

City of Benicia Long-Term Financial Forecast FY 22/23-26/27

Roadmap

- Purpose of the LTFF
- Assumptions
- Scenarios
- Summary

Purpose of the LTFF

- Forward look at the City's General Fund operating revenue and expenses
- Identify financial trends, shortfalls, opportunities, and issues to allow the City to proactively address
- Provide a framework for the City Council and City Manager in making policy and strategic operating decisions

What the LTFF is Not



LTFF Assumptions

- Two scenarios
 - Baseline (Most Likely)
 - Recession
 - Expenditures are the same in both scenarios to provide a consistent variable
- Both Scenarios do not include
 - Non-reoccurring (one time) revenues
 - New Positions
 - New Programs
 - Roads Funding Policy
 - Facility Funding Policy
 - Expenditure Reduction Strategies

LTFF Assumptions

- **Baseline**

- Property Tax- 4% per annum
- Sales Tax (Bradley Burns)/Measure C- 3% per annum
- Measure L- Follows recent trend (slightly inconsistent historically)
- Utility User Tax- Based on trends and analysis from UUT consultant MuniServices
- Cost Allocation- \$700K increase from previous years; recently completed cost analysis revision
- Departmental Revenue- Varies by Department; brought back to pre-pandemic levels

LTFF Assumptions

- **Recession**

- Property Tax- 4% per annum (same as baseline scenario)
- Sales Tax (Bradley Burns)/Measure C- flat in initial year 1 & 2; increasing by 2.5% for remainder of forecast
- Measure L- Follows recent trend (slightly inconsistent historically)
- Utility User Tax- same as baseline scenario)
- Cost Allocation- same as baseline scenario
- Departmental Revenue- decreasing by 5% in FY 22/23; increasing to baseline rates for the remainder of the forecast

LTFF Assumptions

- **Expenditure**

- Salaries

- 3% FY 22/23
 - 5% FY 23/24
 - 3% each following fiscal year

- Salary Savings

- 5% per fiscal year (approximately 50% of the recent historic levels)

- Benefits

- 6% blended annual increase

- Supplies

- 4% annual increase

- Services

- 4% annual increase

Property Tax

- Since FY 2015/16 Property Tax has grown annually by an average of 5.3%
- The past two fiscal years Property tax has only grown by an average of 2.5%
- Reflecting a slow down in the current annual growth rate
- Both scenarios assume a 4% annual growth rate; reflecting recent sales demand

Sales Tax

Sales Tax By Major Business Group

1. Business and Industry
2. County and State Pool (think online sales)
3. Building and Construction
4. Fuel and Service Stations
5. Food and Drugs
6. General Consumer Goods

Sales Tax

- Since FY 2015/16 sales tax has had years of increases mixed with years of flat growth
- Average has been approximately 2% annual growth during that time period (inclusive of COVID)
- Recent ongoing business activity will help inclusive of a maturing cannabis industry
- Baseline Scenario assumes a 3% annual growth rate

Scenarios

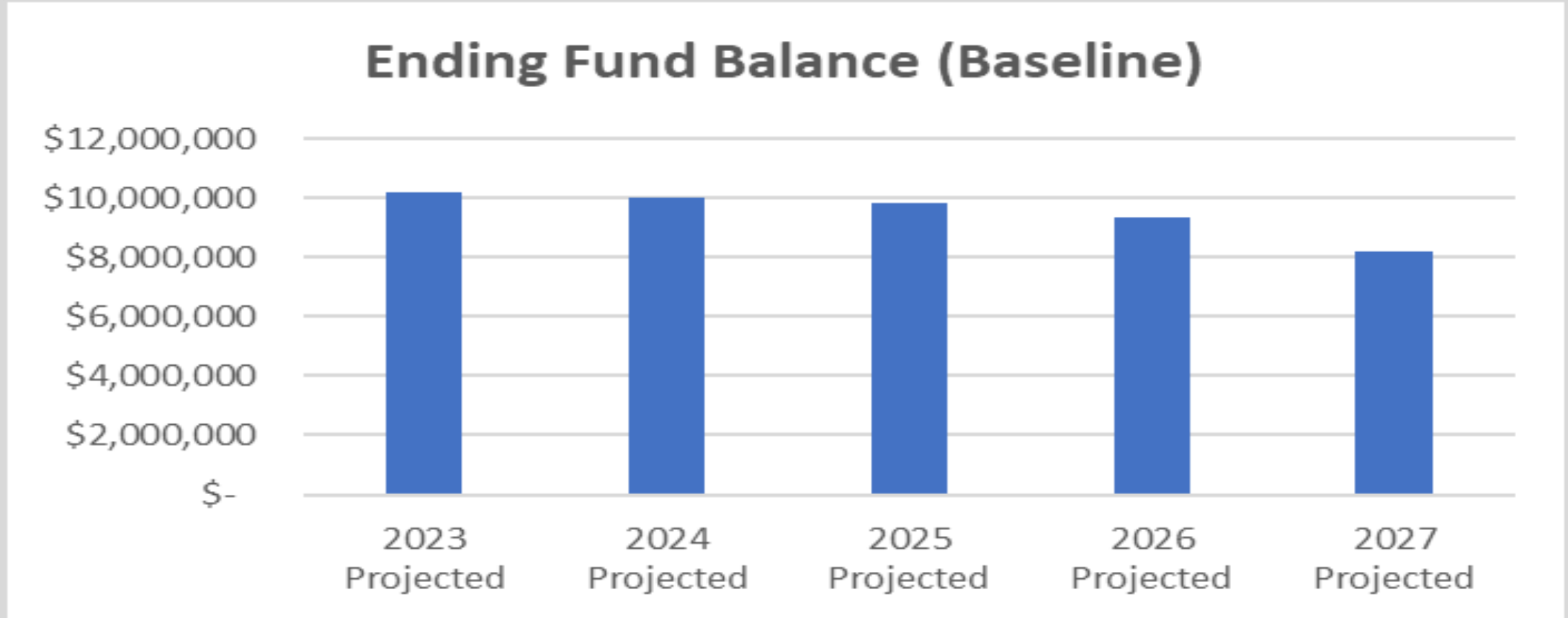


Baseline Scenario

	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected
Revenues	\$ (51,370,790)	\$ (53,151,240)	\$ (54,995,234)	\$ (56,353,557)	\$ (57,750,013)
Total Expenditures	\$ 50,615,631	\$ 53,311,642	\$ 55,176,387	\$ 56,845,406	\$ 58,875,485
Net (Excess)/Deficit	\$ (755,159)	\$ 160,403	\$ 181,154	\$ 491,849	\$ 1,125,471

- Does not include roads or other capital infrastructure spending
- No new positions or programs
- No changes to address regional compensation issues

Baseline Scenario Ending Fund Balance

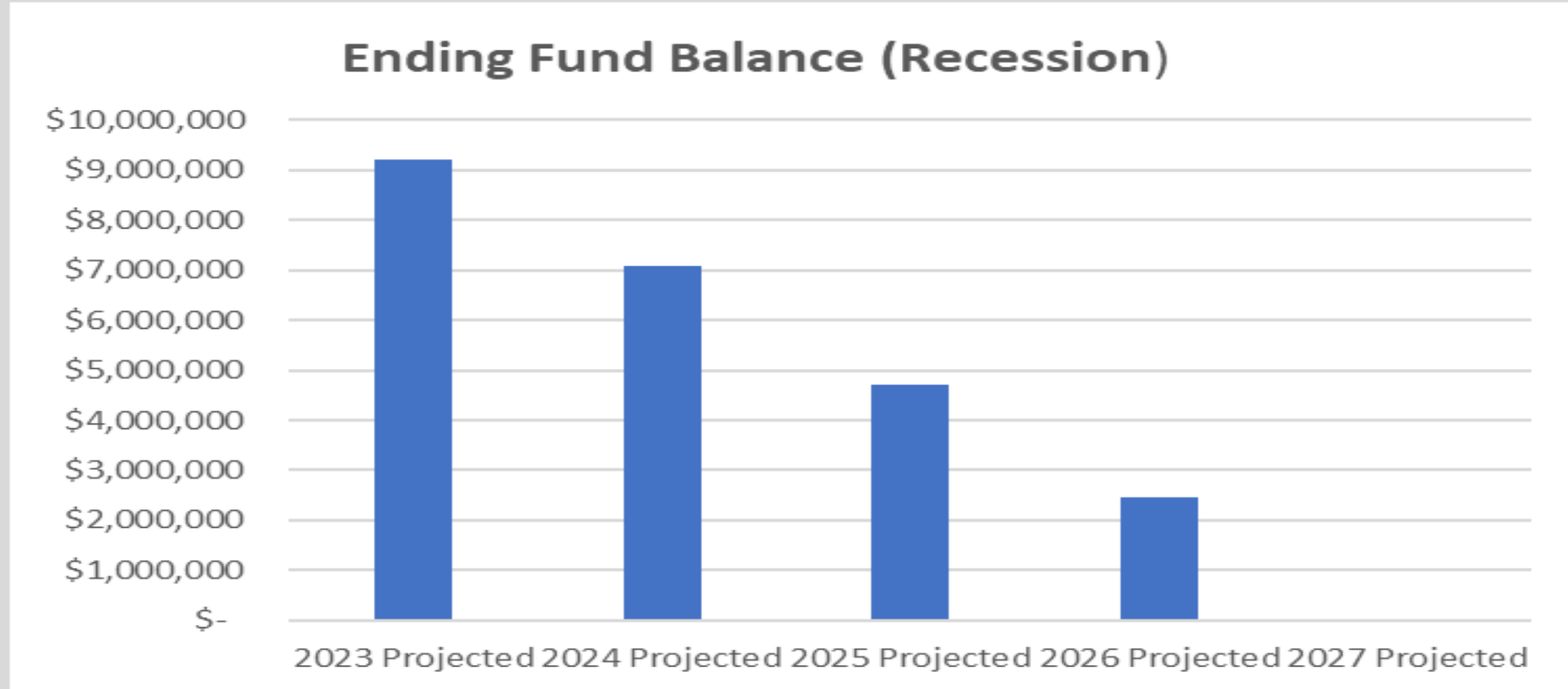


Recession Scenario

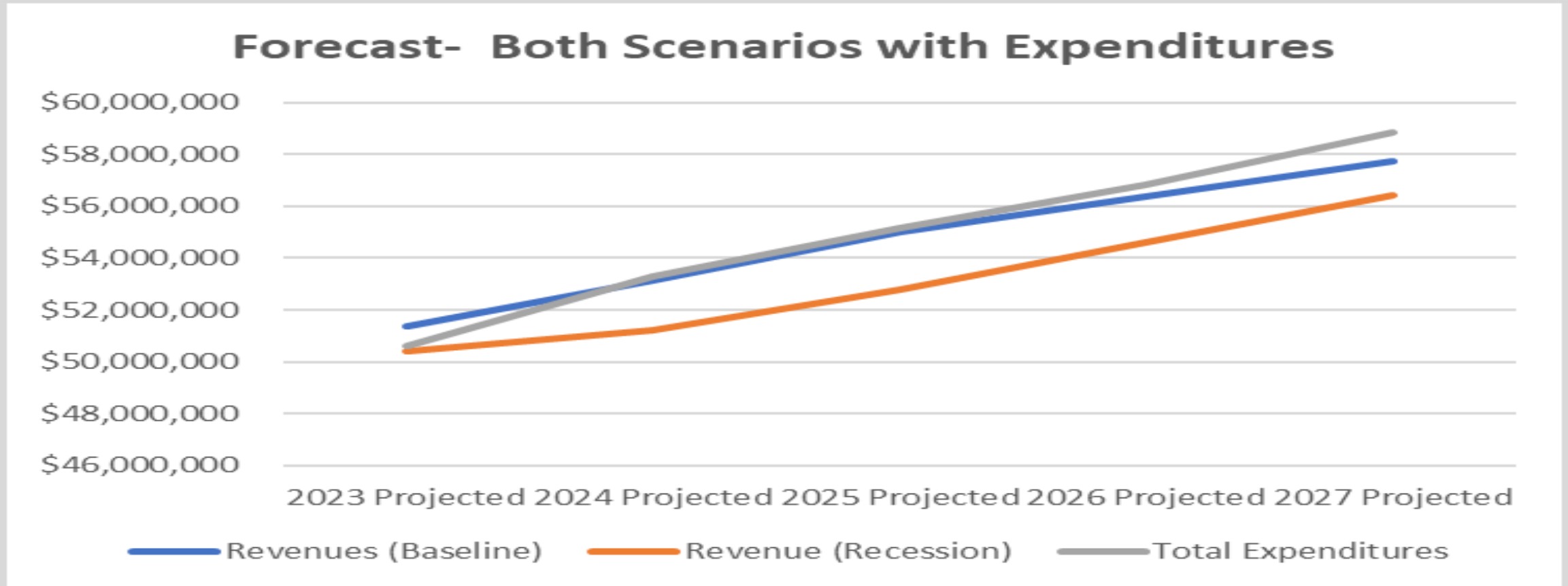
	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected
Revenue	\$ (50,415,690)	\$ (51,207,298)	\$ (52,803,109)	\$ (54,587,643)	\$ (56,429,940)
Total Expenditures	\$ 50,615,631	\$ 53,311,642	\$ 55,176,387	\$ 56,845,406	\$ 58,875,485
Net (Excess)/Deficit	\$ 199,941	\$ 2,104,344	\$ 2,373,278	\$ 2,257,763	\$ 2,445,545

- Does not include roads or other capital infrastructure spending
- No new positions or programs
- No changes to address regional compensation issues

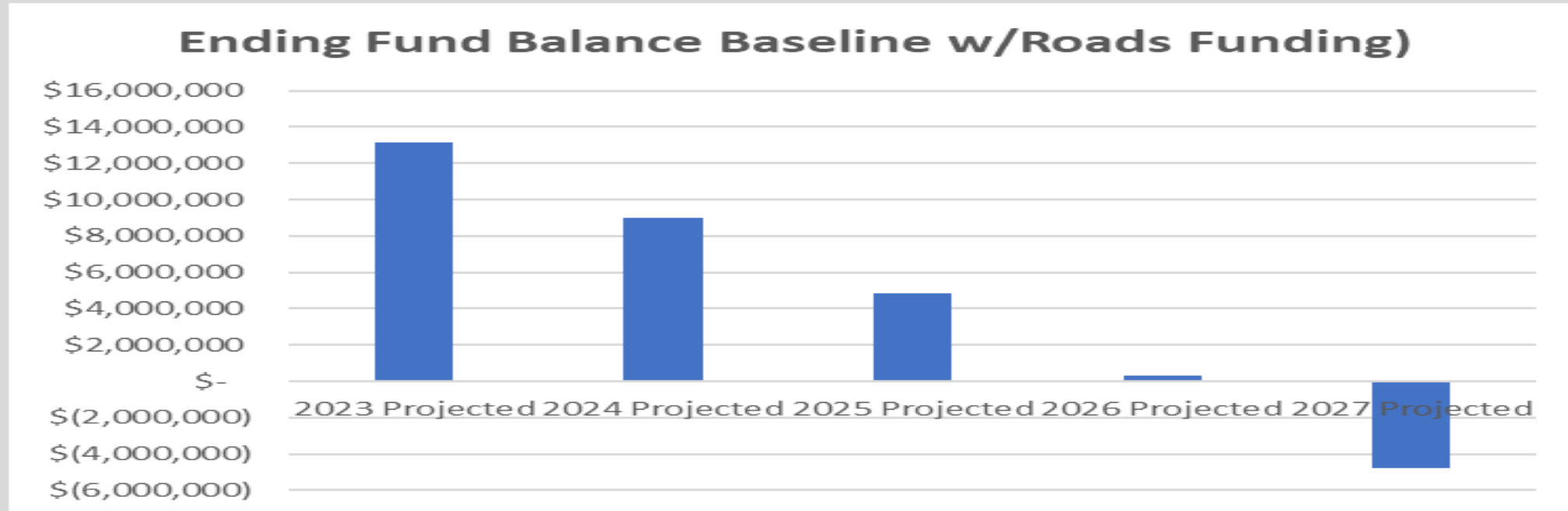
Recession Scenario Ending Fund Balance



Both Scenarios w/ Expenditures



Ending Fund Balance-Baseline Scenario w/Roads Funding



- Assumes additional designations (21/22 approx. \$7M) were cancelled and used for this purpose (illustrative only)

Summary

- Period of fiscal instability
- Reserves cannot balance the budget
- Reserves can assist in allowing time to plan and be proactive
- Financing plans for roads and capital infrastructure are needed
- Will take both revenue and expenditure changes to sure up the financial foundation of the City moving forward

Questions?