

City of Pacifica
Long Term Financial Forecast Table and Assumptions
General Fund

	2022-2023	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
REVENUE	Base Budget	Adopted Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Property Tax	\$ 15,181,300	\$ 15,181,300	\$ 15,818,900	\$ 16,483,300	\$ 17,175,600	\$ 17,897,000	\$ 18,648,700	\$ 19,431,900	\$ 20,248,000	\$ 21,098,400	\$ 21,984,500
Vehicle License Fees	5,922,400	5,922,400	6,159,300	6,405,700	6,661,900	6,928,400	7,205,500	7,493,700	7,793,400	8,105,100	8,429,300
Sales Tax	3,111,200	3,111,200	3,213,900	3,320,000	3,429,600	3,542,800	3,659,700	3,780,500	3,905,300	4,034,200	4,167,300
Transient Occupancy Tax	2,100,000	2,100,000	2,152,500	2,206,300	2,261,500	2,318,000	2,376,000	2,435,400	2,496,300	2,558,700	2,622,700
Utility Users Tax	1,905,600	1,905,600	1,953,200	2,002,000	2,052,100	2,103,400	2,156,000	2,209,900	2,265,100	2,321,700	2,379,700
Other Taxes	3,029,400	3,029,400	3,207,600	3,287,800	3,370,000	3,454,300	3,540,700	3,629,200	3,719,900	3,812,900	3,908,200
Department/Program Revenues	6,415,920	6,917,598	7,069,800	7,225,300	7,384,300	7,546,800	7,712,800	7,882,500	8,055,900	8,233,100	8,414,200
Transfer In-Other	2,029,900	2,029,900	2,050,200	2,070,700	2,091,400	2,112,300	2,133,400	2,154,700	2,176,200	2,198,000	2,220,000
Excess ERAF	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Intergovernmental/Grants	1,883,700	2,379,360	2,403,000	2,427,000	2,451,300	2,475,800	2,500,600	2,525,600	2,550,900	2,576,400	2,602,200
ARPA		4,610,505	-	-	-	-	-	-	-	-	-
Total Annual Revenue	\$ 41,667,420	\$ 47,275,263	\$ 44,116,400	\$ 45,516,100	\$ 46,965,700	\$ 48,466,800	\$ 50,021,400	\$ 51,631,400	\$ 53,299,000	\$ 55,026,500	\$ 56,816,100
EXPENDITURES	2022-2023	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
	Base Budget	Adopted Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Salaries And Benefits	\$ 29,907,828	\$ 30,919,021	\$ 31,607,500	\$ 32,727,700	\$ 33,904,900	\$ 35,151,200	\$ 36,464,200	\$ 37,848,500	\$ 39,309,100	\$ 40,851,200	\$ 42,480,700
Material/Supplies/Maintenance	3,492,831	3,514,531	3,261,800	3,310,700	3,360,400	3,410,800	3,462,000	3,513,900	3,566,600	3,620,100	3,674,400
Contract Services	8,761,845	9,738,294	9,418,300	9,583,100	9,750,800	9,921,400	10,095,000	10,271,700	10,451,500	10,634,400	10,820,500
Debt Service	2,072,081	2,072,081	2,158,900	2,195,500	2,260,600	2,471,400	2,529,000	2,554,100	2,398,100	1,379,600	1,370,500
Op. Transfers Out	140,000	373,300	377,000	380,800	384,600	388,400	392,300	396,200	400,200	404,200	408,200
Total Annual Op. Expenditures	\$ 44,374,585	\$ 46,617,227	\$ 46,823,500	\$ 48,197,800	\$ 49,661,300	\$ 51,343,200	\$ 52,942,500	\$ 54,584,400	\$ 56,125,500	\$ 56,889,500	\$ 58,754,300
Capital Transfers - One-time	\$ 655,000	\$ 655,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total General Fund Expenditures	\$ 45,029,585	\$ 47,272,227	\$ 46,823,500	\$ 48,197,800	\$ 49,661,300	\$ 51,343,200	\$ 52,942,500	\$ 54,584,400	\$ 56,125,500	\$ 56,889,500	\$ 58,754,300
GF Structural Surplus/(Deficit)	(2,707,165)	3,036	(2,707,100)	(2,681,700)	(2,695,600)	(2,876,400)	(2,921,100)	(2,953,000)	(2,826,500)	(1,863,000)	(1,938,200)
Surplus/(Deficit) as % of GF Revenues	-6.50%	0.01%	-6.14%	-5.89%	-5.74%	-5.93%	-5.84%	-5.72%	-5.30%	-3.39%	-3.41%
Projected Ending Fund Balance	n/a	\$ 15,844,045	\$ 13,136,945	\$ 10,455,245	\$ 7,759,645	\$ 4,883,245	\$ 1,962,145	\$ (990,855)	\$ (3,817,355)	\$ (5,680,355)	\$ (7,618,555)
Non-Spendable and Assigned	n/a	\$ 10,353,841	\$ 10,524,541	\$ 10,661,980	\$ 10,808,330	\$ 10,976,520	\$ 11,136,450	\$ 11,300,640	\$ 11,454,750	\$ 11,531,150	\$ 11,717,630
Unassigned Fund Balance	n/a	\$ 5,490,204	\$ 2,612,404	\$ (206,735)	\$ (3,048,685)	\$ (6,093,275)	\$ (9,174,305)	\$ (12,291,495)	\$ (15,272,105)	\$ (17,211,505)	\$ (19,336,185)
Total Available Reserve (Unassigned + 10% Policy)		10,151,927	7,294,754	4,613,045	1,917,445	(958,955)	(3,880,055)	(6,833,055)	(9,659,555)	(11,522,555)	(13,460,755)
Above/(Below) GFOA Guidelines		2,382,389	(509,163)	(3,419,922)	(6,359,439)	(9,516,155)	(12,703,805)	(15,930,455)	(19,013,805)	(21,004,139)	(23,253,139)
Available Reserves as % of Op. Exp		21.8%	15.6%	9.6%	3.9%	-1.9%	-7.3%	-12.5%	-17.2%	-20.3%	-22.9%

LONG TERM FINANCIAL FORECAST ASSUMPTIONS

The long-term financial model features a set of assumptions for both revenues and expenditures based on conservative projections. The scenario presented represents conservative levels of revenue based on the available information at the time of budget adoption. The long-term projections are preliminary, staff will continue refining the figures included in this report as part of the FY 2023-24 Budget cycle.

Revenue Assumptions

1. **Property Tax** assumes 4.2% annual increase, per assumptions used by HdL, the City's 3rd party tax consultant. This is in line with the past years' collections and consistent with the anticipated increases in the assessed market value of recently sold properties.
2. **Vehicle License Fees (VLF)** is tied to property tax growth and so also assumes a conservative 4% annual increase. The FY2022-23 Base Budget includes a backfill of \$1.2 million currently owed by the State. However, there are still legislative uncertainties around allocation of VLF and potential threat to Excess ERAF revenues.
3. **Sales Tax** assumes a 3.3% increase for FY2022-23 based on recent projections by HdL (City's Sales Tax advisor) and a 3% in the following years considering local economic recovery from the pandemic and continuing growth in online sales.
4. **Transient Occupancy Tax** assumes an aggressive nearly 5% increase for the FY 2022-23 and a 2.5% increase after that, assuming a full return to pre-pandemic travel in FY2022-23.
5. **Utility Users Taxes (UUT)** also assumes a modest 2.5% increase for this fiscal year and thereafter, based in increase in utility rates and demand.
6. **Other Taxes** include Business License, cannabis operations tax. Cannabis Tax showed slight decline at mid-year due to slower than expected business activity and assumes a moderate 2% increase over the midyear estimates. The future forecast assumes 2.5% growth in this category.
7. **Departmental or Program revenues** include building, planning and other permits, recreation revenues, and rentals. This category projects to stay fairly consistent with an increase of 1% based on the current service activity level that is anticipated to continue.
8. No changes were assumed for the General Fund portion of **ERAF**, which will continue funding the Disaster Fund as per previously approved Council policy, leaving only \$88K in General Fund to provide local non-profit grants. Also, nor new ongoing **Grants** were anticipated as part of the Base..
9. The **Operating Transfer In/Out** category also remains the same. However, this figure is likely to change once the new Cost Allocation Plan is complete.

Expenditures Assumptions

1. **Salaries and Benefits (S&B)** projections include the same base level full-time equivalent count citywide and assume an ongoing 2% annual increase in the employee compensation in the future years, consistent with the current Memoranda Of Understanding (MOU) terms and provisions. Other S&B assumptions include the following:
 - a. FY 2022-23 includes an additional increases due to implementation of the second year of the new MOU agreements.

- b. FY 2022-23 assumptions restore the amended FY 2021-22 Budget cuts (including \$279K cost-savings resulting from the budgeted delay in filling vacancies) that were done to make the FY2021-22 impacts of new MOU provisions cost-neutral after the original adoption of the budget.
 - c. The Projections also include an anticipated increase in the City's contribution towards the unfunded liabilities of \$0.6M for FY2022-23 and \$0.4M in FY2023-24 as per CALPERS Actuarial Reports.
 - d. The FY2023-24 projections remove all Limited-Term positions, including those funded by ARPA.
 - e. The FY2023-24 Projections eliminate the one-time 1% Bonus pay funded by ARPA that part of the new labor agreements that went into effect in FY2021-22.
 - f. Personnel related recommendations are included in the FY 2022-23 as approved.
2. **Materials, Supplies, and Maintenance Category** assumes a very modest 1.5% increase that partially accounts for inflation.
- a. FY 2022-23 assumptions restore the amended FY 2021-22 Budget reductions, including \$136K operational cost-savings measures implemented by departments this year to make the FY2021-22 impacts of new MOU provisions cost-neutral.
 - b. FY 2022-23 Projections include reductions related to one-time COVID prevention and sanitation uses of \$120K funded by ARPA
 - c. Approved Recommendations are included in the FY 2022-23 Budget as adopted
3. **Contractual Services Category** assumes a 2.5% annual increase applied to most City contracts to account for regular CPI increases and inflation.
- a. FY 2022-23 assumptions restore the amended FY 2021-22 Budget reductions, including \$173K in departments' operational cost-savings measures to make the FY2021-22 impacts of new MOU provisions cost-neutral.
 - b. FY 2022-23 Projections are reduced by \$460K related to Economic recovery, homelessness, and other one-time uses funded by ARPA
 - c. Approved Recommendations are included in the FY 2022-23 Budget as adopted
4. **Debt Service Expense Category** is projected in accordance with the City's updated debt service schedule and includes the new Civic Center debt financing.
5. **Operating Transfers Category** remains consistent for the future years. However, staff will likely be changing the accounting allocation as part of the Base Budget development for the internal funds in order to accurately account for the insurance premiums in the General Liability and Worker Compensation funds. This will likely increase the General Fund transfers out to these Risk Management funds.
6. **Capital Transfers Category.** The FY 2023-24 Adopted Budget includes the General Fund contribution of \$655,000 towards the Capital Improvement Program (CIP). The long-term Financial Outlook does not assume any continuing ongoing General Fund contribution towards the CIP. However, some General Fund contribution towards CIP will likely to be required every year based on the Council's strategic priorities and discretion.