

City of Pacifica Long Term Financial Plan Update



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City of Pacifica Long Term Financial Plan Update

- Tonight we start process for the 2019-20 Budget

- Presentation Includes:
 - Long-term Financial Projected



City of Pacifica Long Term Financial Plan Update

- Our forecast Model:
 - Revenue and Expenditure Projections
 - Moderate, or “Most Likely”
 - 10-Year Forecast 2018-2028
 - General Fund Only
 - Transparent assumptions



City of Pacifica

Long Term Financial Plan Update

➤ Assumption Rational

- Revenues and expenditures expectations based on conservative expectations.
- Most likely scenario based on what staff knows today about the future.
- Revenue assumptions do not include anticipated new development (such as residential, commercial, hotel, etc.), unless such development is already approved for construction.
- Consumer Price Index
 - Growth in the cost of a basket of goods
- Property Tax Estimates
- Discussions with Directors
- Impact of labor agreements



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Long Term Financial Plan Update

	2018-19 Distribution	2018-2019 Adopted Budget	2018-2019 Projected	2019-2020 Projected	2020-2021 Projected	2021-2022 Projected	2022-2023 Projected	2023-2024 Projected	2024-2025 Projected	2025-2026 Projected	2026-2027 Projected	2027-2028 Projected
REVENUE												
PROPERTY TAX	35%	\$ 12,044,773	\$ 12,241,334	\$ 12,486,160	\$ 12,735,883	\$ 12,990,601	\$ 13,250,413	\$ 13,515,421	\$ 13,785,730	\$ 14,061,444	\$ 14,342,673	\$ 14,629,527
RETAIL SALES TAX	6%	2,199,000	2,246,000	2,255,000	2,266,275	2,277,606	2,288,994	2,300,439	2,311,942	2,323,501	2,335,119	2,346,794
TRANSIENT OCCUPANCY TAX	5%	1,730,656	1,731,000	1,739,655	1,748,353	1,757,095	1,765,881	1,774,710	1,783,583	1,792,501	1,801,464	1,810,471
OTHER TAXES	11%	3,891,527	3,986,546	4,023,911	4,061,638	4,099,729	4,138,189	4,177,023	4,216,233	4,255,823	4,295,797	4,336,159
DEPARTMENT/PROGRAM REVENUES	36%	12,405,000	12,702,703	12,334,689	12,548,658	12,770,784	13,001,419	13,240,972	13,489,810	13,748,344	14,017,061	14,296,824
TRANSFERS IN	7%	2,297,398	2,297,398	637,398	637,398	637,398	637,398	637,398	637,398	637,398	637,398	637,398
TOTAL ANNUAL REVENUE	100%	\$ 34,568,354	\$ 35,204,980	\$ 33,476,814	\$ 33,998,206	\$ 34,533,214	\$ 35,082,295	\$ 35,645,964	\$ 36,224,695	\$ 36,819,013	\$ 37,429,512	\$ 38,057,174
EXPENSES												
SALARIES AND WAGES	45%	\$ 15,512,000	\$ 15,512,000	\$ 15,822,240	\$ 16,138,685	16,138,685	16,138,685	16,138,685	\$ 16,138,685	\$ 16,138,685	\$ 16,138,685	16,138,685
PERSONNEL BENEFITS	9%	3,139,249	3,139,249	3,202,033	3,266,074	3,266,074	3,266,074	3,266,074	3,266,074	3,266,074	3,266,074	3,266,074
PENSION EXPENSE	16%	5,540,273	5,540,273	5,739,518	6,304,639	6,991,826	7,661,965	8,027,605	8,500,621	8,826,570	9,218,113	9,596,734
DEPARTMENTAL EXPENSE	2%	566,000	566,000	591,470	618,086	645,900	674,966	705,339	737,079	770,248	804,909	841,130
OTHER SERVICES/CHARGES	24%	8,389,090	8,389,090	7,024,087	7,340,171	7,670,479	8,015,650	8,376,354	8,753,290	9,147,188	9,558,812	9,988,958
INTERGOVERNMENTAL	1%	251,355	251,355	251,355	251,355	251,355	251,355	251,355	251,355	251,355	251,355	251,355
CAPITAL OUTLAY	1%	230,188	230,188	240,546	251,371	262,683	274,503	286,856	299,765	313,254	327,350	342,081
DEBT SERVICE-COP	1%	413,200	413,200	413,200	712,857	850,827	815,710	804,067	804,067	804,067	804,067	804,067
TRANSFER OUT-POB TO WWTP	0%	147,000	147,000	905,000	905,000	-	-	-	-	-	-	-
TRANSFERS-OUT	1%	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000
TOTAL ANNUAL EXPENSE	100%	\$ 34,568,354	\$ 34,568,354	\$ 34,569,450	\$ 36,168,238	36,457,828	37,478,908	38,236,336	\$ 39,130,936	\$ 39,897,441	\$ 40,749,366	41,609,084
TOTAL GF SURPLUS/DEFICIT		\$ 0	\$ 636,626	(1,092,636)	(2,170,032)	(1,924,614)	(2,396,614)	(2,590,372)	\$ (2,906,241)	\$ (3,078,428)	\$ (3,319,854)	(3,551,911)
PCT. OF GF REVENUES			1.81%	-3.26%	-6.38%	-5.57%	-6.83%	-7.27%	-8.02%	-8.36%	-8.87%	-9.33%



City of Pacifica

Long Term Financial Plan Update

2018-2019 Budget Impacts

Revenue Assumptions

Summary of General Fund Revenue Assumptions

- Property Tax (35%)
 - LTFP Forecast – Near term housing market is expected to remain solid - conservatively estimating 2% annually growth. Staff, however, may revise the 2019-20 forecast based on current year receipts.
- Retail Sales Tax (6%)
 - LTFP Forecast - Estimating retail sales tax receipts will increase by 0.5% annually.
- Transient Occupancy Tax (5%)
 - LTFP Forecast (moderate) - Going forward staff is estimating growth in TOT receipts of 0.5% annually, which includes short term rentals.



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2018-2019 Budget Impacts

Revenue Assumptions

Summary of General Fund Revenue Assumptions

- Impact of Future Commercial Activity
 - These estimates may be impacted by future commercial establishments such as new hotels or cannabis retail shops.
 - Efforts are in the very early stages of development, it is difficult to speculate on their eventual impact on the long term forecast. Therefore, the economic impact of these future commercial activities has not been included.
 - Staff does, however, estimate that future hotel development, if completed, could result in an additional \$600,000 to \$1.2 million annually in Transient Occupancy Taxes.



City of Pacifica Long Term Financial Plan Update

Summary of Revenue Assumptions

Revenue Source	Projected Annual Growth
Property Taxes	2.0%
Retail Sales Tax	0.5%
Transient Occupancy Tax	0.5%
Franchise Tax	1%
Business License	0.5%
Utility Users Tax	1%
Service Charges such as: <ul style="list-style-type: none"> • Construction Permits • Other Licensing and Permits • Beach and Community Center related services • Recreation Fees 	Maximum 4.5% (or agreed upon increases)
Other Revenues such as: <ul style="list-style-type: none"> • Intergovernmental (mostly grants) • Fines and Forfeitures 	Growth factor of 0.0%
Transfers-In <ul style="list-style-type: none"> ▪ Interfund Loan transfers to smooth pension obligation payments 	Forecasted at agreed upon transfer amounts and timelines



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Long Term Financial Plan Update

2018-2019 Budget Impacts

Salaries and Wages

Summary of General Fund Expenditure Assumptions

- The three largest drivers of expenses are salaries, pension costs, and health care.

Salaries and Wages

- Given that all but one of Pacifica's labor contracts, which provide salary and health insurance increases of 2% annually, as well as various incentive pay increases, are valid through June 2021, the salary and benefits projections reflect 2% increases until June 2021.

Other Significant Costs-Pensions

- On December 21, 2016, CalPERS lowered their discount rate from 7.5% to 7.0% over the three subsequent years. As a result of this policy change by CalPERS, we estimate that the City will incur addition pension expenses of approximately \$700K to \$800K annually for the next four to five years. In addition, this growth in expenditures is expected to continue, albeit at a lower rate until FY 2031/2032.
- We have incorporated the estimated General Fund impact into this long term forecasts.



City of Pacifica

Long Term Financial Plan Update

2018-2019 Budget Impacts

Salaries and Wages

Other Significant Costs-Pensions

- On December 21, 2016, CalPERS lowered their discount rate from 7.5% to 7.0% over the three subsequent years. As a result of this policy change by CalPERS, staff estimates that the General Fund will incur addition pension expenses of approximately \$400K to \$800K annually for the next ten years.
- In addition, this growth in expenditures is expected to continue, albeit at a lower rate until FY 2027-2028.
- Staff has incorporated the estimated General Fund impact into this long term forecasts based on the most recent (06/30/2017) actuarial valuation performed by Bartel Associates.
- During spring 2019 staff will be providing a more in depth presentation on the long term financial plan to address pensions as required by the June 28, 2018 San Mateo County Grand Jury report.



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Long Term Financial Plan Update

General Fund Pension Forecast 2019-2028

	2019-2020 Projected	2020-2021 Projected	2021-2022 Projected	2022-2023 Projected	2023-2024 Projected	2024-2025 Projected	2025-2026 Projected	2026-2027 Projected	2027-2028 Projected
Pension Expense - Normal	\$ 1,786,780	\$ 1,945,020	\$ 2,053,620	\$ 2,126,460	\$ 2,244,220	\$ 2,319,640	\$ 2,393,200	\$ 2,469,340	\$ 2,545,480
Pension Expense - PARS	54,165	55,790	57,464	59,188	59,188	60,963	62,792	64,676	66,616
Pension Expense - POB	779,372	804,769	834,882	865,417	865,417	960,397	960,397	960,397	960,397
Pension Expense - CalPERS UAL	3,119,200	3,499,060	4,045,860	4,610,900	4,858,780	5,159,620	5,410,180	5,723,700	6,024,240
Total	\$ 5,739,518	\$ 6,304,639	\$ 6,991,826	\$ 7,661,965	\$ 8,027,605	\$ 8,500,621	\$ 8,826,570	\$ 9,218,113	\$ 9,596,734
Change in CalPERS Liability	\$ 765,820	\$ 538,100	\$ 655,400	\$ 637,880	\$ 365,640	\$ 376,260	\$ 324,120	\$ 389,660	\$ 376,680



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Long Term Financial Plan Update

Revenues - Expenses = Pacifica's Financial Future

- The product of matching the revenue forecast with the likely expenditure projections is shown above.
- Based on the assumptions described above, the LTFP projects that expenditures will continue to outpace revenues continuing through 2027-28.
- However, each year the City Manager will bring forward and recommend a balanced budget for Council consideration.
- Because of the variety of uncertainties that affect the City's finances, these projections are updated each year to reflect the most accurate and current information available to staff at the time.
- Staff, however, may revise the 2019-20 forecast in the coming months based on receipts received during the winter and spring.



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Questions?