



CITY OF MORRO BAY CITY COUNCIL AGENDA

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

NOTICE OF SPECIAL MEETING

**Tuesday, February 27, 2018 – 4:00 P.M.
Veterans Memorial Hall
209 Surf St., Morro Bay, CA**

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

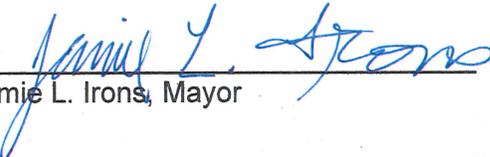
SPECIAL MEETING AGENDA ITEM:

I. Ten-Year Financial Forecast Study Session

RECOMMENDATION: Staff recommends the City Council receive information on the updated ten-year budget forecast and provide direction as appropriate.

ADJOURNMENT

DATED: February 22, 2018



Jamie L. Irons, Mayor

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: February 27, 2018

Staff Report

TO: Mayor and City Council

DATE: February 20, 2018

FROM: Scott Collins, City Manager
Jennifer Callaway, Finance Director

SUBJECT: Ten-Year Financial Forecast Study Session

RECOMMENDATION

Staff recommends the City Council receive information on the updated ten-year budget forecast and provide direction as appropriate.

DISCUSSION

In March 2015, the City received the first 10-year budget forecast. As an essential component of the City's annual budget process, the City Council then included a requirement for an annual 10-year forecast in the Strategic Planning Framework. The 2016 budget forecast was expanded to include the Harbor Enterprise Fund and the 2017 forecast was expanded to include the Water and Sewer Enterprise Funds.

The ten-year budget forecast provides the City Council and community with a better understanding of the City's financial situation in the decade ahead. In light of the changes to the California Public Employee's Retirement System (CalPERS), this forecasting model is even more crucial as the City faces significant expenditure increases due to CalPERS rate increases.

The updated ten-year budget forecast will provide a broad overview of the City's financial projection over the coming ten years and includes the most readily available CalPERS rate increase estimations. It is important to note that these rate increases are estimates only and will fluctuate based on CalPERS actual investment earnings rate as well as any other methodology changes that CalPERS implements. As an example, CalPERS just last week changed the amortization period, reducing the amortization from 30 to 20 years.

With this budget update staff has reviewed the revenue projections and revised assumptions based on the current economic environment and indications ahead. Assumptions are conservative but based on known conditions and are meant to provide Council, staff and the public with a solid understanding of the City's financial condition as we begin the FY 2018/19 budget process. As with all cities in California under the CalPERS retirement system, the City's impact of the CalPERS rate increases has substantially outpaced any revenue gains. This will force the City to make some difficult and challenging decisions not only in the upcoming FY 2018/19 budget but future years budgets as well.

Budget estimates will be presented at the meeting and made available to the public on the City website.

Prepared By: JC

Dept Review: JC

City Manager Review: SC

City Attorney Review: