

1.B. Announcements

None

2. DISCUSSION ITEMS

2.A. 18-051 General Fund Forecast - 10 Years

Assistant City Manager Kay introduced the discussion of the 10 year forecast. The forecast is intended to model how assumptions can impact the City based on different scenarios and use the forecast as a tool to assist with fiscal changes in assumptions and/or policies. As discussed at the City Council Planning Retreat, there is interest in hiring a consultant to work with City staff on this project.

Councilmember Lee stated that he agrees with hiring a consultant to assist with creating a forecast model that can be used for years to come.

Councilmember Hernandez asked if the forecast model would be Excel based or built for the City. Finance Director Baum stated that he has spoken with a couple of consultants and was told by one consultant that a forecast model (20 year) can be built utilizing Microsoft Excel and anyone who is proficient will be able to manipulate the data within the model. The second consultant stated that a “tailor made” forecast table will be built specifically for the City of San Leandro, which resembles the table the City currently uses however would be more robust and have more people refining to allow the table to be used repeatedly. Mr. Baum stated that an RFP (Request for Proposals) would be solicited from various consultants and based on the proposals, a consultant would be chosen.

Mr. Baum provided the Committee with a copy of the presentation that was provided at the City Council Planning Retreat (with a few changes). Mr. Baum explained the revenue, expenditures, debt, and all projections for the upcoming fiscal years. Mr. Baum provided a breakdown of the tax revenue: Transient Occupancy, Business License, Parking Lot, and Cannabis.

To address future budget challenges, Mayor Cutter stated she would not support taking money from the Prioritizing Unfunded Liabilities Liquidation (PULL) account as it was created for meeting post-employment benefit expenses.

Mr. Kay spoke to the City’s reliance on retail and how, over the next 10 years, people will be making purchases over the internet. Councilmember Lee stated that retail will still be valuable for the City of San Leandro in the future.

Mr. Baum stated that he will bring a potential RFP for a consultant to assist with the forecast back to the Finance Committee. Mayor Cutter asked that prior to the RFP going out, the Finance Committee review the scope of services.

Budget and Compliance Manager Perini commented on the current forecast model being used. Mrs. Perini informed the Finance Committee that the model does include many variables, including detailed salary and benefit costs as per the City’s memoranda of understanding with

employee groups.

3. PUBLIC COMMENTS

None

4. COMMITTEE MEMBER COMMENTS

None

5. ADJOURN

The meeting was adjourned at 6:27 p.m.

City of San Leandro

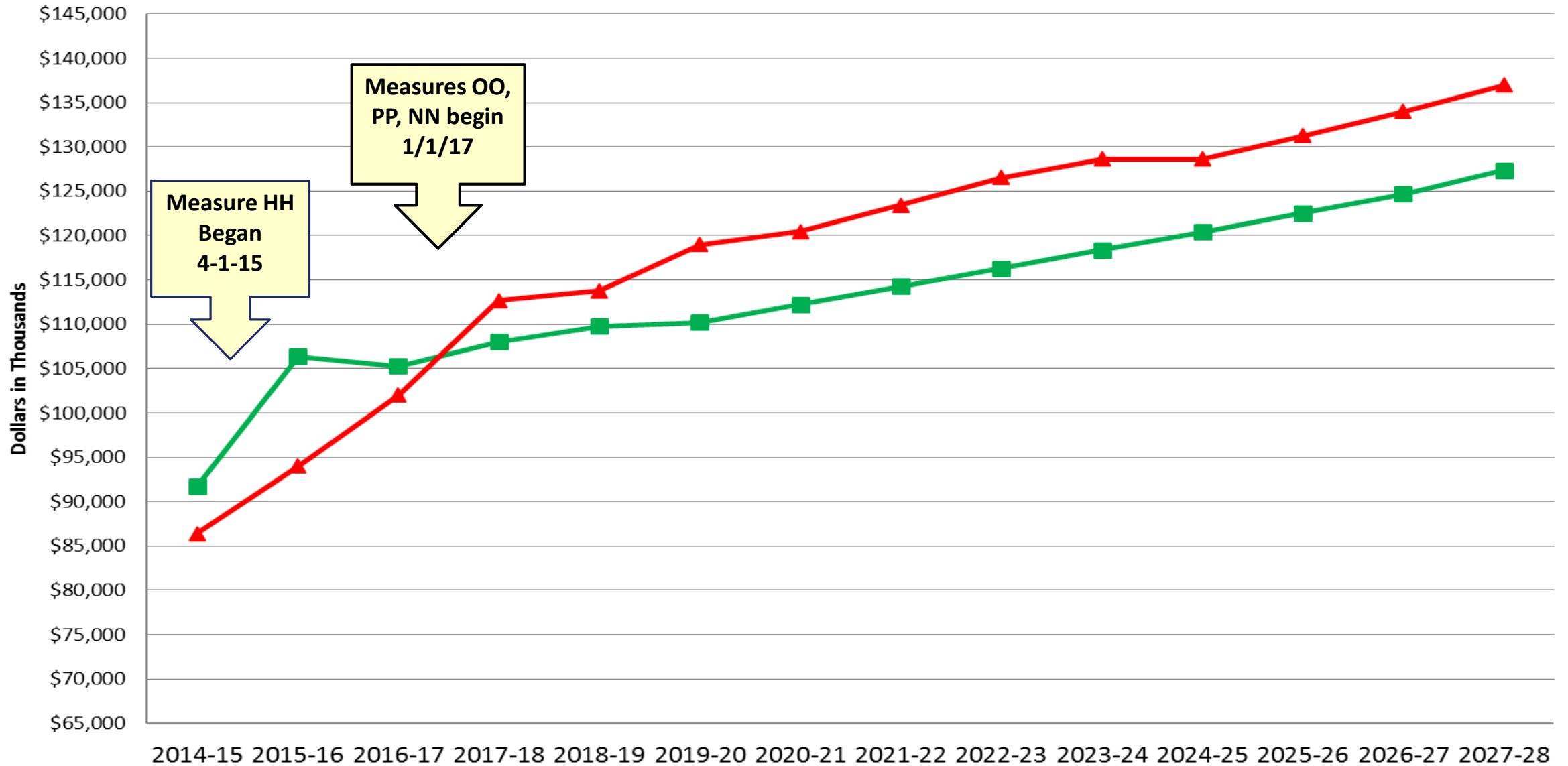
Finance Committee



Sister Cities Gallery

January 30, 2018

General Fund Forecast 2014-15 thru 2027-28



General Fund Forecast Assumptions - Revenues

2017-18 to 2027-28

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Description (Dollars in Thousands) | 2017-18 Projection | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | 2024-25 Projection | 2025-26 Projection | 2026-27 Projection | 2027-28 Projection |
| Δ Sales tax | \$ 30,693 | \$ 31,436 | \$ 32,173 | \$ 32,932 | \$ 33,699 | \$ 34,469 | \$ 35,241 | \$ 35,981 | \$ 36,737 | \$ 37,508 | \$ 38,296 |
| Δ Transaction tax | 11,287 | 11,649 | 11,992 | 12,330 | 12,670 | 13,011 | 13,354 | 13,688 | 14,030 | 14,381 | 14,740 |
| TOTAL SALES TAX REVENUE | \$41,980 | \$43,085 | \$44,165 | \$45,262 | \$46,369 | \$47,480 | \$48,595 | \$49,669 | \$50,767 | \$51,889 | \$53,036 |
| Sales tax percent change | 0.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.2% | 2.2% | 2.2% | 2.2% |
| Property tax | 1.7% | 1.5% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Property transfer tax | \$ 4,000 | \$ 4,000 | \$ 4,040 | \$ 4,080 | \$ 4,121 | \$ 4,162 | \$ 4,204 | \$ 4,246 | \$ 4,289 | \$ 4,331 | \$ 4,375 |
| Utility user's tax | \$ 11,407 | \$ 11,340 | \$ 11,381 | \$ 11,438 | \$ 11,524 | \$ 11,573 | \$ 11,655 | \$ 11,740 | \$ 11,827 | \$ 11,917 | \$ 12,499 |
| Business License+Penalties +Cannabis | \$ 6,626 | \$ 6,814 | \$ 6,950 | \$ 7,089 | \$ 7,231 | \$ 7,376 | \$ 7,523 | \$ 7,673 | \$ 7,827 | \$ 7,983 | \$ 8,143 |
| All other revenues | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |

General Fund Forecast Assumptions - Expenditures 2017-18 to 2027-28

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Description (Dollars in Thousands) | 2017-18 Projection | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | 2024-25 Projection | 2025-26 Projection | 2026-27 Projection | 2027-28 Projection |
| Salary adjustments: | | | | | | | | | | | |
| Sworn (budgeted at top step) | 7.6% | 5.0% | 3.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| All non-sworn (budgeted at top step) | 3.0% | 3.0% | 3.0% | 3.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Medical rates | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| <u>PERS rates (ER share):</u> | | | | | | | | | | | |
| Safety (refinanced 2012) | 54.80% | 63.80% | 72.10% | 79.10% | 85.70% | 90.70% | 93.40% | 95.10% | 96.81% | 98.55% | 100.33% |
| Safety % change | 13.18% | 16.42% | 13.01% | 9.71% | 8.34% | 5.83% | 2.98% | 1.82% | 1.80% | 1.80% | 1.80% |
| Miscellaneous | 31.71% | 34.40% | 38.30% | 41.10% | 44.10% | 46.30% | 47.40% | 48.20% | 49.02% | 49.85% | 50.70% |
| Miscellaneous % change | 7.86% | 8.48% | 11.34% | 7.31% | 7.30% | 4.99% | 2.38% | 1.69% | 1.70% | 1.70% | 1.70% |
| Retiree Medical (in 000's) | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 | \$ 900 |
| Services and supplies | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Consulting | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Legal fees | 657,000 | 741,686 | 909,000 | 937,000 | 965,000 | 993,950 | 1,023,769 | 1,054,482 | 1,086,116 | 1,118,699 | 1,152,260 |
| Fire service fees (000's) | \$ 22,372 | \$ 23,349 | \$ 24,381 | \$ 25,561 | \$ 26,530 | \$ 27,485 | \$ 28,475 | \$ 29,500 | \$ 30,562 | \$ 31,662 | \$ 32,802 |
| Fire OPEB trust acct | 1,003,800 | 889,357 | 808,952 | 692,780 | 625,446 | 562,901 | 563,000 | 563,000 | 563,000 | 563,000 | 563,000 |
| OPEB trust account (000's) | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 | \$ 750 |

General Fund Forecast Assumptions – Transfers and Debt 2017-18 to 2027-28

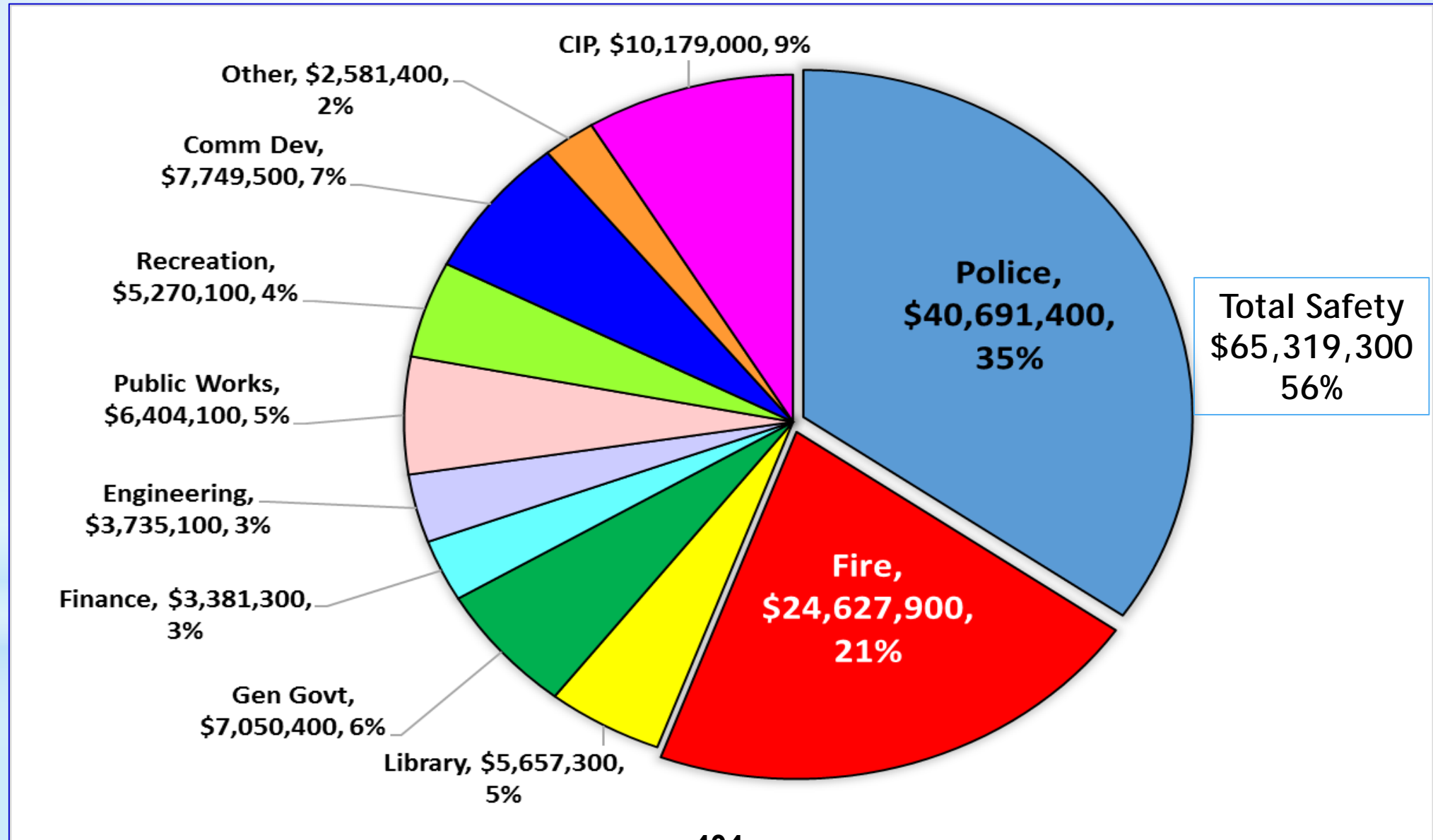
| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Description (Dollars in Thousands) | 2017-18 Projection | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection | 2021-22 Projection | 2022-23 Projection | 2023-24 Projection | 2024-25 Projection | 2025-26 Projection | 2026-27 Projection | 2027-28 Projection |
| <u>Transfers/Other (in 000's):</u> | | | | | | | | | | | |
| To gas tax | \$ 289 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 | \$ 433 |
| Capital Improvements | \$ 9,890 | \$ 7,315 | \$ 4,990 | \$ 3,500 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 |
| <u>Debt service (in 000's):</u> | | | | | | | | | | | |
| POB safety pension fund | \$ 2,052 | \$ 2,126 | \$ 2,199 | \$ 2,276 | \$ 2,351 | \$ 2,433 | \$ 1,918 | \$ - | \$ - | \$ - | \$ - |
| WPCP loan for Safety | \$ 603 | \$ 603 | \$ 603 | \$ 603 | \$ 603 | \$ 603 | \$ 603 | \$ - | \$ - | \$ - | \$ - |
| 2013 Lease Rev Bonds | \$ 877 | \$ 873 | \$ 875 | \$ 876 | \$ 876 | \$ 873 | \$ 874 | \$ 874 | \$ 874 | \$ 875 | \$ 875 |
| 2016 Lease Rev Bonds | \$ 1,497 | \$ 1,445 | \$ 1,434 | \$ 1,432 | \$ 1,430 | \$ 1,425 | \$ 1,429 | \$ 1,429 | \$ 1,429 | \$ 1,419 | \$ 1,419 |
| Climatec | \$ 211 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 | \$ 422 |
| Total Debt service | \$ 5,240 | \$ 5,469 | \$ 5,533 | \$ 5,609 | \$ 5,682 | \$ 5,756 | \$ 5,246 | \$ 2,725 | \$ 2,725 | \$ 2,716 | \$ 2,716 |

GENERAL FUND SUMMARY

| <i>(Dollars in thousands)</i> | 2014-15 Actual | 2015-16 Actual | 2016-17 Actual | 2017-18 Projected | 2018-19 Projected |
|----------------------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| Revenues: | | | | | |
| Property Tax | \$ 18,898 | \$ 20,044 | \$ 20,858 | \$ 21,202 | \$ 21,519 |
| Sales Tax | 32,948 | 42,337 | 41,728 | 41,980 | 43,085 |
| Utility User's Tax | 10,359 | 10,700 | 10,282 | 11,407 | 11,340 |
| Real Property Transfer Tax | 3,920 | 4,462 | 5,459 | 4,000 | 4,000 |
| All Other Revenue | 25,582 | 28,807 | 26,975 | 29,415 | 29,815 |
| Total Operating Revenues | 91,707 | 106,350 | 105,302 | 108,004 | 109,759 |
| Expenditures | | | | | |
| Salaries & Benefits | 39,313 | 42,562 | 44,863 | 51,446 | 54,628 |
| Services and Supplies | 8,842 | 8,833 | 9,079 | 9,848 | 9,743 |
| Fire Services Contract | 19,666 | 19,893 | 21,925 | 22,372 | 23,349 |
| Fire Equipment | - | 526 | - | 1,500 | - |
| Fire - OPEB Requirement * | (600) | - | - | - | - |
| Capital Outlay | 220 | 166 | 307 | 107 | 107 |
| Debt Service | 4,360 | 4,764 | 4,814 | 5,240 | 5,474 |
| Internal Service Fund Charges | 11,025 | 10,500 | 10,499 | 11,577 | 11,768 |
| Other | 1,107 | 1,284 | 337 | 451 | 451 |
| Transfers Out | 2,584 | 5,627 | 10,173 | 10,179 | 7,748 |
| Total Operating Expenditures | 86,517 | 94,155 | 101,997 | 112,720 | 113,269 |
| Net Revenue (Expenditure) | \$ 5,190 | \$ 12,195 | \$ 3,305 | \$ (4,716) | \$ (3,510) |

* ACFD OPEB set aside actuals and budget reflected in reserves instead of operating expenditures

2017-18 General Fund Department Comparison

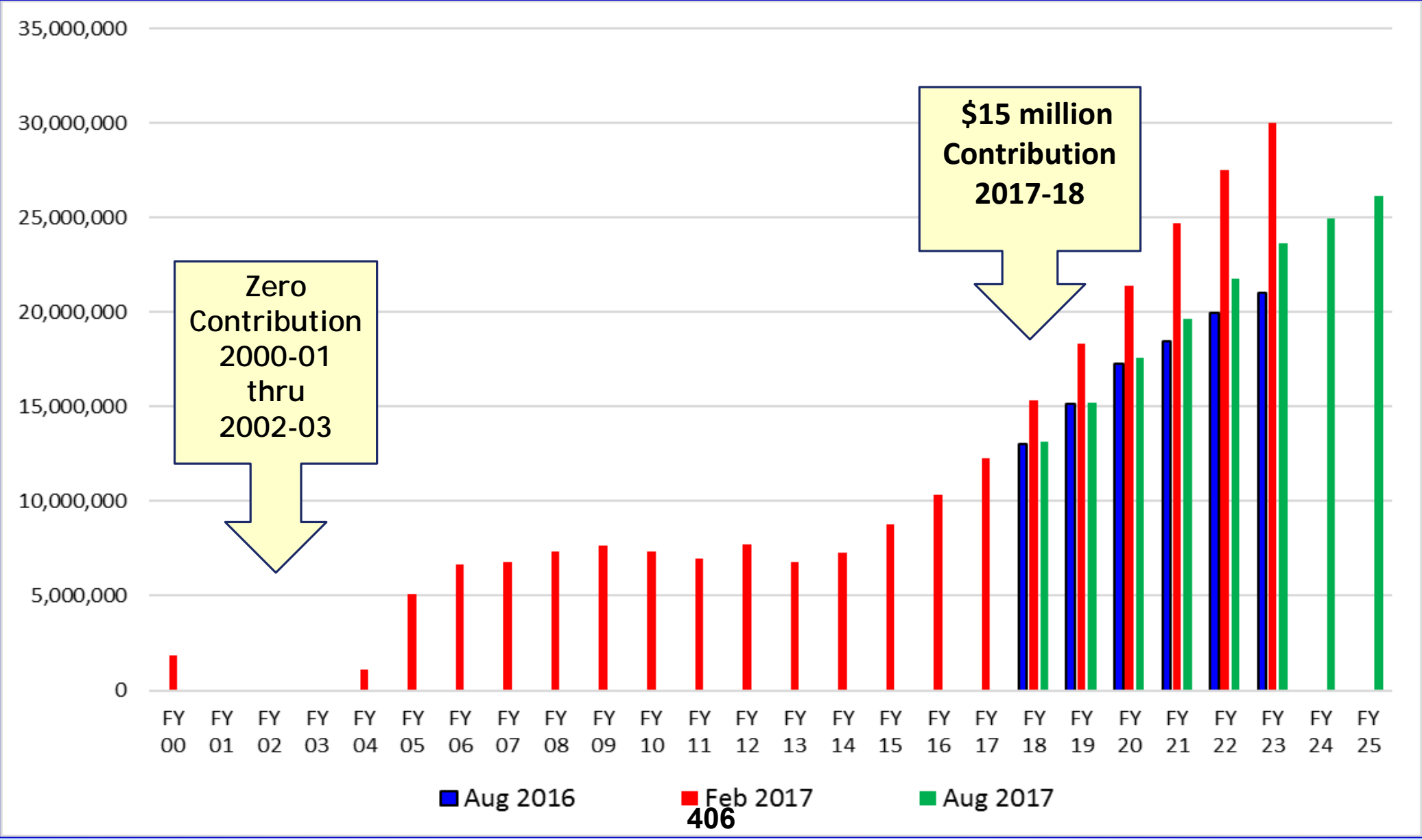


Net Post Employment Liabilities

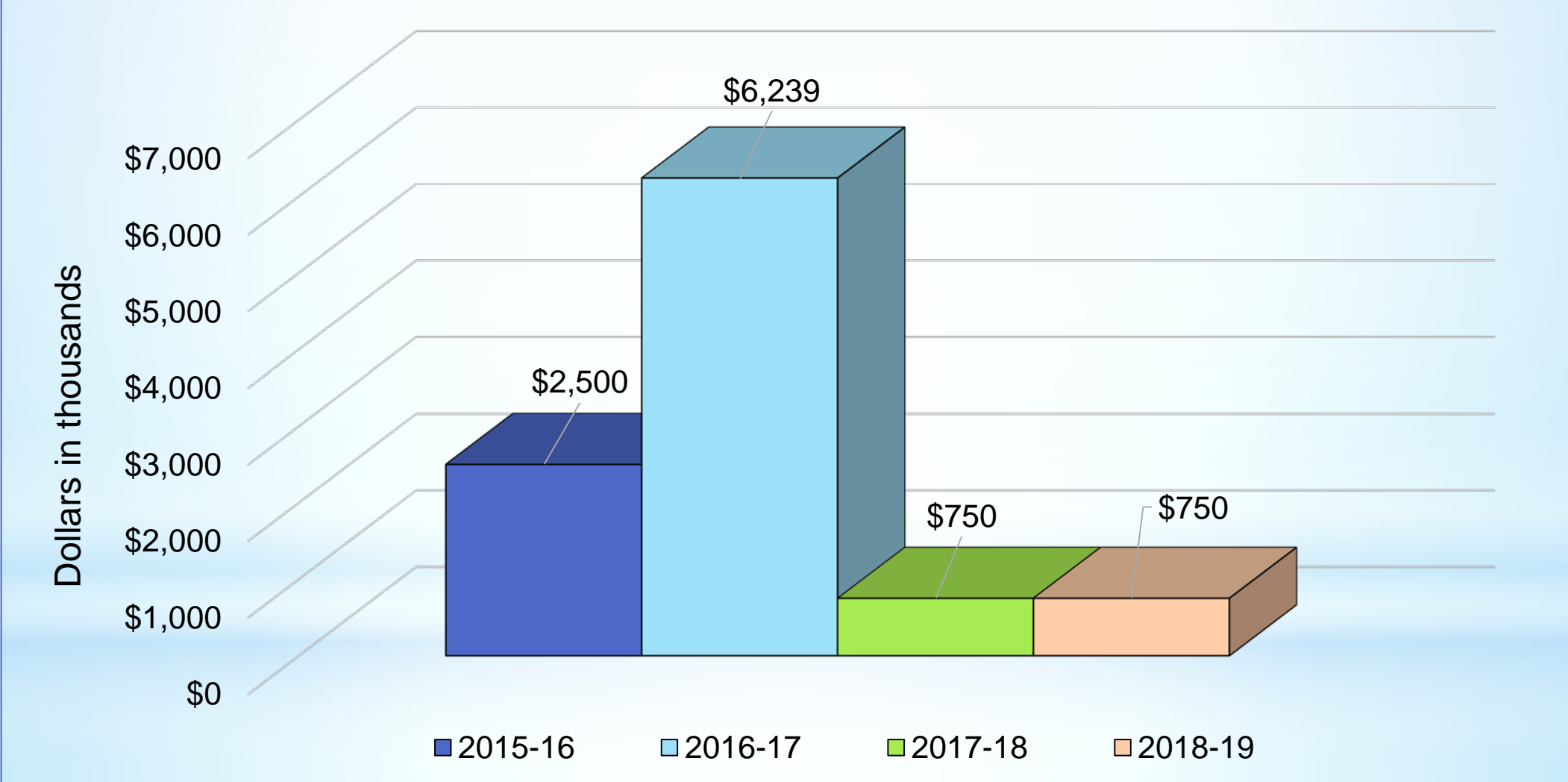
| | Description | % of ARC | Annual Required Contribution (ARC) | Overall |
|---|--|----------|------------------------------------|------------------|
| 1 | Miscellaneous unfunded CalPERS | 100% | \$8.1M | \$90.0M |
| 2 | Safety unfunded CalPERS | 100% | 7.2M | 81.3M |
| 3 | Miscellaneous/Safety unfunded OPEB | 650% | 0.96M | 15.6M |
| 4 | Fire Department unfunded OPEB City's portion, ACFD pays difference | 47% | 2.14M | 23.97M |
| | Total | | \$18.4M | \$210.87M |

Funded ratio is approximately 70% Safety and 67% Miscellaneous (PERS Report August 2017)

Pension Cost FY 2000-2025



Prioritizing Unfunded Liabilities Liquidation Investment



Total trust account to date \$14,000,000