

Council Budget Workshop

Five-Year Financial Forecast

March 2, 2015

Agenda

- I. Opening Remarks**
- II. Purpose**
- III. Methodology & Assumptions**
- IV. Forecast Summary**
- V. Revenues**
- VI. Expenditures**
- VII. Risks, Uncertainties & Opportunities**
- VIII. Q & A**



Purpose

- I. Required by Consolidated Fiscal Policy
- II. Assists in making informed budgetary and operational decisions
- III. Highlights future risks and opportunities
- IV. Address long-term needs
- V. Serves as a communication tool for information on the City's finances
- VI. It is a forecast , not a budget



Methodology & Assumptions

- I. Five-Year Forecast spans FY 2016 to FY 2020
- II. Contains the two-year Frozen Baseline Budget and additional three year forecast of revenues and expenditures
- III. Frozen Baseline Expenditures assume:
 - » No changes to service or staffing levels
 - » Exclude current year one-time allocations;
 - » Include impacts of recently approved ballot measures
- IV. Revenue projections based upon the FY 2015 Second Quarter revenue and expenditure report
- V. Forecast assumes current economic conditions
- VI. Assumes no policy intervention
- VII. Consulted external subject matter experts



Key Forecast Findings

- I. Continued growth in local economy, particularly real estate markets, are recovering with over 11,000 anticipated housing units
- II. Strong regional economy driven by the technology sector
- III. Economic uncertainty in the out years

Key Forecast Findings (continued)

- IV. Expenditures are projected to rise faster than revenues, particularly medical and retirement costs.
- V. Long-term liabilities challenges continue
- VI. Capital needs continue to be deferred
- VII. Increased demand for City services



Summary of Forecast Results

These tables provide forecast results for the next five fiscal years for GPF and for All Funds.

General Purpose Fund	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Expense	\$509.33	\$521.01	\$553.07	\$567.82	\$583.29
Revenue	\$491.40	\$502.37	\$516.44	\$530.83	\$543.16
Surplus (Shortfall)*	(17.93)	(18.64)	(36.63)	(36.99)	(40.13)

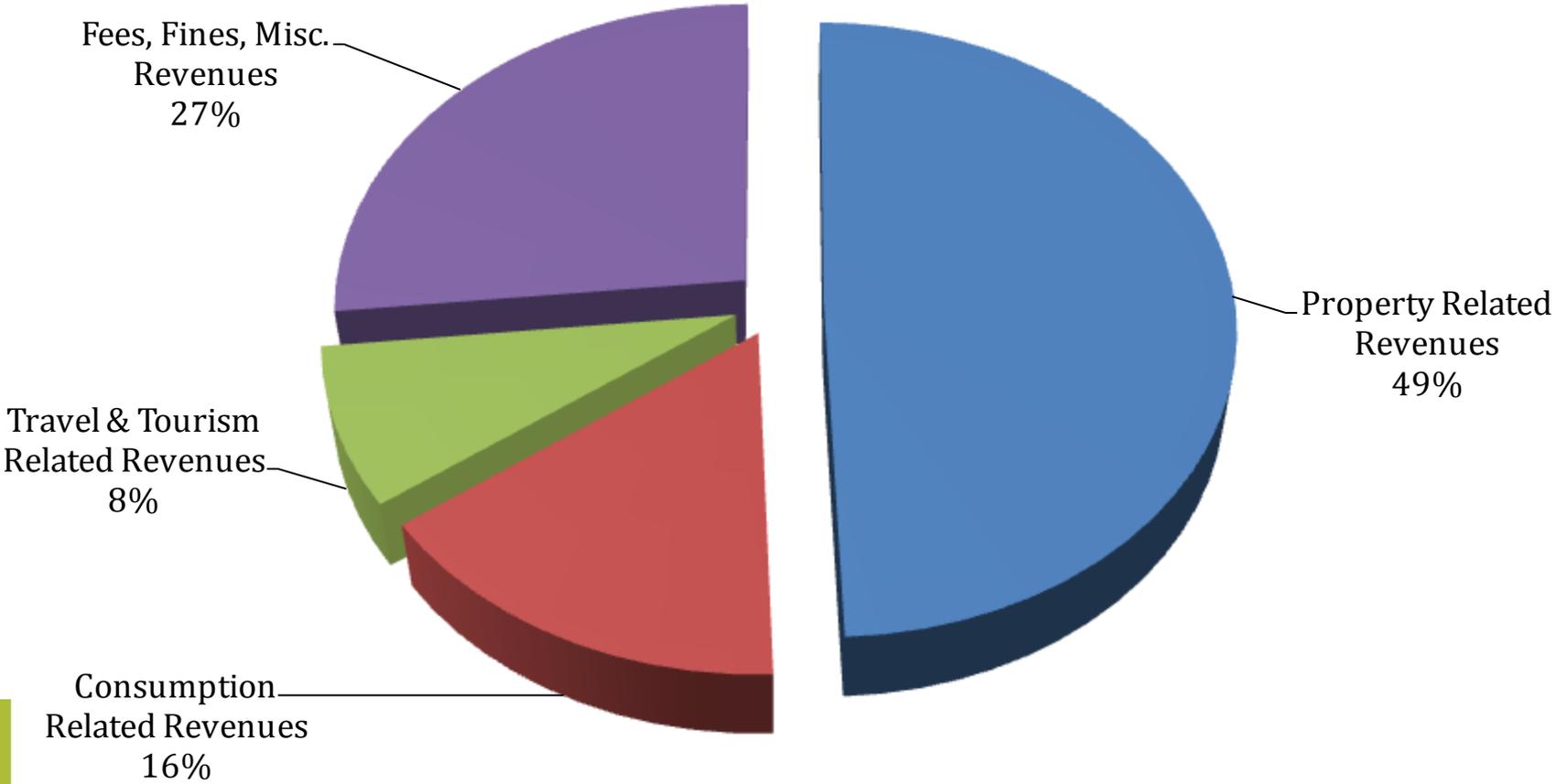
All Funds	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Expense	\$1,173.12	\$1,189.87	\$1,226.18	\$1,256.33	\$1,285.40
Revenue	\$1,133.79	\$1,149.63	\$1,174.77	\$1,202.88	\$1,227.88
Surplus (Shortfall)*	(39.34)	(40.23)	(51.42)	(53.46)	(57.52)



Revenues

- City revenue growth is highly tied to the performance of the real estate market
- Over 11,000 housing units are in the pipeline
- More economic projects are undergoing: Brooklyn Basin, Army Base, Coliseum City, etc.
- Need for potential external funding such as Cap and Trade, SAFER, COPS grants
- Need to pursue new revenues

General Purpose Fund Revenues By Type



Revenue Forecast Results - General Purpose Fund

General Purpose Fund (1010)- Revenue in Millions	FY 2014-15 Midcycle Adopted Budget	FY 2015-16 Forecast	FY 2016-17 Forecast	FY 2017-18 Forecast	FY 2018-19 Forecast	FY 2019-20 Forecast
Property Tax	\$148.85	\$163.66	\$170.51	\$177.07	\$184.18	\$189.73
Sales Tax	\$50.36	\$55.43	\$54.43	\$56.44	\$58.34	\$59.81
Business License Tax	\$60.62	\$69.55	\$71.63	\$73.60	\$75.63	\$77.71
Utility Consumption Tax	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Real Estate Transfer Tax	\$53.00	\$55.44	\$57.52	\$59.41	\$61.09	\$62.82
Transient Occupancy Tax	\$14.88	\$16.40	\$17.06	\$17.75	\$18.46	\$18.96
Parking Tax	\$8.18	\$10.21	\$10.49	\$10.78	\$11.08	\$11.38
Licenses & Permits	\$1.94	\$1.94	\$1.94	\$1.98	\$2.02	\$2.06
Fines & Penalties	\$23.27	\$23.47	\$23.47	\$23.48	\$23.49	\$23.50
Interest Income	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74
Service Charges	\$46.96	\$44.11	\$44.11	\$44.72	\$45.34	\$45.98
Grants & Subsidies	\$0.12	\$0.12	\$0.12	\$0.12	\$0.13	\$0.13
Miscellaneous Revenue	\$4.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
Subtotal GPF	\$463.25	\$491.40	\$502.37	\$516.44	\$530.83	\$543.16
Transfers from Fund Balance	\$30.46	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$493.71	\$491.40	\$502.37	\$516.44	\$530.83	\$543.16
Growth rate net of transfer from fund balance		6.2%	2.2%	2.8%	2.8%	2.3%



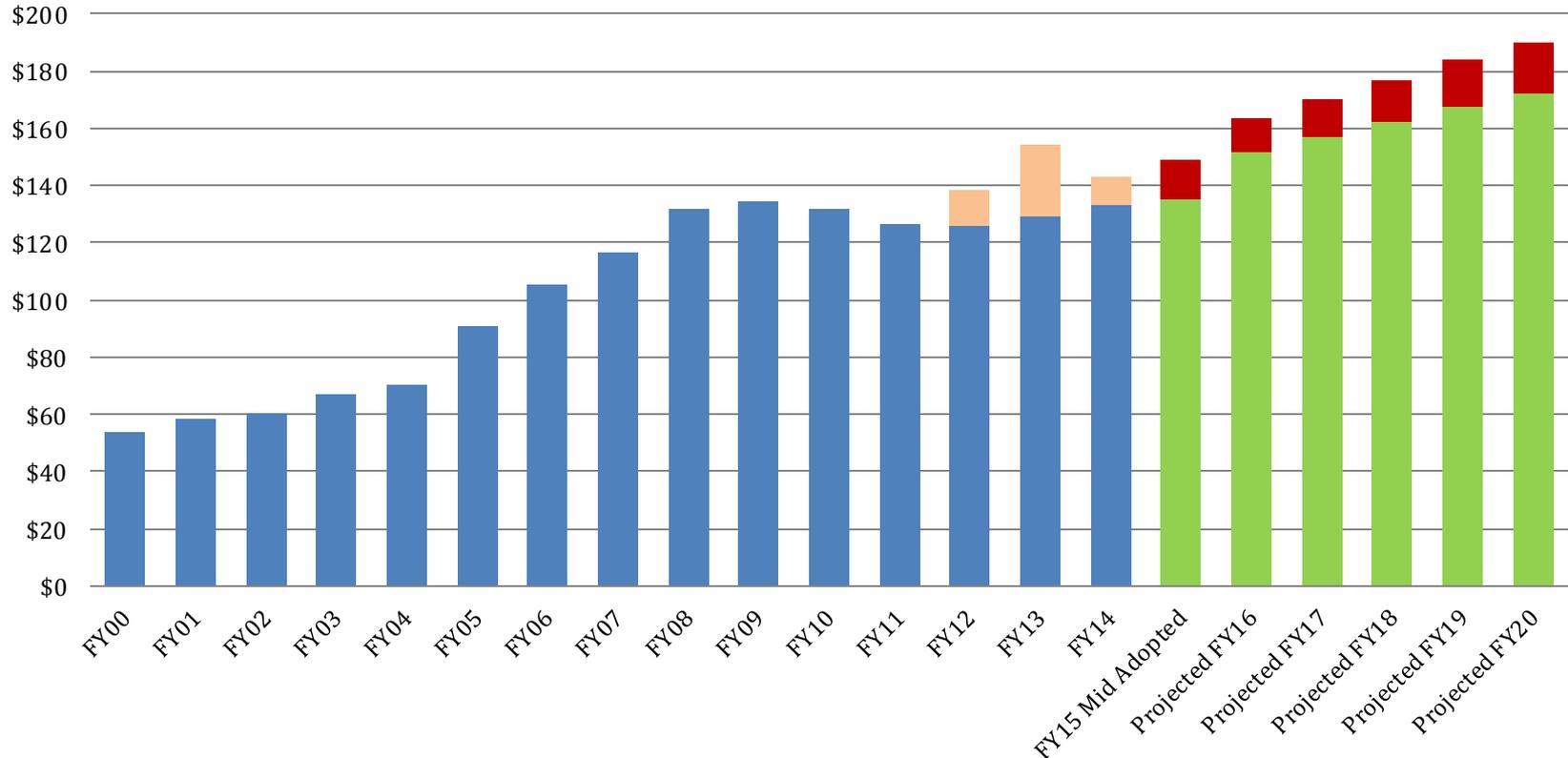
Revenue Forecast Results - All Funds

All Funds- Revenue in Millions	FY 2014-15 Midcycle Adopted Budget	FY 2015-16 Forecast	FY 2016-17 Forecast	FY 2017-18 Forecast	FY 2018-19 Forecast	FY 2019-20 Forecast
Property Tax	\$149.03	\$167.75	\$175.10	\$182.09	\$189.88	\$195.73
Local Tax	\$111.28	\$124.37	\$127.43	\$131.03	\$134.42	\$137.58
Sales Tax	\$62.11	\$78.65	\$77.93	\$80.58	\$83.14	\$85.29
Gas Tax	\$5.92	\$5.92	\$5.92	\$5.92	\$5.92	\$5.92
Business License Tax	\$60.62	\$69.55	\$71.63	\$73.60	\$75.63	\$77.71
Utility Consumption Tax	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Real Estate Transfer Tax	\$53.00	\$55.44	\$57.52	\$59.41	\$61.09	\$62.82
Transient Occupancy Tax	\$18.87	\$20.87	\$21.71	\$22.59	\$23.49	\$24.14
Parking Tax	\$11.81	\$18.89	\$19.29	\$19.82	\$20.37	\$20.93
Service Charges	\$164.17	\$160.44	\$160.45	\$163.37	\$166.38	\$169.46
Licenses & Permits	\$15.59	\$15.33	\$15.33	\$15.37	\$15.42	\$15.46
Fines & Penalties	\$27.99	\$28.12	\$28.12	\$28.14	\$28.16	\$28.17
Interest Income	\$0.89	\$0.89	\$0.89	\$0.89	\$0.89	\$0.89
Grants & Subsidies	\$66.84	\$66.61	\$66.61	\$68.19	\$69.81	\$71.48
Internal Service Funds	\$53.80	\$73.23	\$73.35	\$75.37	\$77.44	\$79.57
Miscellaneous Revenue	\$45.03	\$39.07	\$38.68	\$38.68	\$38.68	\$38.68
Interfund Transfers	\$149.41	\$124.16	\$125.07	\$125.11	\$127.56	\$129.45
Transfers from Fund Balance	\$102.31	\$34.49	\$34.61	\$34.61	\$34.61	\$34.61
Total	\$1,148.69	\$1,133.79	\$1,149.63	\$1,174.77	\$1,202.88	\$1,227.88
Growth rate *		-1.3%	1.4%	2.2%	2.4%	2.1%



Property Tax - General Purpose Fund

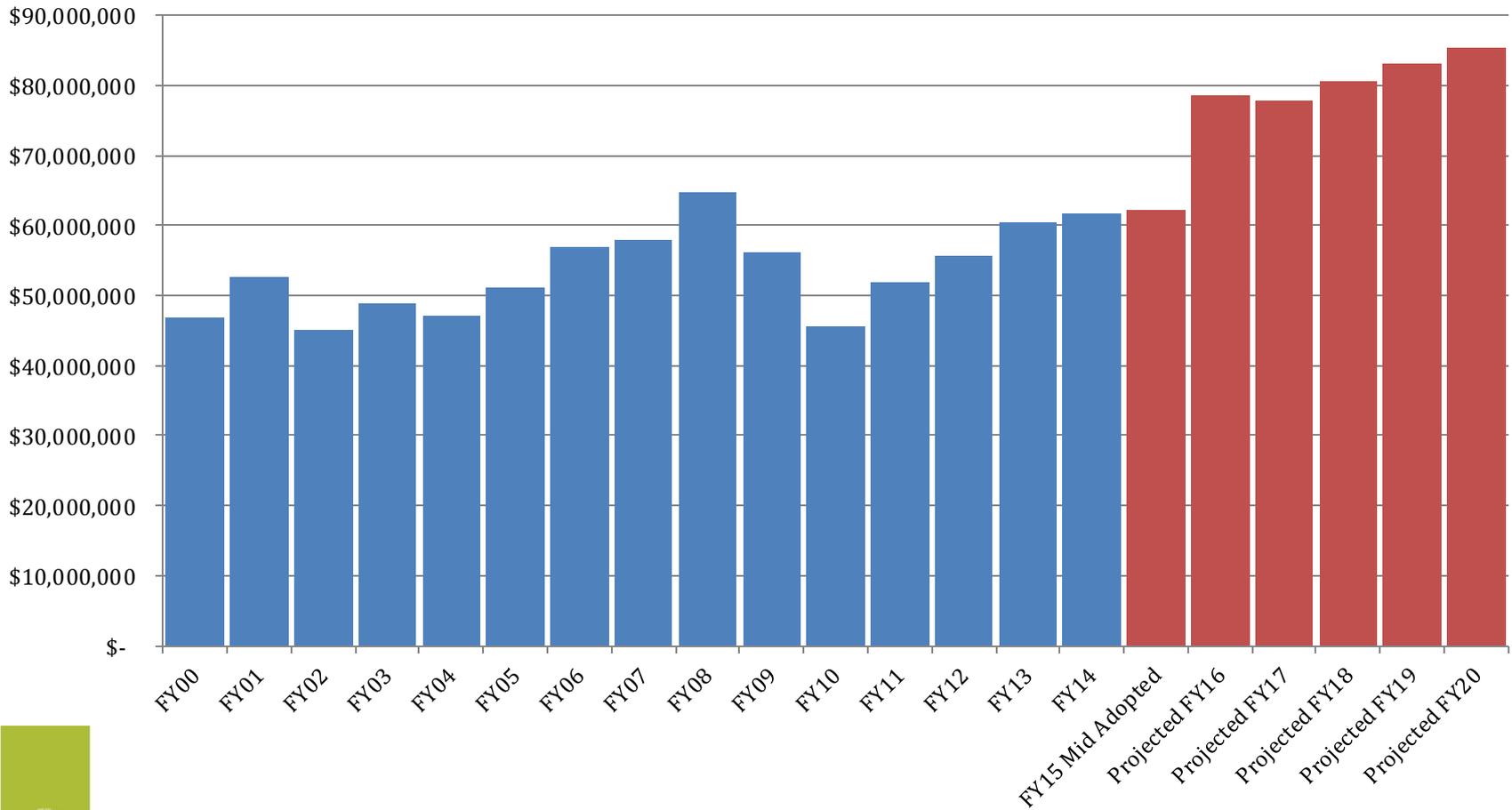
Millions



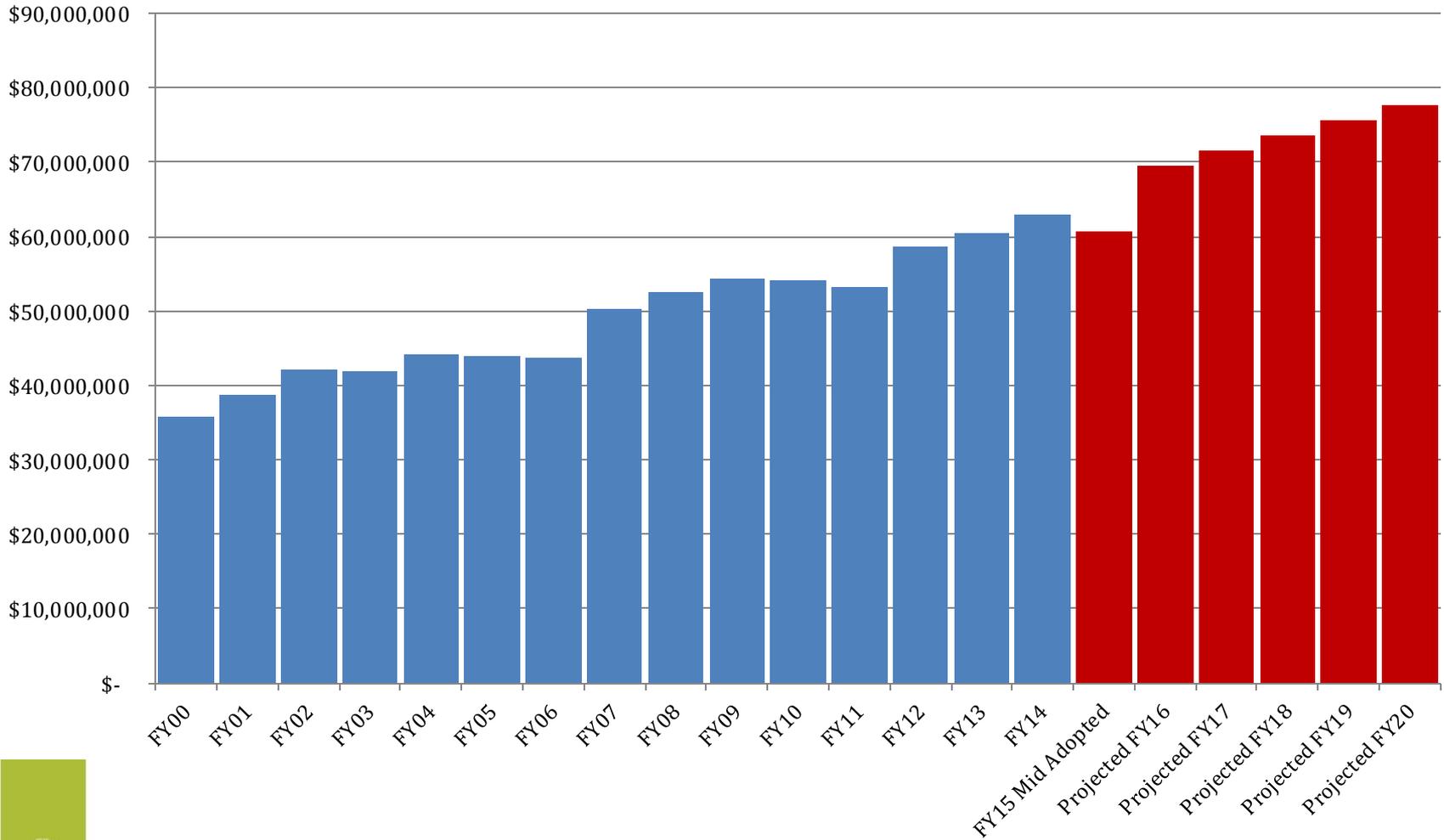
■ / ■ Property Tax (Historical/Projected) ■ / ■ RPTTF (Historical/Projected)



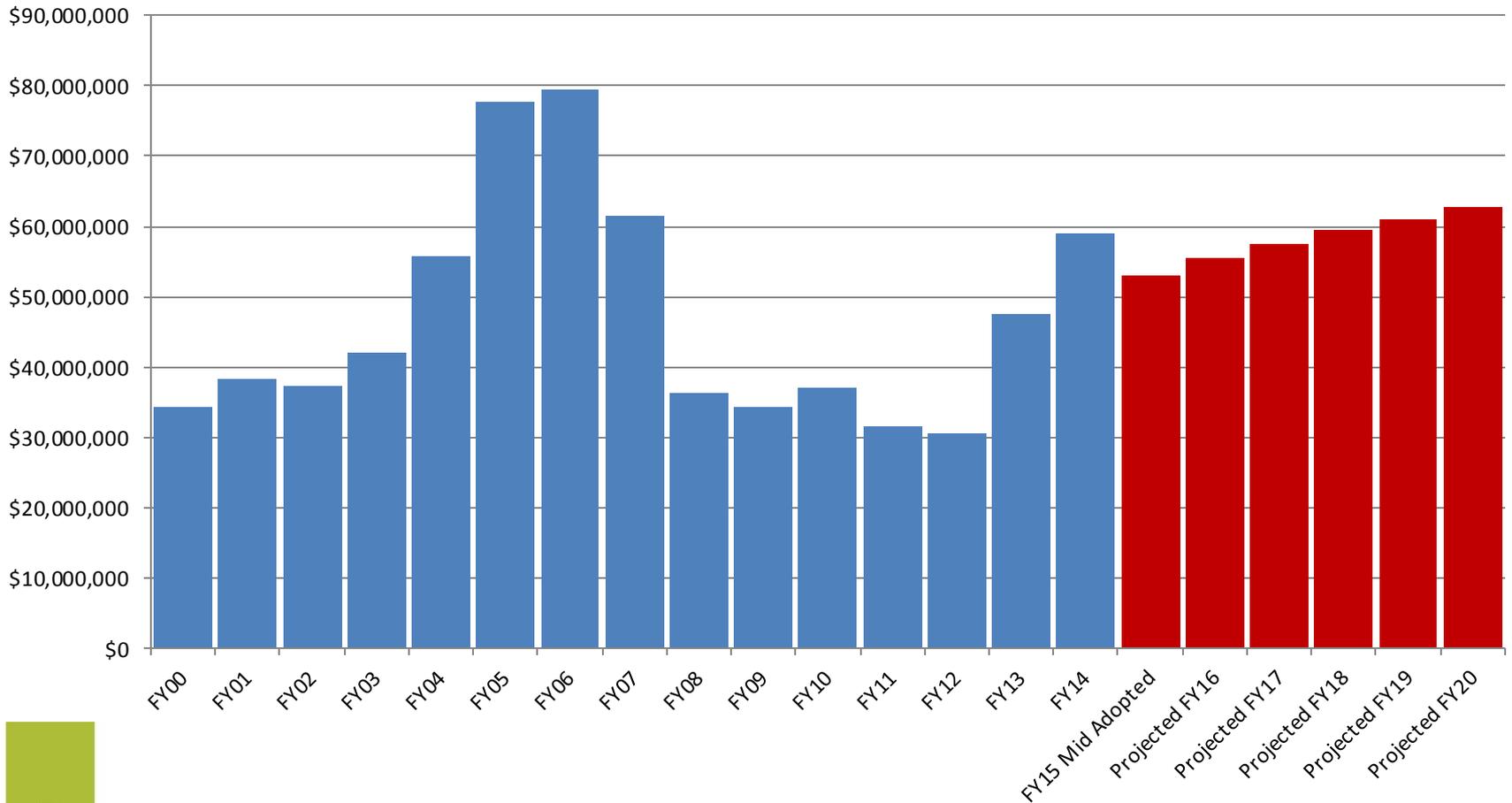
Sales Tax - All Funds



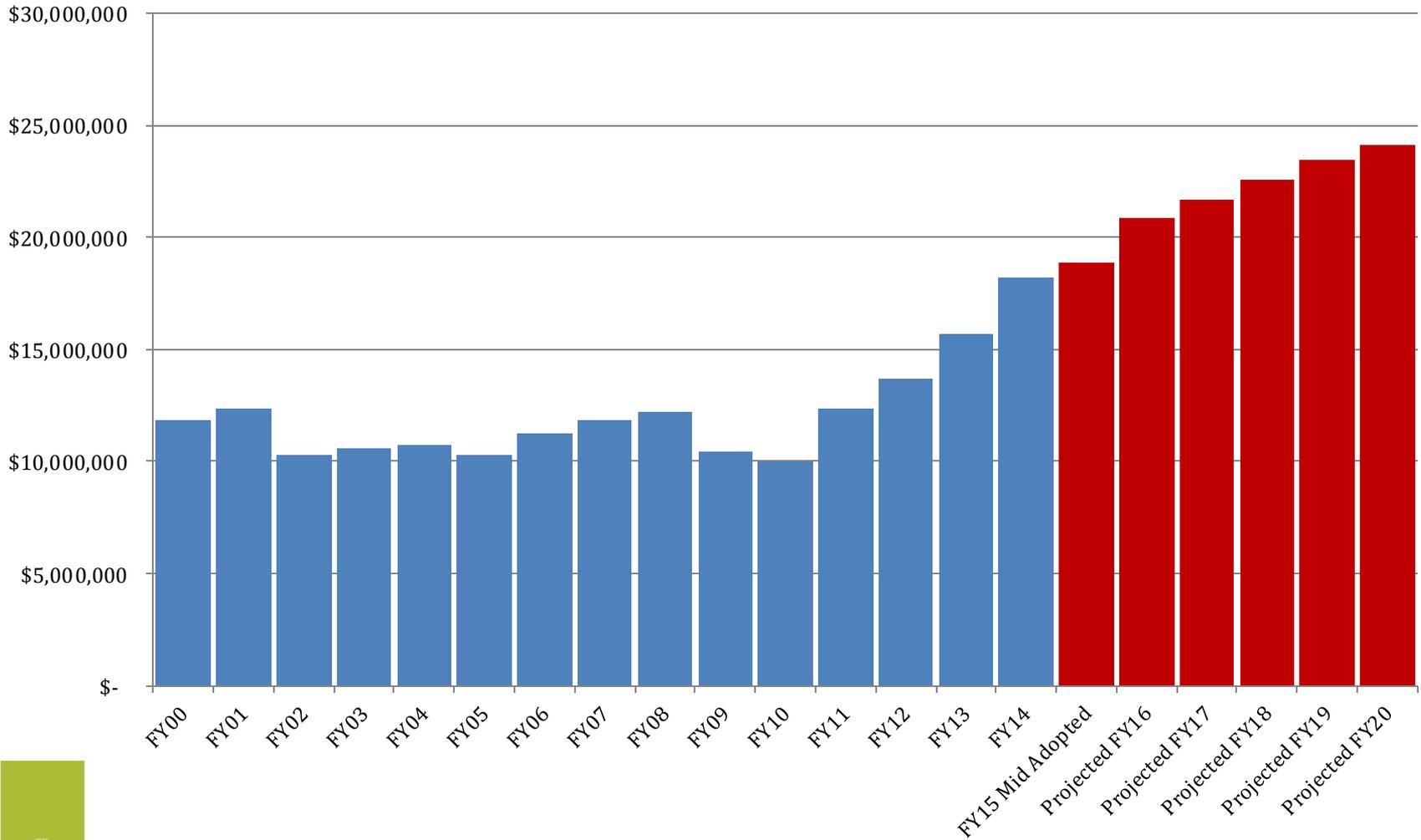
Business License Tax



Real Estate Transfer Tax



Transient Occupancy Tax (Hotels) –All Funds



Expenditures

Major Expenditure Costs Drivers are:

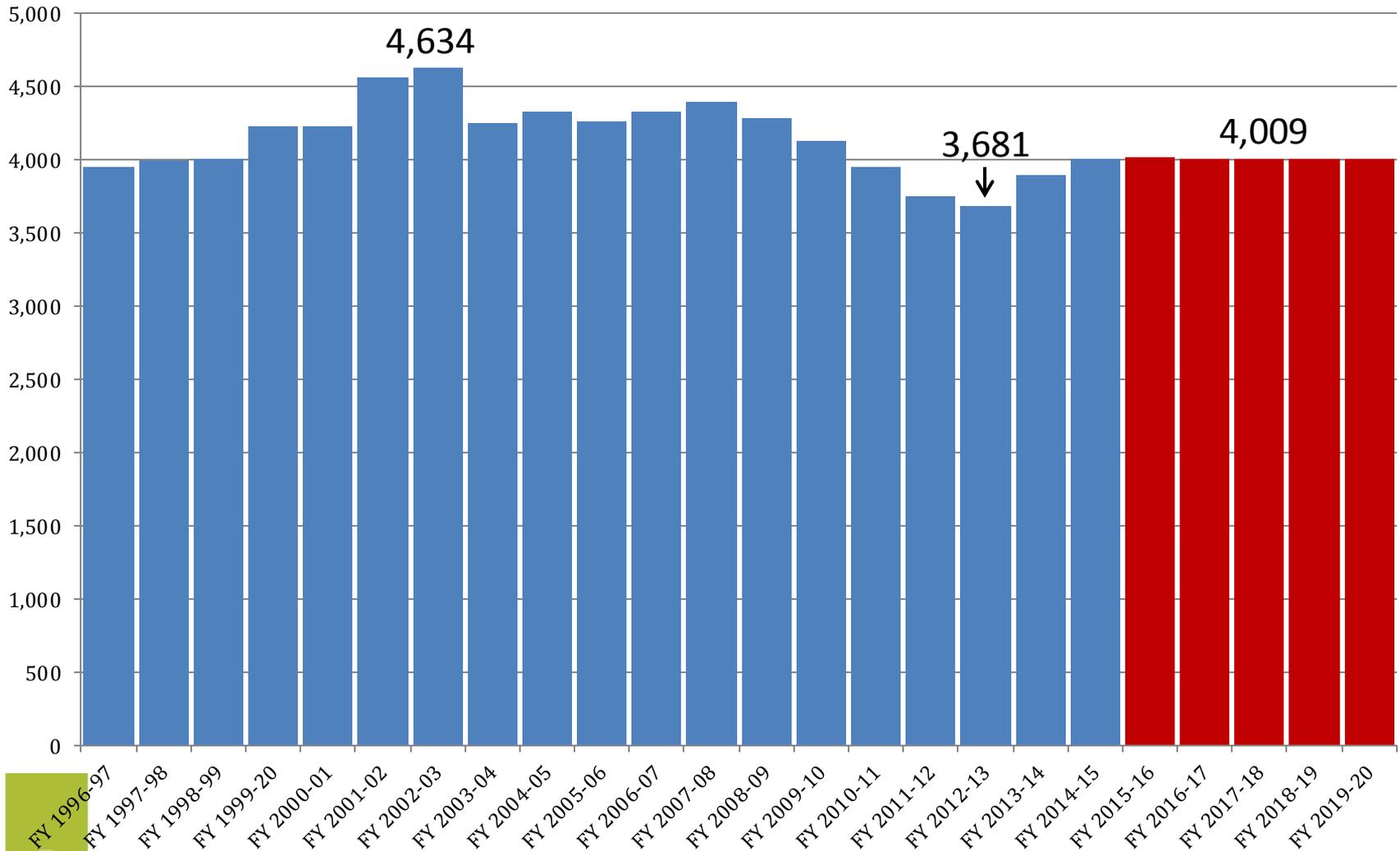
- CalPERS Rates
- Medical Costs (both Active & OPEB)
- PFRS resumed GPF support

Cost of Living Assumptions

- Frozen Baseline – Governed by existing MOUs and no increases otherwise
- Three Out Years 2.75% annually consistent with the assumed inflation rate



All Funds FTEs



Key Expenditure Growth Rates

Assumed Fringe Benefit Rates - Base Case - Pay-As-You-Go					
Employee Group	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Civilian	38.9%	38.9%	40.9%	43.4%	46.0%
Police	36.5%	36.5%	38.8%	41.3%	43.9%
Fire	40.2%	40.2%	42.6%	45.3%	48.0%

Assumed PERS Retirement Rates - Employer Contribution					
Employee Group	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Civilian	32.9%	35.4%	37.4%	39.3%	41.3%
Police	37.7%	40.4%	42.3%	44.2%	46.0%
Fire	33.7%	36.4%	38.13%	39.82%	41.45%

Operations & Maintenance Assumed % Growth					
FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
0.0%	0.0%	2.75%	2.75%	2.75%	



Expenditure Forecast Results

General Purpose Fund (in millions)

Category	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Civilian Salaries & Payroll	\$73.45	\$73.53	\$75.55	\$77.63	\$79.77
Civilian Fringe	\$25.94	\$25.96	\$27.53	\$29.19	\$30.93
Civilian Retirement	\$21.91	\$23.55	\$24.92	\$26.22	\$27.59
Police Salaries & Payroll	\$87.76	\$88.52	\$90.95	\$93.45	\$96.02
Police Fringe	\$24.46	\$24.79	\$26.36	\$28.04	\$29.81
Police Retirement	\$26.49	\$28.76	\$30.15	\$31.54	\$32.86
Fire Salaries & Payroll	\$62.57	\$64.45	\$66.22	\$68.04	\$69.91
Fire Fringe	\$23.12	\$23.82	\$25.25	\$26.82	\$28.45
Fire Retirement	\$21.29	\$23.69	\$24.83	\$25.98	\$27.07
O&M	\$89.14	\$89.66	\$91.77	\$93.68	\$95.65
Debt, Capital, Transfers & Other	\$53.19	\$54.29	\$69.55	\$67.22	\$65.24
Total	\$509.33	\$521.01	\$553.07	\$567.82	\$583.29
Percentage Growth*	3.2%	2.3%	6.2%	2.7%	2.7%



Expenditure Forecast Results

All Funds (in millions)

Category	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Civilian Salaries & Payroll	\$185.16	\$185.12	\$190.21	\$195.44	\$200.82
Civilian Fringe	\$64.85	\$64.80	\$68.70	\$72.85	\$77.20
Civilian Retirement	\$54.74	\$58.74	\$62.15	\$65.40	\$68.82
Police Salaries & Payroll	\$97.25	\$97.60	\$100.29	\$103.05	\$105.88
Police Fringe	\$27.32	\$27.32	\$29.05	\$30.90	\$32.85
Police Retirement	\$29.75	\$31.89	\$33.43	\$34.97	\$36.43
Fire Salaries & Payroll	\$65.00	\$66.89	\$68.73	\$70.62	\$72.56
Fire Fringe	\$23.29	\$23.98	\$25.42	\$27.01	\$28.64
Fire Retirement	\$21.43	\$23.85	\$25.00	Category	\$27.25
O&M	\$283.00	\$284.29	\$291.75	\$299.16	\$306.78
Debt, Capital, Transfers & Other	\$321.34	\$325.38	\$331.45	\$330.78	\$328.16
Total	\$1,173.12	\$1,189.87	\$1,226.18	\$1,256.33	\$1,285.40
Percentage Growth	2.1%	1.4%	3.1%	2.5%	2.3%



High Priority Unfunded Capital Projects

Project	Estimated Cost
Citywide Backlog of Streets and Roadway Pavement	\$443 million
Citywide Backlog of Sidewalk, Stairs, Paths, & Curb Ramps	\$110 million
Citywide Storm Drainage & Watershed Program	\$269 million
City Data Center Relocation	\$9 million
Integrated Public Safety System, 2nd Generation (IPSS2)	\$12 million
Public Safety – Desktops Virtualization	\$4 million
Main Library Relocation/ Expansion	\$200 million
New Police Administration Building	\$405 million
Other Critical Buildings & Facilities Needs	\$39 million
Total	Nearly \$1.5 billion



Key Risks

- Possibility of future economic contraction
- Unanticipated protest activity
- Negative Fund Balances
- Baby boomer retirement



Key Opportunities

- Real Estate Development
- Public Private Partnerships
- New revenue and fee recovery
- Investing in employee skills & technology
- Potential bond measures

Key Uncertainties

- Future demographic trends
- State and Federal legislation
- Economic cycles



Conclusions

- Continued growth in local economy, especially property related revenues
- Strong regional economy driven by the technology sector
- Key expenditures are growing faster than revenues
- Need to address long-term liabilities and capital needs
- Risk of economic contraction in the out years



Q & A

Thank you

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<http://www2.oaklandnet.com/Government/o/CityAdministration/d/BudgetOffice/index.htm>

