

General Fund Financial Forecast
2016-2022
Strategic Planning Workshop
March 24, 2016



CITY OF
LA MESA
JEWEL of the HILLS

General Fund Financial Forecast 2016-2022

- **Introduction**

- **Overview of the City's General Fund budget and the forces that impact it**
- **Based on the most current information available at the time of preparation**
- **Council's direction will be incorporated into the 2016-2017 Mid-Biennium Budget Update**

General Fund Financial Forecast 2016-2022

- **Background Information**
- **Key Assumptions**
 - **Revenues**
 - **Expenditures**
 - **Interfund Transfers**
- **General Fund Reserves History**
- **Base Forecast**
- **Revenue Sensitivity Analysis**

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- **Economy**

- **Leading economic indicators (both national and local) mixed through January**
- **National unemployment rates for January fell to 4.9 percent with California unemployment rates remaining below 6 percent**
- **Consumer Price Index (CPI) for all items unchanged in January with decreases in the energy index continuing to offset increases in other indices**
- **Forecasts indicate growth through 2016**

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- **State of California Budget**
 - **State revenues have begun to recover**
 - **Current and future budgets place emphasis on building rainy day reserves and investment in infrastructure**
 - **Improvements in revenues allowed for payment of budgetary borrowing**
 - **Continued effects of the Dissolution of Redevelopment**

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- **State of California Budget**
 - **Dissolution of Redevelopment - Status**
 - **State Controller Asset Transfer Review findings**
 - **SB 107 – Further changes to the dissolution process**
 - **Approval of the Long-Range Property Management Plan**
 - **Future Oversight Board and ROPS**

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- **State of California Actions, cont.**
 - **Public Employees' Pension Reform Act of 2013 (PEPRA)**
 - **Changes to new members' benefits**
 - **Changes to current members' benefits**
 - **Gradual cost savings as new members enrolled**
 - **Roughly 20% of all current benefited employees are now covered under the new PEPRA benefit formulas**

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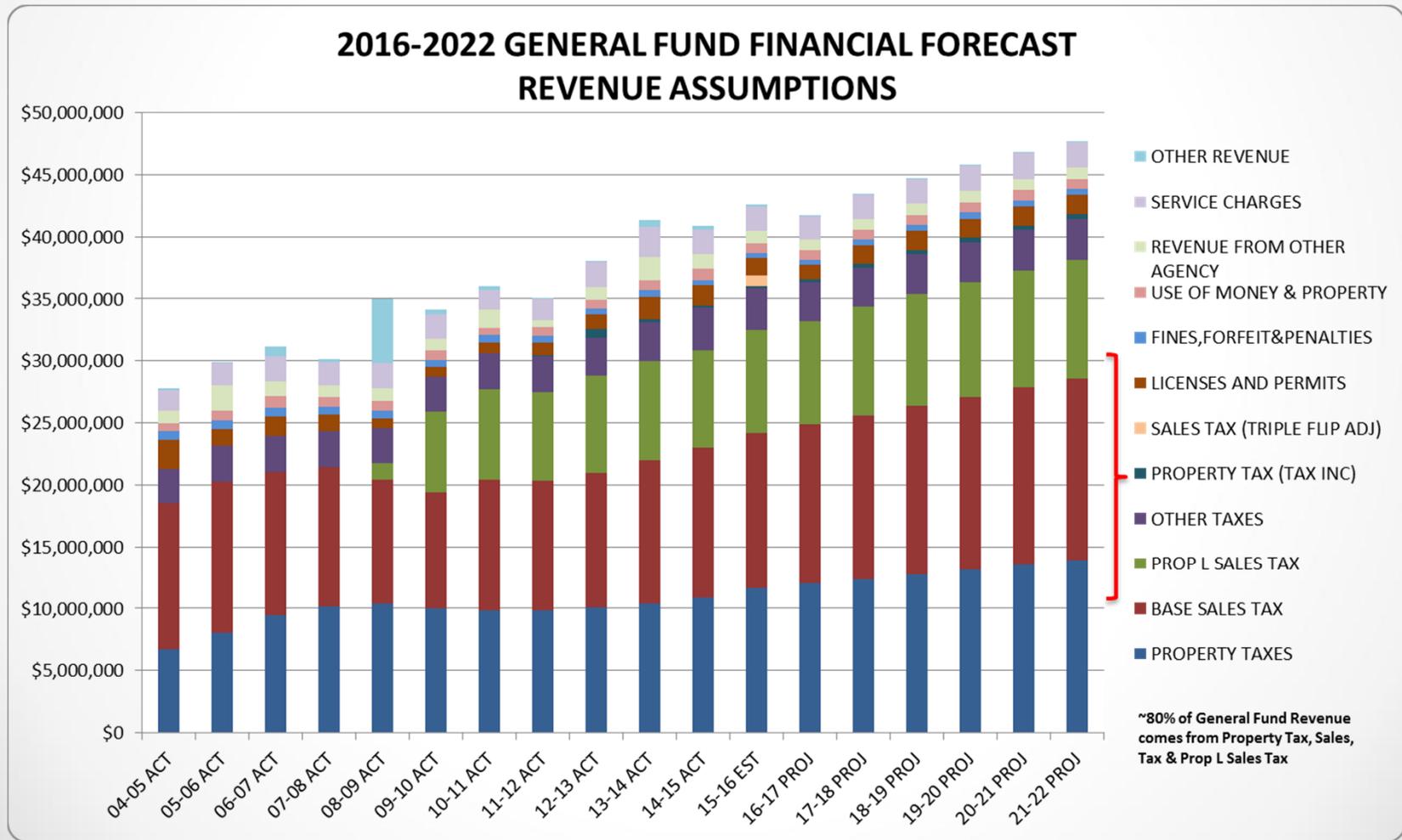
- **State of California Actions, cont.**
 - **Previous CalPERS Board Actions**
 - **Approved new smoothing contribution policies to improve funding progress and eliminate Actuarial Valuation of Assets (AVA)**
 - **Changes to mortality assumptions and earlier Safety retirement rates**
 - **Combined will result in increased employer contribution rates phased in over five years but long term improvement to unfunded liability**

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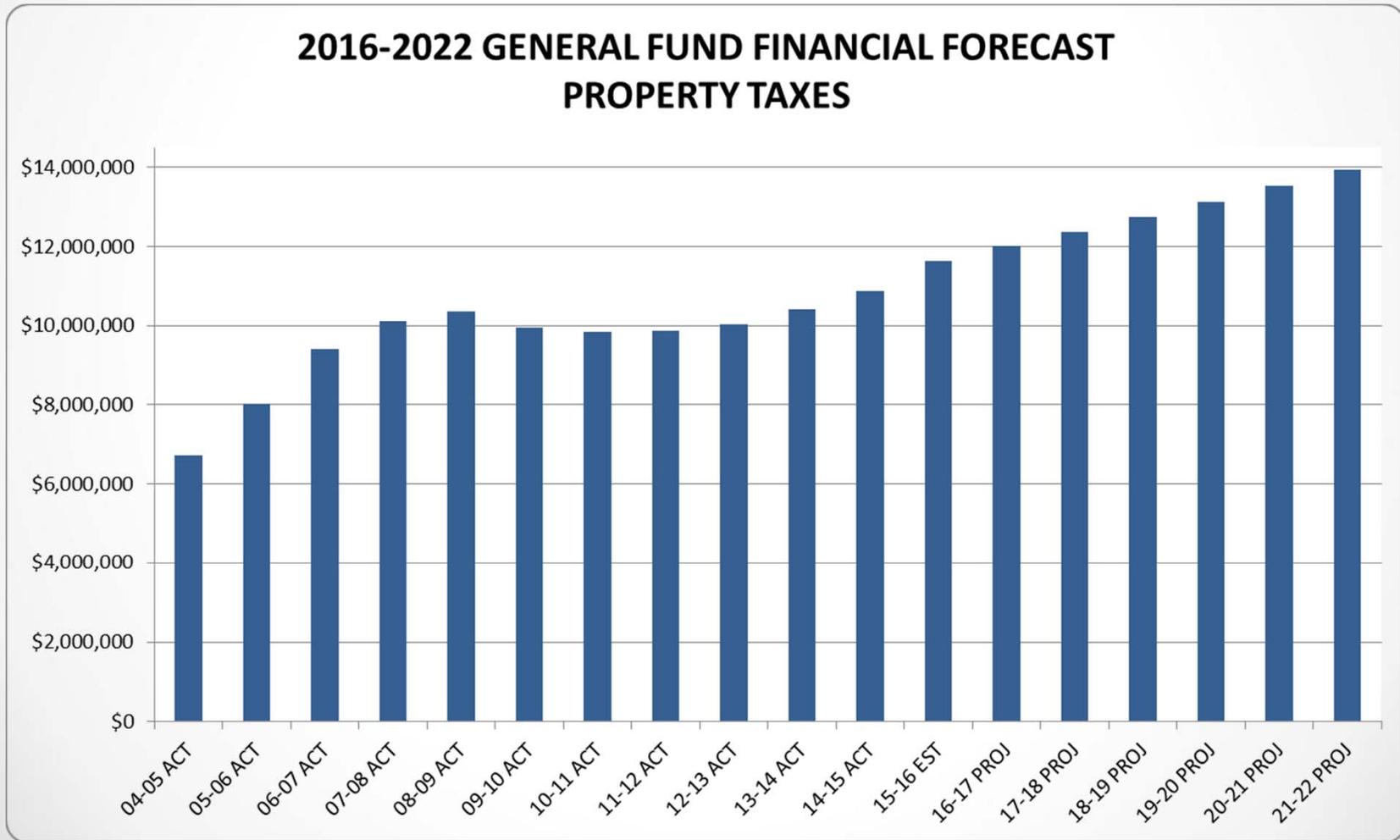
- **Base Forecast Revenue Assumptions**

- **Property Tax: 3% growth over forecast period as assessed valuations continue to remain steady**
- **Base Sales Tax: 2% - 3% growth over forecast period**
- **Prop L Sales Tax: growth consistent with Base Sales Tax and assumed 2% - 3% over forecast period**
- **Other General Fund Revenues: generally 1% - 3% growth over forecast period, depending upon revenue**
- **One-time Sales Tax catch-up from Triple Flip of \$850,000 estimated in 2015-2016**
- **City Share of former Tax Increment Property Tax increased beginning 2018 as obligations are retired**

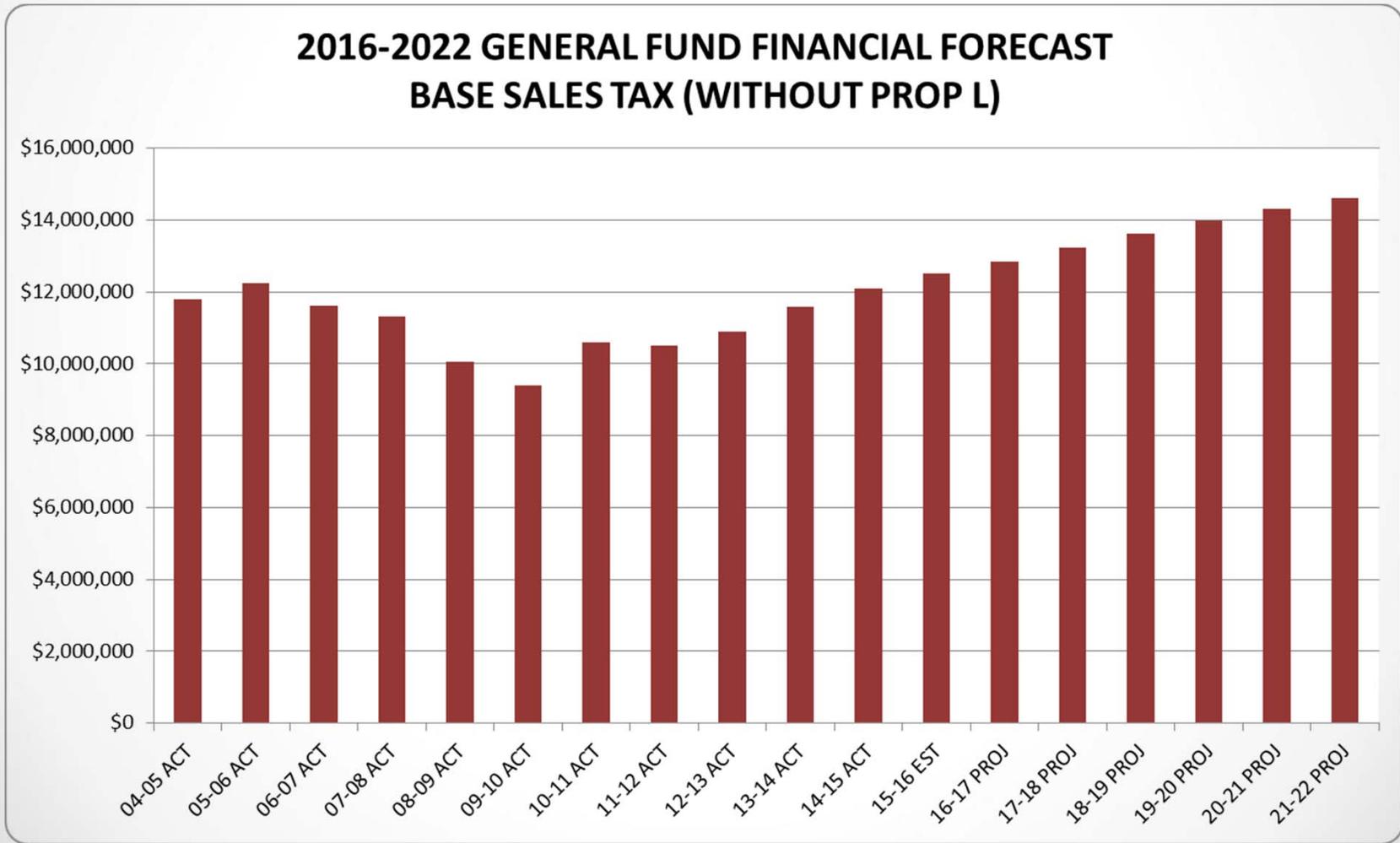
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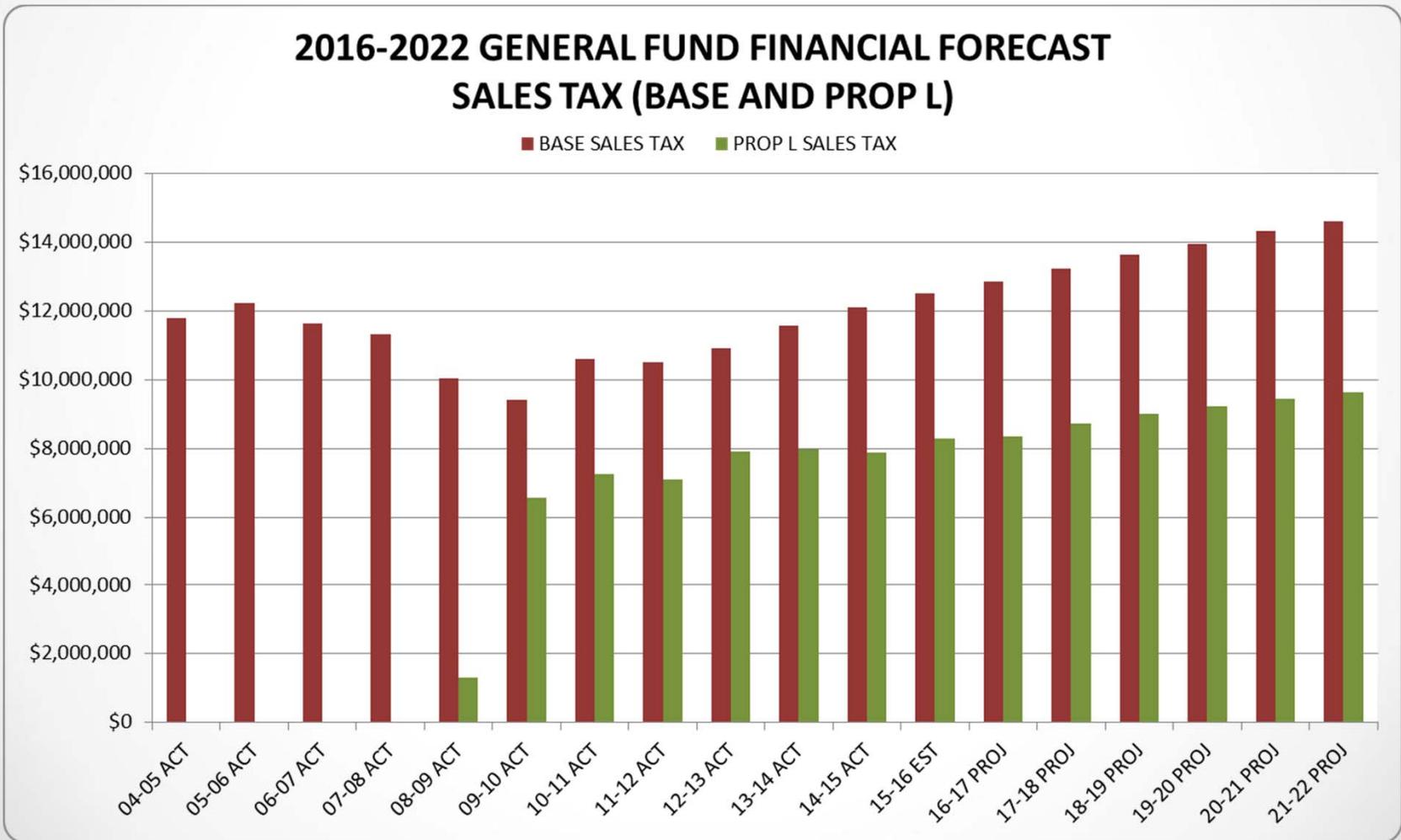
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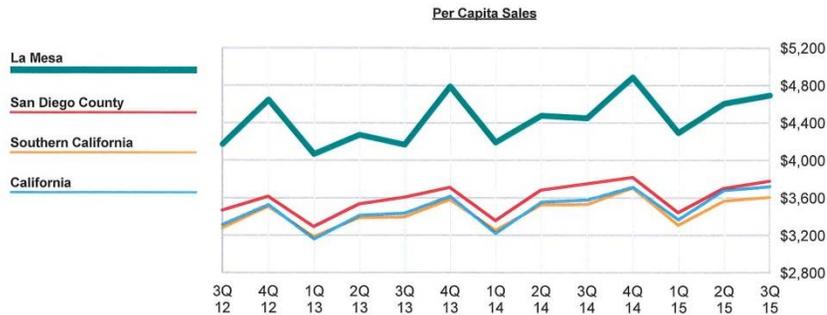
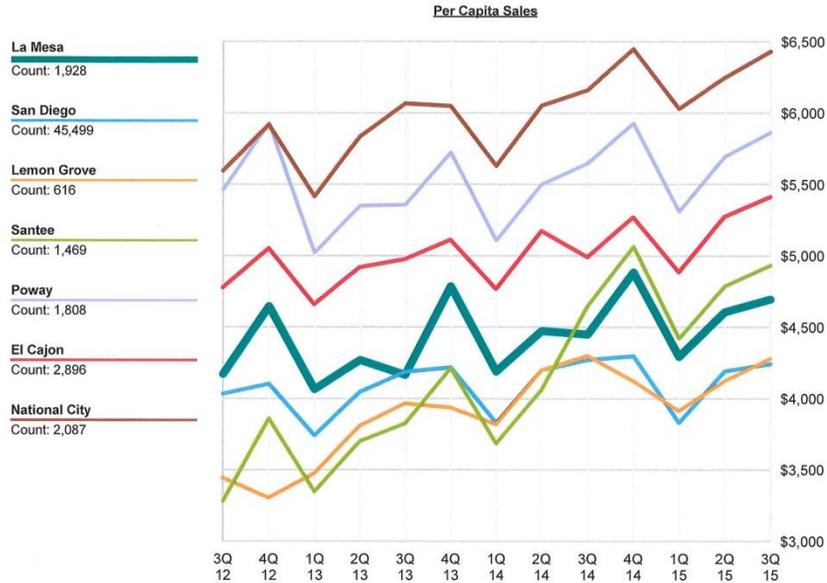
3rd Quarter Sales Tax Comparison

Per Capita Basis

2012-2015



CITY OF LA MESA
AGENCY COMPARISONS

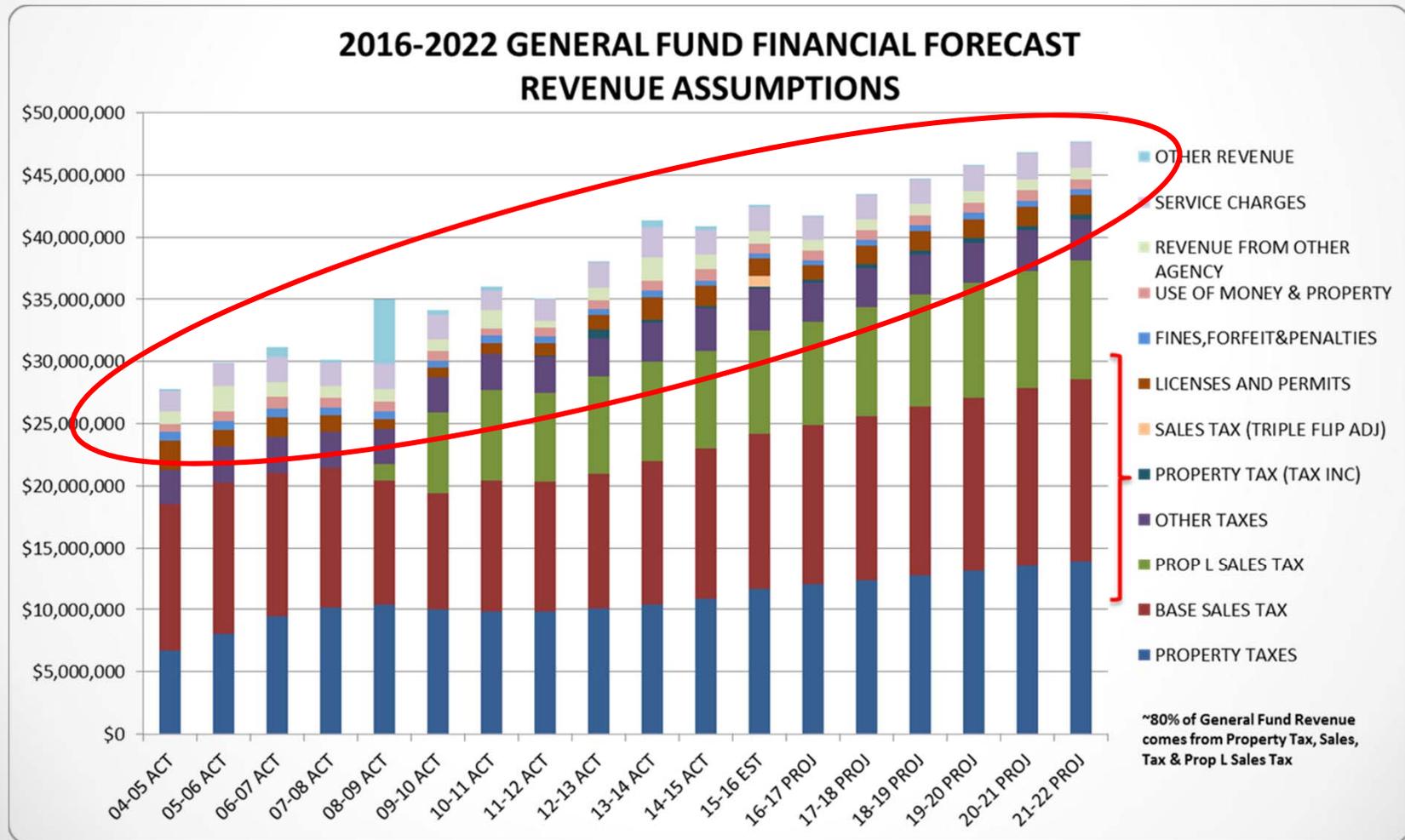


Periods shown reflect the period in which the sales occurred - Point of Sale

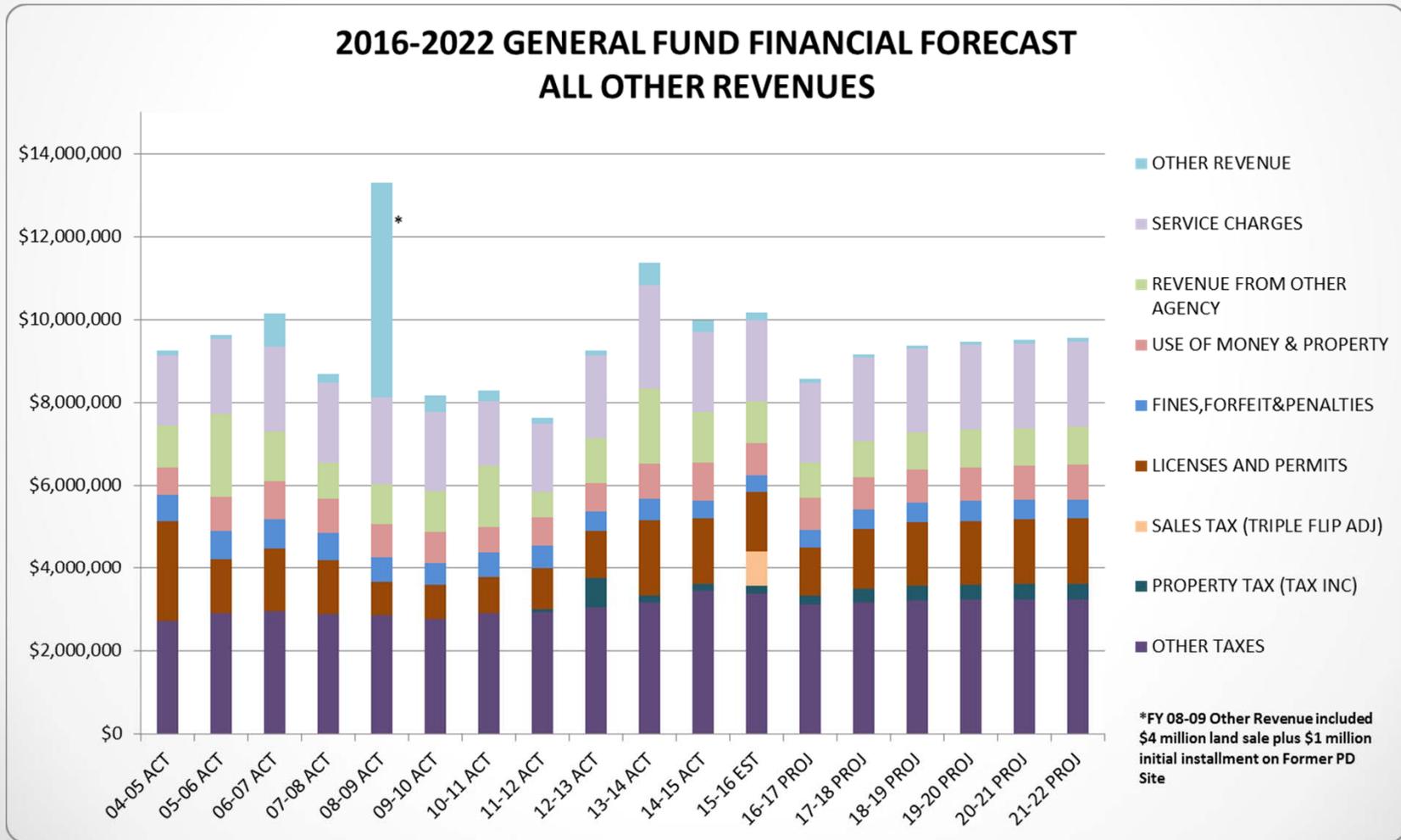
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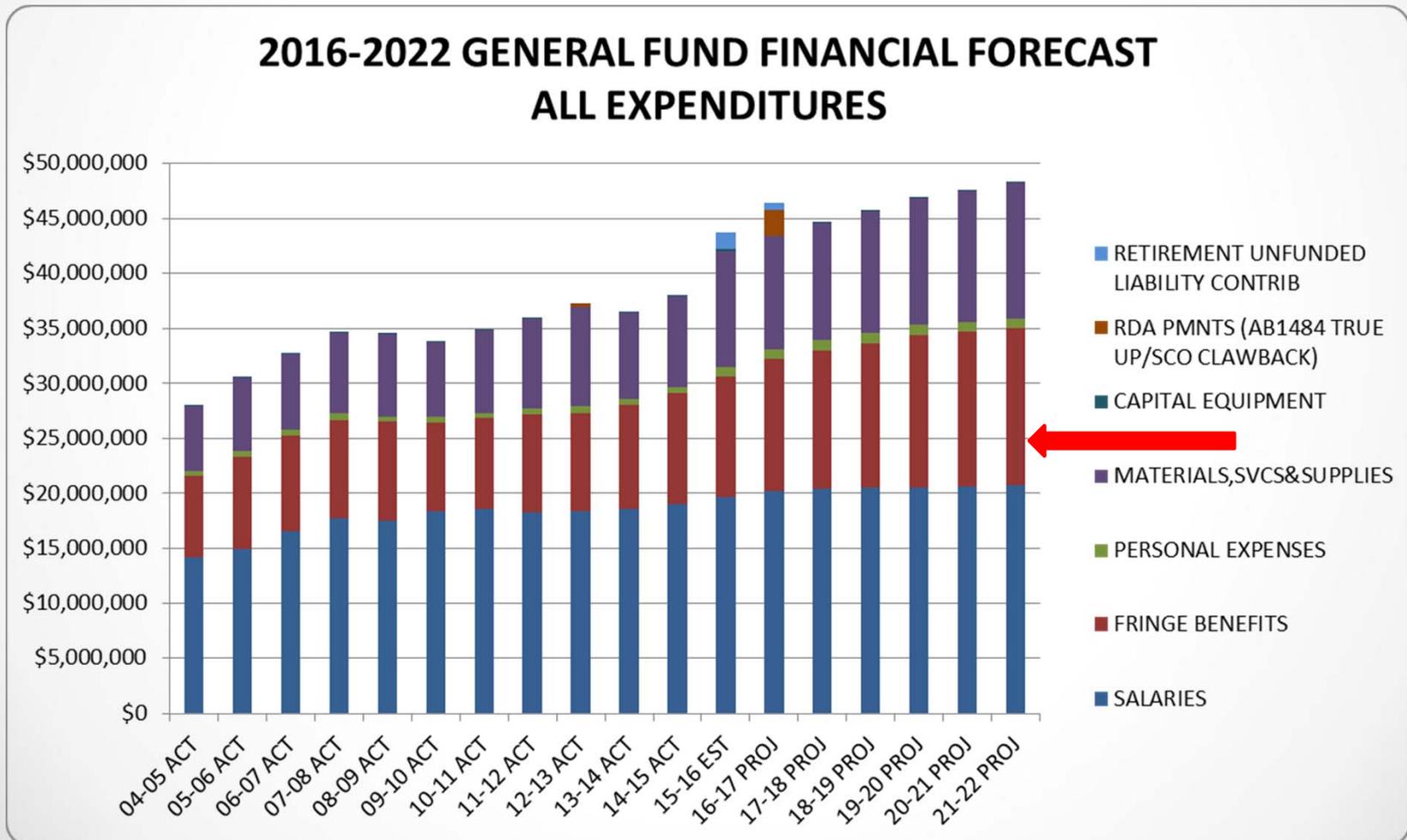
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- **Base Forecast Expenditure Assumptions**
 - **Salaries:** Reflects budgeted salaries based on 2015-2016 compensation plan with merit increases only in subsequent years
 - **Retirement costs:** Contributions using projected increases provided by CalPERS that include new smoothing methods, mortality assumptions, and 5-year phase in of rate increases beginning 2016-2017
 - **Health Insurance Contribution costs:** Future costs based on 2015-2016 amounts with no increases
 - **Other benefits based on salary (e.g. Social Security, Work Comp) reflect merit increases**

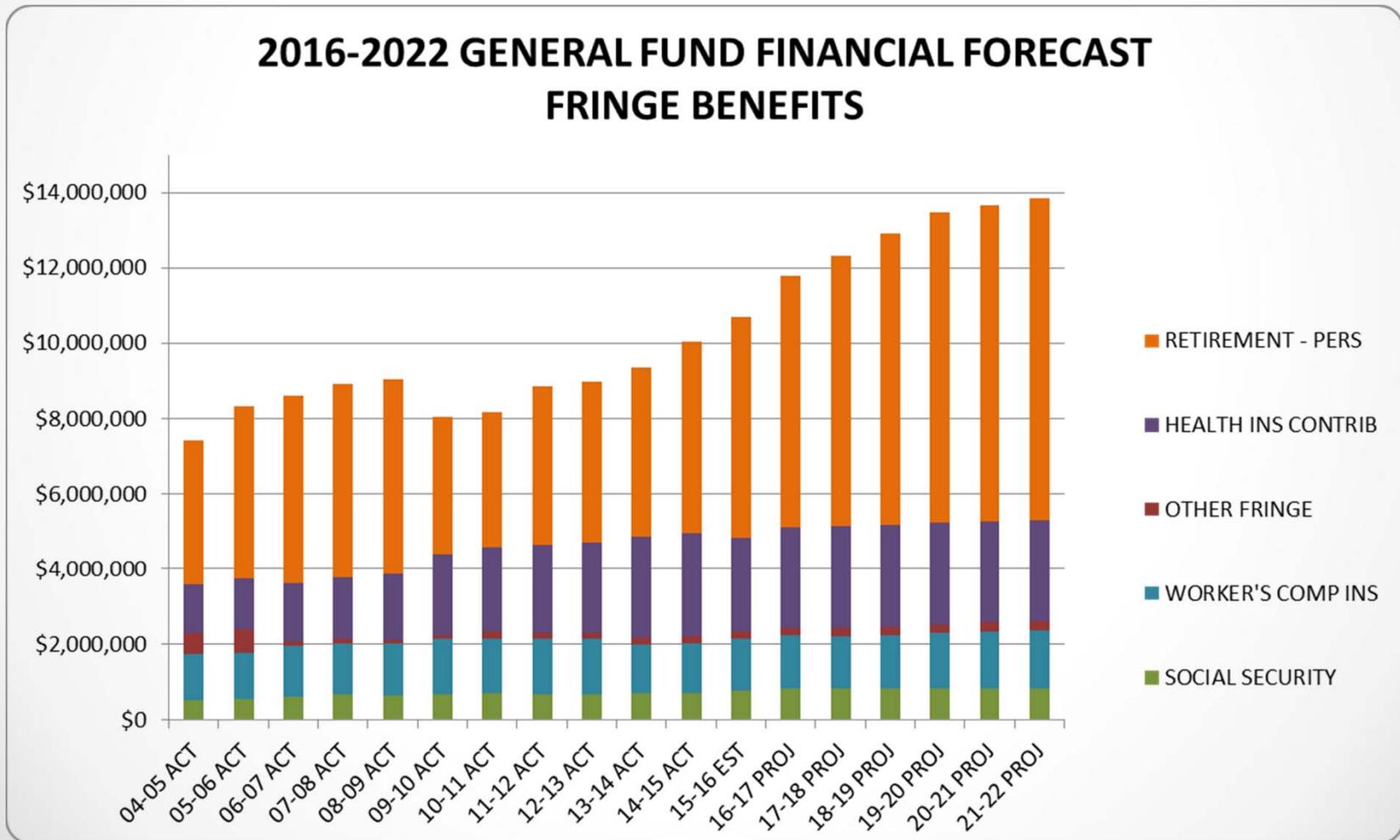
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- **Expenditure Assumptions, cont.**
 - **Utilities:** significant increases (10% per year thru 2020 then 5% for subsequent years) in Gas, Electric, and Water as rates continue to increase
 - **Investment in technology:** increases in communications, professional services and technology
 - **Vehicle expenses:** replacement costs and maintenance of aging fleet
 - **2016-2017 includes SCO Asset Transfer Review finding payment and additional contribution to offset unfunded pension liability**

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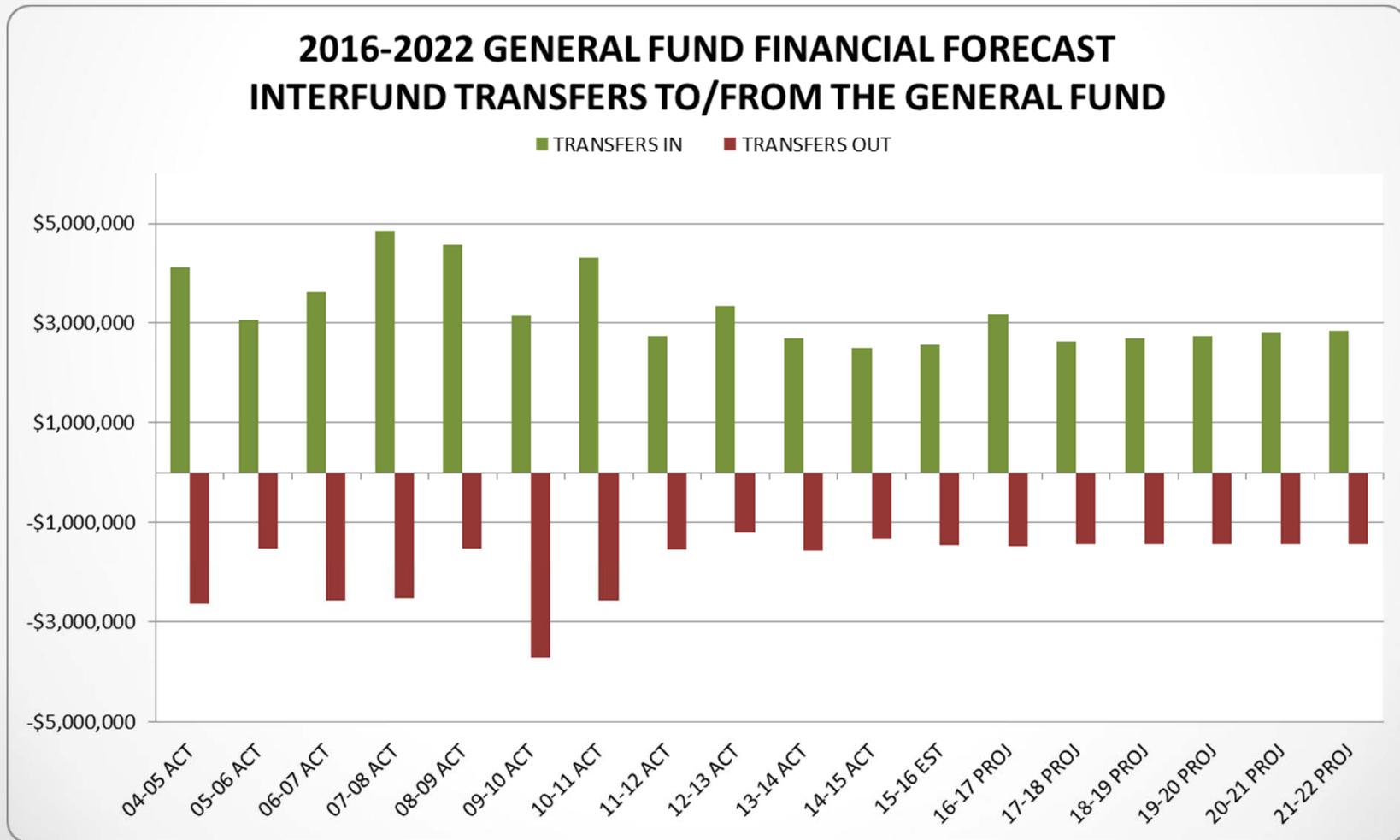
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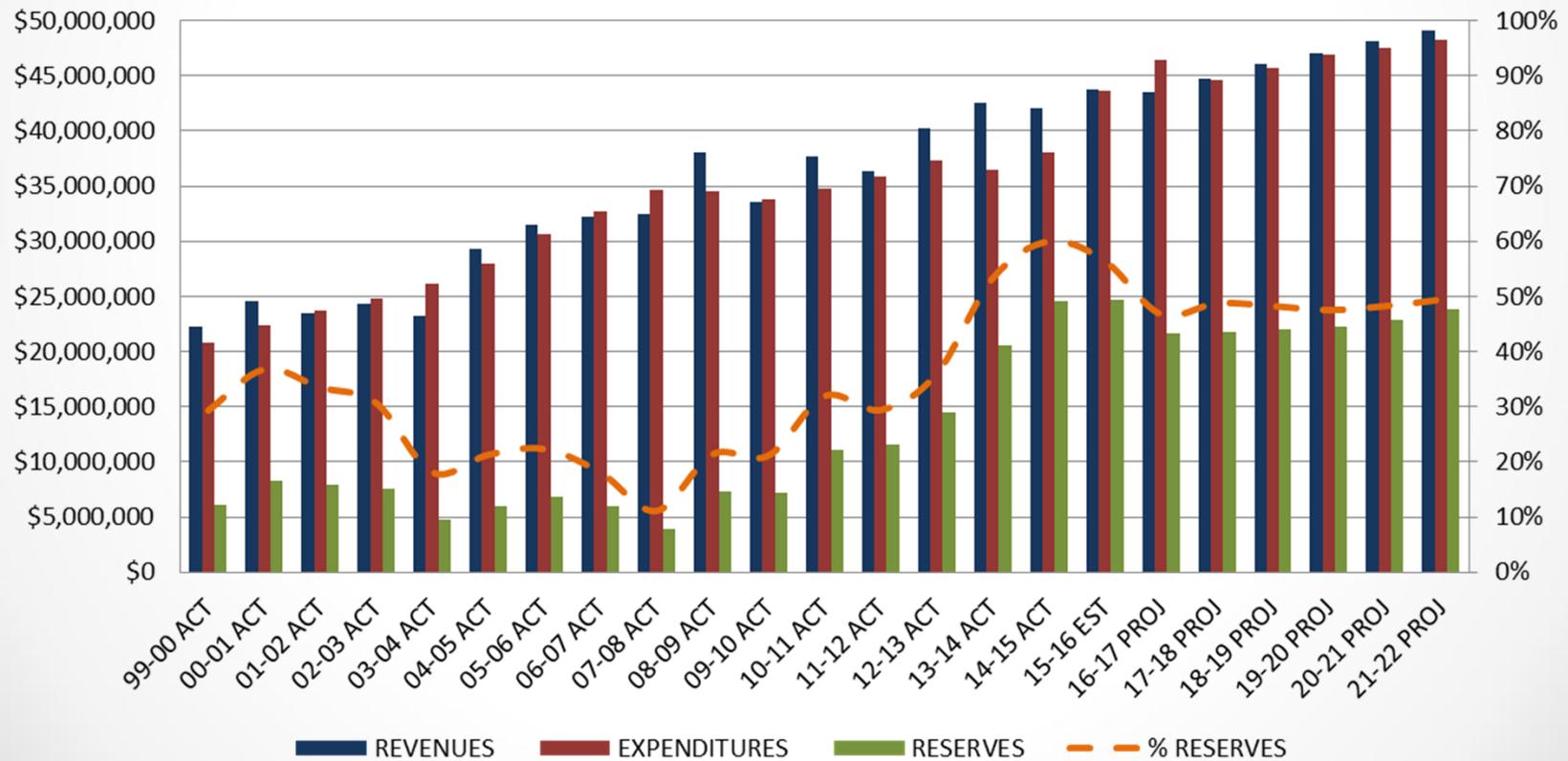
- **Inter-fund Transfers**
 - **Future transfers include support services and non-redevelopment debt service**
 - **Eliminates principal and interest payments from the Redevelopment Agency to the General Fund beginning 2011-2012 (net loss of \$1 million annually)**
 - **Includes only nominal amount (approximately \$62,500) contribution to Capital Asset Management Plan (CAMP) CIP Fund**

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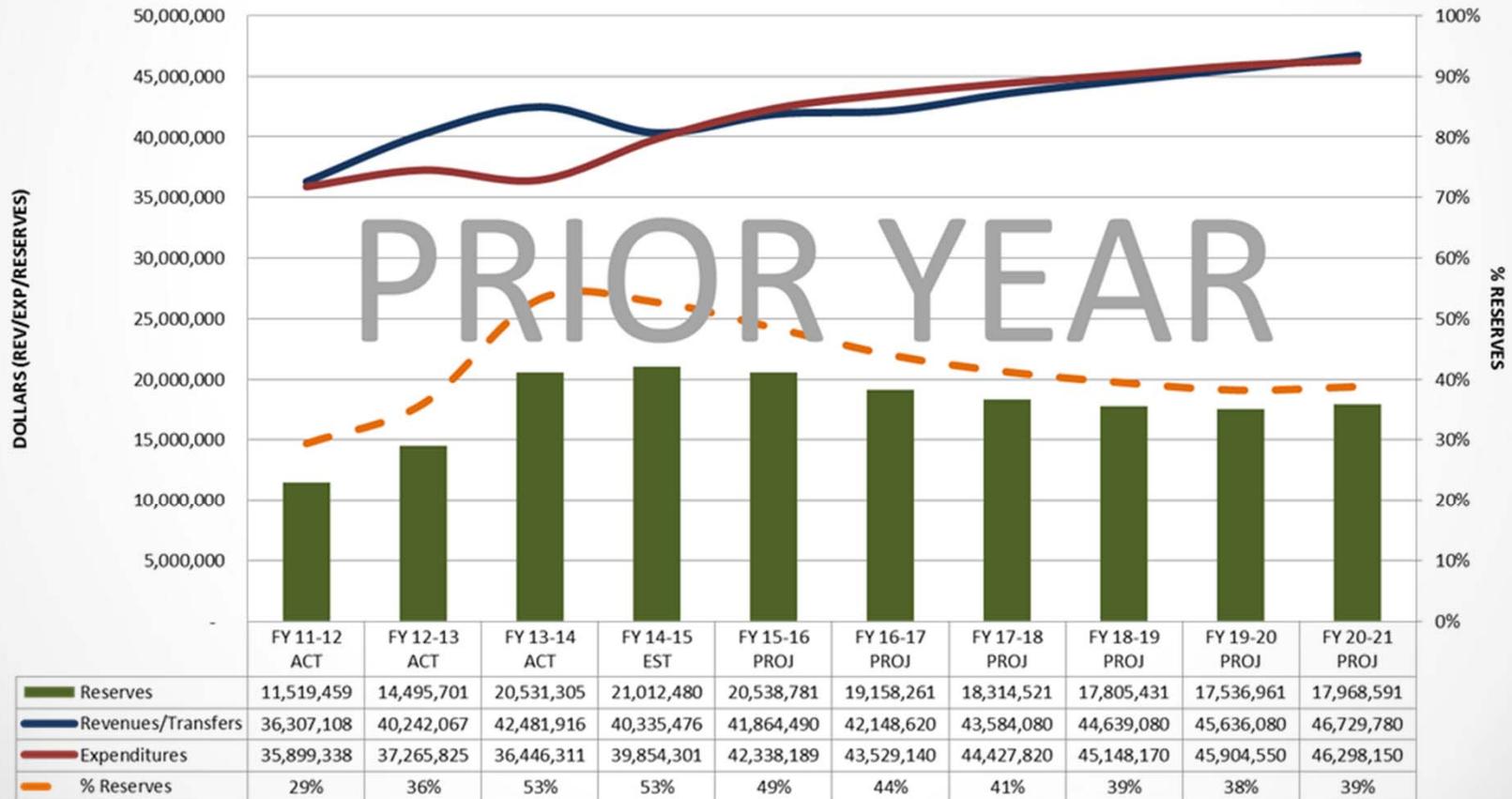
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**2016-2022 GENERAL FUND FINANCIAL FORECAST
HISTORICAL REVENUES, EXPENDITURES AND RESERVES**



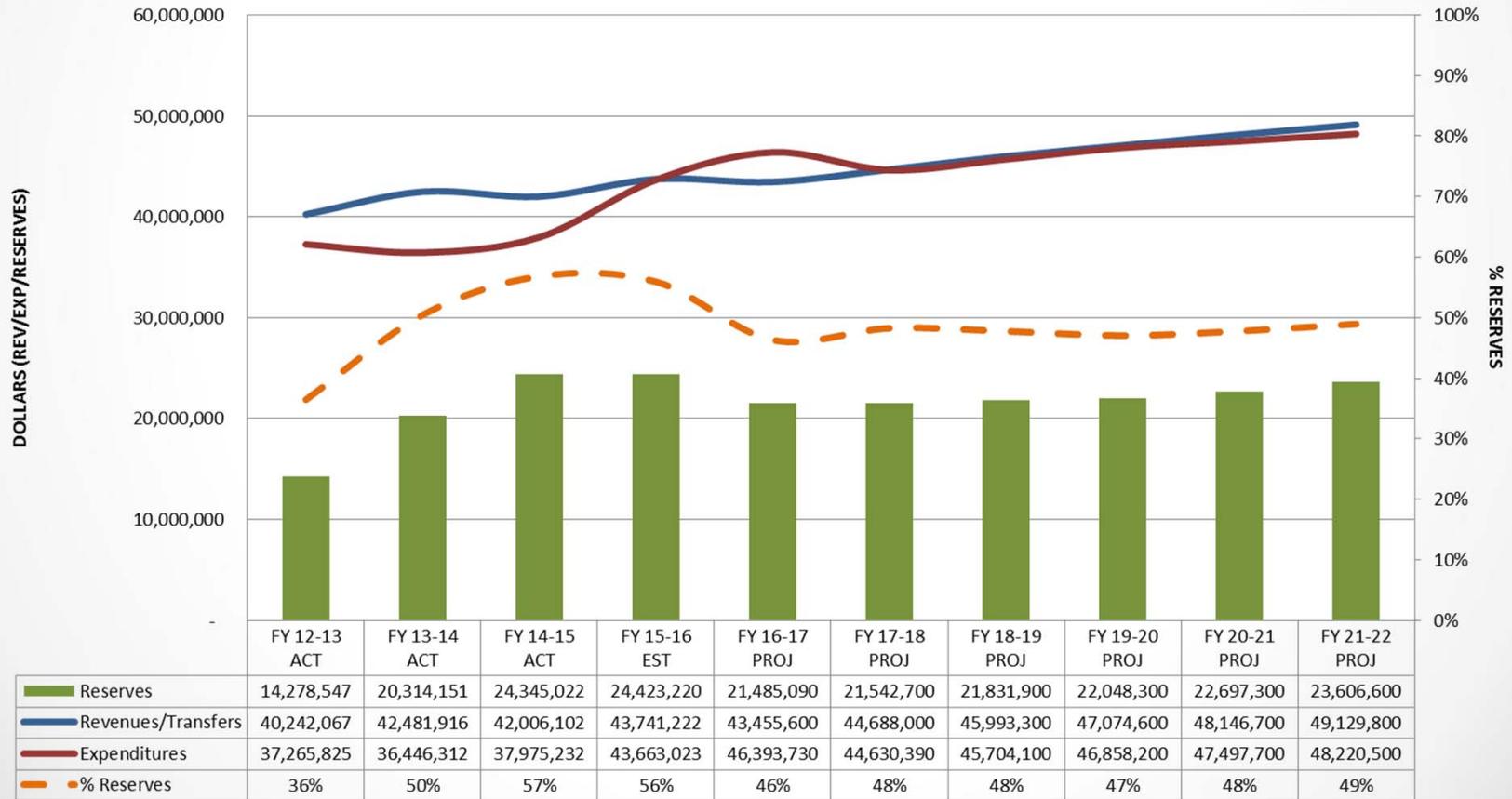
General Fund Financial Forecast 2016-2022

2015-2021 GENERAL FUND FINANCIAL FORECAST
BASE FORECAST (NO ADDITIONAL RETIREMENT CONTRIBUTIONS)



General Fund Financial Forecast 2016-2022

**2016-2022 GENERAL FUND FINANCIAL FORECAST
BASE FORECAST (INCLUDING SCO ORDER AND RETIREMENT CONTRIBUTION)**



General Fund Financial Forecast 2016-2022

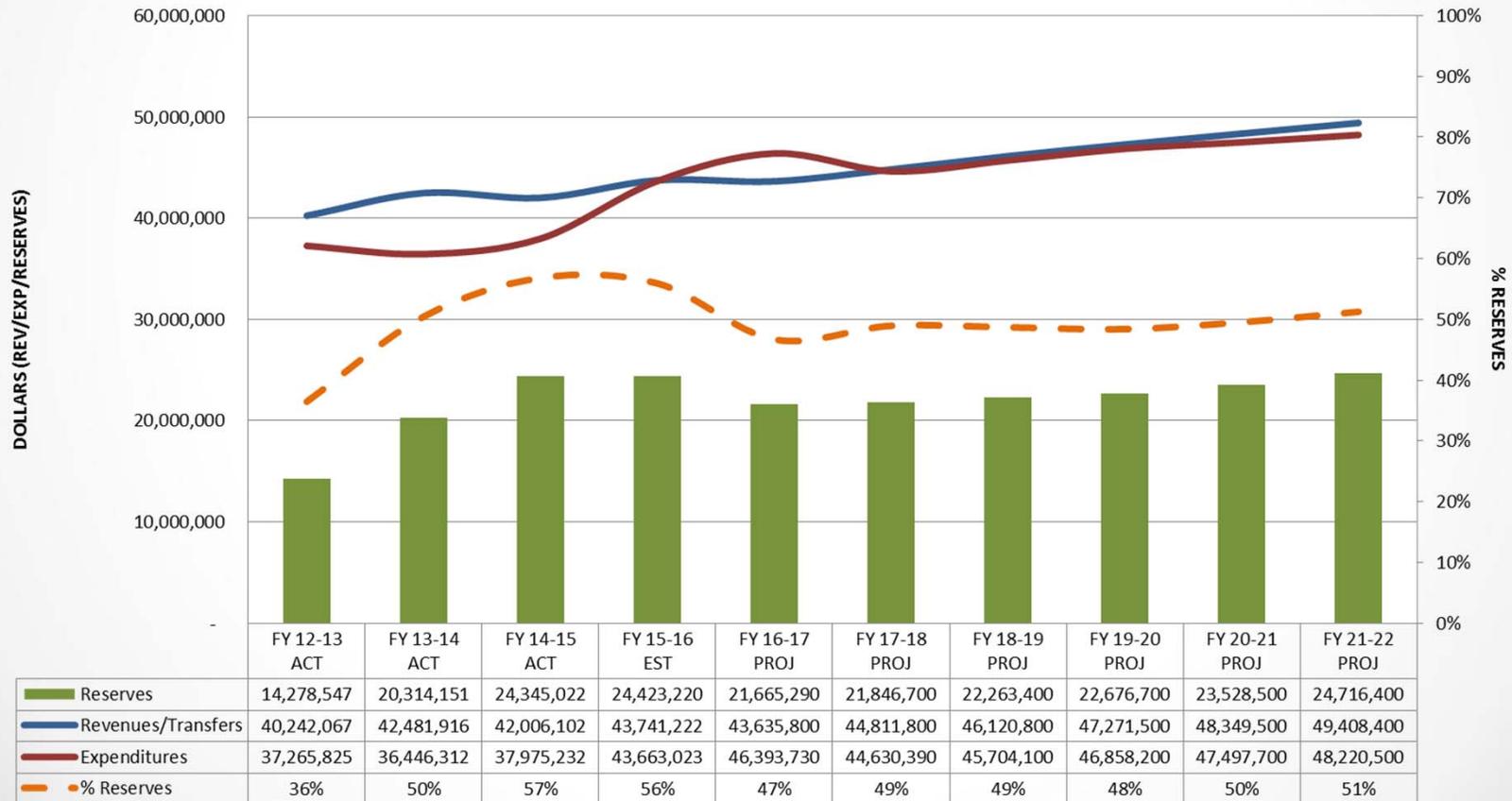
- **Revenue Sensitivity Analysis**
 - **Forecast assumes moderately optimistic view of projected growth in the major revenue sources (Property Tax, Base Sales Tax, Prop L Sales Tax)**
 - **Most likely seeing maximum growth in Sales Tax/Prop L Sales Tax**
 - **What is impact on General Fund reserves if property tax is estimated using slightly stronger growth assumptions?**

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- **Revenue Sensitivity Analysis**
 - **Property Tax**
 - **Base Forecast Assumption: 3% growth**
 - **Revenue Sensitivity Analysis: 4% - 4.5% growth through 2018 then 3.5% growth in subsequent years**

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**2016-2022 GENERAL FUND FINANCIAL FORECAST
REVENUE SENSITIVITY ANALYSIS - STRONGER PROPERTY TAX GROWTH**

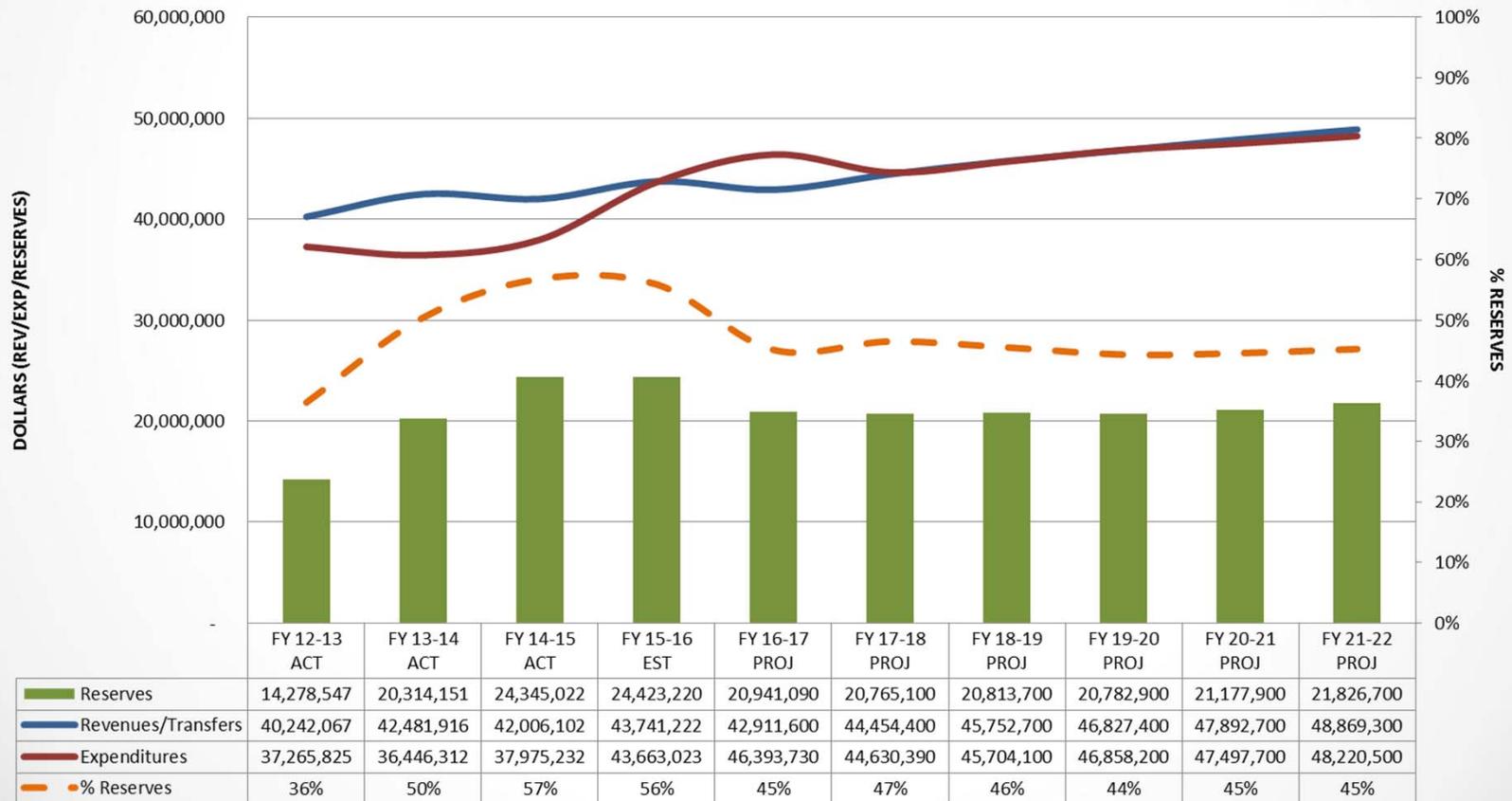


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- **Revenue Sensitivity Analysis**
 - **Impact on General Fund Reserves if Property and Sales Taxes were to have weaker growth**
 - **Property Tax: 2% - 2.5% increase throughout forecast period**
 - **Base/Prop L Sales Tax: 2.5% increase throughout forecast period**
 - **Major revenue sources must keep up with growth in expenditures in order to maintain General Fund Reserves**

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**2016-2022 GENERAL FUND FINANCIAL FORECAST
REVENUE SENSITIVITY ANALYSIS - WEAKER PROPERTY/SALES TAX GROWTH**



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- **Forecast Conclusions**

- **Revenues continue to improve as the economy continues to grow**
- **Retirement costs primary reason for increases in General Fund expenditures**
- **One-time expenditures in 2016-2017 require use of reserves**
- **From 2017-2018 through 2018-2019, revenues exceed expenditures**

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Questions/Comments