Five Year General Fund Budget Projection

FY 2011-12 to FY 2016-17

April 17, 2012

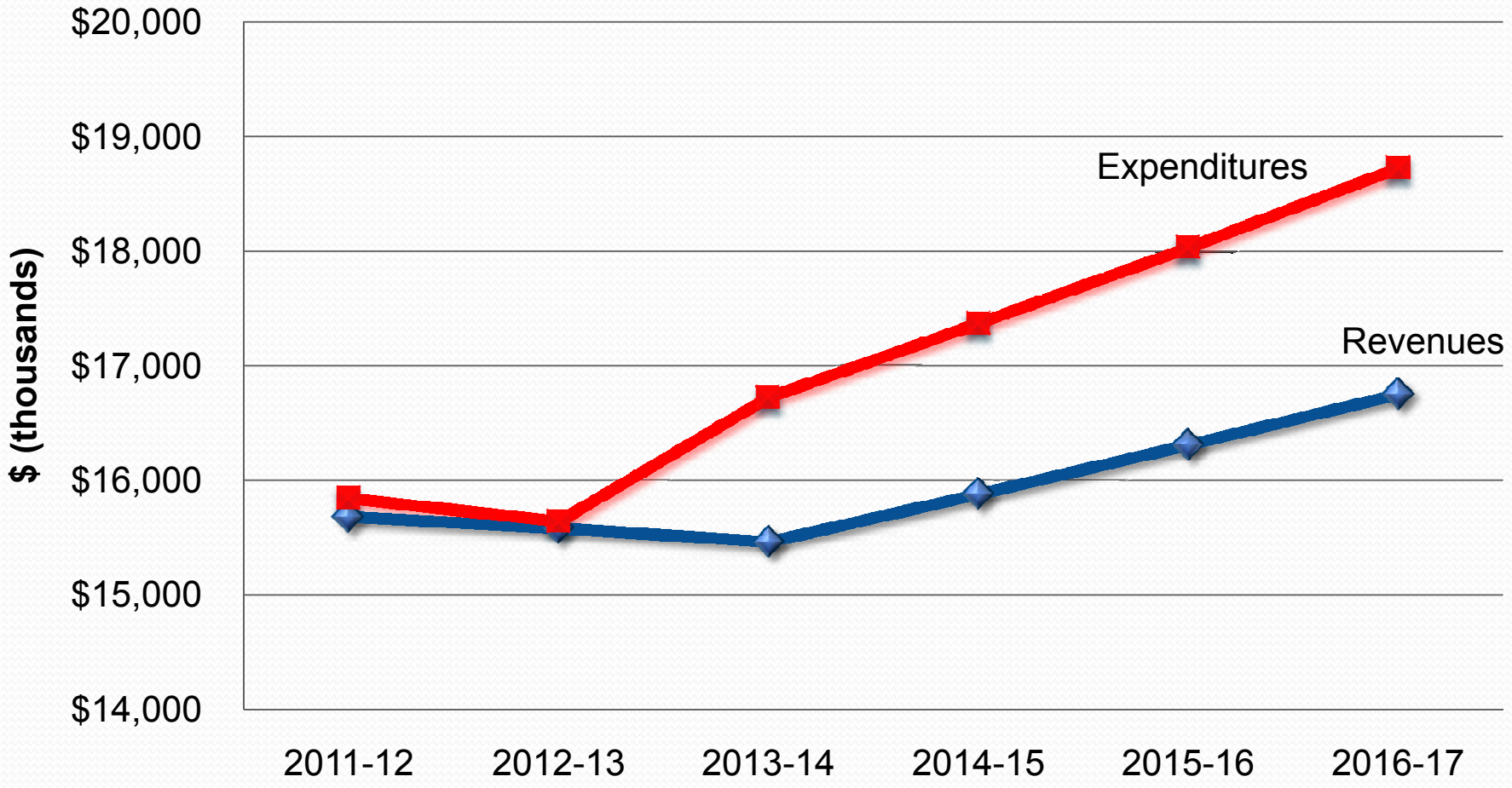
Agenda

- Summary General Fund 5 Year Forecast
- Revenue & Expenditure Widening Gap
- Fund Balance Chart
- Projection Notes
- General Fund Reserve
- Key Assumptions
- Revenue Assumptions
- Expenditure Assumptions

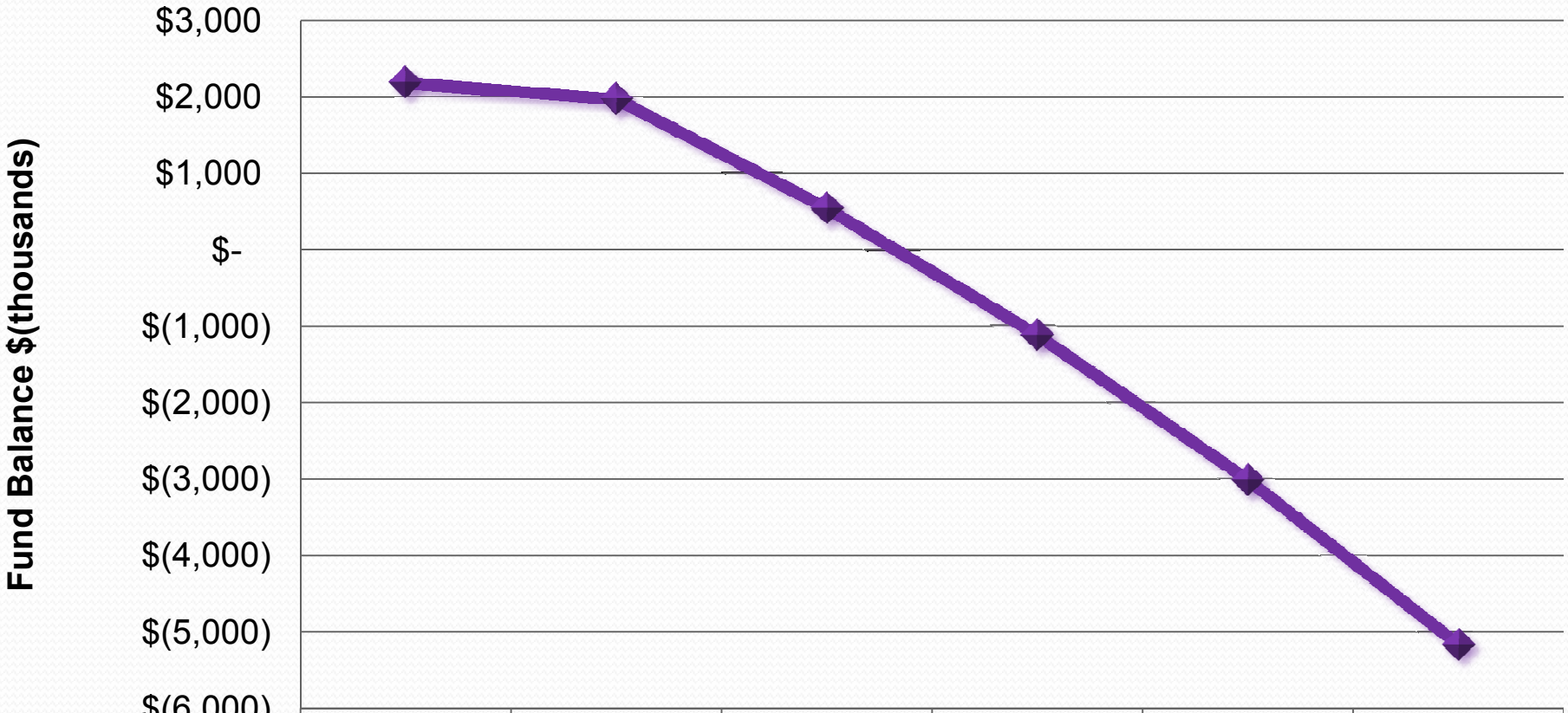
Five Year General Fund Budget Projection Summary

	(in $ thousands)	Fiscal Year 2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
A	Fund Balance	$ 3,666	$ 2,672	$ 1,966	$ 538	$ (1,123)	$ (3,018)
a1	*Unallocated Fund Balance*	*2,344*	*2,182*	*1,966*	*538*	*(1,123)*	*(3,018)*
a2	*Capital Funds Carryforward*	*914*	*490*				
a3	*Purchase Orders Carryforward*	*191*					
a4	*GF Reserve Recognized*	*218*					
B	Revenues & Sources	$ 15,682	$ 15,583	$ 15,463	$ 15,880	$ 16,309	$ 16,751
C	Operating Expenditures	$ 15,844	$ 15,642	$ 16,723	$ 17,369	$ 18,030	$ 18,725
D=B - C	Net Operating Surplus / (Deficit)	$ (162)	$ (58)	$ (1,260)	$ (1,489)	$ (1,720)	$ (1,974)
E=a1+D	Ending Unallocated Fund Balance	$ 2,182	$ 2,124	$ 706	$ (951)	$ (2,843)	$ (4,992)
E	Capital Projects	$ 832	$ 648	$ 168	$ 172	$ 175	$ 179
F=A+D-E	Ending Fund Balance	$ 2,672	$ 1,966	$ 538	$ (1,123)	$ (3,018)	$ (5,170)

General Fund Revenues & Expenditures from FY 2011-12 to FY 2016-17



General Fund
Ending Fund Balance



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Fund Balance	$2,182	$1,966	$538	$(1,123)	$(3,018)	$(5,170)

Projection Notes

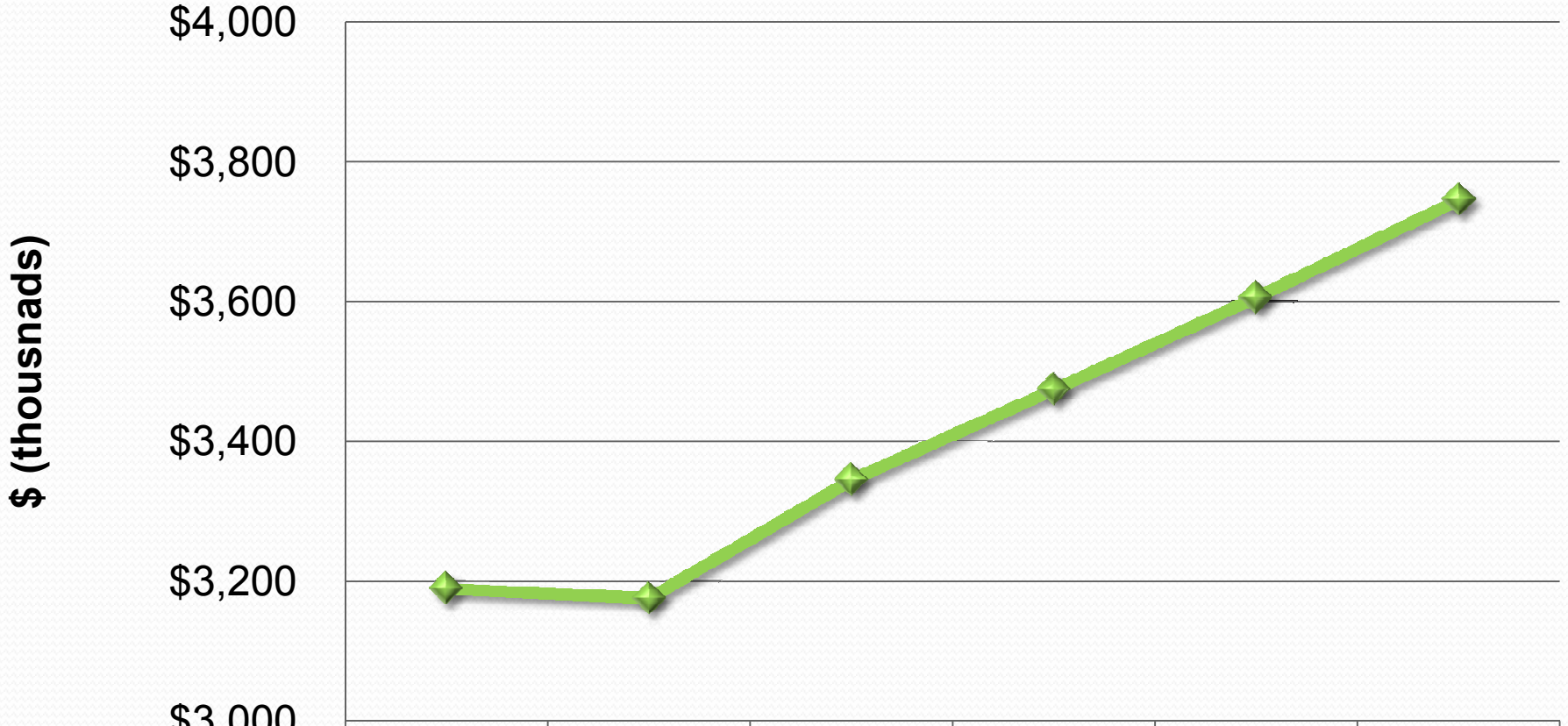
- The revenues and expenditures in this presentation and report are projections, assuming no changes in historical revenue or spending patterns.

- The widening gap between projected revenues and expenditures illustrates that budgets should be developed with a long-term outlook.

- Pismo Beach's Municipal Code requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues.

- These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

General Fund Reserve (20% of budgeted operating expenditures)



	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
GF RESERVE	$3,189	$3,176	$3,345	$3,474	$3,606	$3,745

Key Assumptions

- Includes FY 2011-12 projections from the FY 2011-12 Nine Month Budget Status Report

- Includes the FY 2012-13 Adopted Budget

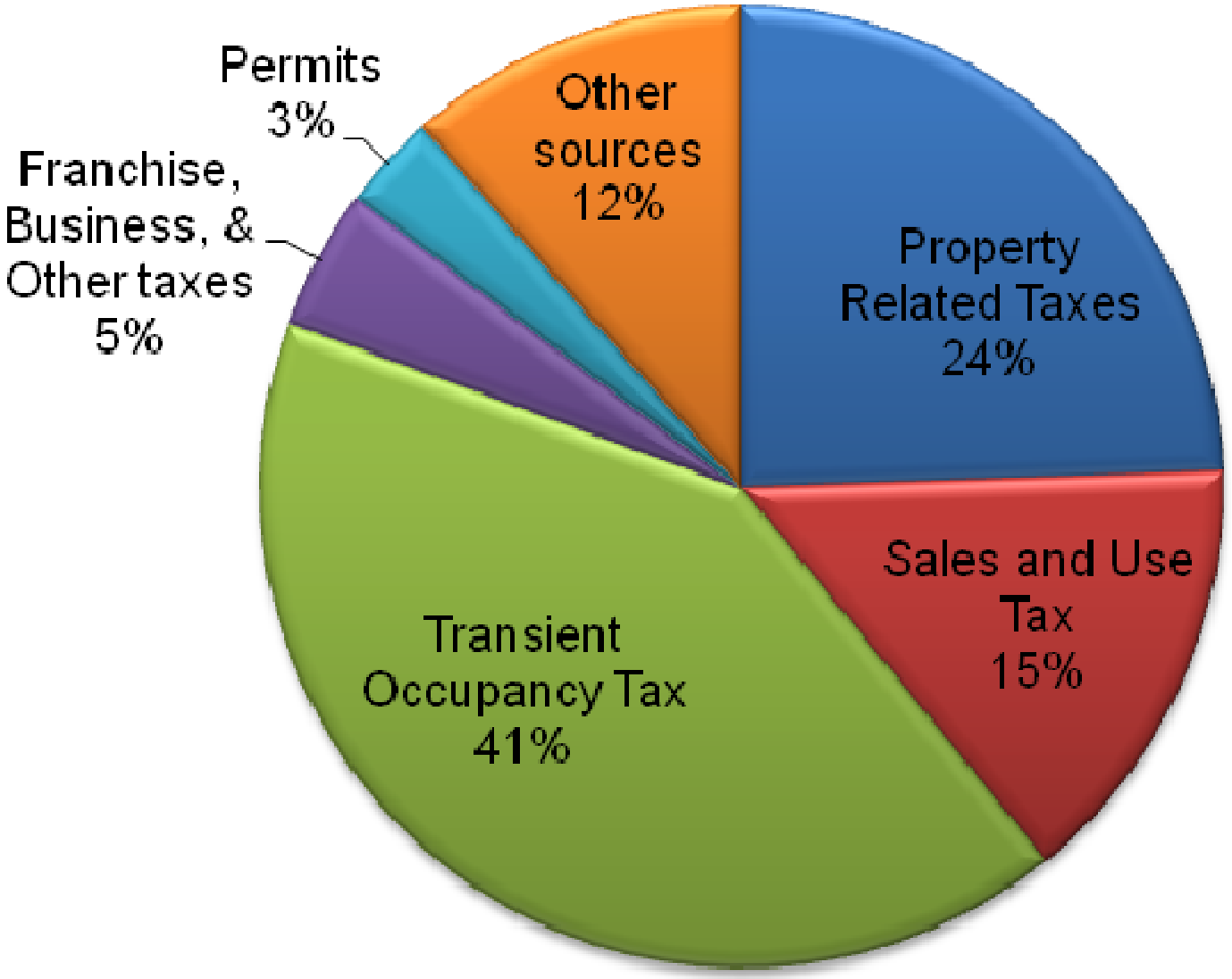
- Includes future year known revenue and expenditure changes

- Includes other assumptions based on various economic factors.

Revenue Assumptions

This report assumes the economic recovery will continue at a pace of about 1.4% annual growth in revenues after taking into account adjustments for one-time items.

FY 2011-12 Projected Actual Revenues



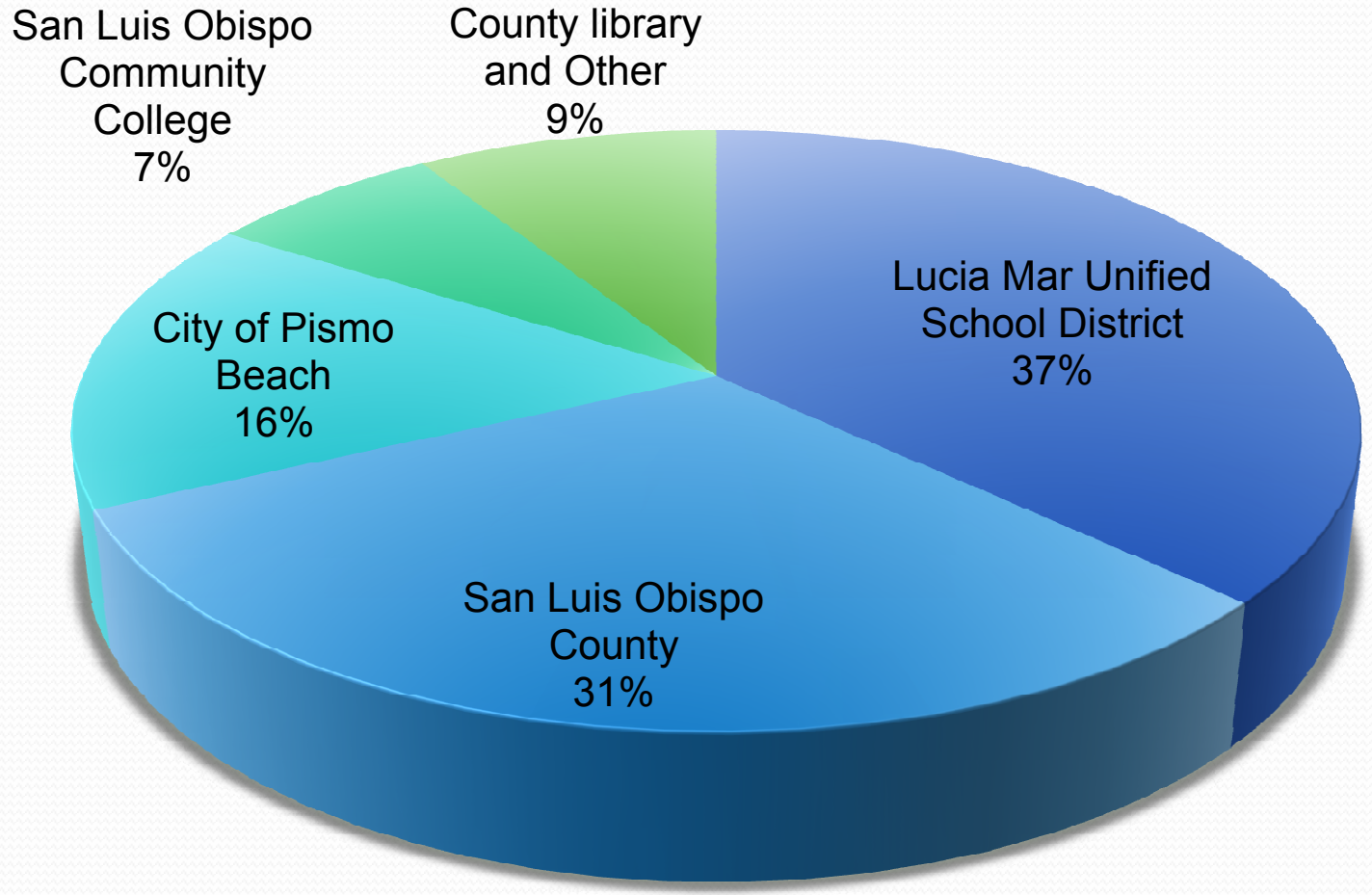
General Information on Property Related Taxes

- Represents 24% of total General Fund revenues

- Two Property Related Taxes:
  - Property Tax revenues = 20% of revenues
  - Property Tax In Lieu of Vehicle License Fees = 4% of revenues

- Property Tax revenues = 1% of assessed values.
  - 82% of City's property tax revenues are made up of residential net taxable value.
  - 12% Commercial net taxable value
  - 6% Other such as vacant land

Allocation of 1% Property Tax Revenues



The City's General Fund receives property tax revenues equivalent to 0.13% (in FY 2011-12) of assessed values after accounting for the Education Revenue Augmentation Fund (ERAF) shift.

Property Tax Projection

Projected 2% annual growth + known changes

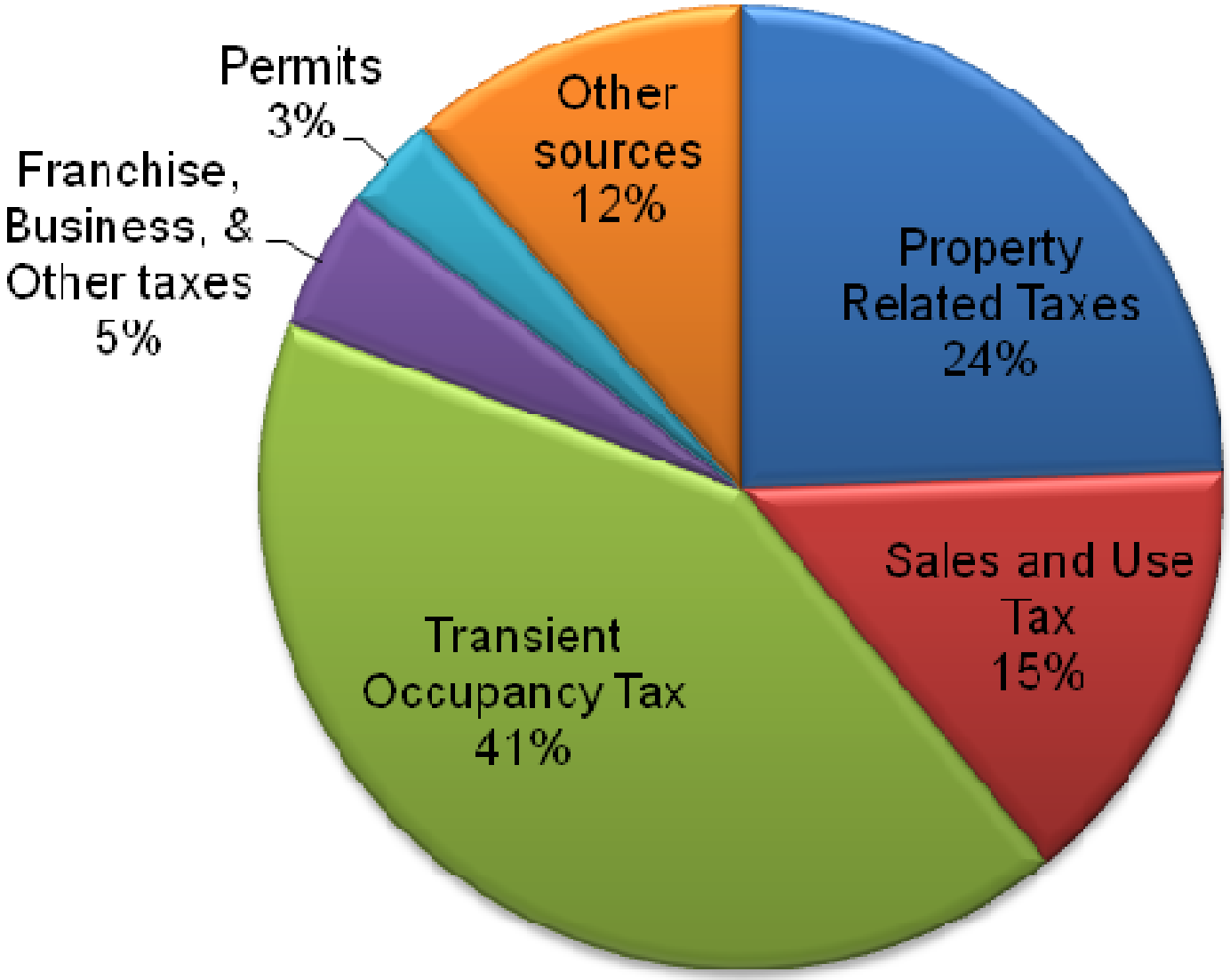
FY 2011-12 Nine Month Projection less $100K from RDA

- $351 thousand property tax revenues one-time increase budgeted in FY 2012-13 to reflect the repayment of the State borrowing 8% of the City's property tax revenues

4 year historical average rate of growth of assessed values is 2%

- Risk: Proposition 8 assessed value reductions. FY 2011-12 reduction represents $517K reduction in property taxes.

FY 2011-12 Projected Actual Revenues



General Info on Sales Tax Revenues

- 0.75% Bradley Burns Uniform sales and use tax
- 0.25% sales and use tax, backfilled with property tax revenues backfill from county property taxes, per the State's "triple flip" borrowing plan
- 0.5% Public Safety Tax
- 0.50% transaction tax

Sales and Use Taxes Projection

Projected 2% annual growth.

7 year historical average rate of growth of sales tax revenues is approximately 2%

Follows the overall state of the economy and the California Department of Finance Consumer Price Index Los Angeles Recreation measure.

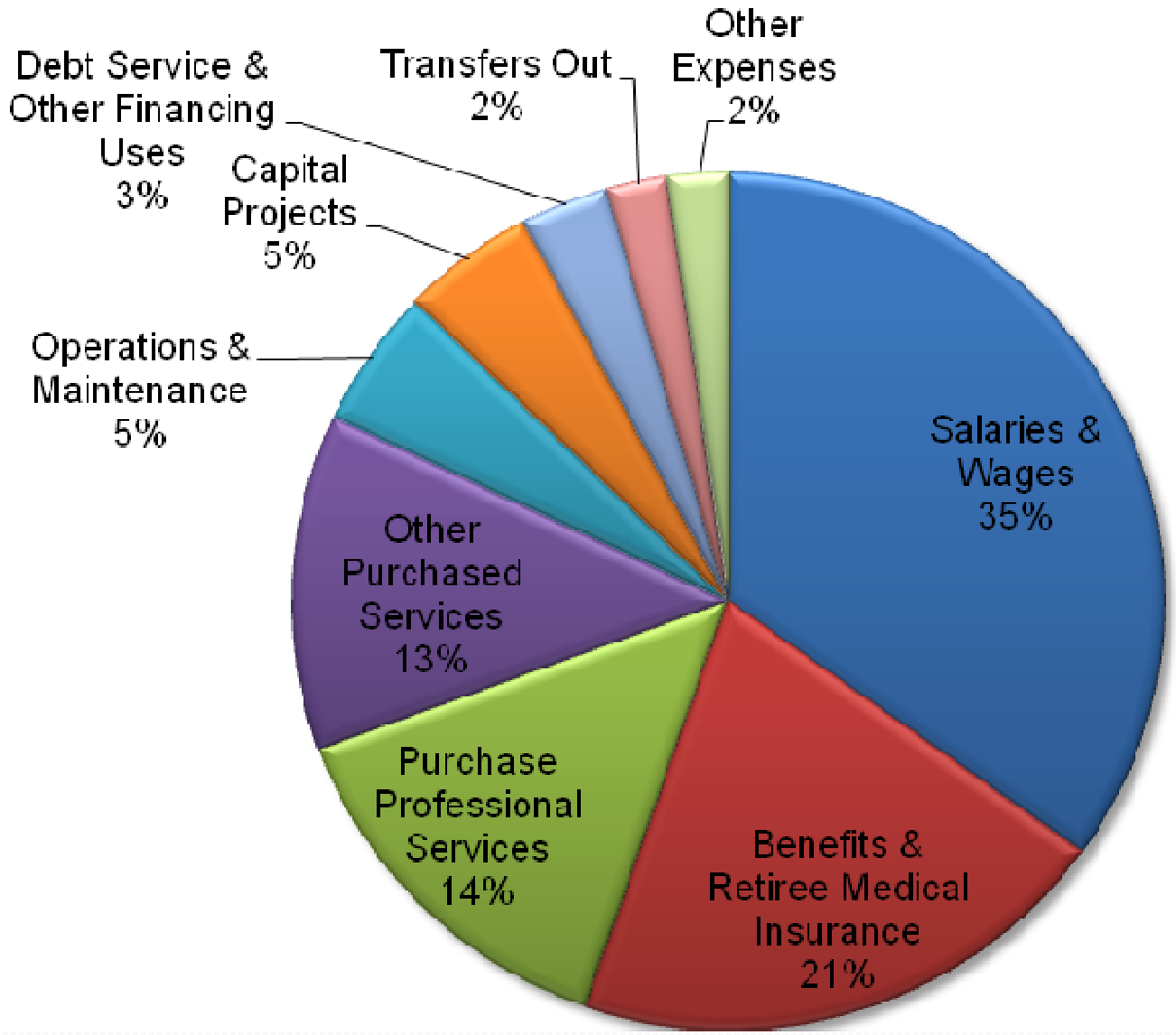
Transient Occupancy Tax (TOT)

Projected level in FY 2012-13, then increase by 3.6% annually starting in FY 2013-14

5 year historical average rate of growth is 3.6%



FY 2011-12 Projected Actual Expenditures



General Expenditure Assumptions

Assumes no major changes to policies, service levels, or the number of employees from the FY 2011-12 and FY 2012-13 budgeted levels, except for known one-time changes presented in the Nine Month Report or described in this presentation

Projections reflect a 2.4% growth in FY 2012-13 and 2.6% in each year during FY 2013-14 through FY 2016-17, consistent with the CPI (California Department of Finance Los Angeles CPI-W for All Items), with exceptions.

This results in a 3.4% annual growth in expenditures after taking into account adjustments for one-time items.

Exceptions to General Assumptions

Salaries & Wages: For FY 2012-13, salaries equal the Adopted Budget and known cost changes including:

- $106 thousand savings from reorganizing the Public Works Department and deleting a position,
- $48 thousand in savings from labor negotiated savings,
- $33 thousand cost for increasing the lifeguard pay schedule,
- $21 thousand cost for no longer charging some salaries to the Redevelopment Agency since its dissolution, and
- $7 thousand in cost to transfer the risk management task to the Human Resources Manager.

Starting in FY 2013-14, salaries reflect a 4.4% growth rate from the previous year's projected actual costs based on the five year historical average rate of growth.

Exceptions to General Assumptions

- ***Fringe Benefits*** include:
  - For FY 2012-13, benefits equal the Adopted Budget plus $5 thousand for lifeguard pay benefits.
  - Starting in FY 2013-14, benefits reflect a **5.5%** growth rate based on the 5 year historical average, and
    - **2%** increase for CalPERS miscellaneous employees (about 68% of salaries), and
    - **3%** increase for CalPERS police officers (about 32% of salaries) starting in FY 2013-14
- Retiree Medical Insurance reflects projected Other Post Employment Benefit (OPEB) annual required contributions

Exceptions to General Assumptions

Purchased professional services:

- For FY 2012-13, purchased professional services equal the Adopted Budget.

- Starting in FY 2013-14, these services reflect a 3.1% growth rate based on the CA Dept of Fin Econ. Forecast, Professional & Business Services

Other Purchased Services: California JPIA retrospective payment of $1.2 million spread equally across 4 years with a 2.25% annual fee starting in FY 2013-14

Debt Service reflects the projected debt service schedule

Capital Projects: Reflect projected flow of expenditures depending on timing of various capital projects

Conclusion

- **Structural Imbalance**: There is a widening gap between projected revenues & expenditures.

- **Control Costs**: Things we can control are expenditures, where over half (56%) of all General Fund expenditures are salaries and benefits. These costs grow at a faster rate than any other expenditure even with flat staffing levels.

- **Review cost increases with long-term impact:** Any change in costs, especially permanent employee costs such additional positions or salary increases, must be considered with a long-term outlook. Permanent costs typically increase by COLA or CPI adjustments, benefit costs, or maintenance costs.

- **Efficiency measures now:** We should continue to become more efficient and also look at what other struggling cities are currently doing to reduce non-essential costs. In the next budget cycles, implement cost saving efficiency measures such as better technology to free up staff time to be more productive in other areas or reduce overtime.

Five Year General Fund Budget Projection
FY 2011-12 to FY 2016-17

Questions?