

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director

Subject: Five year projection and fiscal model

Date: May 19, 2016

Purpose:

Develop a fiscally prudent long-range financial plan which provides the programs and services which meets the goals and values of the community.

Recommendation:

Review and discuss the assumptions associated with the City's 5-yr fiscal model. Review the impact of potential new programs and funding for unfunded liabilities would have on the model. Discuss the the desired goal for the City's financial position over the the next five years.

Background:

The City Manager and Deputy City Manager attended a conference put on by the Center for Priority Based Budgeting in August of 2015. The first step in developing a priority based budget is to develop a five-year fiscal model. Staff did this soon after coming back from the conference and presented it to the City Council as part of its January Goal setting workshop.

Discussion:

The power of the five-year fiscal model is it allows the Council to develop "what-if" scenarios for various funding and revenue decisions. The first step in developing this model is determine what underlying assumptions will be used as part of the base case scenario.

Staff has been keeping a data base of all revenues since 1990 and departmental expenditures for the General Fund since 1999. Staff uses this information as a primary source for making projections over the next five years.

Revenue Assumptions

Staff closely looks at the most important revenues and makes basic inflationary or no increase assumptions for most of the other revenues where there is no defined expectations. The largest revenue sources are Secured Property Tax, Property Tax from the former RDA Area, Property Tax received in place of Vehicle License Fees, Sales Tax, Recycling Business License Tax, Transient Occupancy Tax, Truck Haul Impact Fees, and Indirect Cost Reimbursements. These revenues make up approximately 80% of all General Fund Revnues.

Sales Tax - Sales Tax is currently our largest revenue source for the General Fund but will become our second largest over the course of the next 5 years as increases in the Recycling Business license tax increases. Staff is assuming a base amount of \$3,141,500 in FY 2016/17 and then a 4% increase each year thereafter. We currently anticipate receiving a little over \$3,200,000 in FY 2015/16 based on actual sales through December of 2015. However, this could vary based on business not reporting timely, or the final payment for the triple flip. Additionally, staff has not included a one-time final triple flip payment next year. This will be treated as one-time revenue and brought to Council's attention when it actually is received. The 4% projected rate is based on projections from MuniServices who is our Sales Tax Audit firm. It is actually difficult to state how much Sales Tax was lost during the recession since that is also when VWR left town and the State did not provide us the appropriate amount of money in any given fiscal year but over stated it one and understated in another. However, based on actual revenues less \$2,000,000 for VWR we were down about 22% over the three year period it took for Sales Tax to stabilize. A 1% change in Sales Tax would have about a \$31,000 - \$37,000 impact on projected revenues.

Recycling Business License Tax - The City passed the recycling business license tax in 2012 and started collecting it FY 2012/13. It has held steady at \$2,100,000 each year. The City has been in discussion with the City of San Francisco and Recology about increasing this over the next 5 years. Those projected increases are included in the projections.

Transient Occupancy Tax - Staff is assuming a \$2,700,000 in revenue in FY 2016/17 and a 3% increase each year over the remaining 4 years of the projection. The \$2,700,000 is on the lower side of what is projected to be received in the current year. Since the rebranding of the Radisson to the DoubleTree the City has seen an increase of approximately 50% in revenues. This is not all due to the DoubleTree. A 3% increase seems modest in comparison to the previous 3 year increases. A 1% change in revenues would have about a \$27,000 - \$31,000 impact on projected revenues.

Secured Property Tax - Staff is assuming a 4% a year increase over each of the next 5 years. Since 1990 the average increase in this tax has been 4.7%. The County is projecting an increase of 5% in FY 2016/17. A 1% change in Property Tax would have about a \$20,000 - \$25,000 impact on projected revenues. During the worst two years of the recession the City saw a reduction of about 20% in revenues.

Indirect Cost Reimbursements - Indirect Costs are the charges the General Fund makes to other funds to provide management and administrative support to those functions. For instance the Marina does not have its own separate finance and human resource staff, therefore these services are provided by the staff paid for from the General Fund. Staff performs an analysis every year to distribute these costs. Staff is assuming a 2% a year increase over each of the next 5 years.

Truck Haul Impact Fees - Staff is assuming a 2% a year increase over each of the next 5 years. This is a base inflationary increase which staff anticipates raising all fees during this period. Truck Haul Impact Fees are effected by the projects that are being developed within the Bay Area and whether they are removing dirt from their project or needing dirt. A 1% change in this revenue source would have a \$7,500 - \$8,400 impact on projected revenues.

Property Tax from the Former RDA Area - Staff is assuming a 3% a year increase over each of the next 5 years. This is lower than the overall City property tax rate since there are less sales in this area. Since this revenue source started we have received on average \$440,000 each year. Staff uses a conservative base of \$300,000 in FY 2016/17 which was the amount we have received in FY 2015/16. The actual revenue varies due to changes in property values and what the Department of Finance allows as Enforceable Obligation. A 1% change in this revenue source would have a \$3,000 - \$4,000

impact on projected revenues. Our revenues have varied over the 5 years we have received this between \$300,000 and \$678,000.

Property Tax received in place of Vehicle License Fees – Staff is assuming a conservative 3% a year increase over each of the next 5 years. This revenue began in FY 2004/05 when the Vehicle License Fee was permanently reduced. The State provided local governments property tax instead of VLF. A 1% change in this revenue source would have a \$2,800 – \$3,200 impact on projected revenues. During the recession we saw a reduction of 18% over the two year period.

The City Council last year set aside \$2,500,000 in reserves in case of a recession and another 5% of revenues for a one year fluctuation in revenues. Based on the sensitivity analysis above this, if there was a recession as deep as the 2008 our revenues would be down about \$1,800,000 over a two year period. Therefore, we have enough money set-aside to work through a recession without impacting the programs or services being delivered.

Expenditure Assumptions

Staff assumes that all employees are maintained throughout the 5-year projection.

Salaries - A Cost of Living Adjustment (COLA) is anticipated in each of the 5 years.

Benefits –

1. Health insurance increases based on an average growth in health insurance is anticipated.
2. Retirement is based on the latest information from PERS however, no assumption is made for the deleveraging of the PERS portfolio. PERS has stated they would like to decrease the Actuarially anticipated rate of return from 7.5% to 6.5% over the next 20 years. This would increase the cost of our PERS payments by approximately 4% for non-safety employees and 7% for safety employees.
3. Other Post Employment Benefits are funded at the Normal Cost based on the City's last actuarial study. This does not impact the City's current unfunded liability.

Insurance – Workers Compensation and Liability Insurance is anticipated to increase 5% a year.

Supplies and Services – Staff has projected a 3% increase in the cost of supplies and services for each of the next five years. No new programs are anticipated.

Debt Payments – Debt payments are based on current outstanding bonds. In FY 2018/19 the City will reduce the payment for its 2006 Pension Obligation Bonds. When the City sold pension obligation bonds in 2006 and 2013 it paid off its current unfunded liability due to joining the pool (2006) and increasing benefits (2013). The City did not extend the payoff period for either of the debts, but instead took advantage of the lower interest rate offered in the bond market compared to PERS. In FY 2018/19 the overall debt payment decreases \$400,000 a year. The two bonds will be completely paid off in 2022/23 for a savings of another \$400,000 a year.

Items not included in projections

1. Funding unfunded portion of OPEB – a new actuarial report will need to be done this year to determine the new amount. It will be impacted by the fact the City has set aside \$1,000,000 for this in each of the last two years, plus any changes to the employees eligible for this benefit.
2. Creating a rate stabilization fund for PERS – As stated above PERS anticipates decreasing its expected returns on investments which will increase future costs.

3. Setting up a building maintenance fund – This year the City conducted a building assessment which determined the repairs needed for its facilities. Moving forward it would make financial sense to set aside a certain amount of money every year to make the necessary repairs similar to what the City did with creating a vehicle replacement fund last year.

Fiscal Impact:

Staff will have the interactive fiscal model available to work with as Council discusses potential changes to the 5-year financial plan.

Measure of Success

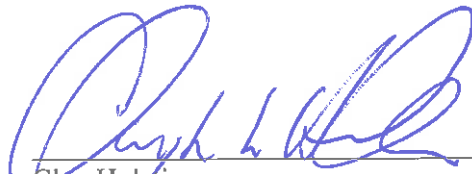
The City can continue to provide the programs and services the community needs and desires.

Attachments:

Snap shot of the 5 year fiscal model.

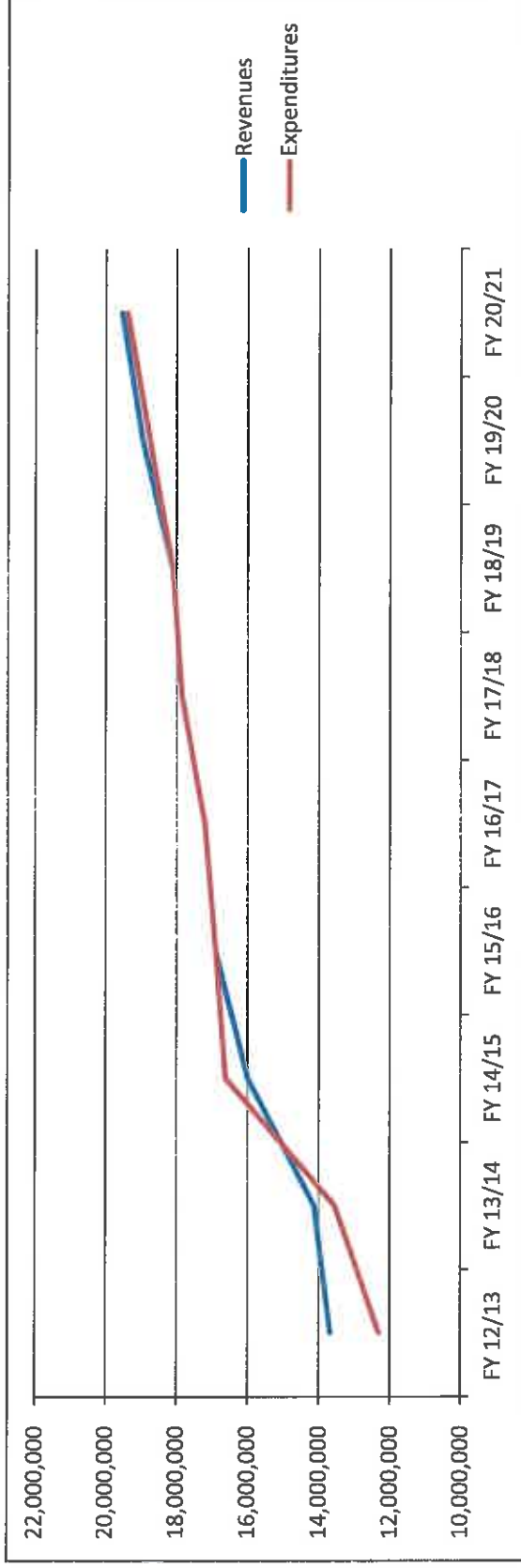


Stuart Schillinger
Deputy City Manager

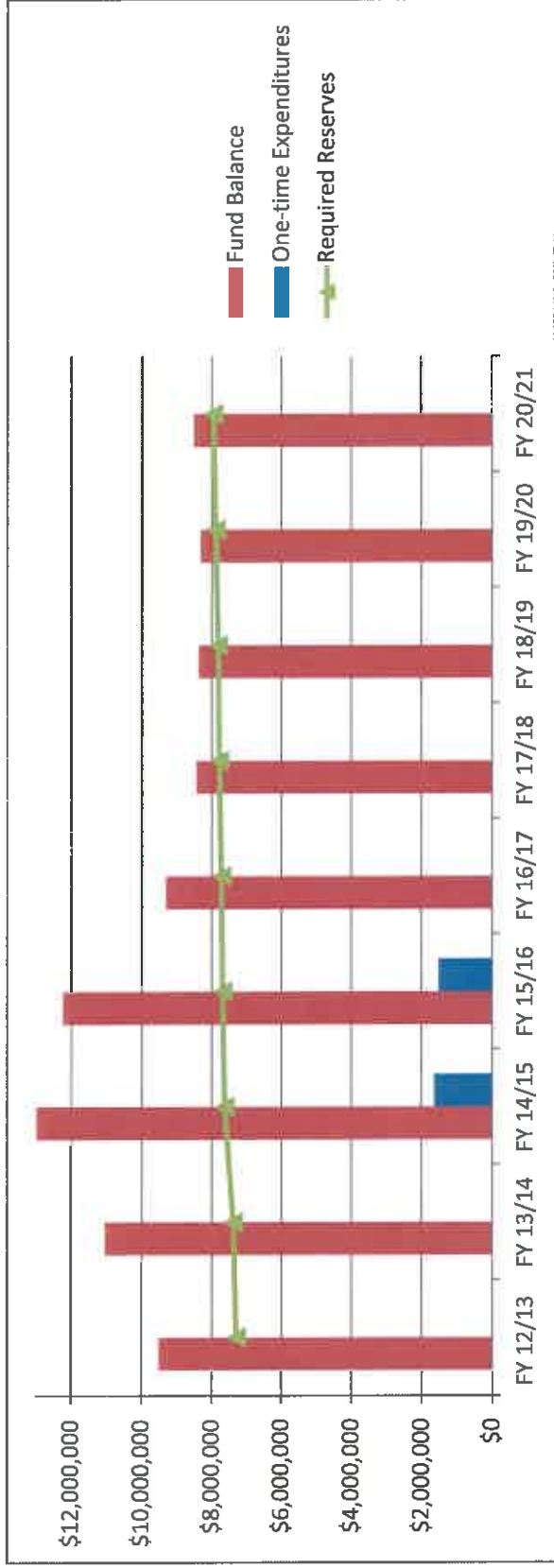


Clay Holstine
City Manager

City of Brisbane Five-year Financial Forecast on-going Revenues compared to on-going expenditures



City of Brisbane Five year Financial Forecast One-time Revenues compared to one-time Expenditures



	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Use Fund Balance to Balance General Fund	Yes	Yes	Yes	Yes		
Library	-					
PERS Unfunded Liability	..					
OPEB Unfunded Liability	500,000					
Change in Salary						
Change in PERS Rate						
Change in Health Insurance						
Building Maintenance Fund	300,000					
New Program 5						
Capital Project 1						
Capital Project 2						
Capital Project 3						
Capital Project 4						

Use Fund Balance to Balance General Fund

Library

PERS Unfunded Liability

OPEB Unfunded Liability

Change in Salary

Change in PERS Rate

Change in Health Insurance

Building Maintenance Fund

New Program 5

Capital Project 1

Capital Project 2

Capital Project 3

Capital Project 4

One-time Cost

On-going Cost

One-time Cost

On-going Cost

One-time Cost

On-going Cost

One-time Cost

New Requests in Budget

General Fund

City Council

	2016/17	2017/18
55th Anniversary	55,000	
Progress Seminar	2,000	2,000

City Clerk

City-wide records retention schedule	14,177	
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City Manager

Alliance for Innovation	1,000	1,000
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Open Space

Purchase of Acre	40,000	
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Finance

Priority Based Budgeting	2,500	2,500
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Human Resources

ID Printer	5,800	
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Community Development

Convert Microfiche to digital	7,000	6,000
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Police

Taser Cartridges	5,500	5,500
Rifle Replacement and Optics	28,500	
Sniper Rifle for SWAT Negotiator	5,000	
Car Laptops/Docks		50,000

Public Works

Replace Retaining Wall San Bruno	70,000	
Traffic Signal Loop detector	2,000	
Supplemental Storm Drain Cleaning	30,000	
Diswasher for City Hall	2,500	1,000
Connect City Hall computer servers and phone system to back-up generator	10,000	

Parks and Recreation

Activity Guide Stock Photos	250	250
Department Camera/GoPro	200	
Community Center		
Tables	1,720	
Chairs	3,700	
Mission Blue Center		
Replacement Chairs	6,000	
Total	292,847	68,250

Utility Fund	2016/17	2017/18
Replace Water Main Valve Box/Lid - Sierea Point/Marina Boulevard Intersection	30,000	
Design bid-ready plans and specifications for 4 demonstration turf replacment projects on city property	40,000	
VDLS Crane Refurbishment/Structure Recoating	32,000	
VDLS Grinder Cutters/Screen Replacement	15,000	
Total	117,000	

NPDES	2016/17	2017/18
Data base Programming Support	1,500	

Marina		
Repair Public Restrooms	35,000	
Additional Security Cameras	8,000	
Total	43,000	

Requests not included in Budget

	FY 2016/17	FY 2017/18
Open Space		
Firth Canyon vegetation management	63,200	
Building and Grounds		
Community Garden	60,000	
Electric Vehicle Charging Station	50,000	15,000
Landscape Maintenance		
Decomposed granite for east and west end of dog park	13,500	
Parks and Recreation		
Paint and Patchwork at Mission Blue	500	
Replace Carpet at Mission Blue	2,000	
Cabinet Doors at Mission Blue		2,000
Counter tops at Mission Blue		1,500
Wall Ovens at Mission Blue	1,800	
Tile work at Mission Blue	1,500	
Refrigerator at Mission Blue		1,500
New Speakers at Mission Blue	1,000	
Additional Funding for Senior Club Trips	3,000	3,000
Day in Park	8,500	
Derby	500	
New events?		
Sing along/quote along at Mission Blue	2,500	
Movies at Mission Blue	650	
Movies at the Pool	500	
Underwater Pumpkin Patch	500	
Family camp out in the Park		
Kids Triathlon		
Family Gingerbread House Contest		
3on3 Basketball Tournament		
Father-Son Game		
Dodgeball Tournament		
Kickball Tournament		
Other Teen Activities	2,000	2,000
Teen Library	1,000	1,000
Pool Covers - Partial Only - Pool	5,035	5,035
Tuff Shed - Pool	2,800	
Backboards - Pool	915	

Equipment Baskets - Pool	500
Lane Lines -Pool	2,500
Replace Bathroom Counters/Mirrors - Pool	4,000
Rust removal from gazebo - Pool	1,000
Lobby paint & improvements - Pool	

Total	229,400	31,035
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