiation of a lowered benefit tier. There are many different potential plans the City could implement, for both new hires and potentially for existing employees.

EXHIBIT 16: Current and Historical Funding Status – OPEB

Fiscal Year Ending	Annual Required Contribution (ARC)	City Actual Contribution	Annual Funding Ratio	Annual Underfunding Amount	Net OPEB Obligation
6/30/2009	\$ 3,006,000	\$ 545,043	18.13%	\$ 2,460,957	\$ 2,460,957
6/30/2010	\$ 3,208,000	\$ 570,457	17.78%	\$ 2,637,543	\$ 5,098,500
6/30/2011*	\$ 3,883,000	\$ 1,094,000	28.17%	\$ 2,789,000	\$ 7,887,500
6/30/2012*	\$ 4,150,000	\$ 1,518,000	36.58%	\$ 2,632,000	\$ 10,519,500
6/30/2013*	\$ 4,433,000	\$ 2,002,000	45.16%	\$ 2,431,000	\$ 12,950,500
6/30/2014*	\$ 4,727,000	\$ 2,544,000	53.82%	\$ 2,183,000	\$ 15,133,500
6/30/2015*	\$ 5,027,000	\$ 3,142,000	62.50%	\$ 1,885,000	\$ 17,018,500
6/30/2016*	\$ 5,328,000	\$ 3,789,000	71.11%	\$ 1,539,000	\$ 18,557,500
6/30/2017*	\$ 5,624,000	\$ 4,480,000	79.66%	\$ 1,144,000	\$ 19,701,500
6/30/2018*	\$ 5,906,000	\$ 5,204,000	88.11%	\$ 702,000	\$ 20,403,500
6/30/2019*	\$ 6,091,000	\$ 5,448,000	89.44%	\$ 643,000	\$ 21,046,500
6/30/2020*	\$ 6,274,000	\$ 5,703,000	90.90%	\$ 571,000	\$ 21,617,500
<i>*Projected</i>					
Total	\$ 57,657,000	\$ 36,039,500	62.51%	\$ 21,617,500	\$ 21,617,500

iv. Health Insurance

1. **Miscellaneous/Public Safety** – Health insurance rates are projected to continue increasing at a rate exceeding inflation for the intermediate term. The Fiscal Model assumes a 5% annual inflation rate for health insurance, which may still prove to be too optimistic given recent trend data. Over the next decade this amounts to a \$0.9 million cost for miscellaneous employees and a \$0.5 million annual increase for public safety. The City has the ability to control these costs through the negotiation of a reduced coverage level or through employee cost sharing.

The following exhibits summarize the impacts that the four aforementioned cost drivers - salary increases, pensions, OPEB, and health care - will have on the General Fund’s miscellaneous and public safety employee costs over the next decade. The increased cost amounts average \$51,661 per miscellaneous employee and \$85,945 per public safety employee.

EXHIBIT 17: Significant Salary and Benefit Cost Increases – Misc. Employees

Fiscal Year	Salary Cost of Living Allowance Increase	TOTAL Increase in Salary Expense	CalPERS Pension Rates	Increase in Pension Expense	Less Employee Pension Contributions and Tier 2 Reductions	TOTAL Increase in Pension Expense	TOTAL Increase in OPEB Expense	TOTAL Increase in Health Insurance Expense	TOTAL Increase in Salary; Pension; OPEB and Health Insurance Expense	Average Cost Increase Per Employee
2010/11	2.50%	\$214,375	22.482%	\$64,688	(\$104,357)	(\$39,669)	\$124,182	\$42,884	\$341,771	\$3,245
2011/12	2.50%	\$445,143	24.910%	\$380,682	(\$224,381)	\$156,301	\$216,753	\$144,015	\$962,213	\$9,218
2012/13	2.00%	\$639,553	25.200%	\$456,001	(\$275,421)	\$180,580	\$371,724	\$222,689	\$1,414,546	\$13,552
2013/14	2.00%	\$841,858	26.000%	\$580,441	(\$343,928)	\$236,513	\$594,758	\$305,296	\$1,978,425	\$18,954
2014/15	2.00%	\$1,052,141	26.250%	\$655,583	(\$415,229)	\$240,354	\$854,965	\$392,033	\$2,539,493	\$24,329
2015/16	2.00%	\$1,270,717	26.400%	\$722,720	(\$489,411)	\$233,309	\$1,189,516	\$483,108	\$3,176,649	\$30,434
2016/17	2.00%	\$1,497,836	26.550%	\$791,566	(\$566,565)	\$225,002	\$1,524,068	\$578,736	\$3,825,641	\$36,651
2017/18	2.00%	\$1,733,760	26.550%	\$847,170	(\$646,783)	\$200,387	\$1,895,791	\$679,145	\$4,509,083	\$43,199
2018/19	2.00%	\$1,978,830	26.550%	\$903,884	(\$730,162)	\$173,722	\$2,007,308	\$784,576	\$4,944,435	\$47,370
2019/20	2.00%	\$2,233,325	26.550%	\$961,729	(\$816,799)	\$144,929	\$2,118,826	\$895,277	\$5,392,357	\$51,661

EXHIBIT 18: Significant Salary and Benefit Cost Increases - Public Safety Employees

Fiscal Year	Salary Cost of Living Allowance Increase	TOTAL Increase in Salary Expense	CalPERS Pension Rates	Increase in Pension Expense*	Less Employee Pension Contributions and Tier 2 Reductions	TOTAL Increase in Pension Expense	TOTAL Increase in OPEB Expense	TOTAL Increase in Health Insurance Expense	TOTAL Increase in Salary; Pension; OPEB and Health Insurance Expense	Average Cost Increase Per Employee
2010/11	0.00%	\$0	30.520%	\$37,410	\$0	\$37,410	\$98,140	\$25,842	\$161,392	\$2,603
2011/12	2.00%	\$132,140	35.750%	\$440,568	\$0	\$440,568	\$172,825	\$63,163	\$808,697	\$13,043
2012/13	2.00%	\$270,058	37.000%	\$679,168	\$0	\$679,168	\$296,389	\$109,391	\$1,355,006	\$21,855
2013/14	2.00%	\$413,656	41.200%	\$1,053,454	\$0	\$1,053,454	\$474,222	\$157,930	\$2,099,262	\$33,859
2014/15	2.00%	\$562,993	41.800%	\$1,183,055	\$0	\$1,183,055	\$681,695	\$208,896	\$2,636,639	\$42,526
2015/16	2.00%	\$718,297	42.400%	\$1,315,778	\$0	\$1,315,778	\$948,445	\$262,411	\$3,244,931	\$52,338
2016/17	2.00%	\$879,751	42.900%	\$1,444,200	\$0	\$1,444,200	\$1,215,195	\$318,601	\$3,857,746	\$62,222
2017/18	2.00%	\$1,047,540	42.900%	\$1,538,466	\$0	\$1,538,466	\$1,511,584	\$377,600	\$4,475,190	\$72,180
2018/19	2.00%	\$1,221,915	42.900%	\$1,634,221	\$0	\$1,634,221	\$1,600,500	\$439,550	\$4,896,186	\$78,971
2019/20	2.00%	\$1,403,075	42.900%	\$1,731,498	\$0	\$1,731,498	\$1,689,417	\$504,597	\$5,328,587	\$85,945

* Includes repayment to the Emergency Preparedness Fund for funds used to pay off the Safety PERS Side Fund which reduced the Safety PERS rate paid by the City.

After analyzing the data and identifying the main expenditure pressures which are causing the projected shortfalls, the focus shifts from finding the problem to solving the problem. The inevitable question that arises is: “What would the projections look like if the benefit structure were changed?”

Although there are many different strategies and plans which could be considered to in an attempt to mitigate rising staffing costs, a scenario was put together for this Fiscal Model for the purpose of analyzing the impacts that one specific set of reductions would have on the General Fund budget.

Exhibit A5 presents this “What If” scenario which incorporates the following employee cost reductions beginning in Fiscal Year 2012/13:

- Increasing the required employee pension contribution for existing (Tier 1) miscellaneous employees from the budgeted 2% in 2011/12 to the full 8% by 2014/15.
- Increasing the required employee pension contribution for existing public safety employees from 0% in 2011/12 to the full 9% in 2014/15.
- Implementing a second tier for new public safety employees comparable to the second tier for miscellaneous employees. For purposes of this assumption, the second tier is assumed to include:
 1. Reduced pension benefits to a lower pension formula.
 2. A cap on retirement CPI increases of 2% (versus the existing 5%).
 3. The utilization of the highest average three years of annual salary to determine their pension benefit (rather than highest one year).
 4. New hires immediately begin paying their full employee share of PERS costs.
- Previous COLA assumptions remain intact (e.g. 2% annual increases).
- **No changes in OPEB benefits, (even for new hires) are included in this scenario.** Note: Due to the myriad of options available, and the need to involve the City’s outside actuary in calculating the actuarial long-term financial impacts of specific scenarios, staff has elected to avoid incurring the expenses associated with involving an outside consultant until clearer direction is available. As has been noted previously, controlling rising OPEB costs will be critical to balancing the City’s budget. Any progress in reducing the City’s future OPEB obligations would go a long way towards balancing the budget and reducing the need for some of the expenditure reductions presented in this hypothetical “What If” scenario.



The results of this “What If” scenario are presented in Exhibit A5 at the conclusion of the Fiscal Model. **The scenario is not meant to be staff’s recommendation, but rather to help analyze the financial impacts of what a specific set of cost reductions would have on the long-term financial forecast of the General Fund.** Other alternatives could and should be considered, and a mixture of OPEB solutions, along with less dramatic measures with some of the other cost drivers discussed above, may provide a more desired approach. At a minimum, staff would recommend looking first towards controlling the long-term costs of OPEB.





FUND BALANCE SUMMARY

Key Finding: *At the end of the 2010/11 fiscal year, the City is projected to have a General Fund balance of \$15.0 million, with an unassigned fund balance of \$12.1 million. This meets the City Council's 30% unassigned fund balance goal, with the caveat that the aforementioned unfunded pension and OPEB liabilities must be carefully managed in the future. The Fiscal Model assumes the identified expense reductions will be implemented (see Exhibit A3: Financial Summary). This assumption is consistent with the City's continuing commitment to balancing the budget without relying on reserves. The City has strong cash balances in the Internal Services funds, of which the Budget Stabilization Fund and the Insurance Fund are forecast to help bridge near term shortfalls while long-term solutions are developed.*

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 CAFRs. One time transfers out for CIP projects are also included in these figures, causing 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 unassigned fund 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 2011/12 fiscal year which, if approved, will allow the City to avoid using reserves at any point so far during this economic downturn. Long-term financial best practices dictate the City maintain a 30% reserve while at the same time fully funding its required PERS pension contributions (this has always been done) and OPEB (a plan to annually fund 85% of the City's OPEB obligation is incorporated in this model and is the most significant budgetary challenge moving forward).

Current projections show significant expenditure reductions are needed for the City to avoid drawing down on its reserves. As discussed previously, the 30% reserve threshold increases proportionately with expenses over time. Exhibit 19, shown on the next page, provides a Fund Balance Summary.

EXHIBIT 19: Fund Balance Summary

General Fund Balance	2010/11	2019/20	Total Increase	Avg Growth Rate
Beginning Balance	\$15,333,922	\$12,420,631	(\$2,913,291)	-2.3%
Annual Revenue	\$28,929,747	\$43,717,191	\$14,787,444	4.7%
Transfers In	\$5,086,155	\$6,573,860	\$1,487,705	2.9%
Sub-Total	\$34,015,902	\$50,291,051	\$16,275,149	4.4%
Operations	\$33,420,913	\$45,044,110	\$11,623,197	3.4%
Operational Transfers Out	\$233,149	\$1,438,698	\$1,205,549	22.4%
Other Post Employment Benefits	\$222,322	\$3,808,243	\$3,585,921	37.1%
CIP Transfers Out	\$463,524	\$311,270	(\$152,254)	-4.3%
Sub-Total	\$34,339,908	\$50,602,321	\$16,262,413	4.4%
Net Increase (Decrease)	(\$324,006)	(\$311,270)	\$12,736	
Ending Balance	\$15,009,916	\$12,109,361	-\$2,900,555	-2.1%
Assigned/Committed	\$2,869,383	\$469,383	(\$2,400,000)	-9.3%
Unassigned	\$12,140,533	\$11,639,979	(\$500,554)	-0.5%
Percent of Operations	35.84%	23.1%		

Fund Balance is comprised of several designations which can be summarized as two main components, Assigned/Committed and Unassigned funds. Assigned/Committed funds are amounts which are earmarked for specific purposes. Examples of this in the General Fund include \$400,000 for a potential Chevron Property Tax refund and \$600,000 Village Community Resource Center. Unassigned funds can be used to help the City through economic uncertainties or local disasters and to provide contingencies for unseen operating or capital needs. Unassigned funds can also be used for cash flow management. The City strives to maintain 30% in unassigned fund balance. While the City’s unassigned fund balance remains relatively stable over the decade, it is not keeping up with the growth needed to keep pace with expenditure increases. For every \$1 million in additional expenditures, the City needs to set aside \$300,000 in unassigned fund balance in order to maintain 30% reserves.

This report and analysis does not include the following 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 the General Fund contributes to them, and the usage of the Budget Stabilization and Insurance Funds). 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 CIP budgeting process. Debt Service funds are reviewed each time the City performs a debt issuance to ensure adequate coverage for debt payments. Special Revenue and Fiduciary funds can only be spent for specific purposes and only after receiving the funds.

Finally, some operating capital items are included in the model, but the majority of larger projects which are planned to be funded with special assessments are not included since they will not be part of the General 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 unassigned fund balance available to the City’s desired level of 30%. This includes a projection of future assignments and commitments.
- The employee compensation section includes a model for OPEB, tier 2, health care and retirement costs, as well as staffing headcount changes.
- 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 the City receives per resident can be easily answered and analyzed to determine how the City compares with other agencies.
- Community Development has an output model which 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 all local governments maintain a long-term financial projection. GFOA recommendations note 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 the model must be developed with input from staff and 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.

EXHIBIT A1: Revenue Summary

Revenue	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Property Tax										
Existing Base	\$6,430,680	\$6,469,294	\$6,598,679	\$6,826,386	\$7,114,360	\$7,464,940	\$7,837,199	\$8,311,428	\$8,827,708	\$9,394,697
New Residential	\$0	\$0	\$58,631	\$91,747	\$107,048	\$111,330	\$161,805	\$169,896	\$178,391	\$187,310
Residential Turnover	\$0	\$0	\$17,304	\$25,253	\$41,820	\$60,087	\$89,876	\$123,421	\$161,071	\$203,202
New Commercial	\$0	\$0	\$3,890	\$18,509	\$38,279	\$57,348	\$77,348	\$98,313	\$120,279	\$143,285
Sub -Total	\$6,430,680	\$6,469,294	\$6,678,504	\$6,961,895	\$7,301,507	\$7,693,705	\$8,166,228	\$8,703,058	\$9,287,449	\$9,928,494
Property Transfer	\$253,500	\$299,694	\$334,039	\$361,599	\$379,135	\$394,912	\$432,620	\$455,282	\$479,842	\$506,643
Sales Tax	\$5,122,930	\$5,251,003	\$5,442,648	\$5,718,153	\$5,989,567	\$6,251,369	\$6,518,338	\$6,795,700	\$7,083,837	\$7,383,146
Franchise Fees	\$1,210,000	\$1,260,000	\$1,308,815	\$1,365,472	\$1,426,302	\$1,489,545	\$1,563,117	\$1,639,747	\$1,719,550	\$1,802,649
Transient Occupancy Tax	\$225,559	\$220,000	\$228,523	\$238,416	\$324,037	\$338,405	\$355,119	\$372,529	\$390,659	\$409,538
Motor Vehicle	\$2,885,248	\$2,899,153	\$2,991,166	\$3,111,613	\$3,254,947	\$3,422,161	\$3,624,955	\$3,856,135	\$4,108,181	\$4,385,149
Investment	\$400,000	\$540,000	\$563,344	\$738,737	\$904,479	\$890,323	\$1,051,098	\$1,033,499	\$1,015,548	\$997,238
Business License	\$470,414	\$495,000	\$514,989	\$536,768	\$559,260	\$577,091	\$595,488	\$614,469	\$634,053	\$654,259
Building Fees	\$925,000	\$1,050,000	\$1,193,874	\$1,612,666	\$1,757,211	\$1,816,136	\$2,272,641	\$2,351,930	\$2,433,931	\$2,518,735
Engineering Fees	\$1,138,340	\$1,319,578	\$1,439,011	\$1,693,309	\$1,751,373	\$1,784,625	\$2,028,626	\$2,066,282	\$2,104,629	\$2,143,681
Planning Fees	\$221,545	\$271,783	\$313,796	\$392,861	\$440,723	\$454,330	\$582,131	\$600,155	\$618,736	\$637,892
Parks and Recreation	\$2,355,120	\$2,542,299	\$2,631,551	\$2,741,354	\$2,865,625	\$3,003,105	\$3,166,804	\$3,346,388	\$3,538,550	\$3,745,254
Interfund Services	\$6,060,659	\$5,858,023	\$5,908,933	\$5,979,789	\$6,052,658	\$6,225,870	\$6,379,660	\$6,571,629	\$6,770,326	\$6,975,949
Other	\$1,230,752	\$1,178,107	\$1,182,421	\$1,233,606	\$1,288,562	\$1,345,697	\$1,412,164	\$1,481,393	\$1,553,490	\$1,628,564
Sub -Total	\$22,499,067	\$23,184,640	\$24,053,110	\$25,724,343	\$26,993,879	\$27,993,569	\$29,982,761	\$31,185,138	\$32,451,332	\$33,788,697
Transfers In	\$5,086,155	\$6,055,582	\$5,988,052	\$5,488,576	\$5,233,117	\$5,724,193	\$5,141,585	\$5,600,389	\$6,077,650	\$6,573,860
Total Revenues	\$34,015,902	\$35,709,516	\$36,719,666	\$38,174,814	\$39,528,503	\$41,411,467	\$43,290,574	\$45,488,585	\$47,816,431	\$50,291,051
Growth	\$435,376	\$1,693,614	\$1,010,150	\$1,455,148	\$1,353,689	\$1,882,964	\$1,879,107	\$2,198,011	\$2,327,846	2,474,620
%	1.30%	4.98%	2.83%	3.96%	3.55%	4.76%	4.54%	5.08%	5.12%	5.18%
Per Capita	\$644.22	\$671.36	\$684.37	\$702.16	\$716.63	\$740.15	\$759.02	\$782.67	\$807.64	\$834.15

EXHIBIT A2: Expenditure Summary

Department	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Legislative	\$303,608	\$337,051	\$343,542	\$350,996	\$357,904	\$373,377	\$380,865	\$388,605	\$396,527	\$404,637
City Clerk	\$450,151	\$352,622	\$407,661	\$367,741	\$424,073	\$389,804	\$448,165	\$405,830	\$466,620	\$422,648
City Manager	\$755,194	\$956,213	\$977,012	\$1,000,315	\$1,021,229	\$1,072,313	\$1,094,565	\$1,116,967	\$1,139,928	\$1,163,468
Human Resources	\$611,736	\$604,866	\$617,240	\$631,417	\$644,220	\$675,802	\$689,600	\$703,688	\$718,122	\$732,914
City Attorney	\$820,590	\$870,202	\$887,807	\$908,111	\$926,426	\$972,225	\$992,025	\$1,012,292	\$1,033,059	\$1,054,340
Finance (Including Non Departmental)	\$2,768,632	\$2,863,484	\$2,897,844	\$2,948,822	\$2,996,322	\$3,137,484	\$3,194,669	\$3,259,345	\$3,325,485	\$3,393,129
Total General Government	\$5,709,911	\$5,984,438	\$6,131,106	\$6,207,402	\$6,370,174	\$6,621,005	\$6,799,889	\$6,886,727	\$7,079,741	\$7,171,136
Police	\$15,378,177	\$16,584,293	\$17,256,651	\$18,044,658	\$18,612,452	\$19,750,057	\$20,385,769	\$21,024,873	\$21,697,538	\$22,264,441
Streets	\$2,609,515	\$2,715,266	\$2,763,419	\$2,821,314	\$2,874,753	\$3,004,713	\$3,063,866	\$3,126,139	\$3,189,873	\$3,255,117
Community Development	\$2,818,329	\$3,047,185	\$3,110,896	\$3,182,861	\$3,248,090	\$3,403,477	\$3,473,313	\$3,544,238	\$3,616,902	\$3,691,359
Engineering	\$2,621,563	\$2,782,253	\$2,829,879	\$2,888,640	\$2,942,572	\$3,081,486	\$3,141,776	\$3,205,688	\$3,271,114	\$3,338,102
Parks and Recreation	\$4,283,418	\$4,784,668	\$4,860,301	\$4,958,638	\$5,050,337	\$5,289,488	\$5,393,557	\$5,504,036	\$5,617,077	\$5,732,756
OPEB	\$222,322	\$389,579	\$668,113	\$1,068,980	\$1,536,659	\$2,137,961	\$2,739,262	\$3,407,375	\$3,607,809	\$3,808,243
Operational Transfers Out	\$233,149	\$366,297	\$994,812	\$1,008,010	\$1,021,405	\$1,038,417	\$1,355,718	\$1,382,832	\$1,410,489	\$1,438,698
Subtotal Expenses	\$33,876,384	\$36,653,979	\$38,615,177	\$40,180,503	\$41,656,442	\$44,326,604	\$46,353,150	\$48,081,908	\$49,490,543	\$50,699,852
Identified Reductions	\$0	-\$944,463	-\$1,895,511	-\$2,005,689	-\$2,127,939	-\$2,915,137	-\$3,062,576	-\$2,593,323	-\$1,674,112	-\$408,801
Total Expenses	\$33,876,384	\$35,709,516	\$36,719,666	\$38,174,814	\$39,528,503	\$41,411,467	\$43,290,574	\$45,488,585	\$47,816,431	\$50,291,051

EXHIBIT A3: Financial Summary

General Fund	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Beginning Fund Balance	\$15,333,922	\$15,009,916	\$14,578,117	\$14,268,431	\$13,889,581	\$13,606,466	\$13,318,297	\$13,024,980	\$12,725,798	\$12,420,631
Revenue	\$28,929,747	\$29,653,934	\$30,731,614	\$32,686,238	\$34,295,386	\$35,687,274	\$38,148,989	\$39,888,196	\$41,738,781	\$43,717,191
Transfer In	\$5,086,155	\$5,355,582	\$4,088,052	\$4,188,576	\$4,533,117	\$4,711,417	\$5,141,585	\$5,600,389	\$6,077,650	\$6,573,860
Budget Stabilization Transfer In	\$0	\$700,000	\$1,900,000	\$1,300,000	\$700,000	\$1,012,776	\$0	\$0	\$0	\$0
Sub-Total	\$34,015,902	\$35,709,516	\$36,719,666	\$38,174,814	\$39,528,503	\$41,411,467	\$43,290,574	\$45,488,585	\$47,816,431	\$50,291,051
Operations	\$33,420,913	\$35,898,103	\$36,952,252	\$38,103,513	\$39,098,378	\$41,150,226	\$42,258,170	\$43,291,701	\$44,472,245	\$45,452,911
Operational Transfers Out	\$233,149	\$366,297	\$994,812	\$1,008,010	\$1,021,405	\$1,038,417	\$1,355,718	\$1,382,832	\$1,410,489	\$1,438,698
Sub-Total	\$33,654,062	\$36,264,400	\$37,947,064	\$39,111,523	\$40,119,783	\$42,188,643	\$43,613,888	\$44,674,533	\$45,882,734	\$46,891,609
Net Operations before OPEB	\$361,840	(\$554,884)	(\$1,227,398)	(\$936,709)	(\$591,280)	(\$777,176)	(\$323,314)	\$814,052	\$1,933,697	\$3,399,442
OPEB	\$222,322	\$389,579	\$668,113	\$1,068,980	\$1,536,659	\$2,137,961	\$2,739,262	\$3,407,375	\$3,607,809	\$3,808,243
Identified Reductions	\$0	(\$944,463)	(\$1,895,511)	(\$2,005,689)	(\$2,127,939)	(\$2,915,137)	(\$3,062,576)	(\$2,593,323)	(\$1,674,112)	(\$408,801)
One Time Transfers Out	\$463,524	\$431,799	\$309,686	\$378,850	\$283,115	\$288,170	\$293,316	\$299,183	\$305,166	\$311,270
Ending Fund Balance	\$15,009,916	\$14,578,117	\$14,268,431	\$13,889,581	\$13,606,466	\$13,318,297	\$13,024,980	\$12,725,798	\$12,420,631	\$12,109,361
Assigned/Committed Fund Balance	\$2,869,383	\$2,269,383	\$1,959,697	\$1,580,847	\$1,297,732	\$1,009,563	\$716,246	\$469,383	\$469,383	\$469,383
Unassigned Fund Balance	\$12,140,533	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,256,415	\$11,951,249	\$11,639,979
30% Reserve Requirement	\$10,162,915	\$10,712,855	\$11,015,900	\$11,452,444	\$11,858,551	\$12,423,440	\$12,987,172	\$13,646,576	\$14,344,929	\$15,087,315

EXHIBIT A4: Key Assumptions in Fiscal Model

Categories	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Annual Expense Percentage Changes										
Supplies and Services	0.0%	0.0%	0.0%	1.0%	1.0%	1.5%	1.5%	2.0%	2.0%	2.0%
Internal Services	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Outlay	0.0%	0.0%	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Miscellaneous Employee COLA	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sworn Employee COLA	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Health Care Costs	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Annual Revenue Percentage Changes										
General Inflation (Revenues)	2.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Price Increases	2.0%	2.0%	2.5%	3.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%
Investment Rate of Return	1.5%	2.0%	3.0%	4.0%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%
Employee Tier 2 Assumptions										
Tier 2 - Pension Benefit Reduction - New Hires (MISC)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tier 2 - Pension Benefit Reduction - New Hires (SAFETY)	No	No	No	No	No	No	No	No	No	No
Tier 2 - Employee Paid PERS Rate - Existing Staff (MISC)	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Tier 2 - Employee Paid PERS Rate - Existing Staff (SAFETY)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tier 2 - City Paid Employee PERS Rate - New Hires (MISC)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tier 2 - City Paid Employee PERS Rate - New Hires (SAFETY)	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Tier 2 - OPEB Reduction for New Hires (MISC)	No	No	No	No	No	No	No	No	No	No
Tier 2 - OPEB Reduction for New Hires (SAFETY)	No	No	No	No	No	No	No	No	No	No
Notable Expenditures										
Parks Subsidy-Incl Citywide Parks, Replacement, Landscape Division	\$ 2,814,612	\$ 3,181,272	\$ 3,232,653	\$ 3,234,476	\$ 3,215,391	\$ 3,334,212	\$ 3,292,025	\$ 3,244,225	\$ 3,186,835	\$ 3,117,977
% Annual Increase in Parks Subsidy	3.4%	13.0%	1.6%	0.1%	-0.6%	3.7%	-1.3%	-1.5%	-1.8%	-2.2%
Dispatch Costs	772,549	865,254	969,085	1,085,375	1,215,620	1,361,494	1,524,874	1,707,859	1,912,802	2,000,025
% Annual Increase in Dispatch	9.1%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	4.6%
OPEB	222,322	389,579	668,113	1,068,980	1,536,659	2,137,961	2,739,262	3,407,375	3,607,809	3,808,243
% Annual Increase in OPEB	N/A	75.2%	71.5%	60.0%	43.8%	39.1%	28.1%	24.4%	5.9%	5.6%
PERS Pension Expenses	3,896,311	4,495,439	4,658,319	5,063,537	5,171,979	5,272,657	5,367,772	5,412,423	5,456,513	5,499,997
% Annual Increase in PERS Pension Expenses	3.7%	15.4%	3.6%	8.7%	2.1%	1.9%	1.8%	0.8%	0.8%	0.8%
City Election Costs	48,000	-	48,000	-	48,965	-	50,445	-	52,483	-
Emergency Preparedness Payback	-	-	100,000	125,000	150,000	175,000	200,000	225,000	250,000	275,000
New Civic Center Replacement Set Aside	-	-	-	-	-	90,000	200,000	305,000	415,000	632,000
Pavement Management	-	-	-	-	-	-	300,000	306,000	312,120	318,362
Notable Revenues										
Development Revenue	\$ 3,034,885	\$ 3,291,361	\$ 3,496,681	\$ 4,148,836	\$ 4,299,307	\$ 4,405,091	\$ 5,233,398	\$ 5,368,367	\$ 5,507,296	\$ 5,650,308
Budget Stabilization Subsidy to General Fund	-	700,000	1,900,000	1,300,000	700,000	1,012,776	-	-	-	-
Property Tax Recovery through Prop 8	-	-	-	18,279	32,106	56,447	48,115	60,771	50,868	44,184
Development Related Assumptions										
Population	52,802	53,190	53,655	54,368	55,159	55,950	57,035	58,120	59,205	60,290
Population Growth Rate	0.6%	0.7%	0.9%	1.3%	1.5%	1.4%	1.9%	1.9%	1.9%	1.8%
Single Family Building Permits	100	125	150	200	225	225	300	300	300	300
Multi Family Building Permits	-	-	30	30	30	50	50	50	50	50
Commercial Development Square Feet	10,000	10,000	10,000	60,000	50,000	50,000	50,000	50,000	50,000	50,000
Office Development Square Feet	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Industrial Development Square Feet	10,000	10,000	10,000	40,000	15,000	15,000	15,000	15,000	15,000	15,000
Median Housing Price	\$ 310,000	\$ 316,200	\$ 324,105	\$ 333,828	\$ 347,181	\$ 361,069	\$ 379,122	\$ 398,078	\$ 417,982	\$ 438,881
Sales Tax per Square Foot - New Stores	1.35	1.38	1.41	1.45	1.50	1.54	1.59	1.64	1.69	1.74

Note: These assumptions form the basis for the Fiscal Model. Items such as staff CPIs are merely estimates and do not represent agreed upon increases.

EXHIBIT A5: Alternate Fiscal Model with Hypothetical Staffing Cost Reductions

This hypothetical scenario, as described on page 27, incorporates several staffing cost reductions beginning in Fiscal Year 2012/13. This scenario is not meant to be staff’s recommendation, but rather to help analyze the financial impacts of what a specific set of cost reductions would have on the long-term financial forecast of the General Fund. The scenario includes:

- Increasing the PERS contributions for existing miscellaneous employees from the budgeted 2% in 2011/12 to the full 8% by 2014/15.
- Increasing the required employee pension contribution for existing public safety employees from 0% in 2011/12 to the full 9% in 2014/15.
- Implementing a second tier for new public safety employees comparable to the second tier for miscellaneous employees. The second tier assumes new hires paying their full employee share of PERS costs along with reduced pension benefits.
- Previous COLA assumptions (e.g. 2% annual increases) remain intact.
- **This scenario assumes no changes in OPEB benefits. This is also a potential source of savings.**

The results of the forecast show a cumulative savings of \$8.4 million over the next decade and balance the City’s General Fund by 2019/20.

General Fund	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Beginning Fund Balance	\$15,333,922	\$15,009,916	\$14,578,117	\$14,268,431	\$13,889,581	\$13,606,466	\$13,318,297	\$13,024,980	\$12,725,798	\$12,418,916
Revenue	\$28,929,747	\$29,653,934	\$30,731,614	\$32,686,238	\$34,295,386	\$35,687,274	\$38,148,989	\$39,888,196	\$41,738,781	\$43,717,088
Transfer In	\$5,086,155	\$5,355,582	\$4,088,052	\$4,188,576	\$4,533,117	\$4,711,417	\$5,141,585	\$5,600,389	\$6,077,650	\$6,573,860
Budget Stabilization Transfer In	\$0	\$700,000	\$1,900,000	\$1,300,000	\$700,000	\$1,012,776	\$0	\$0	\$0	\$0
Sub-Total	\$34,015,902	\$35,709,516	\$36,719,666	\$38,174,814	\$39,528,503	\$41,411,467	\$43,290,574	\$45,488,585	\$47,816,431	\$50,290,948
Operations	\$33,420,913	\$35,898,103	\$36,571,192	\$37,354,417	\$38,000,221	\$39,986,523	\$41,062,014	\$42,061,623	\$43,208,334	\$44,154,239
Operational Transfers Out	\$233,149	\$366,297	\$994,812	\$1,008,010	\$1,021,405	\$1,038,417	\$1,355,718	\$1,382,832	\$1,410,489	\$1,438,698
Sub-Total	\$33,654,062	\$36,264,400	\$37,566,004	\$38,362,427	\$39,021,626	\$41,024,940	\$42,417,732	\$43,444,455	\$44,618,823	\$45,592,937
Net Operations before OPEB	\$361,840	(\$554,884)	(\$846,338)	(\$187,613)	\$506,877	\$386,527	\$872,842	\$2,044,130	\$3,197,608	\$4,698,011
OPEB	\$222,322	\$389,579	\$668,113	\$1,068,980	\$1,536,659	\$2,137,961	\$2,739,262	\$3,407,375	\$3,607,809	\$3,808,243
Identified Reductions	\$0	(\$944,463)	(\$1,514,451)	(\$1,256,593)	(\$1,029,782)	(\$1,751,434)	(\$1,866,420)	(\$1,363,245)	(\$410,201)	\$0
One Time Transfers Out	\$463,524	\$431,799	\$309,686	\$378,850	\$283,115	\$288,170	\$293,316	\$299,183	\$306,882	\$314,786
Ending Fund Balance	\$15,009,916	\$14,578,117	\$14,268,431	\$13,889,581	\$13,606,466	\$13,318,297	\$13,024,980	\$12,725,798	\$12,418,916	\$12,993,898
Reserved	\$2,869,383	\$2,269,383	\$1,959,697	\$1,580,847	\$1,297,732	\$1,009,563	\$716,246	\$469,383	\$469,383	\$469,383
Unassigned Fund Balance	\$12,140,533	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,308,734	\$12,256,415	\$11,949,533	\$12,524,515
30% Reserve Requirement	\$10,162,915	\$10,996,194	\$11,470,235	\$11,829,422	\$12,167,486	\$12,948,870	\$13,547,098	\$14,055,549	\$14,467,990	\$14,820,354



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