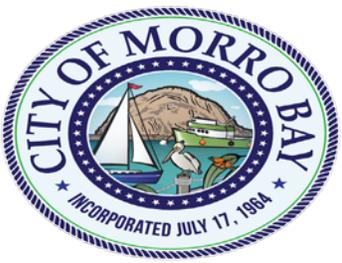


Ten Year Financial Forecast

February 27, 2018





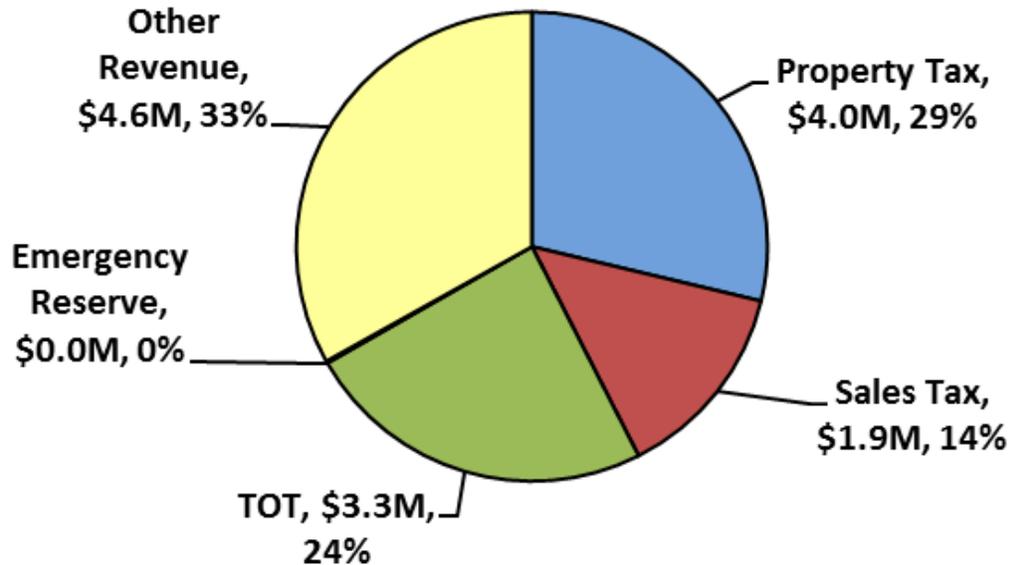
Ten Year Financial Forecast

- **Update last year's General Fund long-term Budget Forecast**
 - **Updated Revenues**
 - **Updated Personnel costs – including Pension**



General Fund Revenues

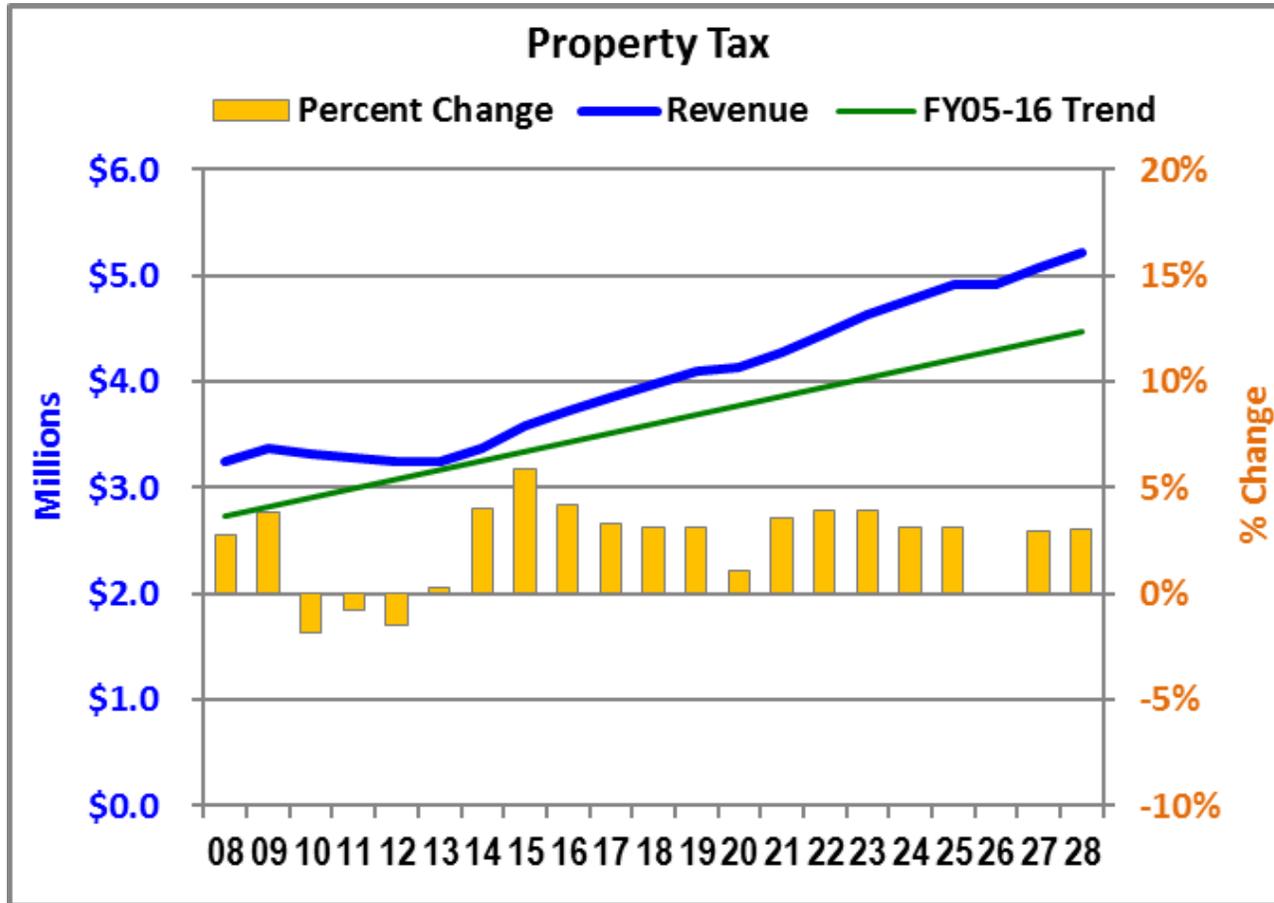
General Fund Revenue FY 2018
\$13.8M Total



- Top Three Sources – 67% of Total Revenue
 - Property Tax
 - TOT – 24%
 - Sales Tax
- Other Revenue – BLT, Property Transfer Tax, Fees, Permits, Fines, Grants, Rental Income
- Continue to be Highly Dependent on TOT



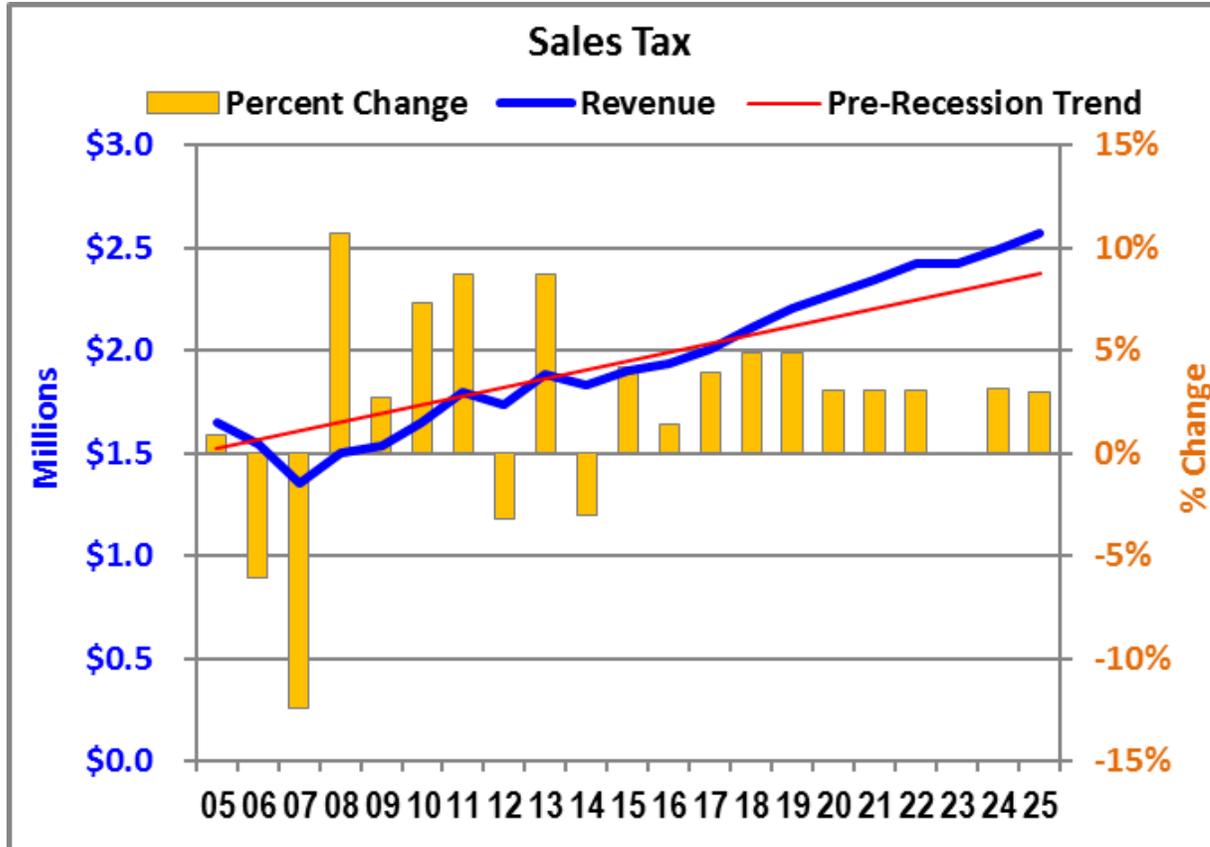
Property Tax



- Rapid Growth in mid-2000s
- Modest hit during Great Recession
- Average Annual Growth – 3.5%



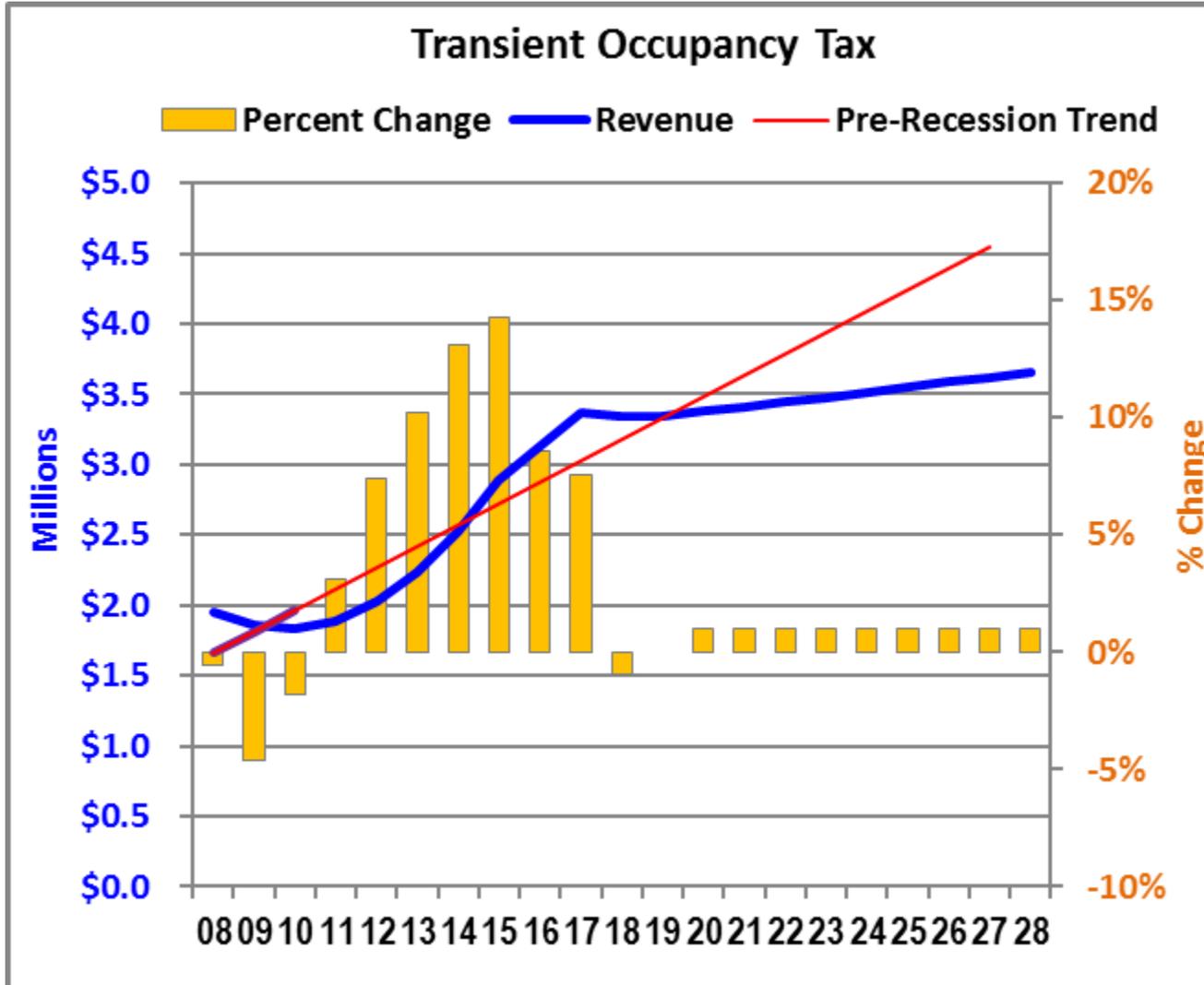
Sales Tax



- Pronounced Reduction from Great Recession
 - Took 5 years to regain 2008 Peak
 - Remains below pre-recession trend
- Growth – 3 to 4%



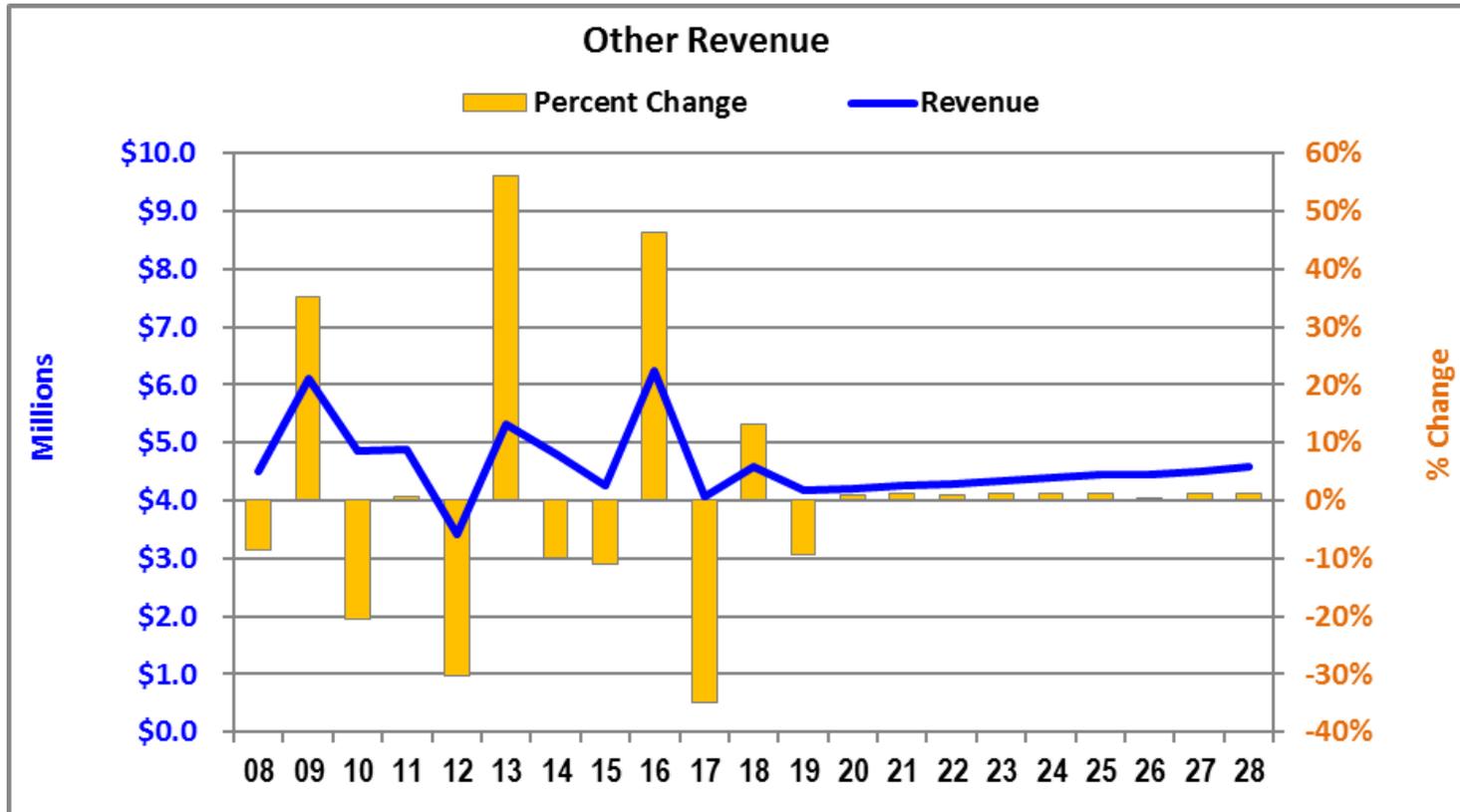
TOT



- Large Reduction from Great Recession
- 1% Growth Rate assumed for Future Years – Less than 5% prior assumption
- Prospect for added TOT –Producing Rooms
- Short-term Rental Monitoring



Other Revenues

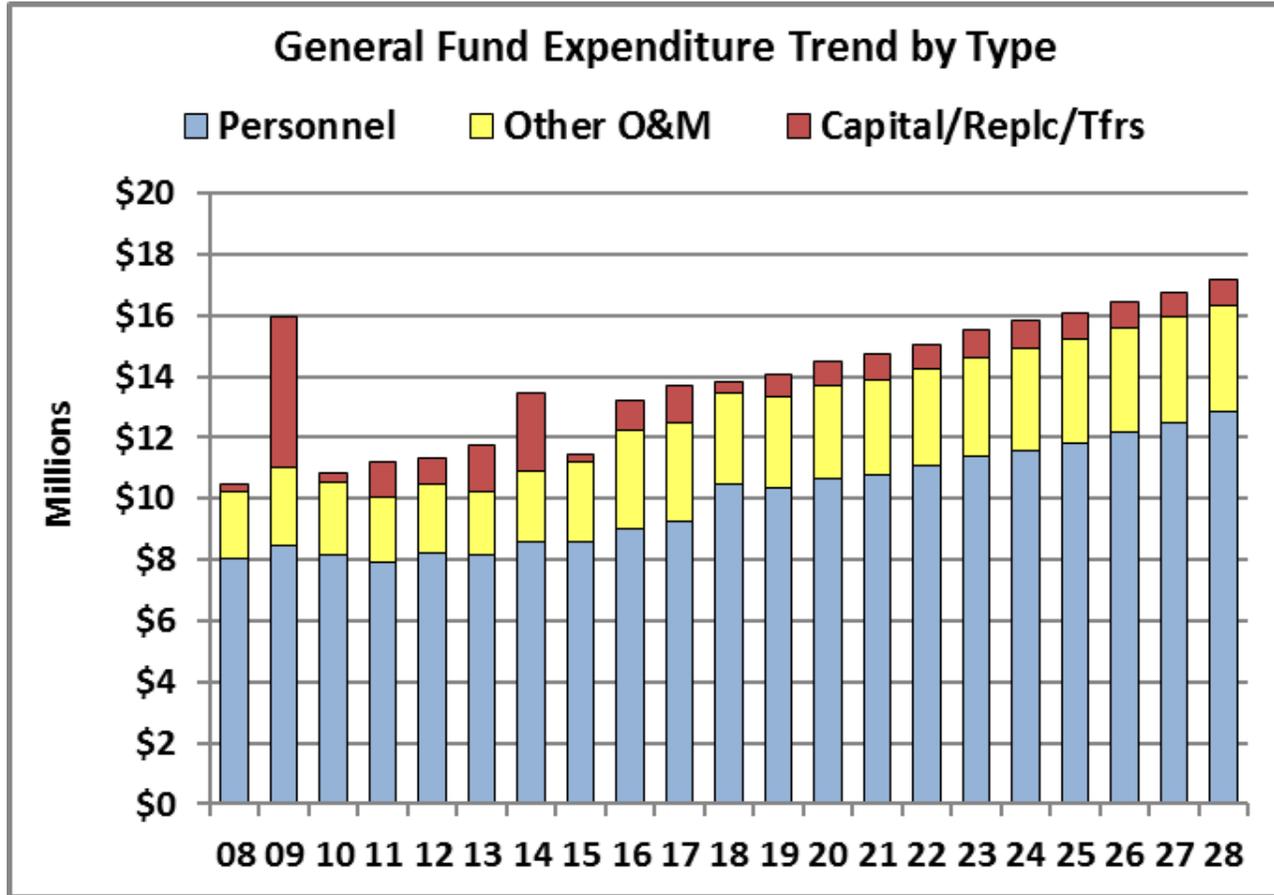


Other Revenue—

- Fluctuate as can include one-time revenues



General Fund Expenditures



Personnel Costs

- Defunded DCM
- Positions budgeted at Top Step
- Higher Pension Costs
- No COLAs

Operating Costs

- CPI Growth
- Tourism Contribution

Capital

Incorporated ISF Costs:

- \$100,000 Vehicle Replacement
- \$100,000 Capital Replacement
- \$100,000 Facilities Maintenance
- \$58,000 Fire Replacement



Pension Costs

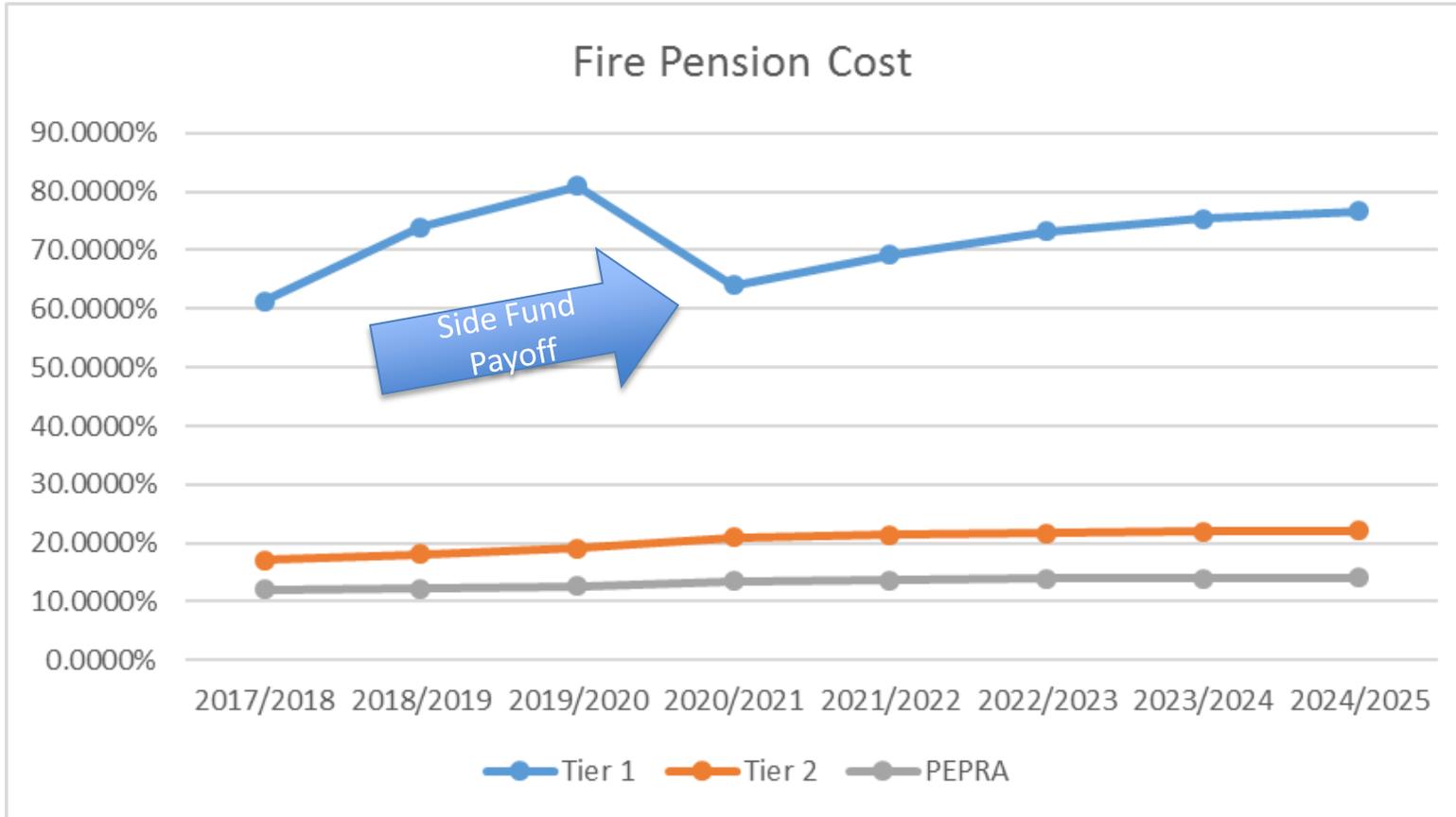
Forecasted Increase of 66% from FY 2017/18 – FY 24/25 = \$1.6 M

Does not take into Account Amortization Period Change Recently Announced

Recent Market Gains will result in Reduce Rates in about two years



Pension Costs



Fire	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Tier 1	61.2832%	73.9664%	80.9335%	64.0467%	69.2073%	73.1519%	75.3618%	76.6889%
Tier 2	17.1125%	18.0488%	19.0939%	20.9667%	21.3717%	21.7522%	22.0065%	22.1447%
PEPRA	12.0354%	12.2497%	12.6303%	13.5239%	13.6879%	13.8903%	13.9951%	14.0932%

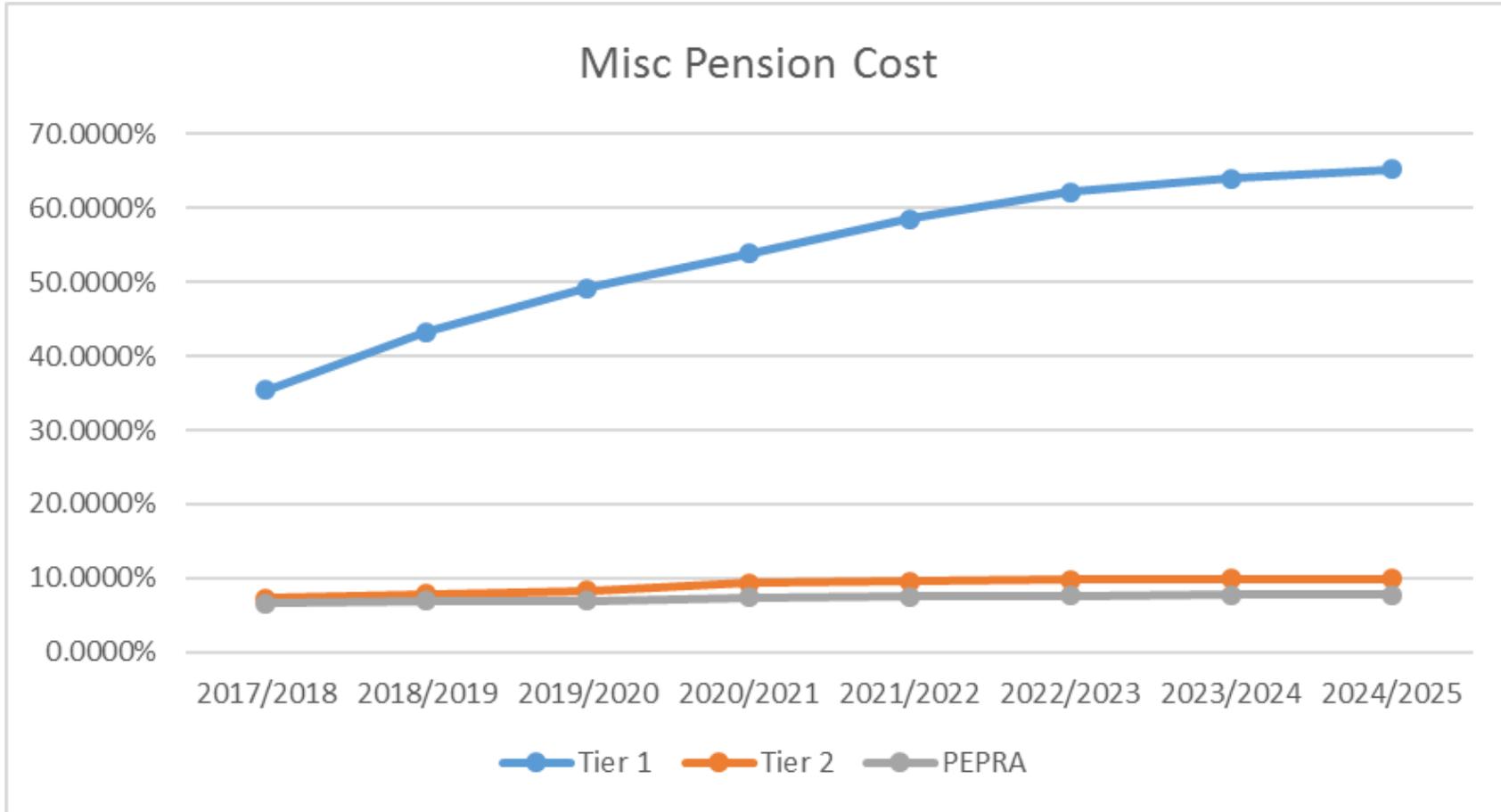


Pension Costs

	Unfunded Liability	Funded Ratio
Fire Tier 1	\$ 4,384,577	68.6%
Fire Tier 2	\$ 21,489	89.9%
Fire PEPRA	\$ 5,720	89.5%
Total	\$ 4,411,786	



Pension Costs



Misc	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Tier 1	35.4462%	43.2561%	49.1974%	53.8819%	58.5042%	62.1303%	63.9842%	65.2077%
Tier 2	7.2924%	7.8225%	8.3204%	9.3055%	9.5173%	9.7164%	9.8320%	9.9056%
PEPRA	6.5588%	6.9211%	6.9564%	7.3733%	7.4980%	7.6295%	7.6974%	7.7475%



Pension Costs

	Unfunded Liability	Funded Ratio
Misc Tier 1	\$ 12,824,784	70.3%
Misc Tier 2	\$ 42,794	90.3%
Misc PEPRA	\$ 14,322	90.1%
Total	\$ 12,881,900	



Pension Costs



Police	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Tier 1	70.8115%	61.7916%	71.1711%	78.3907%	85.1772%	90.2935%	92.9998%	94.8603%
Tier 2	16.8420%	17.7372%	18.7782%	20.6458%	21.0140%	21.4142%	21.6851%	21.7350%
PEPRA	12.0518%	12.2621%	12.6451%	13.5301%	13.7403%	13.9108%	14.0184%	14.1190%



Pension Costs

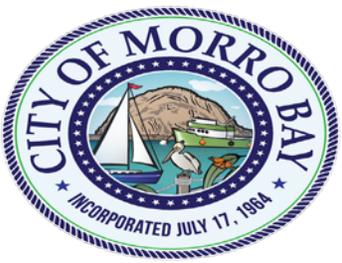
	Unfunded Liability	Funded Ratio
Police Tier 1	\$ 6,260,513	69.4%
Police Tier 2	\$ 65,045	93.3%
Police PEPRA	\$ 9,865	88.5%
Total	\$ 6,335,423	



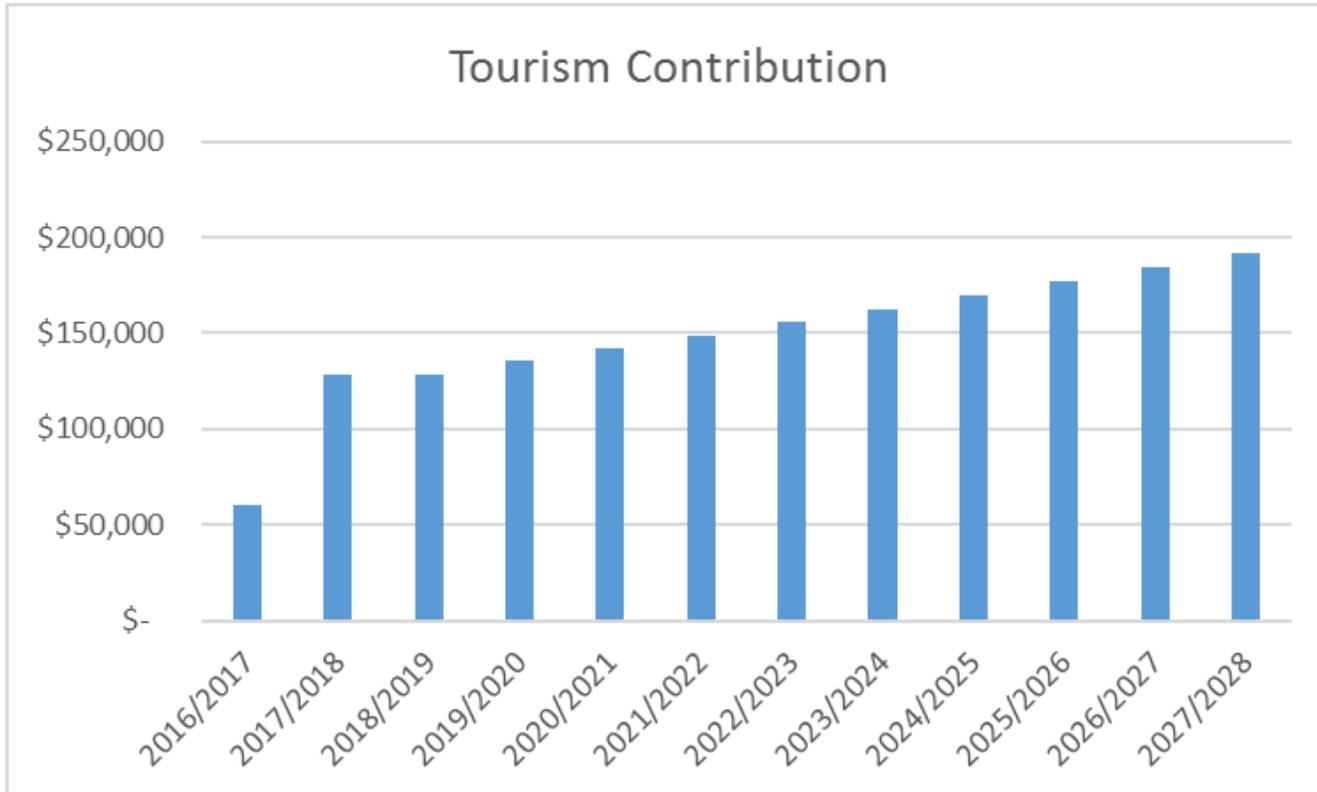
Pension Cost

Forecast includes Estimated Rates through FY 24/25 and 5% growth through FY 25/26 – FY 27/28

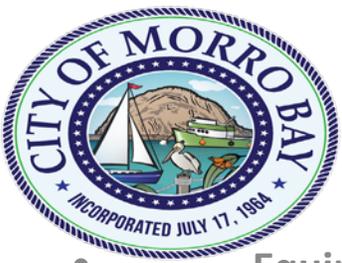
General Fund	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Pension	\$ 1,835,543	\$ 2,077,821	\$ 2,177,152	\$ 2,394,849	\$ 2,606,148	\$ 2,751,324	\$ 2,892,128	\$ 3,181,341	\$ 3,499,475	\$ 3,849,422



Tourism Contribution



- 1% Growth Rate assumed for TOT – Impacts Tourism Contribution
- \$60,000 base contribution plus 20% of TOT over \$3M with cap of \$300K

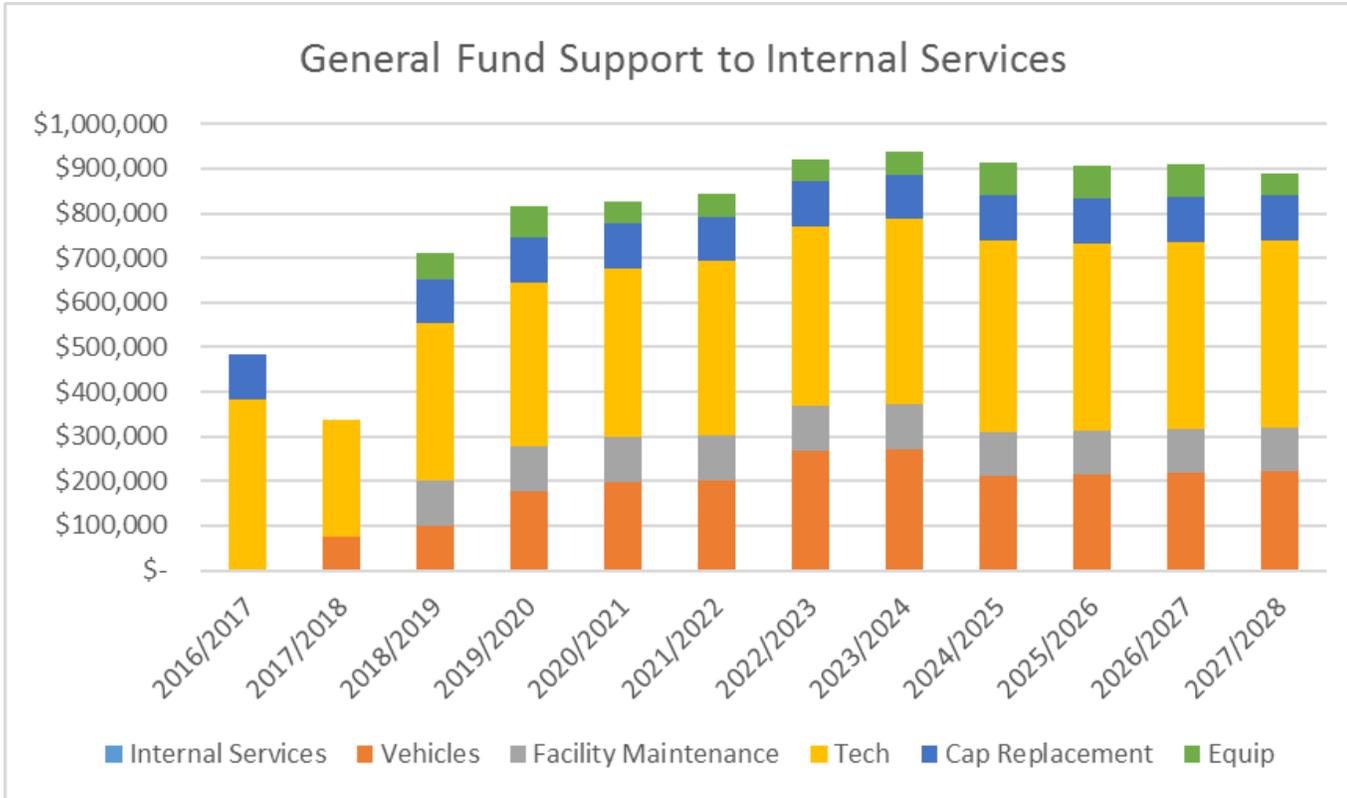


Internal Service Funds

- **Equipment Fund – Based on Fire Equipment Replacement Plan – Add other department equipment needs**
- **Capital Replacement – Started in FY16**
 - Purpose to pay for eventual replacement of current major facilities
 - Not funded in FY 2017/18 Budget
- **Project Accumulation - Started in FY16**
 - Purpose to Accumulate funds to pay for future general capital projects
 - Transferred in approx. \$1M from Risk Management
 - Not funded in FY 2017/18
- **Information Technology**
 - GF pays most cost
 - Plan was to maintain 15% reserve for contingencies
- **Vehicle Replacement**
 - \$75K funded in FY 2017/18 Budget
- **Facilities Maintenance – Rental income has been funding source**



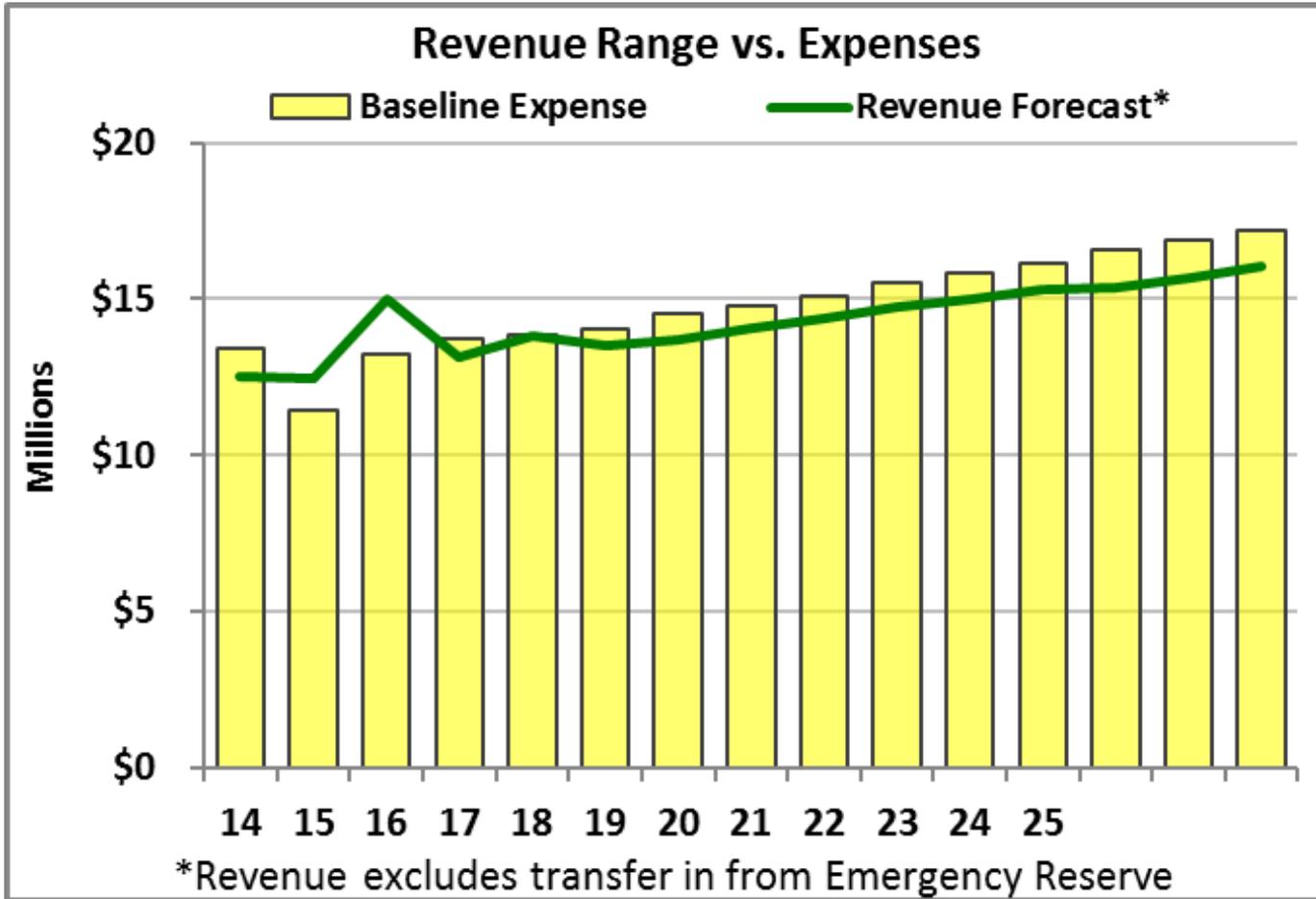
Internal Service Funds/Capital



- FY 2017/18 limited Funding
- Annual Contributions:
 - Vehicles - \$100K to \$270K
 - Facilities - \$100K
 - Tech - \$350k - \$420K
 - Cap Replacement - \$100K
 - Equip - \$50K - \$75K



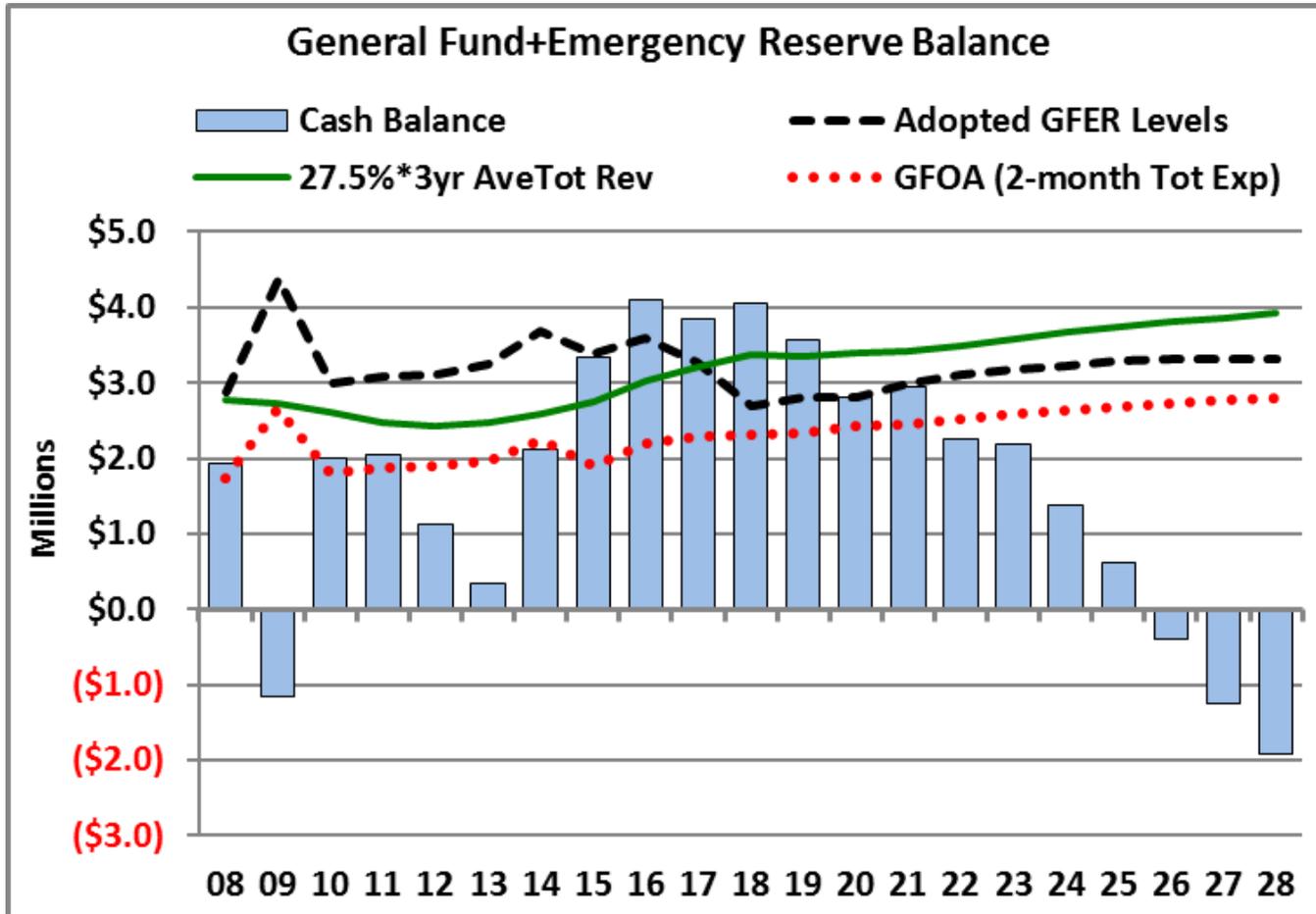
FY 2017/18 CIP Mid-Year Update



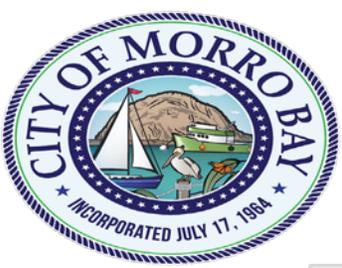
- Revenues are not keeping pace with cost to provide same service as receiving today



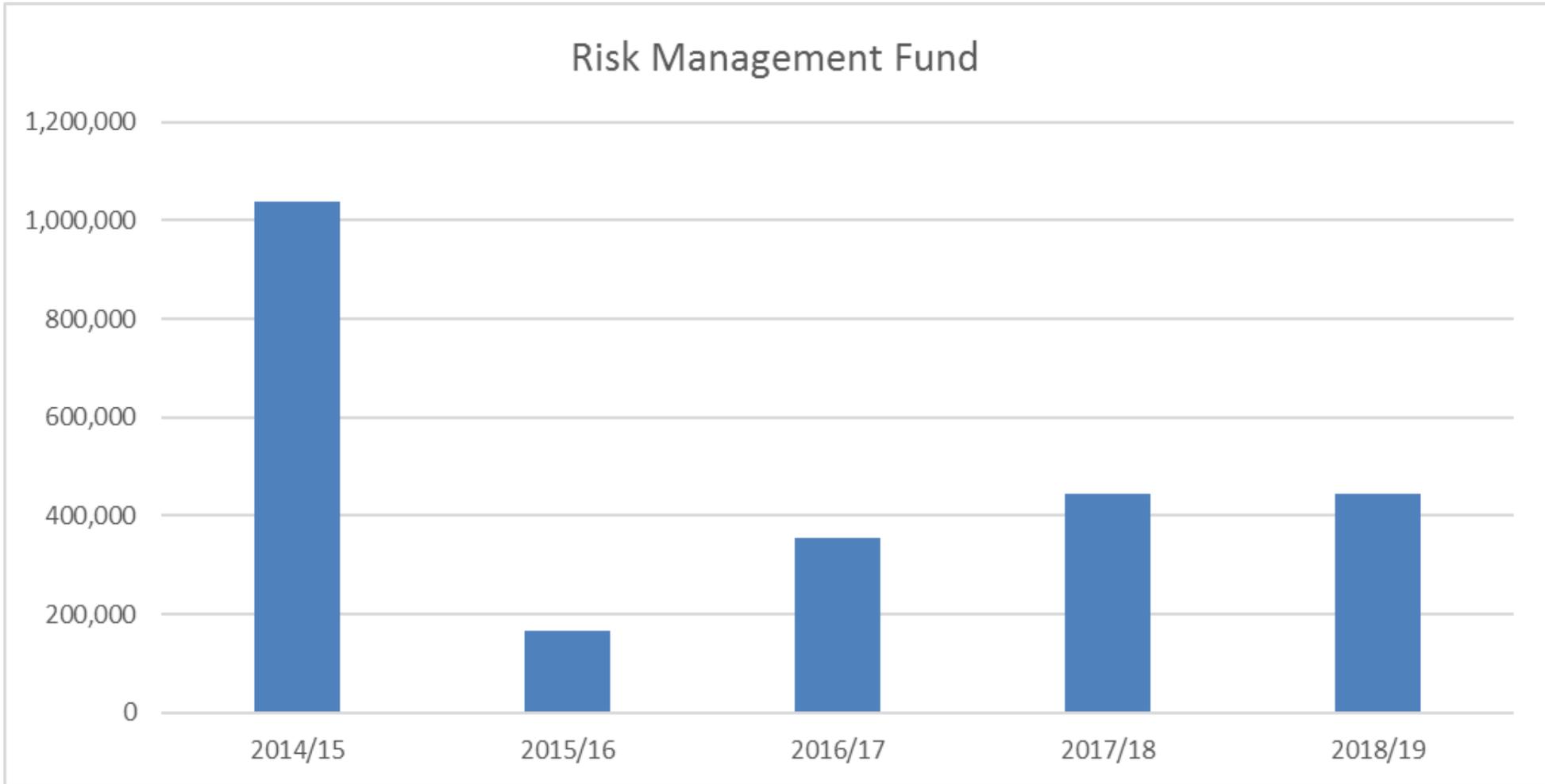
GF and GFER Balance



Long-term
planning for
sustainability

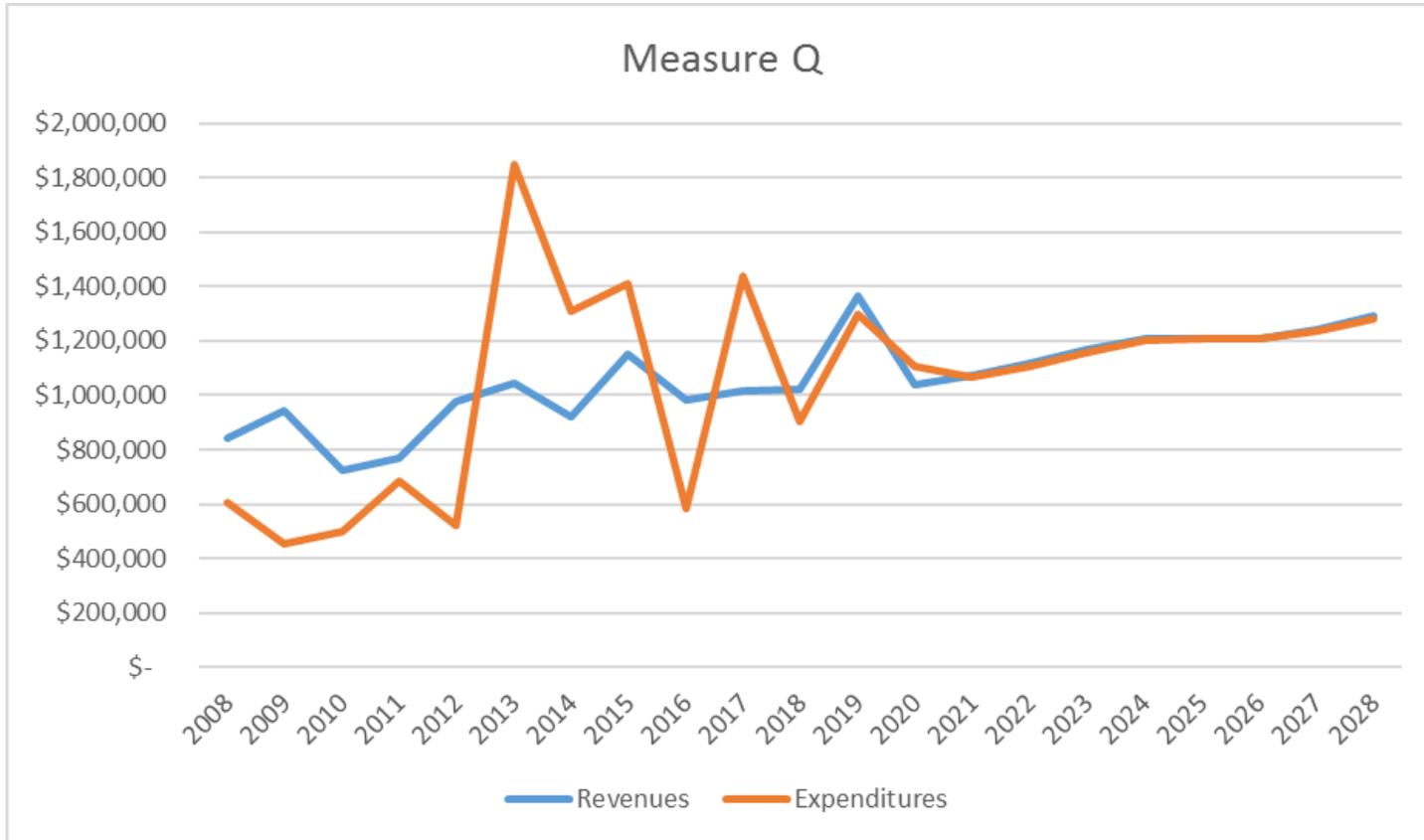


Risk Management Fund





Measure Q



- 0.5% Tax to support
 - Fire Department Staffing
 - Debt Service on Fire Station
 - Fire Equipment
 - Police Staffing – SRO
 - Streets
 - 20% Reserve

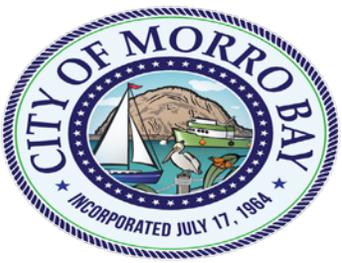


Enterprise Funds

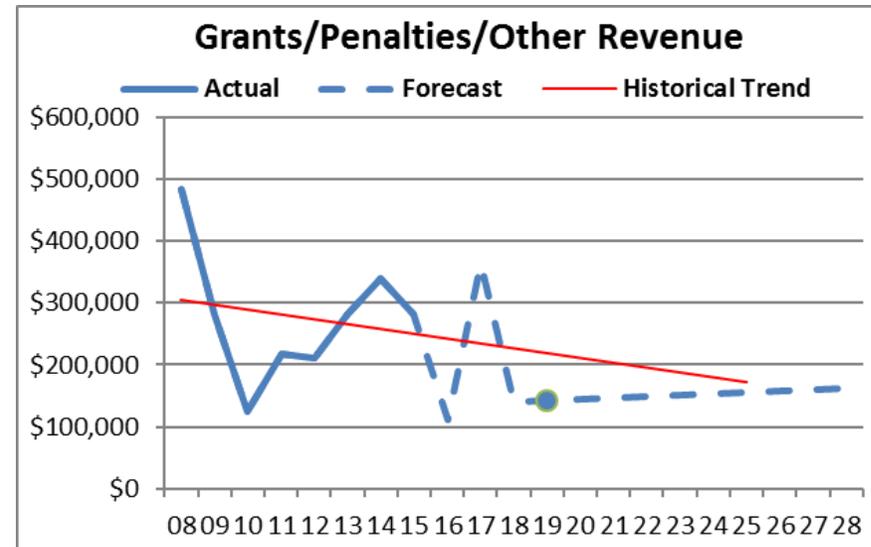
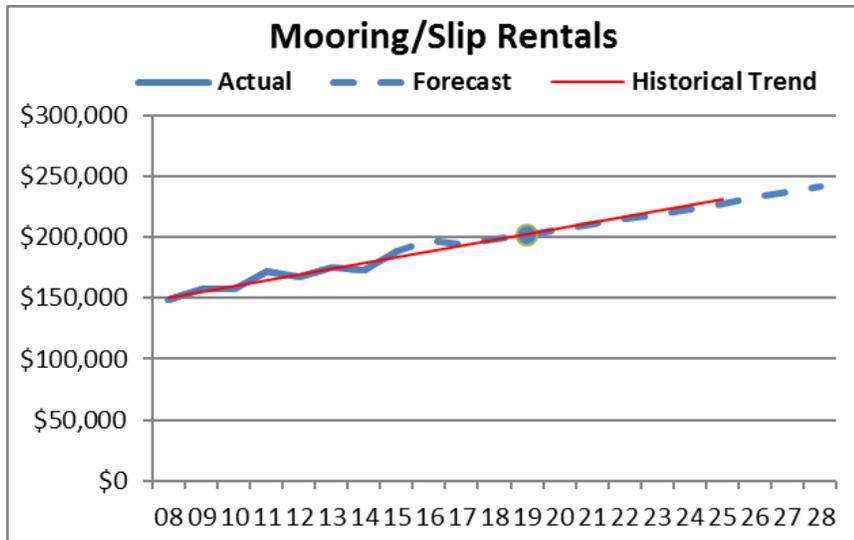
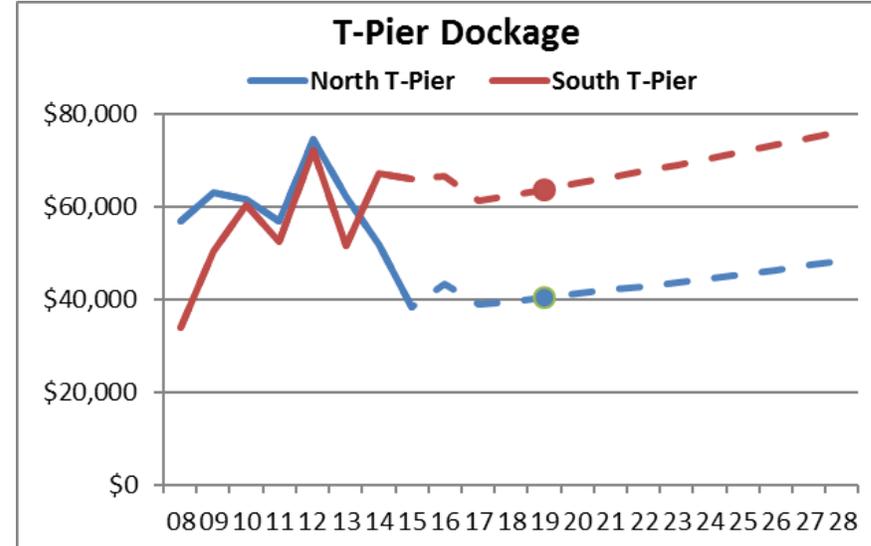
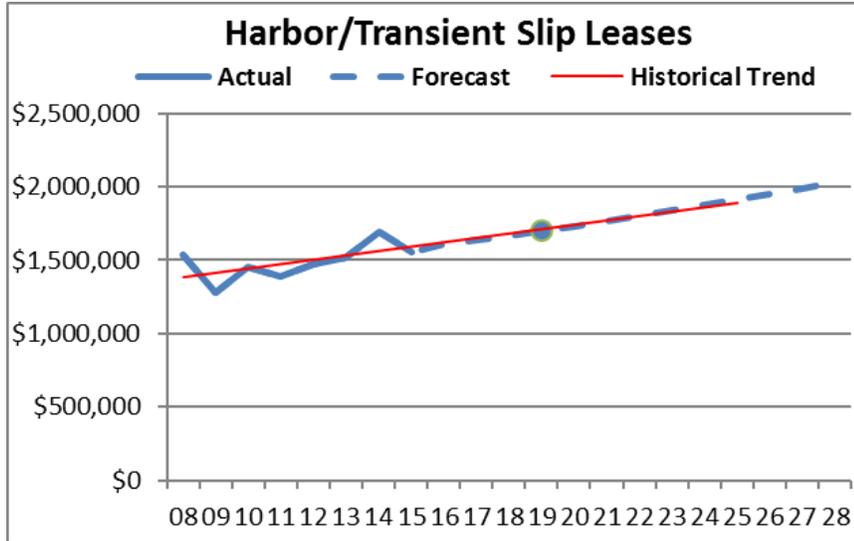
Harbor

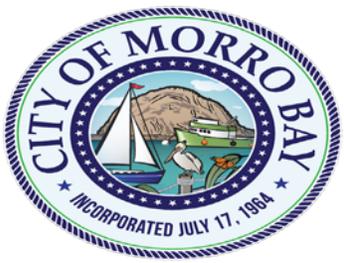
Water

Sewer



Harbor Fund





Harbor Fund

Project	Built	Life Span	Replace By	Cost
Harbor Maint Bldg	2015	25 yrs	2040	\$ 50,000
Harbor Office	1964	40 yrs	2020	\$ 2,500,000
North T-Pier HP Slips	1993	30+ yrs	2025	\$ 350,000
Dune Street Slips	1995	30 yrs	2025	\$ 450,000
Tidelands Park Side Tie Dock	1997	30 yrs	2027	\$ 180,000
Launch Ramp Slips North	1995	30 yrs	2025	\$ 420,000
Launch Ramp Slips South	2000	25 yrs	2025	\$ 220,000
Total				\$ 4,170,000



Ten Year Financial Update

- **Continuing Long-Range Planning**
 - **Community and Staff Engagement**
 - **New Revenue Options**
 - **Reduced Expenditures**
- **Analysis of CalPERS and Options for the City**



Ten Year Financial Update

Questions???