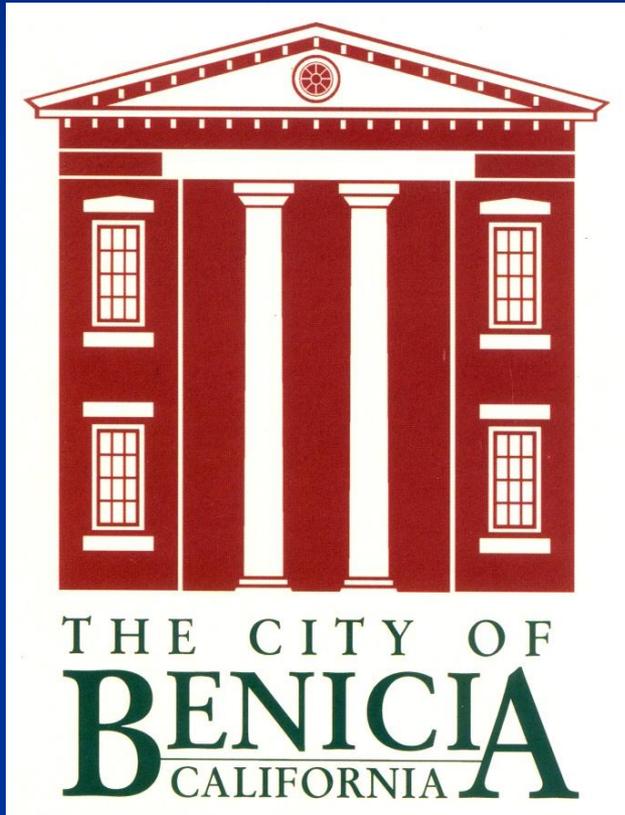


General Fund 5-Year Financial Forecast 2019-24

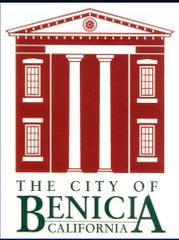


Lorie Tinfow

City Manager

City Council Presentation

March 19, 2019



General Fund

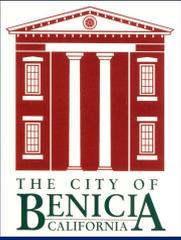
5-Year Financial Forecast 2019-24

(Attachment 1)

| CITY OF BENICIA FIVE-YEAR FINANCIAL FORECAST 2019-2024 GENERAL FUND | | Attachment 1 - Five-Year Financial Forecast 2019-24 | | | | | |
|---|---------------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | "MOST LIKELY" REVENUE SCENARIO | | | | | |
| | 2017-18 Estimated Actuals | 2018-19 Revised Mid-Year Budget* | 2019-20 PROJECTION | 2020-21 PROJECTION | 2021-22 PROJECTION | 2022-23 PROJECTION | 2023-24 PROJECTION |
| SOURCE OF FUNDS | | | | | | | |
| Property Tax | \$17,895,384 | \$18,169,800 | \$18,533,196 | \$18,903,860 | \$19,281,937 | \$19,667,576 | \$20,060,927 |
| Retail Sales Tax | 6,457,424 | 6,055,000 | 6,145,825 | 6,238,012 | 6,362,773 | 6,490,028 | 6,619,829 |
| Measure C Sales Tax | 5,438,298 | 5,200,000 | 5,278,000 | 5,357,170 | 5,464,313 | 5,573,600 | 5,685,072 |
| Other Taxes | | | | | | | |
| Cannabis Business Tax | 0 | 0 | 0 | 250,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| Transient Occupancy Tax | 510,501 | 500,000 | 540,000 | 540,000 | 550,800 | 550,800 | 550,800 |
| Franchise Fee | 2,173,139 | 2,061,500 | 2,092,423 | 2,123,809 | 2,155,666 | 2,188,001 | 2,220,821 |
| Business License Tax | 539,982 | 535,000 | 549,713 | 564,830 | 580,362 | 596,322 | 612,721 |
| Utility Users Tax | 4,735,285 | 4,598,000 | 4,598,000 | 4,598,000 | 4,598,000 | 4,598,000 | 4,598,000 |
| Real Property Transfer Tax | 188,140 | 107,000 | 109,140 | 111,323 | 113,549 | 115,820 | 118,137 |
| Departmental Revenues (Charges for Service) | 2,917,889 | 2,933,796 | 2,992,472 | 3,052,321 | 3,113,368 | 3,175,635 | 3,239,148 |
| Other Sources | 1,392,740 | 1,014,909 | 1,025,058 | 1,035,309 | 1,045,662 | 1,056,118 | 1,066,680 |
| Transfers In From Other Funds | | 273,030 | 273,030 | 273,030 | 273,030 | 273,030 | 273,030 |
| Other sources - One-time, Appropriations & Carryovers | | 1,945,408 | | | | | |
| TOTAL GENERAL FUND SOURCE OF FUNDS | 42,248,783 | 43,393,443 | 42,136,856 | 43,047,664 | 44,939,460 | 45,684,931 | 46,445,164 |
| USE OF FUNDS BY DEPARTMENT | | | | | | | |
| General Government (CMO, City Clerk, Council, CAO, IT, HR) | \$4,153,719 | \$4,927,110 | \$4,974,224 | \$5,048,107 | \$5,122,793 | \$5,192,992 | \$5,251,689 |
| Community Development | 1,489,288 | 1,979,230 | 2,056,328 | 2,085,349 | 2,114,606 | 2,141,375 | 2,162,053 |
| Finance | 1,578,969 | 2,689,462 | 1,895,727 | 1,924,834 | 1,954,292 | 1,982,283 | 2,006,397 |
| Fire | 8,175,670 | 8,568,349 | 8,859,344 | 9,022,172 | 9,195,976 | 9,335,973 | 9,435,664 |
| Public Works | 3,086,465 | 2,641,369 | 2,562,801 | 2,609,920 | 2,657,547 | 2,702,272 | 2,739,576 |
| Police | 8,892,113 | 10,485,197 | 11,182,257 | 11,387,661 | 11,605,517 | 11,782,830 | 11,908,791 |
| Parks and Community Services | 5,420,239 | 6,069,581 | 6,406,820 | 6,500,820 | 6,595,810 | 6,684,786 | 6,758,473 |
| Library | 1,247,042 | 1,547,309 | 1,559,362 | 1,582,247 | 1,605,361 | 1,626,901 | 1,644,477 |
| Non Departmental | 1,620,040 | 1,035,838 | 1,009,723 | 1,051,402 | 1,093,914 | 1,137,277 | 1,181,506 |
| EXISTING - Transfer to Other Funds (Measure C, HSB Grants) | 3,356,489 | 3,449,999 | 3,449,998 | 3,449,998 | 3,449,998 | 3,449,998 | 3,449,998 |
| TOTAL GENERAL FUND USE OF FUNDS | 39,020,033 | 43,393,443 | 43,956,584 | 44,662,511 | 45,395,815 | 46,036,685 | 46,538,623 |
| NET SURPLUS (DEFICIT) | 3,228,750 | (0) | (1,819,728) | (1,614,847) | (456,355) | (351,755) | (93,459) |
| USE OF FUNDS BY PERSONNEL & NON-PERSONNEL | | | | | | | |
| Total Personnel Expenses | 24,072,450 | 27,541,409 | 29,195,580 | 29,636,500 | 30,099,497 | 30,464,654 | 30,685,365 |
| Total Non-Personnel Expenses | 11,591,094 | 12,402,036 | 13,250,338 | 13,515,344 | 13,785,651 | 14,061,364 | 14,342,591 |
| Transfer to Other Funds | 3,356,489 | 3,449,998 | 3,449,998 | 3,449,998 | 3,449,998 | 3,449,998 | 3,449,998 |
| TOTAL USE OF FUNDS BY PERSONNEL & NON-PERSONNEL | 39,020,033 | 43,393,443 | 45,895,915 | 46,601,842 | 47,335,146 | 47,976,016 | 48,477,954 |

*Mid-Year Budget updated adopted by Council on March, 5, 2019

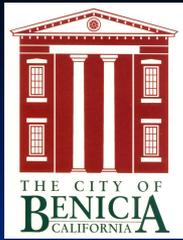




General Fund

5-Year Financial Forecast 2019-24

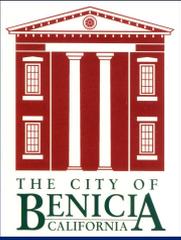
| | 2019-20 Projections (millions) | 2020-21 Projections (millions) | 2021-22 Projections (millions) | 2022-23 Projections (millions) | 2023-24 Projections (millions) |
|-----------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Revenues | \$42.1 | \$43.0 | \$44.9 | \$45.68 | \$46.45 |
| Expenses | (\$43.9) | (\$44.6) | (\$45.4) | (\$46.03) | (\$46.54) |
| Net | (\$1.8) | (\$1.6) | (\$.50) | (\$.35) | (\$.09) |



General Fund 5-Year Financial Forecast 2019-24

Revenue assumptions based on:

- Trend analysis of past years
(Attachment 2)
- Input from financial consultants
 - E.g., HdL Companies
- Staff's conservative expectations

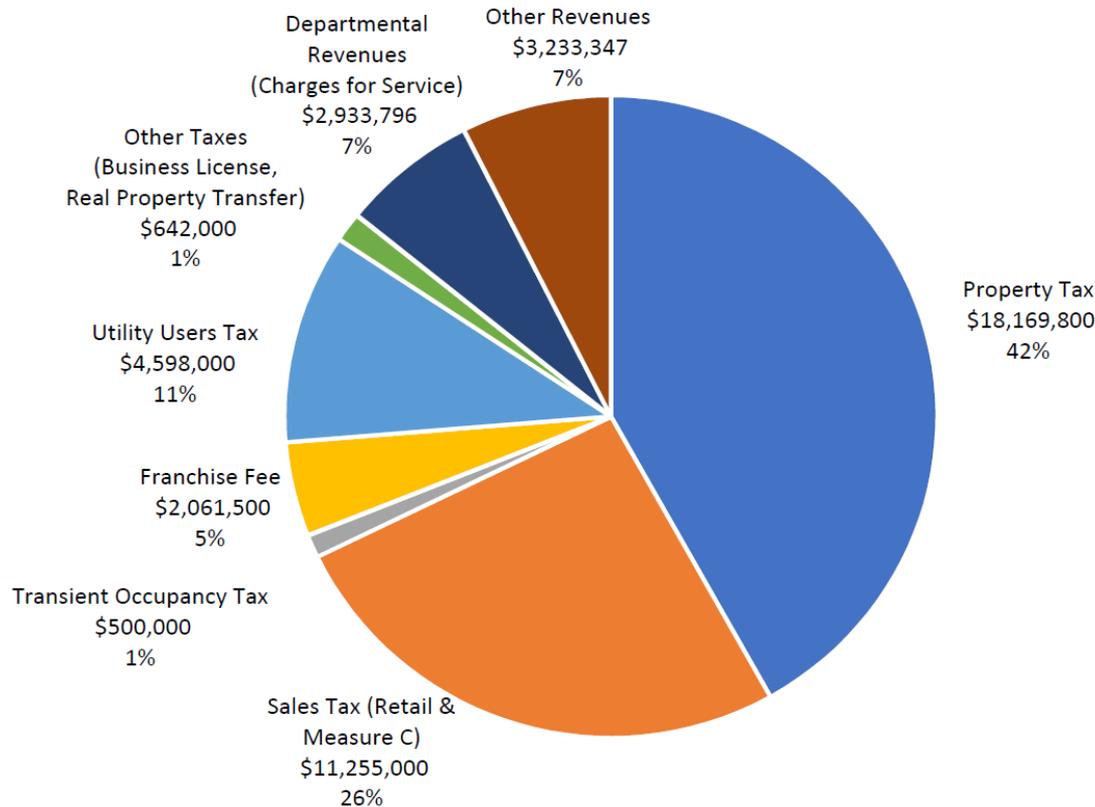


General Fund

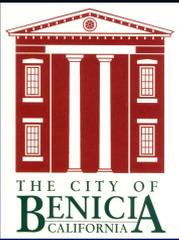
5-Year Financial Forecast 2019-24

(Attachment 2)

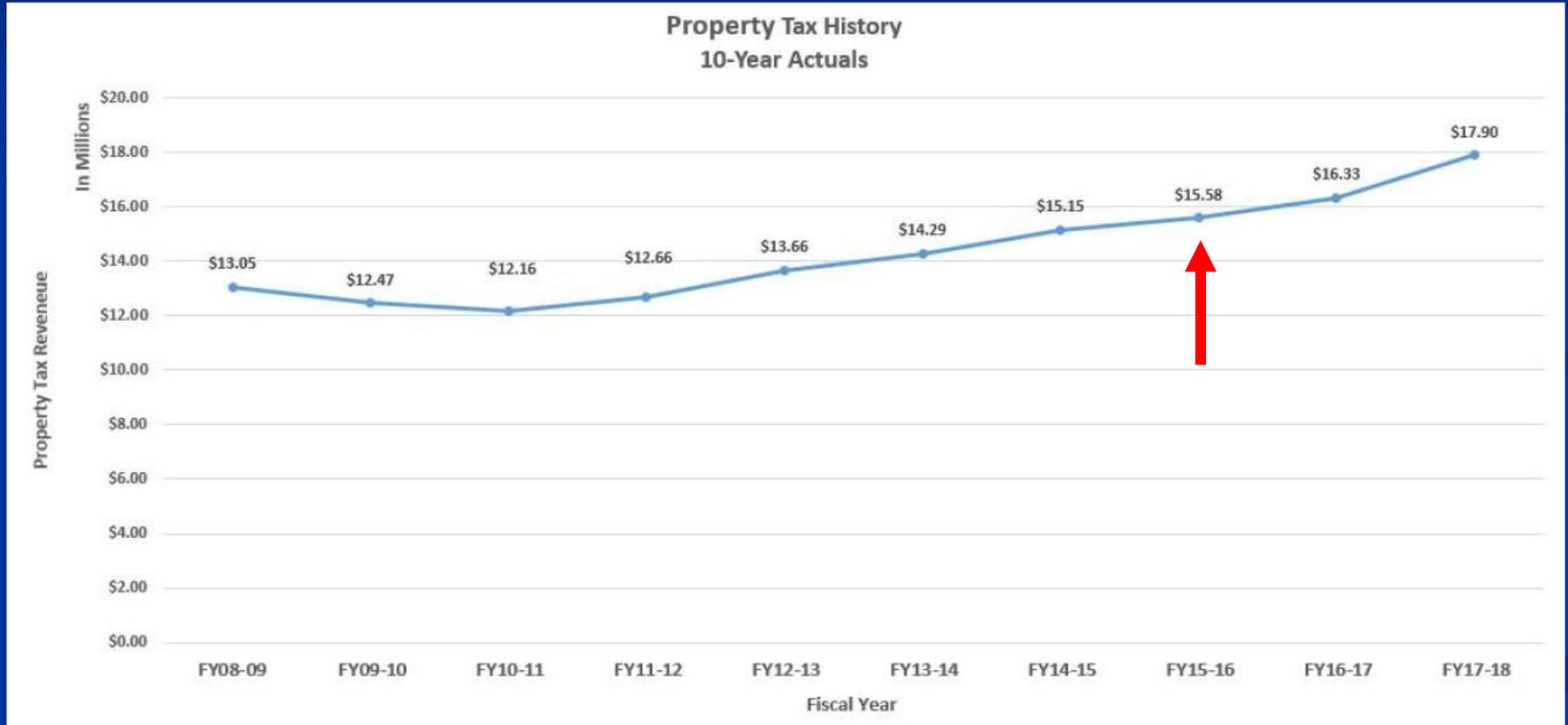
Projected Revenue Sources
FY 2018-19

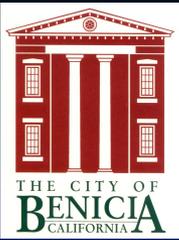


Revenue
breakdown for
this fiscal year
2018-19



General Fund 5-Year Financial Forecast 2019-24 (Attachment 2)



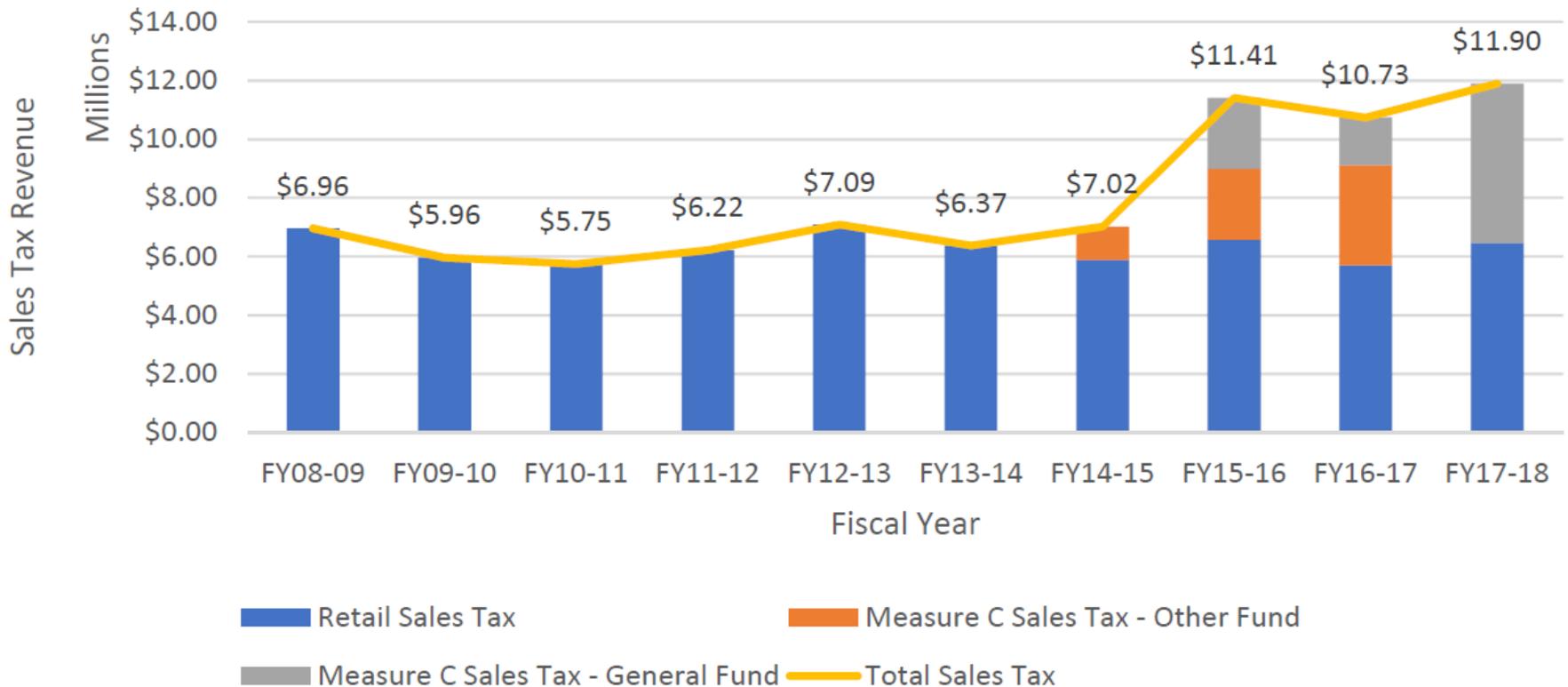


General Fund

5-Year Financial Forecast 2019-24

(Attachment 2)

Sales Tax History
10-Year Actuals

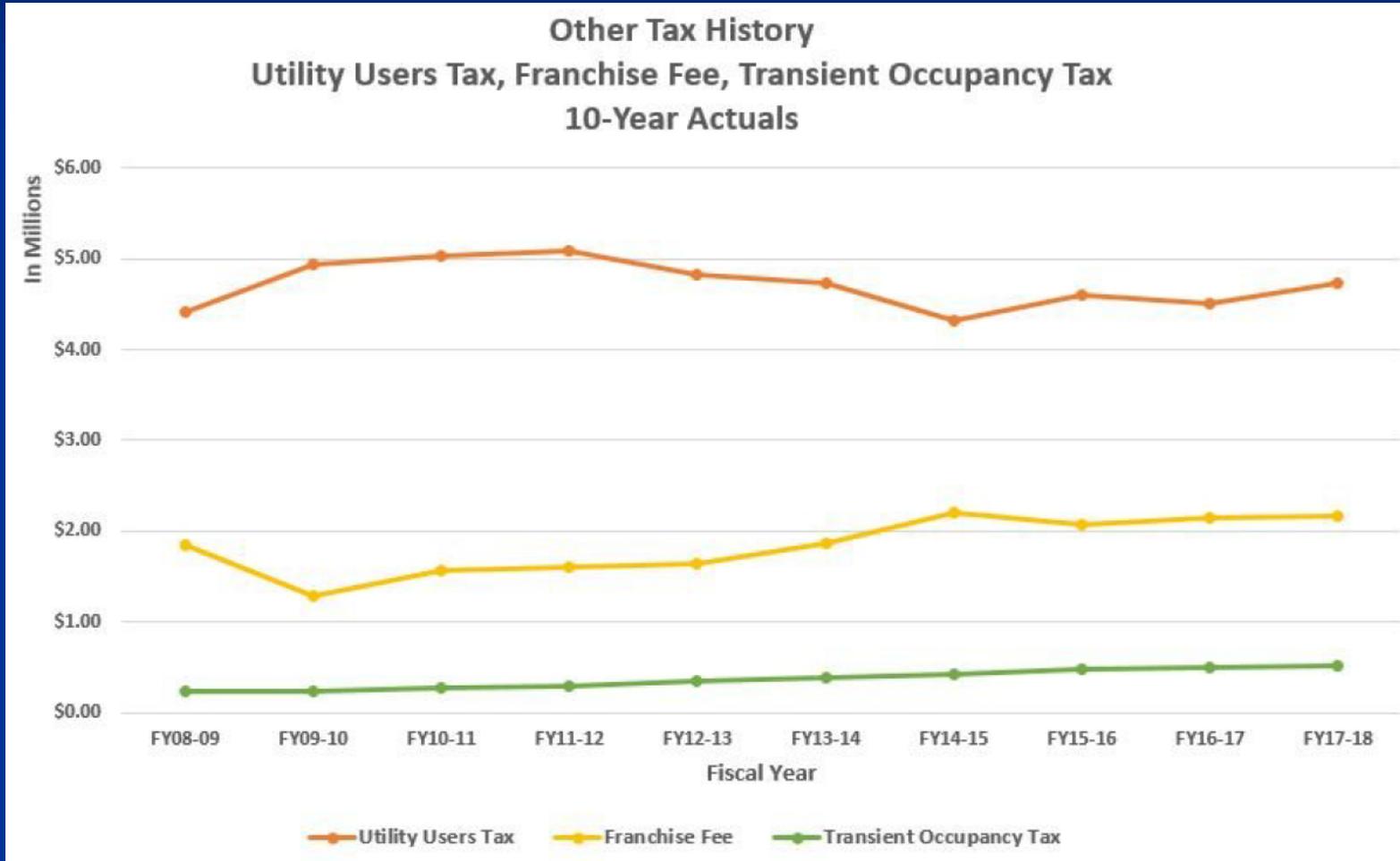


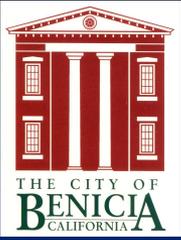


General Fund

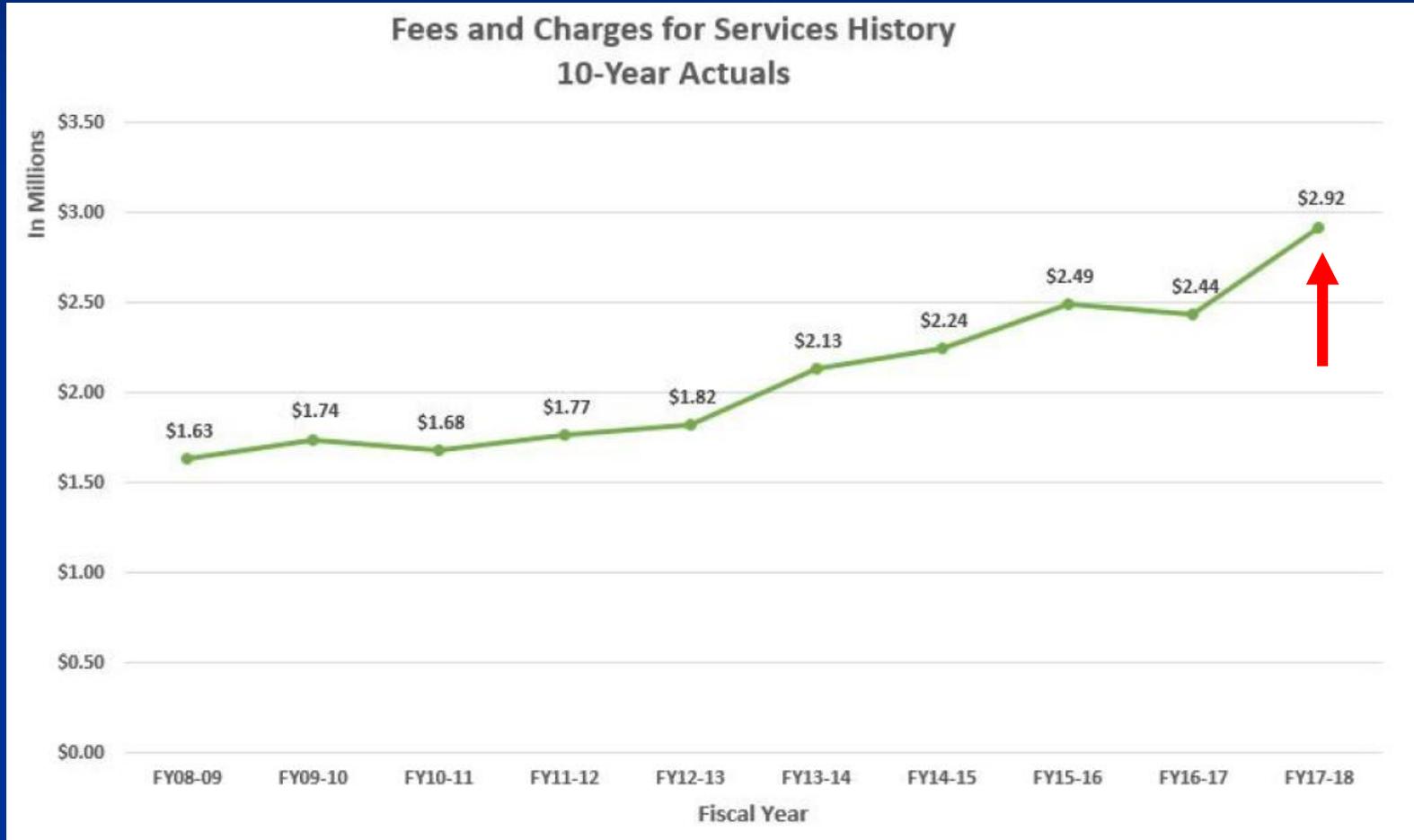
5-Year Financial Forecast 2019-24

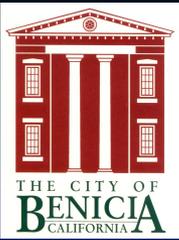
(Attachment 2)





General Fund 5-Year Financial Forecast 2019-24 (Attachment 2)

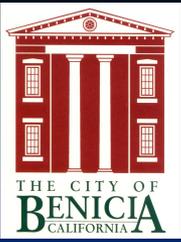




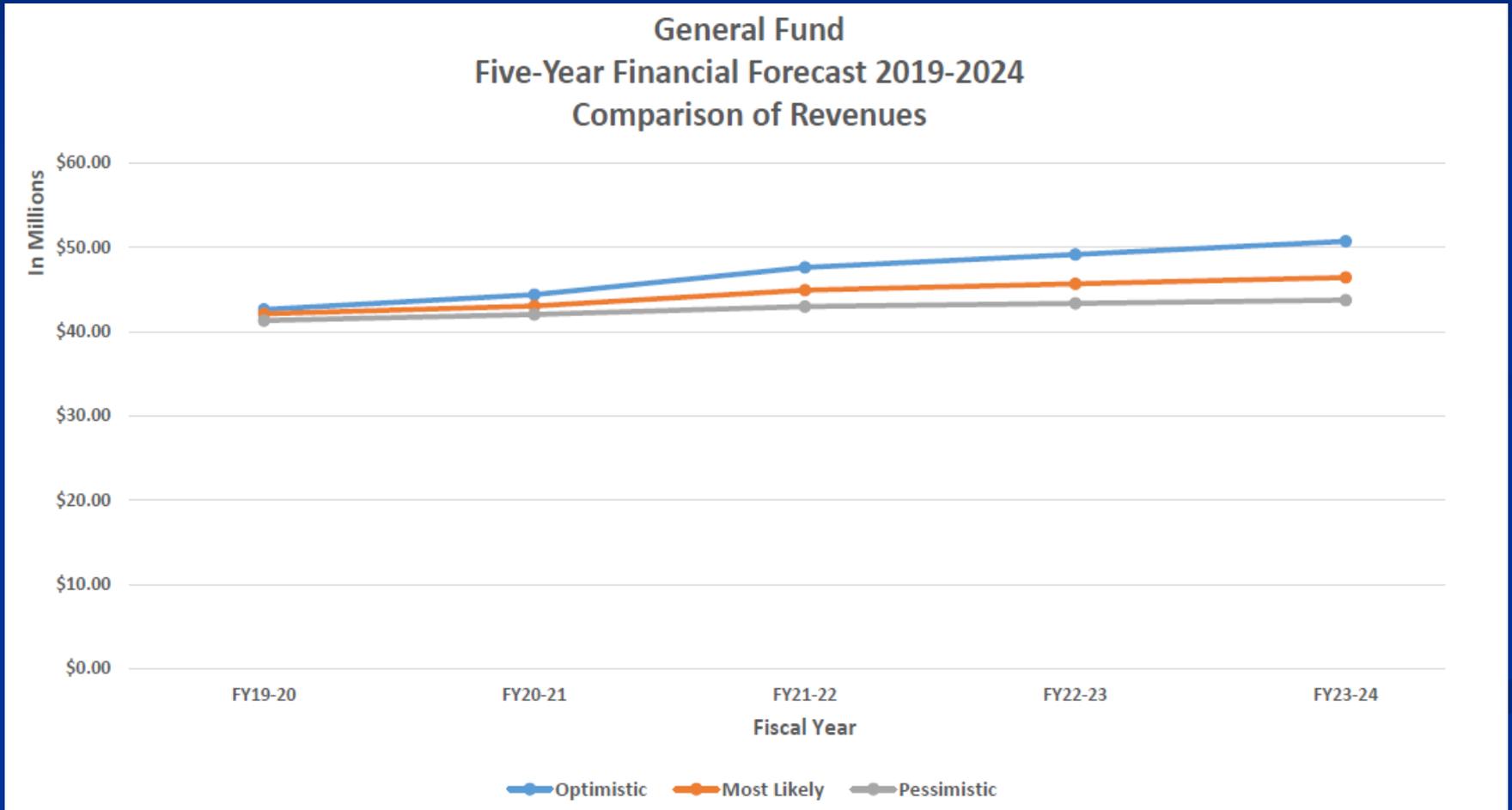
General Fund 5-Year Financial Forecast 2019-24

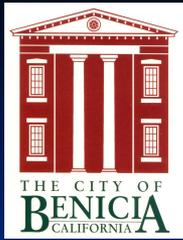
| GENERAL FUND FINANCIAL FORECAST - REVENUE ASSUMPTIONS | | | |
|---|--|---|---|
| Revenue Source | Optimistic | Most Likely | Pessimistic |
| Property Taxes | Growth factor of 3% | Growth factor of 2% | Growth factor of 1% |
| Retail Sales Tax <ul style="list-style-type: none"> Business and industry are the #1 sales tax producers with fuels and service stations coming in as #2. | Growth factor of 3%-4% for two years; 5% after | Growth factor of 1.5% for two years; 2.0% after | Negative growth factor of -2.6% for one year; 2% for one year; 0% after |
| Measure C – Sales Tax | Growth factor of 3%-4% for two years; 5% after | Growth factor of 1.5% for two years; 2.0% after | Negative growth factor of -2.4% for one year; 2% for one year; 0% after |
| Cannabis Business Tax | \$0 for one year; \$400,000 for one year; \$2,000,000 for one year; growth factor of 0% after | \$0 for one year; \$250,000 for one year; \$1,400,000 for one year; growth factor of 0% after | \$0 for one year; \$125,000 for one year; \$700,000 for one year; growth factor of 0% after |
| Transient Occupancy Tax | Growth factor of 10% (VBRO) for one year; 15% for one year (Assumes ballot measure approved to raise TOT rate to 12% effective 1/1/21); 27% for one year (Due to full year of 12% TOT and rate increase); 0% after | Growth factor of 8% (VBRO) for one year; 0% for one year; 2% for one year; 0% after | Growth factor of 4% (VBRO) for one year; -1% for one year; 0% after |
| Franchise Fee | Growth factor of 3% | Growth factor of 1.5% | Growth factor of 0% |
| Business License Tax | Growth factor of 3% | Growth factor of 2.75% | Growth factor of 0% |
| Utility Users Tax | Growth factor of 2.5% | Growth factor of 0% | Negative growth factor of -2% |
| Service Charges such as: <ul style="list-style-type: none"> Construction Permits Other Licensing and Permits Building Plan and Processing Fees Recreation Fees | Annual growth factor of 2% in all scenarios reflecting expected inflation rate | | |
| Other Revenues such as: <ul style="list-style-type: none"> Intergovernmental (mostly grants) Fines and Forfeitures Interest/Use of Money City Property Rentals | Annual growth factor of 1% in all scenarios reflecting expected inflation rate | | |

- Three Scenarios
 - Optimistic
 - Most likely
 - Pessimistic
- See Attachments 3 & 4 for more details
- “Most Likely” used for forecast



General Fund 5-Year Financial Forecast 2019-24 (Attachment 5)

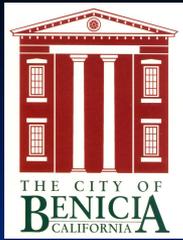




General Fund 5-Year Financial Forecast 2019-24

“Most Likely” revenue scenario increases:

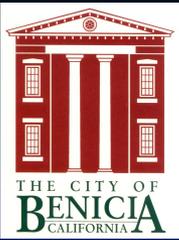
- Property Tax -- 2%/yr
- Sales Tax -- 1.5%, 1.5%, 2% after
- Cannabis Tax yield \$0, \$250k, \$1.4m
- TOT @ 8%, 0%, 2%, 0% after
- Franchise fee - 1.5%; business license - 2.75%; UUT – 0%
- Fees & charges increase @ 2%/yr
- Other @ 1%/yr



General Fund 5-Year Financial Forecast 2019-24

Expense Assumptions

- No changes in salary & benefits
 - A starting point only; not realistic
- No change in costs of supplies, contractual services, etc.
- Pension cost increase



General Fund

5-Year Financial Forecast 2019-24

(Attachment 6)

EXPENSE ASSUMPTIONS - PENSION RATES AND BONDS*

| Shown as % of Salary | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|--|--|---|--|--|--|
| Safety – City Pays (Police and Fire) | 49.2% | 55.1% | 58.7% | 62.6% | 65.5% | 67.3% |
| Employee Pays (Fire) | 9% or 12.75% +5.41% cost share | 9% or 12.75% + 5.41% cost share | 9% or 12.75% + 1.394%** cost share | 9% or 12.75% + 1.394% cost share | 9% or 12.75% + 1.394% cost share | 9% or 12.75% + 1.394% cost share |
| Employee Pays (Police) | 9% or 12.75% + 5.336% cost share | 9% or 12.75% + 5.336% cost share | 9% or 12.75% + 1.394%*** cost share | 9% or 12.75% + 1.394% cost share | 9% or 12.75% +1.394% cost share | 9% or 12.75% + 1.394% cost share |
| Pension Obligation Bond Pmts | 1.64% | 1.64% | 1.64% | 1.64% | 1.64% | 1.64% |
| Misc. (Non-Safety) – City Pays | 25.5% | 29.6% | 29.5% | 31.1% | 33.1% | 33.9% |
| Employee Pays | 6.25-8% | 6.75-8%**** | 6.75-8% | 6.75-8% | 6.75-8% | 6.75-8% |
| Pension Obligation Bond Payments | 1.34% | 1.34% | 1.34% | 1.34% | 1.34% | 1.34% |

* The City contribution figures for Safety employees across the six fiscal years above and for Miscellaneous employees in FY 2020-21, FY 2021-22, and FY 2022-23 are based the Actuarial Valuation Report produced by Bartel Associates in July of 2018. The City contribution figures for Miscellaneous employees in FY 2018-19 and FY 2019-20 are actual rates based on PERS reports.

**The Benicia Fire Association cost share of 5.41% will decrease to 1.394% effective November 2020.

***The Police (all sworn) cost share of 5.336% will decrease to 1.394% effective November 2020.

****On July 1, 2019 non-safety employee PEPRAs contribution rate will increase from 6.25% to 6.75%.

- Shows contribution paid by city & employee

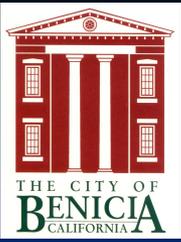
- Fire

- Police

- Miscellaneous

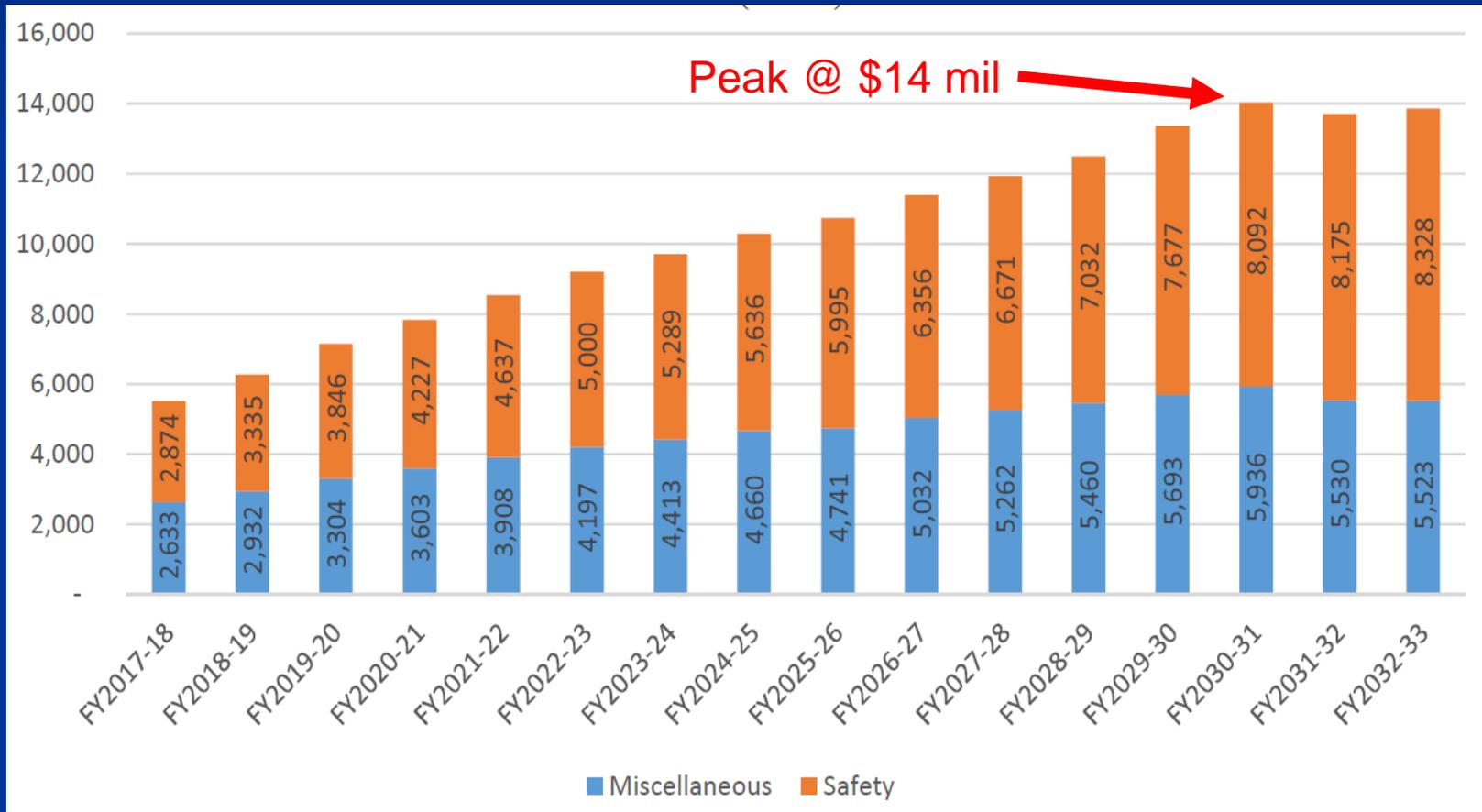
- 3 benefit tiers each

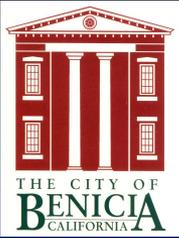
- Pension Obligation Bond payments as %



General Fund 5-Year Financial Forecast 2019-24

Table 1. Total Estimated CalPERS contribution (millions)



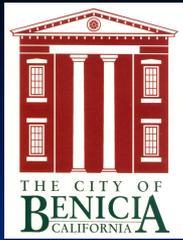


General Fund

5-Year Financial Forecast 2019-24

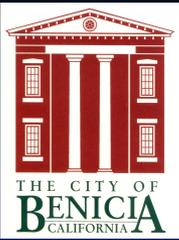
| | 2019-20 Projections (millions) | 2020-21 Projections (millions) | 2021-22 Projections (millions) | 2022-23 Projections (millions) | 2023-24 Projections (millions) |
|-----------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Revenues | \$42.1 | \$43.0 | \$44.9 | \$45.68 | \$46.45 |
| Expenses | (\$43.9) | (\$44.6) | (\$45.4) | (\$46.03) | (\$46.54) |
| Net | (\$1.8) | (\$1.6) | (\$.50) | (\$.35) | (\$.09) |

Start of
2019-21 Biennial Budget
development process

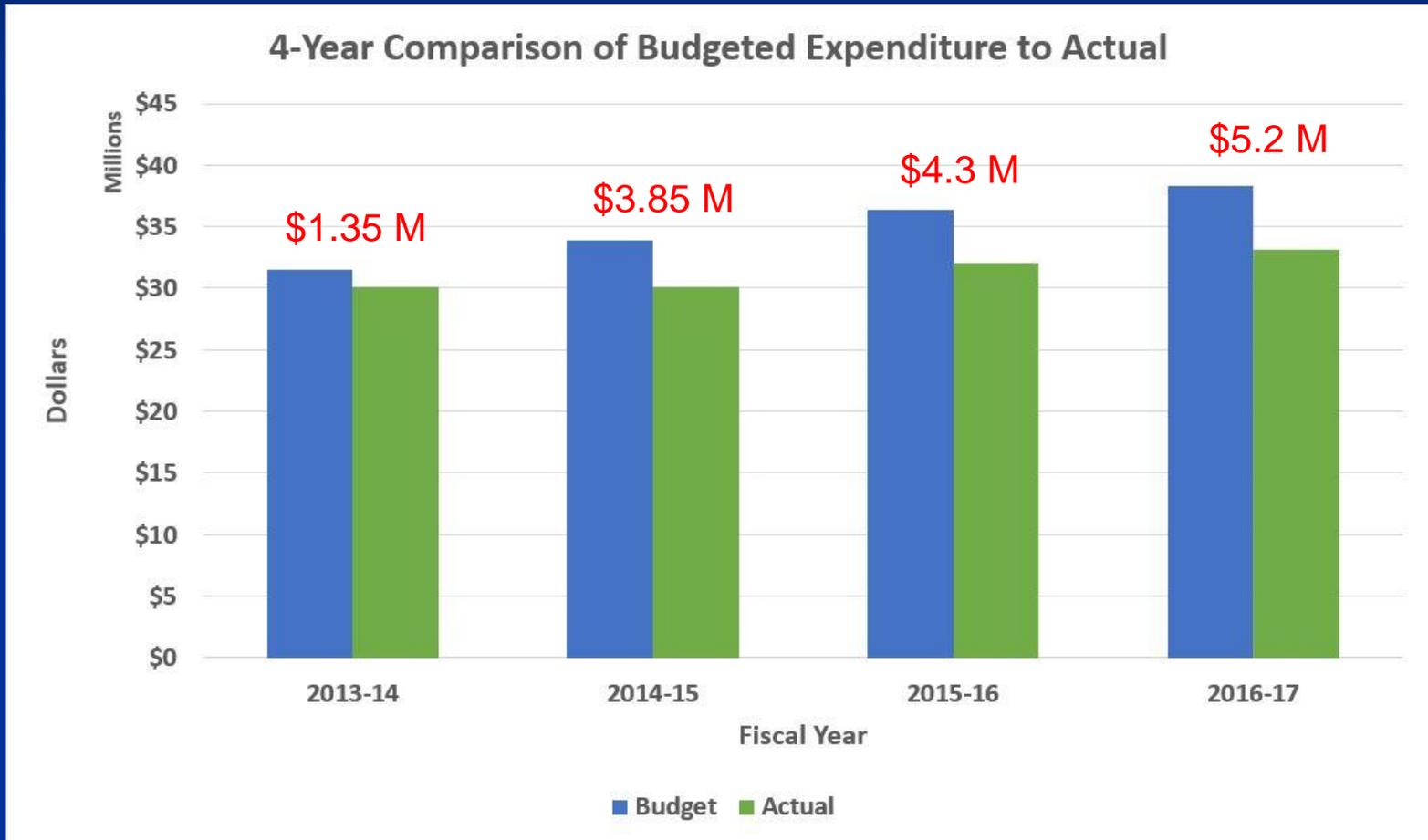


General Fund 5-Year Financial Forecast 2019-24

- Strategies to bridge projected shortfall
 - \$1.8 mil & \$1.6 mil
- Reviewed previous budget vs. actual
 - Last 4 fiscal years' variances
- Need to build the budget “from the ground up”
 - Reduce / reuse projected budget expenditures

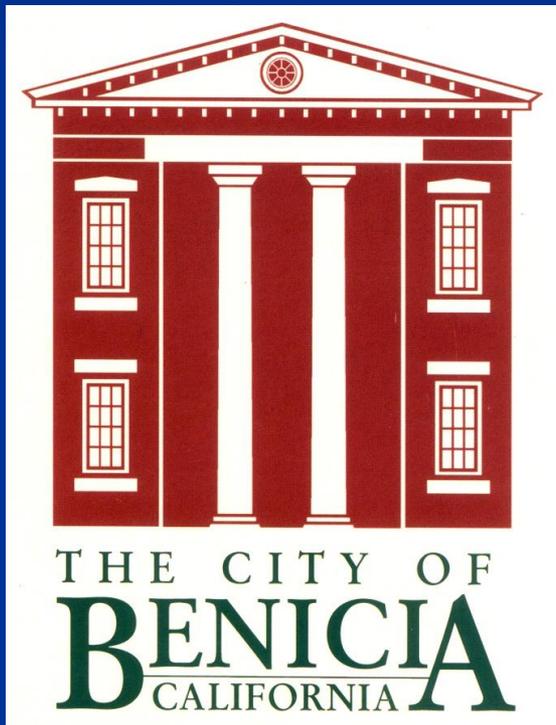


General Fund 5-Year Financial Forecast 2019-24



Information taken from *Comprehensive Annual Financial Reports, 2013-14 – 2016-17*

General Fund 5-Year Financial Forecast 2019-24



Questions