



CITY COUNCIL REPORT

REVISED
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DATE: OCTOBER 6, 2020

TO: MAYOR AND COUNCIL MEMBERS

FROM: ANDREW MURRAY, CITY MANAGER

SUBJECT: RECEIVE THE FIVE-YEAR FORECAST FOR THE GENERAL FUND
AND MEASURE S FUNDS FISCAL YEAR (FY) 2020/21 THROUGH FY
2024/25

RECOMMENDATION

Staff recommends that the City Council receive the five-year forecast for fiscal year (FY) 2020/21 through FY 2024/25.

BACKGROUND

The City has historically included a five-year financial forecast in the adopted Operating Budget. Due to the unusual challenges presented by COVID-19, City staff was unable to create a five-year forecast for inclusion in the FY 2020/21 Operating Budget. Rather, the budget, which was approved by the City Council on June 16, 2020, included just a two-year financial forecast. City staff has conducted additional analysis and is now presenting a five-year forecast for FY 2020/21 through FY 2024/25.

REVIEW AND ANALYSIS

The five-year forecast for the General Fund and Measure S Funds has been prepared using conservative assumptions for both revenues and expenditures. Based on analysis of historical trends and anticipated future issues, staff forecasted the fiscal impacts to the operating budgets and ending fund balance for the General Fund and Measure S Funds for five years. The Five-Year Forecast Summary Schedule for the General Fund and Measure S Funds for FY 2020/21 Through FY 2024/25 is included as Attachment A to this report.

General Fund

Revenue Forecast

The General Fund revenue forecast anticipates a recovery from the impact of the COVID-19 Shelter-In-Place (SIP) in FY 2021/22. The forecast also includes some one-time revenues, as noted below. Overall, the revenues are forecasted to increase from \$14.7 million in FY 2020/21 to \$17.8 million in FY 2024/25. When including the anticipated transfers in from the Pension Trust Fund to the General Fund as another

funding source, total revenues are forecasted to be \$16.1 million in FY 2020/21 and \$19.0 million in FY 2024/25, as shown in the table below.

General Fund - 100	2018-19 Actual	2019-20 Actual	2020-21 Original Budget	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
REVENUE:							
PROPERTY TAX	3,837,167	4,514,755	4,146,109	4,156,491	5,067,165	5,490,109	5,630,182
SALES TAX	3,994,720	3,788,080	3,345,879	3,788,080	3,901,722	4,018,774	4,139,337
UTILITY USERS TAX	1,812,844	1,809,832	1,896,000	1,914,960	1,953,259	1,992,324	2,032,171
FRANCHISE TAX	735,311	750,001	750,000	757,500	772,650	788,103	803,865
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,006,163	2,046,286	2,107,675	2,170,905	2,236,032
OTHER TAXES	884,757	826,359	785,000	884,757	902,453	920,502	938,912
OTHER REVENUE	3,274,296	2,280,423	1,795,187	1,869,216	1,944,362	2,015,230	2,024,531
Total Revenue	16,375,597	15,922,167	14,724,338	15,417,291	16,649,286	17,395,947	17,805,031
TRANSFERS IN	6,290,688						
PENSION TRANSFER IN (FY 19/20 alloc)			476,366				
PENSION TRANSFER IN			882,013	743,686	947,272	1,040,806	1,180,322
Total Sources	22,666,285	15,922,167	16,082,717	16,160,977	17,596,558	18,436,753	18,985,353

Revenue Assumptions

The forecast assumes that base Property Tax revenue will grow at 2% to 3% per year. The residual property tax revenue that has resulted from the dissolution of the former redevelopment agency is forecasted to increase by approximately \$908,000 in FY 2023/24, after outstanding redevelopment bonds are retired. The forecast also assumes additional residual property tax revenue of \$86,000 in FY 2021/22 and \$575,500 in FY 2022/23 for the anticipated sale of former RDA property.

The forecast assumes that Sales Tax revenue will rebound in FY 2021/22 to the FY 2019/20 level, and thereafter grow at 3% annually. The estimates on the recovery are conservative, but staff will continue to monitor sales tax revenue activity on a quarterly basis.

Franchise Tax and Utility Users Tax (UUT) revenues are forecasted to grow at 1% to 2% annually.

Other Taxes revenue includes Transient Occupancy Tax (TOT) and Business License. These revenues are forecasted to rebound in FY 2021/22 to the FY 2018/19 level, and thereafter grow at 2% annually.

Intergovernmental Tax revenues, Vehicle License Fees and Homeowner Property Tax Relief, are forecasted to increase at 2% to 3% annually.

Transfers from the Pension Trust Fund to the General Fund are equivalent to the difference between the City's base year (FY 2018/19) contribution toward employee pensions and the forecasted required City contribution in future years.

Expenditure Forecast

Overall, General Fund expenditures are forecasted to increase from \$17.6 million in FY 2020/21 to \$18.8 in FY 2024/25. Personnel and other operating costs are forecasted to increase at a modest amount in order to maintain existing levels of staffing and service.

General Fund - 100	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Original Budget	Projected	Projected	Projected	Projected
EXPENDITURES:							
SALARIES	7,140,412	7,217,115	8,197,748	8,443,680	8,696,991	8,957,901	9,226,638
BENEFITS & INSURANCE	4,378,221	4,646,517	5,181,603	5,195,660	5,551,921	5,806,894	6,077,392
OTHER OPERATING EXPENSES	1,791,295	2,649,852	1,949,122	2,031,197	2,088,071	2,146,537	2,206,640
EXPENDITURES - One time			1,022,500		22,500		22,500
DEBT SERVICE	520,000	536,120	555,000	575,000	595,000	610,000	610,000
TRANSFERS OUT	21,225,833	562,558	702,955	562,558	579,435	596,818	614,722
Total Expenditures	35,055,762	15,612,162	17,608,928	16,808,096	17,533,918	18,118,150	18,757,891

Expenditure Assumptions

Salaries are forecasted to increase at 3% annually.

Other Benefits have been forecasted to increase at 4% annually.

The City's required pension contribution is forecasted based on the most recent actuarial valuation reports provided by the California Public Employees' Retirement System (CalPERS).

Retiree Health Benefits are forecasted to increase from 4% to 7% annually based on the actuarial valuation report provided by the City's consultant, Bartel Associates, LLC.

General operating costs are forecasted to increase at 2.8% annually over the five-year period, based on four-year average.

One-time expenditures have been specifically identified and incorporated into the forecast as appropriate.

Transfers Out have been adjusted in FY 2021/22 to the spending level of FY 2019/20. The FY 2020/21 transfers out were budgeted at higher levels than normal to offset the loss of revenue to the Recreation Fund due to the SIP.

Net Results and Fund Balance

As seen in the table below, the General Fund is forecasted to be generally balanced over the upcoming five-year period. This is primarily due to modestly increasing revenues and the Pension Trust Fund's coverage of increasing pension costs.

The City's unassigned General Fund Balance is forecasted to be \$3.9 million at June 30, 2021 and \$3.7 million at June 30, 2025. The unassigned General Fund Balance forecast accounts for deposits into the General Reserve per the General Reserve Policy.

The General Reserve, which represents 50% of the General Fund operating budget for each year, is forecasted to be \$8.3 million at June 30, 2021 and \$9.4 million at June 30, 2025. The General Reserve is funded by forecasted interest earnings of 3% annually and transfers from the General Fund to maintain the required reserve level per City Policy.

The Pension Trust Fund balance is forecasted at \$17.1 million at June 30, 2021 and \$15.1 million at June 30, 2025. The Pension Trust is funded by forecasted interest earnings of 5.8% annually. The forecast does not assume a deposit of any portion of the proceeds of the sale of the Pinole Assisted Living Community (PALC) into the Pension Trust Fund.

General Fund - 100	2018-19 Actual	2019-20 Actual	2020-21 Original Budget	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
Total Revenues and Sources	22,666,285	15,922,167	16,082,717	16,160,977	17,596,558	18,436,753	18,985,353
Total Expenditures	35,055,762	15,612,162	17,608,928	16,808,096	17,533,918	18,118,150	18,757,891
Net Results	(12,389,477)	310,005	(1,526,211)	(647,119)	62,641	318,603	227,461
Fund Balance, July 1	18,203,473	5,813,996	6,124,001	3,865,991	3,346,468	3,280,193	3,547,695
Preliminary Fund Balance, June 30	5,813,996	6,124,001	4,597,790	3,218,872	3,409,108	3,598,796	3,775,157
Adjust for General Reserves Policy			(731,799)	127,596	(128,915)	(51,101)	(71,625)
Fund Balance, June 30			3,865,991	3,346,468	3,280,193	3,547,695	3,703,531
General Reserve Balance, June 30	7,137,963	7,352,102	8,304,464	8,404,048	8,766,959	9,059,075	9,378,946
Pension Fund Balance, June 30	17,159,258	18,088,812	17,144,938	16,941,586	16,476,394	15,900,747	15,087,504

Measure S 2006

The Measure S 2006 FY 2020/21 budget is projecting a \$157,297 surplus. These funds continue to support Police and Fire operations. The remaining fund balance is projected to be \$1.9 million at June 30, 2021 and \$2.21 million at June 30, 2025.

Measure S 2006 expenditures and available fund balance will be reviewed with the annual budget process. Use of fund balance may be budgeted to address additional public safety needs identified through the budget process.

MEASURE S-2006 - 105	2018-19 Actual	2019-20 Actual	2020-21 Original Budget	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
Total Revenues and Sources	2,170,860	1,981,425	2,322,897	2,279,673	2,365,041	2,426,136	2,498,495
Total Expenditures	2,172,561	2,499,588	2,165,524	2,191,565	2,290,103	2,365,244	2,450,594
Net Results	(1,702)	(518,163)	157,373	88,108	74,938	60,892	47,901
Fund Balance, July 1	2,300,654	2,298,952	1,780,790	1,938,162	2,026,271	2,101,209	2,162,101
Fund Balance, June 30	2,298,952	1,780,790	1,938,162	2,026,271	2,101,209	2,162,101	2,210,002

General assumptions for revenue and expenditure forecasts for Measure S 2006 are consistent with the assumptions for the General Fund noted above.

Measure S 2014

FY 2020/21 marks the sixth full year that the City will receive revenue from Measure S 2014. The City Council approved a new Five-Year Funding Plan for the use of these funds on September 17, 2019, which has been incorporated into the Five-Year Forecast. The funds are used to address some of the City’s operational and capital improvement needs.

The Measure S 2014 FY 2020/21 budget is projecting a \$1.6 million use of fund balance due to planned and approved capital projects. Including all of the capital projects incorporated into the FY 2020/21 through FY 2024/25 Capital Improvement Program (CIP), the Measure S 2014 fund balance is forecasted to be \$2.2 million at June 30, 2021 and \$3.5 million at June 30, 2025.

Staff intends to incorporate the Measure S 2014 Five-Year Funding Plan into the normal annual budget beginning in FY 2021/22, to better align the programming of Measure S 2014 expenditures with the General Fund operating budget process and the CIP process. This will facilitate the evaluation of the use of available Measure S 2014 funds for capital projects.

MEASURE S-2014 - 106	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Original Budget	Projected	Projected	Projected	Projected
Total Revenues and Sources	2,175,803	2,016,848	1,953,088	2,076,235	2,125,364	2,169,807	2,217,330
Total Expenditures	1,278,117	2,139,737	3,522,274	1,967,755	1,744,573	1,784,880	1,802,171
Net Results	897,686	(122,889)	(1,569,186)	108,480	380,791	384,927	415,159
Fund Balance, July 1	2,974,321	3,872,007	3,749,117	2,179,931	2,288,411	2,669,202	3,054,130
Fund Balance, June 30	3,872,007	3,749,117	2,179,931	2,288,411	2,669,202	3,054,130	3,469,289

General assumptions for revenue and expenditure forecasts for Measure S 2014 are consistent with the assumptions for the General Fund noted above.

FISCAL IMPACT

The Five-Year Forecast for the General Fund and Measure S Funds reflects a combined total unassigned fund balance of \$8 million at June 30, 2021 and \$9.4 million at June 30, 2025. In addition, General Reserves are forecasted to increase from \$8.3 million to \$9.4 million in at June 30, 2025.

The Pension Section 115 Trust Fund is forecasted to decrease from \$17.1 million at June 30, 2021 to \$15.1 million at June 30, 2025.

ATTACHMENTS

- A . Year Forecast Summary Schedule for the General Fund and Measure S Funds for FY 2020/21 Through FY 2024/25

**CITY OF PINOLE
FIVE-YEAR FORECAST**

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2018-19 Actual	2019-20 Actual	2020-21 Original Budget	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
REVENUE							
PROPERTY TAX	3,837,167	4,514,755	4,146,109	4,156,491	5,067,165	5,490,109	5,630,182
SALES TAX	3,994,720	3,788,080	3,345,879	3,788,080	3,901,722	4,018,774	4,139,337
MEAS S 2006 & 2014 LOCAL SALES TAX	4,286,328	3,901,837	3,651,338	3,901,837	3,979,874	4,059,471	4,140,661
UTILITY USERS TAX	1,812,844	1,809,832	1,896,000	1,914,960	1,953,259	1,992,324	2,032,171
FRANCHISE TAX	735,311	750,001	750,000	757,500	772,650	788,103	803,865
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,006,163	2,046,286	2,107,675	2,170,905	2,236,032
OTHER TAXES	884,757	826,359	785,000	884,757	902,453	920,502	938,912
OTHER REVENUE	3,334,631	2,376,859	1,845,187	1,919,216	1,994,362	2,065,230	2,074,531
Total Revenue	20,722,259	19,920,440	18,425,676	19,369,128	20,679,160	21,505,418	21,995,691
TRANSFERS IN	6,290,688						
PENSION TRANSFER IN (FY 19/20 alloc)			659,567				
PENSION TRANSFER IN			1,273,458	1,147,758	1,407,804	1,527,278	1,705,486
Total Sources	27,012,947	19,920,440	20,358,701	20,516,886	22,086,964	23,032,696	23,701,177
EXPENDITURES							
SALARIES	8,593,887	9,184,283	9,662,236	9,952,103	10,250,666	10,558,186	10,872,963
BENEFITS - PERS RETIRE	1,792,051	2,451,619	3,077,528	2,939,809	3,199,855	3,319,329	3,497,537
BENEFITS - OTHER	3,079,527	2,864,038	3,052,813	3,185,911	3,350,257	3,523,834	3,667,438
OTHER OPERATING EXPENSES	2,506,418	3,460,467	2,477,902	2,631,536	2,669,881	2,758,607	2,823,995
EXPENDITURES - One time			1,022,500		22,500		22,500
FF&E			138,550	55,000	55,000	55,000	55,000
DEBT SERVICE	590,433	606,553	555,000	575,000	595,000	610,000	610,000
CAPITAL PROJECTS	211,292	429,470	1,914,242	315,000	150,000	150,000	150,000
TRANSFERS OUT	21,732,833	1,255,058	1,395,955	1,313,058	1,275,435	1,293,318	1,311,222
Total Expenditures	38,506,441	20,251,487	23,296,726	20,967,416	21,568,594	22,268,273	23,010,656
Surplus/Deficit	(11,493,493)	(331,047)	(2,938,025)	(450,530)	518,370	764,423	690,521
Fund Balance, July 1	23,478,448	11,984,955	11,653,908	7,984,084	7,661,150	8,050,604	8,763,926
Preliminary Fund Balance, June 30	11,984,955	11,653,908	8,715,883	7,533,554	8,179,520	8,815,027	9,454,448
General Reserves Adjustment			(731,799)	127,596	(128,915)	(51,101)	(71,625)
Fund Balance, June 30	11,984,955	11,653,908	7,984,084	7,661,150	8,050,604	8,763,926	9,382,822
Revenues - Transfers In	16,287,510						
Revenues - Interest	924,669	1,010,988	1,049,151	994,406	982,612	955,631	922,243
Expenditure - Transfers Out			1,933,025	1,147,758	1,407,804	1,527,278	1,705,486
Expenditures	52,921	81,434	60,000	50,000	40,000	4,000	30,000
Pension Fund Balance, June 30	17,159,258	18,088,812	17,144,938	16,941,586	16,476,394	15,900,747	15,087,504
General Reserve Balance, June 30	7,137,963	7,352,102	8,304,464	8,404,048	8,766,959	9,059,075	9,378,946
Other GF Fund Balances	18,376						
CAFR ending June 30, 2019	36,300,552						

**CITY OF PINOLE
FIVE-YEAR FORECAST**

General Fund - 100	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Original Budget	Projected	Projected	Projected	Projected
REVENUE:							
PROPERTY TAX	3,837,167	4,514,755	4,146,109	4,156,491	5,067,165	5,490,109	5,630,182
SALES TAX	3,994,720	3,788,080	3,345,879	3,788,080	3,901,722	4,018,774	4,139,337
UTILITY USERS TAX	1,812,844	1,809,832	1,896,000	1,914,960	1,953,259	1,992,324	2,032,171
FRANCHISE TAX	735,311	750,001	750,000	757,500	772,650	788,103	803,865
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,006,163	2,046,286	2,107,675	2,170,905	2,236,032
OTHER TAXES	884,757	826,359	785,000	884,757	902,453	920,502	938,912
OTHER REVENUE	3,274,296	2,280,423	1,795,187	1,869,216	1,944,362	2,015,230	2,024,531
Total Revenue	16,375,597	15,922,167	14,724,338	15,417,291	16,649,286	17,395,947	17,805,031
TRANSFERS IN	6,290,688						
PENSION TRANSFER IN (FY19/20 Alloc)			476,366				
PENSION TRANSFER IN			882,013	743,686	947,272	1,040,806	1,180,322
Total Sources	22,666,285	15,922,167	16,082,717	16,160,977	17,596,558	18,436,753	18,985,353
EXPENDITURES:							
SALARIES	7,140,412	7,217,115	8,197,748	8,443,680	8,696,991	8,957,901	9,226,638
BENEFITS & INSURANCE	4,378,221	4,646,517	5,181,603	5,195,660	5,551,921	5,806,894	6,077,392
OTHER OPERATING EXPENSES	1,791,295	2,649,852	1,949,122	2,031,197	2,088,071	2,146,537	2,206,640
EXPENDITURES - One time			1,022,500		22,500		22,500
DEBT SERVICE	520,000	536,120	555,000	575,000	595,000	610,000	610,000
TRANSFERS OUT	21,225,833	562,558	702,955	562,558	579,435	596,818	614,722
Total Expenditures	35,055,762	15,612,162	17,608,928	16,808,096	17,533,918	18,118,150	18,757,891
Net Results	(12,389,477)	310,005	(1,526,211)	(647,119)	62,641	318,603	227,461
Fund Balance, July 1	18,203,473	5,813,996	6,124,001	3,865,991	3,346,468	3,280,193	3,547,695
Preliminary Fund Balance, June 30	5,813,996	6,124,001	4,597,790	3,218,872	3,409,108	3,598,796	3,775,157
General Reserves Adjustment			(731,799)	127,596	(128,915)	(51,101)	(71,625)
Fund Balance, June 30	5,813,996	6,124,001	3,865,991	3,346,468	3,280,193	3,547,695	3,703,531

Measure S -2006 Fund - 105	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Original Budget	Projected	Projected	Projected	Projected
REVENUE:							
SALES TAX	2,146,708	1,951,039	1,825,669	1,951,039	1,990,060	2,029,861	2,070,458
OTHER REVENUE	24,151	30,386	20,000	20,000	20,000	20,000	20,000
Total Revenue	2,170,860	1,981,425	1,845,669	1,971,039	2,010,060	2,049,861	2,090,458
PENSION TRANSFER IN (FY 19/20 Alloc)			182,670				
PENSION TRANSFER IN			294,558	308,634	354,981	376,275	408,036
Total Sources	2,170,860	1,981,425	2,322,897	2,279,673	2,365,041	2,426,136	2,498,495
EXPENDITURES:							
SALARIES	1,248,787	1,596,577	1,200,993	1,237,023	1,274,133	1,312,357	1,349,760
BENEFITS & INSURANCE	446,992	619,423	790,777	775,923	832,349	864,124	906,787
OTHER OPERATING EXPENSES	406,349	213,154	173,754	178,619	183,620	188,762	194,047
EXPENDITURES - One time							
DEBT SERVICE	70,433	70,433					
Total Expenditures	2,172,561	2,499,588	2,165,524	2,191,565	2,290,103	2,365,244	2,450,594
Net Results	(1,702)	(518,163)	157,373	88,108	74,938	60,892	47,901
Fund Balance, July 1	2,300,654	2,298,952	1,780,790	1,938,162	2,026,271	2,101,209	2,162,101
Fund Balance, June 30	2,298,952	1,780,790	1,938,162	2,026,271	2,101,209	2,162,101	2,210,002

**CITY OF PINOLE
FIVE-YEAR FORECAST**

MEASURE S-2014 - 106	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Original Budget	Projected	Projected	Projected	Projected
REVENUE:							
SALES TAX	2,139,620	1,950,798	1,825,669	1,950,798	1,989,814	2,029,610	2,070,202
OTHER REVENUE	36,183	66,050	30,000	30,000	30,000	30,000	30,000
Total Revenue	2,175,803	2,016,848	1,855,669	1,980,798	2,019,814	2,059,610	2,100,202
PENSION TRANSFER IN FY 19/20 Alloc)			532				
PENSION TRANSFER IN			96,887	95,437	105,550	110,197	117,128
Total Sources	2,175,803	2,016,848	1,953,088	2,076,235	2,125,364	2,169,807	2,217,330
EXPENDITURES:							
SALARIES	204,687	370,590	263,495	271,400	279,542	287,928	296,566
BENEFITS & INSURANCE	46,364	49,716	157,961	154,136	165,842	172,144	180,797
OTHER OPERATING EXPENSES	308,774	597,461	355,026	421,719	398,190	423,308	423,308
EXPENDITURES - One time							
FF&E			138,550	55,000	55,000	55,000	55,000
CAPITAL PROJECTS	211,292	429,470	1,914,242	315,000	150,000	150,000	150,000
TRANSFERS OUT	507,000	692,500	693,000	750,500	696,000	696,500	696,500
Total Expenditures	1,278,117	2,139,737	3,522,274	1,967,755	1,744,573	1,784,880	1,802,171
Net Results	897,686	(122,889)	(1,569,186)	108,480	380,791	384,927	415,159
Fund Balance, July 1	2,974,321	3,872,007	3,749,117	2,179,931	2,288,411	2,669,202	3,054,130
Fund Balance, June 30	3,872,007	3,749,117	2,179,931	2,288,411	2,669,202	3,054,130	3,469,289