CITY OF CLOVIS

Five Year Financial Forecast

Through Fiscal Year 2013/14

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CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

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INTRODUCTION

INTRODUCTION

The Five Year Financial Forecast through 2013-2014 represents a continuing effort to analyze the City's long term fiscal condition based upon a reasonable set of economic and operational assumptions. It is an important management tool used by both the City Council and the City Manager in identifying fiscal trends and issues which must be addressed early in order to assure continued financial success. The set of forecasts contained in the following pages is not a prediction of what will occur. They are a snap shot in time and an **approximate view of what could occur** in the future if all of the assumptions are realized.

Uncertainty of the future is still the hallmark of any forecast and this forecast is no exception. In previous forecasts, historical trends provided an excellent basis for projecting future results. Due to current economic conditions that we have not experienced, possibly since the Great Depression of the 1930s, historical trends are no longer a valid indicator of future results. A case in point is sales tax performance. Historically there has been double digit, year-over-year growth. The city is now experiencing negative year-over-year results. The first negative quarter occurred the last quarter of 2006 and has persisted every quarter since. That trend is projected to continue to decline till the 2nd quarter of 2010.

Below are some factors that need to be highlighted as we proceed through the forecast:

1. The General Fund balance for fiscal year 2009-2010 is projected to show a deficit of $5.3 million which will require expenditure reductions or other actions to balance.

2. General Fund revenues are declining 5% in 2009-2010 when compared to 2008-2009 with sales and property taxes projected to decline as well.

3. The General Fund forecast does not reflect any restoration of services that have been reduced in previous or current year budgets.

4. The General Fund forecast reflects increasing the "Emergency Reserve" to 10% over the forecast period.

5. The General Fund forecast reflects establishing "Contingency for Economic Uncertainty" in order to lessen the impact on departmental operations in case of further revenue declines during the upcoming three year period.

6. PERS rates are anticipated tol increase substantially in 2011-2012 affecting all funds. The increase is anticipated to be an increase of 10% of payroll.

7. Rate increases are anticipated for the Water Enterprise (2009-2010), and Sewer Enterprise (2011-2012) funds. Annual rate increases for the Refuse Enterprise need to be continued through the forecast period.

The economy plays a critical role in any forecast, and the current state of the economy is having a significant impact. The collapse of the housing market which began at the

end of calendar year 2006, the credit and banking crisis, consumer confidence reaching an all-time low in February 2009 are all factors having an impact on the preparation of this forecast. The only positive from last year's forecast is the rapid retreat of oil prices. The result of the General Fund forecast continues to reflect that the city is under fiscal stress primarily due to the current economy's impact on revenue growth that supports general operations, that is primarily derived from property and sales taxes. Following is a snapshot of current California economic data:

California Economic Snapshot		
New Auto Registrations (Fiscal Year to Date)	690,140 Through Nov. 2007	513,660 Through Nov. 2008
Median Home Price (for Single Family Homes)	$383,000 In Jan. 2008	$224,000 In Jan. 2009
Single Family Home Sales	19,145 In Jan. 2008	29,458 In Jan. 2009
Foreclosures Initiated (Notices of Default)	81,550 In 4th Quarter 2007	75,230 In 4th Quarter 2008
Total State Employment (Seasonally Adjusted)	15,525,100 In Jan. 2008	15,043,100 In Jan. 2009
Newly Permitted Residential Units (Seasonally adjusted Annual Rate)	71,882 In Jan. 2008	30,871 In Jan. 2009
Data Sources: DataQuick, California Employment Development Department, Construction Industry Research Board		

The snapshot above shows the statewide downward trend in auto sales, median home prices, employment numbers and new residential units, with foreclosures at an alarming rate. On a positive note, statewide there has been an increase in home sales in 2009 when compared to last year. Further analysis indicates that reduced prices and foreclosures are spurring sales of existing homes. Current information indicates that the recession is far from over. Locally, the downward trend continues in 2009-2010 but begins to level off thereafter.

While the State of California recently approved their budget much hangs on the ballot issues that California voters will decide in May 2009. Failure of the ballot measures will again throw the State budget into a huge deficit position. How the State Legislature deals with the outcome of the election has the potential of seriously impacting this forecast but is unknown at this time. Local government revenues are at risk as has been demonstrated repeatedly by the State. Proposition 1A, a Constitutional Amendment passed overwhelmingly by California voters in 2004, provided some stability to local revenues by preventing the State from arbitrarily taking local revenues at will. However, it does allow the State to borrow local property taxes in case of a "severe fiscal emergency". If such a fiscal emergency is declared, the State has the capability to borrow between $1.0 - $2.5 million of the city's local property tax and redevelopment property tax revenue. This is something that we constantly need to be aware of.

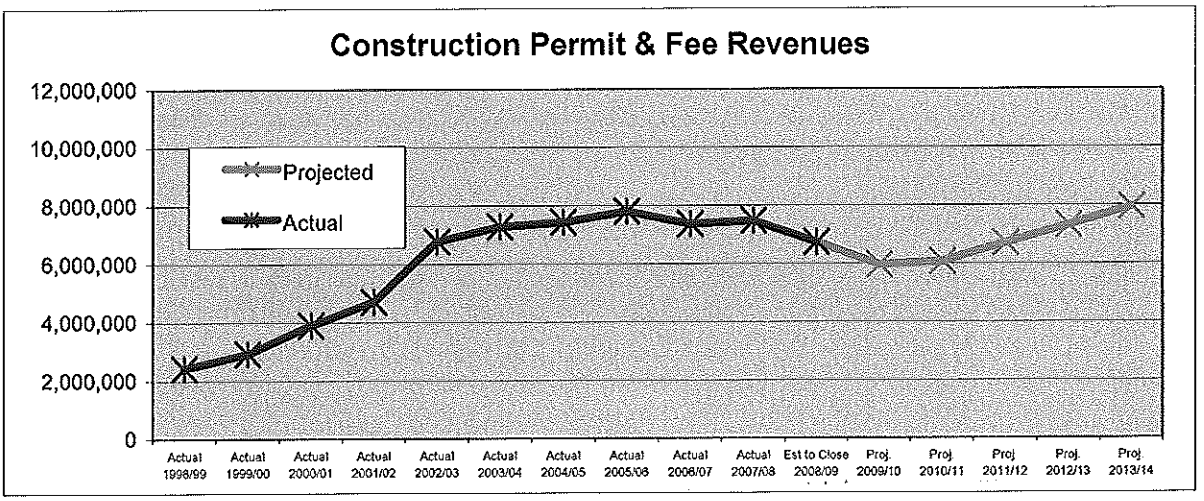
The 2008-2009 budget required substantial mid year expenditure reductions due to the declining revenue base. As a result of the expenditure reductions, service levels also

were reduced. The forecast as developed does not reflect any restoration of service levels that were reduced or eliminated in the previous or current budget years.

Critical non-personnel expenditures such as fleet replacement that were reduced or eliminated in the 2008-2009 or prior budgets have been totally restored in the forecast. As the city's fleet begins to age, especially safety vehicles, we will no longer be able to postpone the replacement of these vehicles but may be able to look at other options including additional lease purchase arrangements. Training is another critical item that has been reduced in previous budgets, however, has not been restored in the forecast.

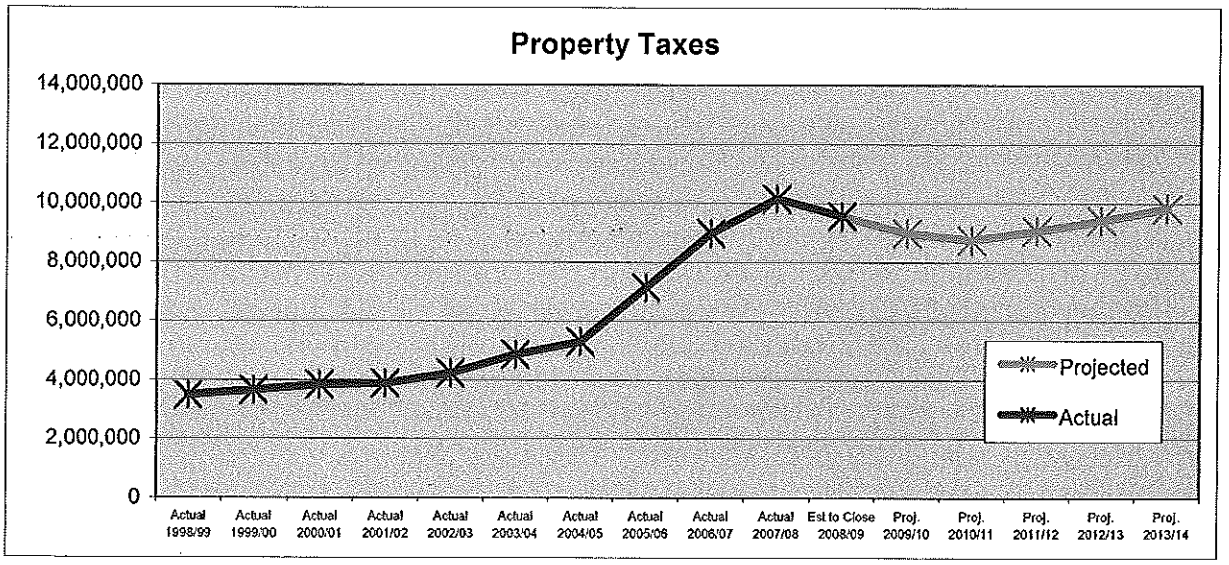
Expenditures in the General Fund are projected to grow at an annual average of 2.5% over the forecast period. The forecast does not reflect any restoration of service levels that were reduced or eliminated in the previous or current budget year. This leaves the city further away from meeting staffing goals established by the Police Department's "Master Service Plan," and the Fire Department's "Standards of Coverage for Emergency Response." The staffing levels recommended by these plans are 1.3 sworn police officers and 0.8 firefighters per 1,000 population.

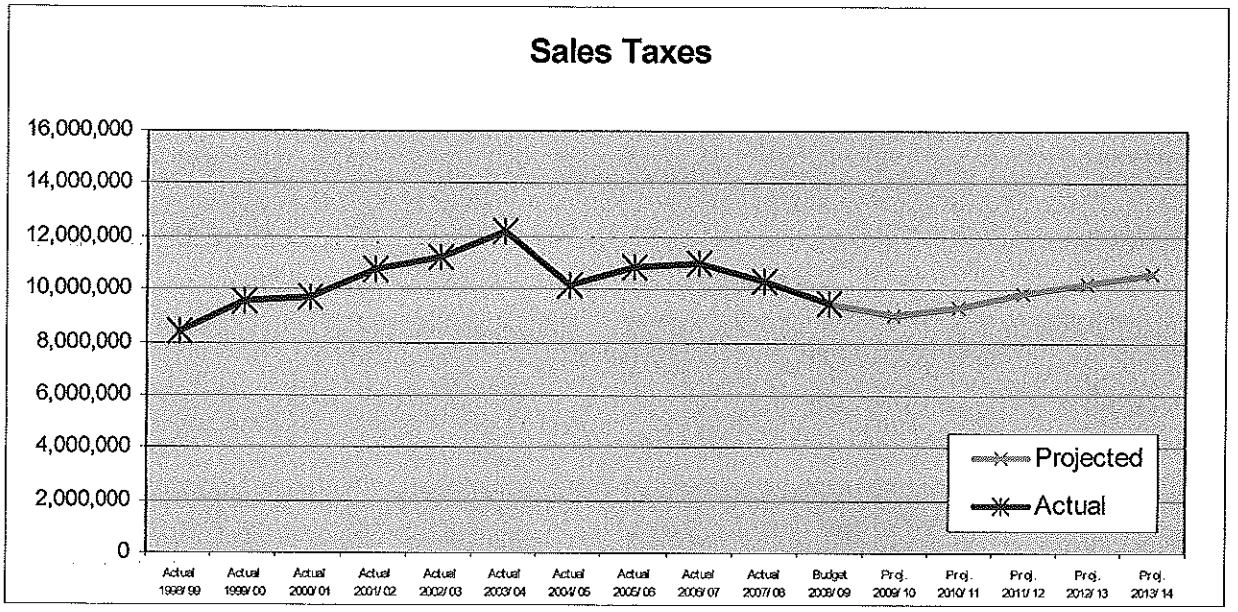
The most significant General Fund revenue sources --- sales taxes, property taxes, and development related fees --- have been the most severely impacted revenues during this downturn of the economy. Development fees, which include planning and building permits, began to fall at the end of 2006 and have remained at a depressed level since that time. The forecast continues to project below average construction through forecast period with a modest increase 2012-2013 and reaching 500 units in the next year which is half of our 10 year average of 1000 units annually.



Property taxes, as indicated in the chart below, reflect the slow down in construction activity and also the downward valuation of property sold or constructed in the last 5 to 6 years as announced by the County Assessor. The forecast assumes a decline in assessed value of 4.5% in 2009-2010 and 2.5% in 2010-2011. We are assuming that property taxes will begin reflecting new growth with no offsets by 2011-2012. An unknown factor is tax delinquency. Historically the city has experienced a very low property tax delinquency rate. As more homes go into foreclosure, delinquent property taxes may become more of a factor and will need to be closely monitored. Another

concern at this time is the real possibility of negative supplemental property taxes as homes are adjusted for reduced valuation.

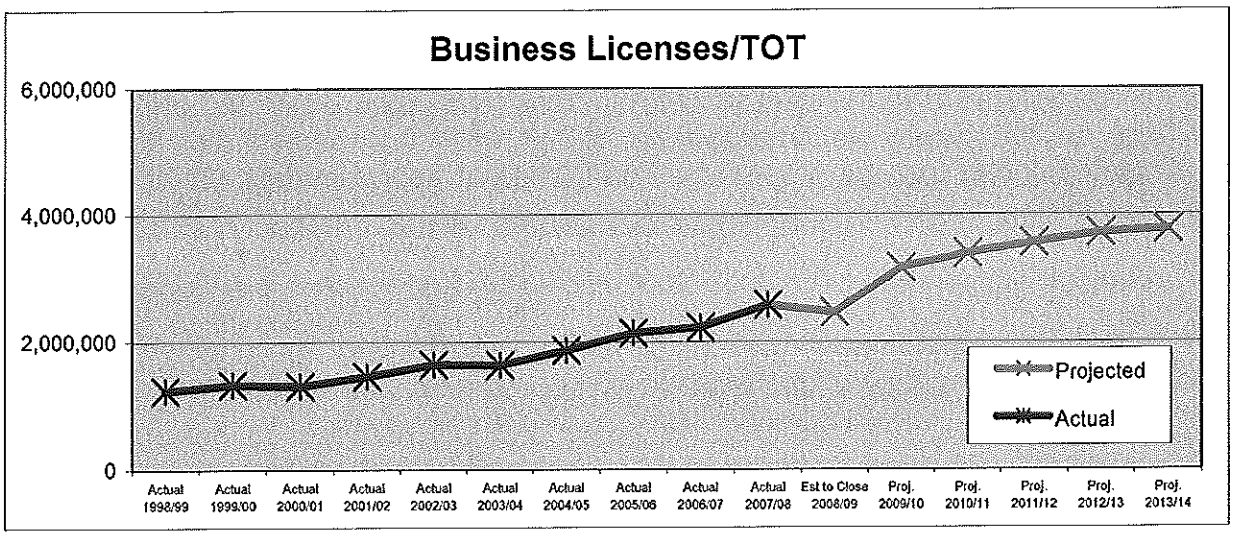




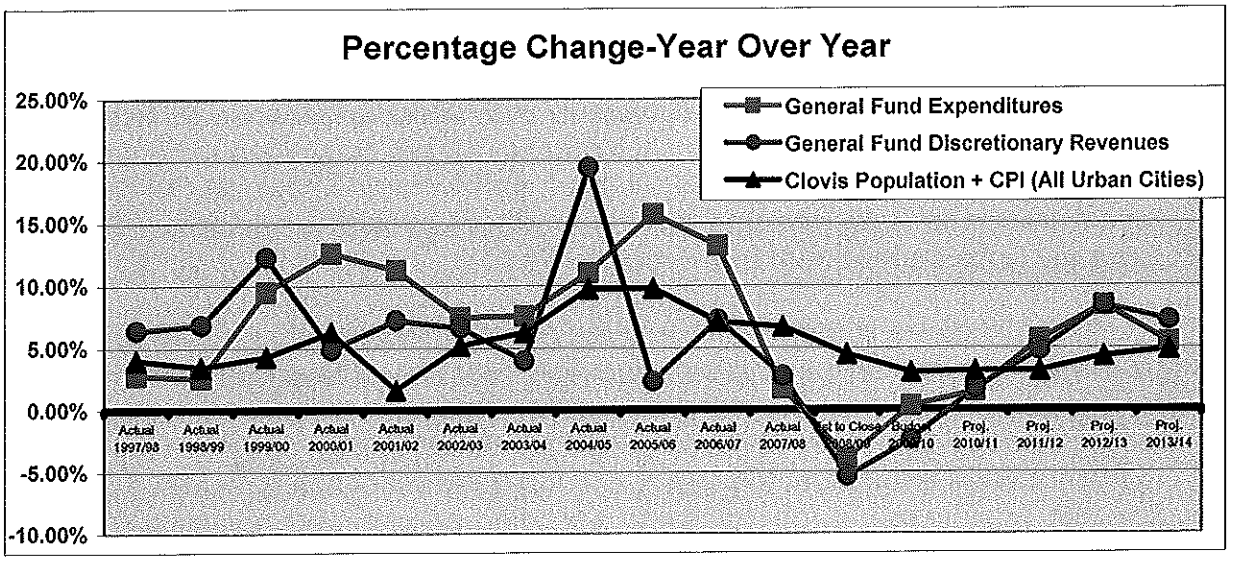
As indicated in the above chart, the city has experienced 10 quarters of flat or declining sales tax revenues when comparing year-over-year results. The sales tax revenue reflects the decline in auto sales, building supplies and materials, and general retail due to a decline in consumer spending and new home sales. The forecast generally reflects a continuing decline of 8% in 2008-2009 and an additional 5% decline in 2009-2010 before turning around. In 2010-2011 and beyond sales tax is anticipated to grow by CPI, additional population growth, and the anticipated opening of a major shopping center in July 2011 located at Clovis and Herndon Avenues. If this shopping center is further delayed, the projections simply move out over a longer period before any recovery and significant growth occurs.

Transient Occupancy Tax is a bright spot in the forecast. We are projecting the opening of five new hotels, three currently in construction and two just beginning construction,

within the next two years more than doubling this revenue source. Economic development efforts by the city and community partners to secure target industries, in this case hospitality and tourism, are beginning to have an impact. Also included in the following chart are business licenses, which as a result of an audit being performed for the city, are showing a spike in revenue for 2007-2008 from past due payments that will not reoccur in future years.



General Fund revenues are projected to grow an average of 2.0% per year. This compares to a 6.0% average growth rate in the 2006-2007 and 2007-2008 fiscal years. The following chart illustrates how the growth in General Fund expenditures based upon the current operation compares to growth in discretionary revenues, population and Consumer Price Index.



The forecast also reflects increasing the emergency reserve to 10% over the forecast period. Staff is recommending that increasing the General Fund emergency reserve to 10% should become a priority and reconsideration of the current policy. It should be noted that Clovis currently maintains the lowest emergency reserve amongst a recent survey of 70 California cities. Among cities of comparable size to Clovis the average

reserve is greater than 15%. As the city has grown, the current reserve policy should be addressed. A 10% reserve would provide the city with only 1.2 months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. Failure to increase the reserve to a more prudent amount could cause the city's credit rating to be downgraded by the rating agencies, affecting the city's ability to borrow money and affecting the cost of borrowing.

The forecast also reflects establishing a Contingency for Economic Uncertainty in order to lessen the impact on departmental operations in case of further revenue declines during the upcoming three year period. This will be a planned fund balance each year for carry forward to the next year to address unplanned expenses of modest amounts that do not qualify as emergencies or for small unexpected dips in revenue. It is recommended that the reserve be established at approximately 1% of expenditures or $0.5 million.

Although suspended in the 2006-2007 fiscal year and forward, the General Fund has set aside some funds to perform ongoing facility repair, maintenance and remodeling, equipment maintenance and replacement, new facility construction, and strategic investment for economic development. This forecast does not include annual funding for these purposes. City facilities are aging and will continue to need remodeling and equipment upgrades; deferred maintenance will only serve to potentially increase the costs of necessary repairs. This practice can be utilized for the short term but is not recommended for the long term. All revenues from property sales held by this account will need to be held in reserve to insure cash availability to pay for debt service for the construction of Fire Station 1 and any urgent facility repairs.

While the forecast has become a valuable management tool to examine the trends of ever changing fiscal conditions, there are limitations to its use. Due to the many changes in reallocation, swap of funds, and reduction of funding by the State, changes in regulations that require new programs and dramatic changes in the economy, it has been found that the first few years of the forecast are a fairly good indicator of coming events while the later years are subject to much greater variance as actual conditions become known. Recognizing this shortcoming, we are committed to continue to provide the best projections for these years based upon what is known at the time in order to **reveal trends in both revenue and expenditure growth or decline**. That is the key message to be derived from this forecast.

The financial tables in the report include a baseline forecast that reviews actual financial performance over the past three years, an estimate of financial performance for the current year based upon the current operation, and projections for financial performance for the next five years. All of the forecasts are based upon a specific set of assumptions that are utilized throughout the report and identified with each forecast. This forecasting tool has proven useful for examining spending policies and revealing the trends and financial issues facing the City In order for corrective actions to be taken when needed.

FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

This year and for at least the next two years, it is expected that the city will continue to face fiscal challenges from declining or flattening sources of revenue that support the general operations. The local, state, and national economic conditions are not expected to begin recovery until mid-2010, and local governments in particular will not experience the benefit of an improved economy for 18-24 months afterward. Primary local revenue sources are directly related to economic conditions and the performance of property and sales taxes.

During the 2009-2010 budget year and through the forecast period the city will need to continue with its efforts to refocus general operations to the highest priorities for services to maintain the health, safety, and welfare of the community, deploy resources differently than in the past, and seek community partners where possible. The following challenges should be addressed in the budget:

1. Public safety remains a high priority for the city. However, there is insufficient funding to sustain or expand staffing and resources to meet the goals and standards for master service plan levels for police and fire services. It will be necessary to further reduce staffing costs and redefine response to lesser priority service demands now covered by city response. Some relief may be possible with the influx of new sources of revenue from federal economic stimulus and recovery funding directed at retaining sworn police officers; however, there is no similar funding available for sworn firefighters. Expenditures for overtime must also be reduced.

2. Parks and landscape maintenance is a high priority to the city as well, because there is significant investment made in the city greenscape and it provides the first impression of overall care and stewardship for the physical amenities of the community. However, those key facilities located in nearly half of the city which are not supported by property tax assessments will continue to receive insufficient funding to sustain or expand staffing and resources to meet the goals and standards for master plan service levels for a clean and green community. Staffing has already been reduced to a minimal level for the volume of acreage and urban forest to be maintained. Cost containment strategies will need to be considered that may include reduced watering and reduced maintenance schedules, more use of private maintenance contracts, and greater use of volunteers.

3. Planning and development services is a high priority for the city. These services guide the overall strategies for current and future land use and building throughout the city. The city has already reduced staffing significantly and is looking to sustain services while restructuring workload throughout the department. Economic growth cannot occur if services are not available and offered in a timely manner to review and permit residential and commercial projects. Much of these services can be supported by permit fees; however, general oversight of code updates and enforcement for maintaining health and safety standards and preventing neighborhood blighting will need to be supported with general taxes. Development

services are also a source of private contracting for construction and delivery of public improvement projects and capital investment. Local, state, and federal funding is available for these projects and new economic stimulus and recovery funding is boosting revenues for such projects. The city has the ability to advance more projects to help stimulate economic activity within the construction and trades industry that can provide jobs and stimulus to the local economy. By redirecting planning and engineering work to city staff rather than contracting out, there is the ability to keep the city's professional staff employed rather than sustaining additional lay-offs.

4. Fleet replacement funds should be deferred for a third year in General Fund operations. This means that the city will be extending the life of the fleet to the extent that it is possible and that it will be migrating to a "pay as you go" method of funding for the foreseeable future.

5. Capital outlays should be constrained or in some cases eliminated, especially for general operations. This means that some repairs and rehabilitation or replacement of equipment and facilities will be deferred until a future time.

6. Workforce expenditures should be constrained throughout the city because costs for salaries, healthcare benefits, and retirement plans continue to increase. Healthcare and retirement costs are projected to increase at rates that may be 5-10 times the rate of inflation and restructuring of benefit schedules should be considered.

7. All public utility enterprises will be subject to rate increases during the forecast period to pay for increasing costs of operations and capital projects; therefore, the city will need to constrain spending for operations to lessen the impact of the timing of rate increases to customers during this period of economic recession.

8. The Economic Development Strategy to facilitate retention and expansion of business, support business park development, and guide strategic investment in infrastructure to support business growth will require more creative approaches to marketing the city to address high commercial and office vacancy rates within a very constrained budget. More work effort can be devoted to specific projects in redevelopment areas for targeted investment of bond funds.

9. Community services for recreation and senior services that are important to the city and offer healthy and low cost activity for adults, children, and families will need to refocus efforts to develop opportunities for partnerships with other public and non-profit agencies, citizen volunteers, and private entities, where appropriate, and to seek cost efficiencies and alternate methods of service delivery.

10. New fiscal policies should be adopted that set the emergency reserve balance at no less than 10% of annual expenditures and a new "contingency for economic uncertainty" should provide sufficient funding each year to ensure a carry forward fund balance for general operations as a way of coping with annual spikes in unanticipated expenditure or minor fluctuations in revenues that do not represent catastrophic events.

The City's overall financial condition will again be very constrained due to the continuing effects of the economic recession. Stability will be sought through restructuring of services and delivery, overall reduced spending, and reduction in workforce expenses. The magnitude of the changes resulting from current economic conditions has shifted the city's general operating revenues downward to a level that is comparable to 2006. It will take some time to recover such losses through renewed real estate activity and consumer spending. The commercial market is expected to continue to experience adjustment to economic conditions and lower consumer spending. Because this is a large sector of the economy in the city, a cautious approach to spending is in order. For the near term, careful examination of services throughout the city must be accomplished to dedicate resources to the greatest needs and continue to constrain spending throughout. This will mean a continued period of adjustment for city staff as well as our citizens.

Decisions of the Governor and the State Legislature for resolving the growing deficits of state government could be greatly impacted by the special statewide election in May 2009. If state budget deficits continue to grow for any reason, the results of stabilization of local government revenues through Constitutional Amendment in 2004 may be short-lived. Local government exists with the threat of state government "borrowing" local property taxes and transportation taxes to relieve fiscal emergencies. Such actions would put the city and many local governments around the state in a position of fiscal crisis.

While the forecast identifies both negative and positive trends, the city has consistently taken responsible steps to deal with the demand for services, the timely expansion of public facilities, the extraordinary cost of new regulations, and the permanent loss of some revenues. Sound financial management of the city's resources requires that the City Council and city management work together, observe the early warning signs, and take the necessary steps to adjust programs and spending to meet the needs of the community in a fiscally responsible way. Now more than ever, the messages that the City Council provides to the community will be critical to the overall success of the changes that will be made to the city's mix of services and methods of service delivery. The willingness to analyze the financial trends, the courage to make changes when they are called for, and the commitment to consider long-term budget policies all will serve to improve the effectiveness of our financial management strategies and will raise the public's confidence in the decision-making and accountability of its public leadership.

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ANALYSIS OF FUNDS

The purpose of this forecast is to provide the City Council and the City Manager with an early identification of financial trends. With early detection, financial trends identified as possible problems can be dealt with in a reasonable manner rather than waiting for a crisis to occur.

The City's Annual Budget represents a total financing plan for all city operations and must be analyzed by its component parts in order to make any meaningful adjustments. Unlike a private holding company, the City cannot remove cash from any one enterprise operation to help support general tax funded operations. Although there is certainly some financial interdependence between the funds, such as internal service fund charges to allocate common costs, each fund represented in the budget must stand alone.

When analyzing city operations it is appropriate to look at the budget department by department. However, when reviewing long range financial policies, it is best to look at the fund structure rather than the departmental structure. The major fund groups reviewed in this forecast are:

General Fund - This fund includes the functions of general government, including elected officials, administration and finance, development services, public safety, and some field maintenance activities, such as parks and street maintenance.

Enterprise Funds - These funds include operations for the water, sewer, solid waste, street cleaning, and transit services.

Internal Service Funds - These funds include property and liability insurance, employee benefits, fleet maintenance, and general services.

Capital Improvement Funds - These funds include all capital improvement projects.

Debt Service Funds - These funds include all debt service activity for which the city is responsible.

GENERAL FUND

Current Year (2008-2009)

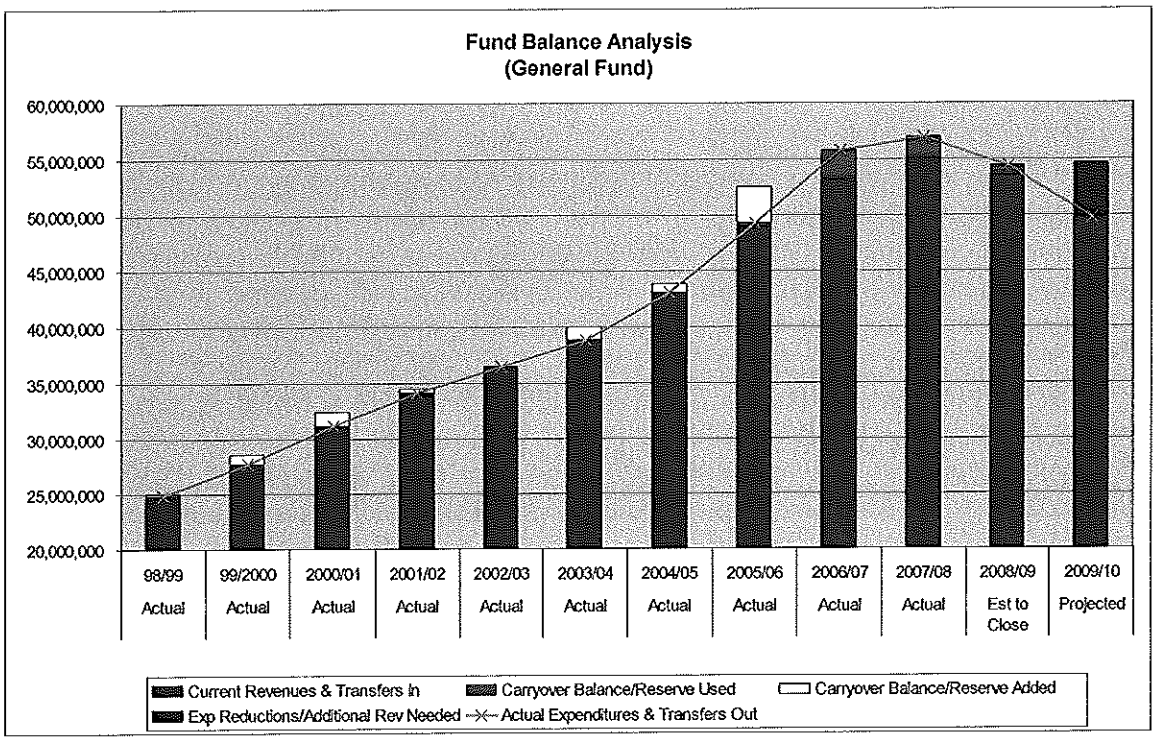
Concerning the economy and all fiscal matters, this has been a very difficult year for the city. The city began the budget year reducing spending for all departments and suspending funding for 27 positions in the General Fund. Due to a rapidly deteriorating economy and its impacts on city revenues, Council was required to make additional mid-year expenditure reductions and service cuts of $2.0 million and utilize $0.36 million of the Emergency Reserve Fund. To accomplish these expenditure reductions, authorized positions were reduced by an additional 43 positions, resulting in job transfers for some employees and lay-off for eight full time employees. Revenues most significantly impacted by the economy in 2008-2009 were sales taxes, development related revenues, and motor vehicle license fees.

Sales taxes, one of the city's major discretionary revenue sources for general operations continues its downward trend and is estimated to be 8% less than in the prior year. A severe downturn in auto sales and dismal holiday sales contributed to this downturn. The closing of two major department store retailers this year, Gottschalk's and Mervyn's both located at the Sierra Vista Mall, will have a long term effect on the local economy and have been factored into this forecast with no certain future projected.

When compared to the prior fiscal year revenues collected for the current year are anticipated to decline 5%. The decline has been partially offset by an unanticipated back payment of supplemental property taxes. The one time back payment was the result of apportionment errors by the County Auditor/Controller/Tax Collector covering the 2004 through 2008 time period. The error resulted in a one time $1.2 million back payment to the city.

Each department has been required to make reductions due to the declining revenues. The Planning and Development Services Department, whose primary funding source is development permit fees, was required to make substantial reductions due to declining activity. The Department expenditures were reduced through elimination of vacant and currently filled temporary and full time positions. Public safety departments, Police and Fire, also experienced personnel reductions, including nine sworn police officer positions and three sworn firefighter positions. All sworn positions were vacant at the time of reduction. Additionally three non-sworn support positions were also eliminated from those departments. Administrative and support departments lost an additional four positions.

Overall when compared to the prior year, expenditures are anticipated to decline only 4% despite the reductions made. At the time of this analysis, expenditures including the one time payment of back taxes are anticipated to exceed revenues by $0.81 million. Efforts will be made to reduce that amount by end of fiscal year. Emergency reserves, however, have been increased when taking in to account the unanticipated back payment of supplemental taxes and transfers in.



The above chart shows available funding (revenues and transfers in) compared to expenditures. As can be seen by the chart, a structural deficit was created in an attempt to expand services using accumulated savings to meet community need, which began in 2005-2006 and continues through the current fiscal year, although greatly reduced by cuts to re-balance expenditures to available revenues. The chart also depicts that revenues are expected to experience a year-over-year decline in 2008-2009 for the first time in the past ten years and this condition is anticipated to continue for at least one more fiscal year before a slight rebound is anticipated.

Going Forward Next Year (2009-2010)

As with any forecast, this is a statistical forecast based on a fixed set of assumptions. The actual results will differ from the projections as we move through the projected period and make adjustments for actual performance and any new circumstances as they occur. The projections are a systematic way to provide early disclosure of revenue or expenditure trends that highlight possible problems. The trends revealed indicate that new strategies need to be considered and adjustments made. As with many cities, these adjustments are made at the time the budget is adopted. This forecast is presented to provide the opportunity to discuss the alternatives to be considered for balancing the budget.

The forecast projects a population increase of 5,000 for the five-year period which means the city is expected to reach just under 100,000 in population over the next five years. This projection takes into account much slower growth than has previously occurred in recent years and will be reflected by substantially fewer new housing units. As stated in the Introduction Section, it should be noted early on that the forecast does not reflect any restoration of service levels that were reduced or eliminated in the current or prior budget years. This leaves the city farther away from meeting personnel staffing level goals established by police, fire

and parks maintenance Master Service Plans and such plans may need to be revisited during the five year period as service priorities and methods of service delivery are adjusted.

General Fund revenue in 2009-2010 is projected to continue to decline, falling 5% below prior year levels to $49.77 million. Sales tax is projected to decline an additional 5% and property tax related revenues are projected to decline 5.3% due to falling assessed property values. This is the first real decline in property tax revenues in recent history. Development related revenues are projected to decline further from their already depressed levels. A recent uptick in residential building permit activity is very welcome but it is unclear if this is a trend or a reaction to stimulus tax benefits of which a large portion is expected to end in May 2009. The one positive note in the revenue picture is Transient Occupancy Tax which is increasing over 100% due to the opening of several new hotels. Recent economic projections released this week by the University of the Pacific for the Central Valley supports the assumptions for economic condition and recovery that have been utilized by the city for this report.

Expenditures in the 2009-2010 fiscal year have been portrayed as flat for the purposes of this forecast when compared to the prior year, or $54.53 million, but there are some major adjustments that must be noted. The 2009-2010 projected budget reflects the reduction of all eliminated positions that occurred during the mid-year adjustment in January 2009; the restoration per contract of all employee concessions that were implemented during the 2008-2009 fiscal year, and restoration of all deferred fleet renewal charges for public safety departments. All other accounts are based on the 2008-2009 expenditures or some other appropriate basis that best approximates expenditure levels required to sustain the current organization and complement of services.

As can be seen in the Exhibits Section for "General Fund Financial Forecast-Summary", for fiscal year 2009-2010, which includes the projected revenues and projected expenditures for sustaining the current organization and services, expenditures will exceed revenues by $4.8 million. Staff is recommending establishing a "Contingency for Economic Uncertainty" in order to lessen the impact on departmental operations in case of further revenue declines during at least the upcoming three year period. This will be a planned fund balance each year for carry forward to the next year to address unplanned expenses of modest amounts that do not qualify as emergencies or for small unexpected dips in revenue. It is recommended that the reserve be established at approximately 1% of expenditures or $0.5 million. With the establishment of the recommended amount for "Contingency for Economic Uncertainty" and retaining funds to begin rebuilding the Emergency Reserve, the total shortfall for fiscal year 2009-2010 is projected to be $5.3 million. With few revenue options available, substantial reduction in expenditures will be necessary to balance the 2009-2010 budget.

As noted in the Introduction Section, the General Fund is not expected to transfer resources to the General Government Services Fund to address repair, remodeling and rehabilitation of existing facilities, technology improvements, debt service and new facility needs during the forecast period. This can be a risky approach because it will require that certain maintenance activities be deferred for the time being. In addition, staff is recommending gradually increasing the emergency reserve to 10% over the forecast period and establishing this level as

the new policy minimum for funding. The emergency reserve is deemed prudent to deal with both unforeseen emergencies and potential catastrophic losses of revenue to the General Fund. In addition, the city has previously reserved $855,000 due to the implementation of the "Triple Flip" by the State of California, which is the estimated amount withheld by the State, but owed to the city each year. The city won't receive this amount until the conclusion of the triple flip in 2035. Reserving this amount improves the fiscal position of the General Fund and avoids reporting a deficit of funding from year to year in the city's financial statements.

Projected 2010-2011 through 2013-2014

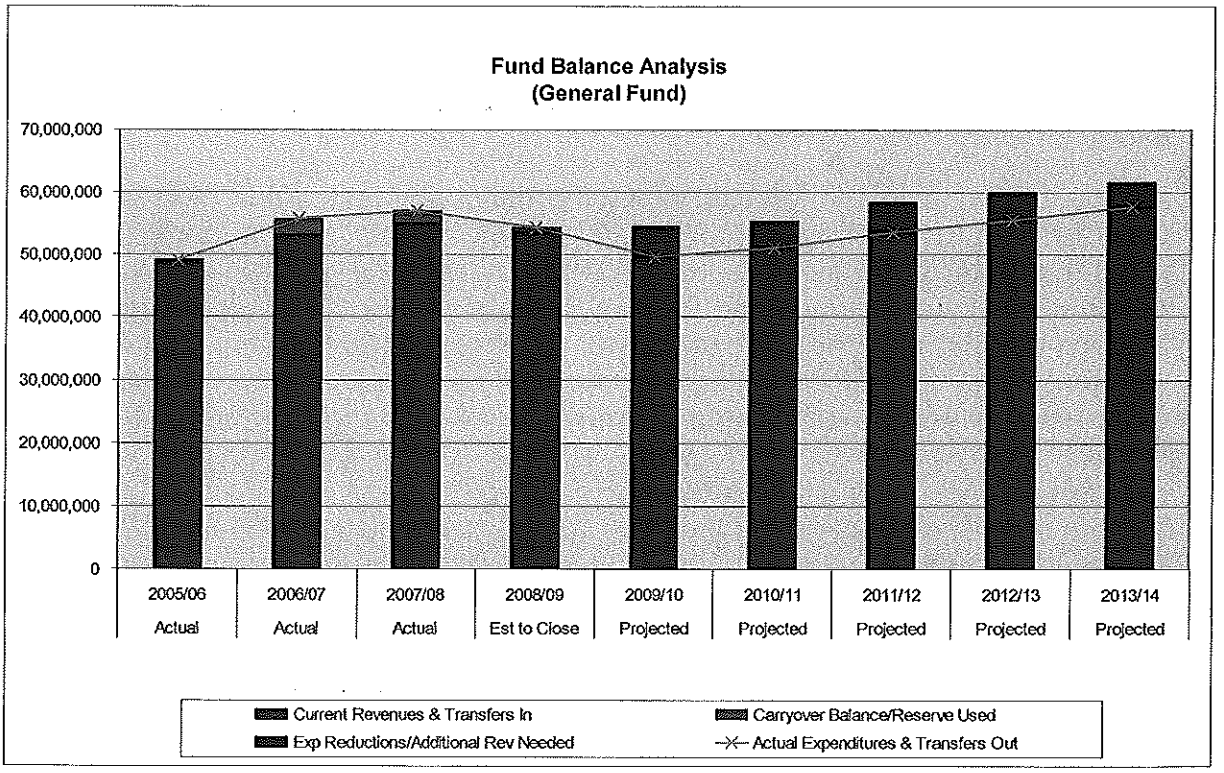
As noted previously, the forecast does not reflect any restoration of services that have been reduced or eliminated in the current or prior budget years. Revenue growth is projected to increase by an annual average of 2.0% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 2.5% over the forecast period. The model has been constrained in this way to provide as realistic a trend as possible based upon what is known of the city's revenue activity and economic forecasts for the region, the state, and the nation. One important fact to keep in mind is that the impact of economic recovery to local governments will not arrive until 18-24 months after it begins. Most economists agree at this time that full economic recovery is not expected to begin until mid-2010.

During the forecast period sales tax is expected to return to a moderate annual increase in 2011-2012. During this same year we anticipate the opening of a major shopping center on the corner of Herndon and Clovis Avenues. Property taxes are expected to experience a further reduction in 2010-2011 and then will begin to show a positive increase, although very moderate as housing prices stabilize. Expenditures are shown to reflect very modest growth with no restoration of services that have been previously reduced. One major concern affecting expenditures in the forecast is Public Employee Retirement System (PERS) retirement rates. Due to recent stock market losses incurred by the retirement system, we anticipate PERS rates to increase from 13.7% to 23.7% for General Miscellaneous employees and from 23.5% to 33.5% for Public Safety employees in 2011-2012, the first year of rate adjustment for the city's PERS contracts. That would result in an additional 10% cost increase applied to all salaries for PERS expenditures and is an expense for the employer. As of the end of February 2009, PERS had lost approximately $100.0 billion system wide. Such losses are so large and critical to the future sustainability of the retirement program that significant legislative reform may be expected in the next year or two.

Expenditures, as projected for the purposes of this forecast, are significantly higher than revenues over the forecast period. As noted previously, staff does not recommend utilizing reserves to close the deficit position; therefore, further expenditure reductions or additional revenues will be necessary to balance the budget. While some additional revenue can be generated with an updating of fee schedules, balancing the budget will need to rely largely on expenditure reductions to eliminate the funding shortfall.

Details of the General Fund are found in the Exhibits Section of the forecast.

Shown below is the graphical representation of the General Fund revenues and expenditures found in the forecast:



ENTERPRISE FUNDS

The purpose of the Enterprise Funds' forecast is to provide the City Council and the City Manager with an early identification of financial trends. With early detection, financial trends identified as possible problems can be dealt with in a reasonable manner rather than waiting for a crisis to occur. Enterprise Funds, by definition, are supported by rates set to recover the full cost of services, including capital outlays and debt service. The rate setting process requires advance planning, preparation of rate studies, notice and conduct of public hearings, and final decision to implement new rates. This process can take three to six months to enact. For this reason, the forecast is a critical management tool for the city.

In the Enterprise Funds, the Refuse Enterprise Fund includes an annual 4% rate increase as approved by the City Council in November 2004 to pay for interfund loans, environmental remediation and major capital outlays that are necessary. Annually, staff re-evaluates to determine if any additional adjustment to the rate is needed. The Water Enterprise Fund is projecting a need for a rate increase beginning in 2009-2010 to pay for the rising cost of water production and water banking with annual rate increases throughout the forecast period. The Sewer Enterprise Fund is projecting a need for a rate increase to pay for the rising cost of sewage treatment and capital outlays at the regional treatment facility at the

beginning of 2010-2011. The Street Cleaning Enterprise Fund does not require a rate increase. The Transit Fund will be balanced utilizing gas tax moneys as service demand increases and current fares are assumed to remain the same throughout the forecast period. Further detail regarding each Enterprise Fund is discussed in the following pages.

Although the current forecasts include rate increases for several of the Enterprise Funds it is important to keep in mind that these are presented for planning purposes and further in depth analysis will need to be performed prior to requesting Council action for any rate increases.

Refuse Enterprise

The Refuse Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $4.5 million. The fund received more than $6 million in interfund loans in past fiscal years in order meet regulatory and operational needs and to maintain sufficient reserves to meet bond covenants. The fund has begun repayment of the loans and is projected to repay the balance ahead of schedule. The five-year forecast also includes $867,000 in 2008/09 to complete the landfill reclamation project, and $2.5 million in 2009/10 to construct a new waste cell at the landfill. One uncertainty is whether state regulatory agencies will approve of a smaller project as proposed for expansion at the landfill. If that is not approved, the financial outlook for this fund changes dramatically. If greater capital expense for the expansion is required, it would occur mid-year and would reduce working capital balances necessary to meet bond covenants. It is questionable whether interfund loan scheduled repayments could be maintained or extended because the Sewer Enterprise, which made the loans, may call the loans to offset rising costs that could require rate increases to that fund. Ultimately, the Refuse Enterprise rate increase of 4% might be inadequate to properly sustain the fund and necessary working capital.

Also notable in the forecast for Refuse is the purchase of the new "blue" recycling containers for mixed recyclables occurring over a three year period beginning in 2007/08 going through 2009/10. At this time with the limited growth projected in residential and commercial units no additional routes are anticipated throughout the forecast period. The forecast continues to reflect the 4% annual rate increase that was approved by Council in November 2004. Staff will continue to monitor the fund for its ability to repay the loans as scheduled and to determine the need for continuation or modification of the approved rate increase.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $7.6 million at June 30, 2009. Rate increases are projected beginning in 2011-2012 to pay the utility user's prorated share of the debt service for the cost to repair and upgrade the Fresno/Clovis Regional Wastewater Treatment Plant, annual capital improvements at the plant, increased operational costs at the plant as a result of the upgrade, and to meet bond covenants for the 2005 and 2007 bond issues for the Clovis ST-WRF. These rate increases are phased in over the forecast period. The City of Fresno has notified us that, as a result of a maintenance study on the trunk sewer lines, major expenditures will be necessary to maintain the integrity of the lines. Cost shares on new capital improvement projects at the Fresno-Clovis Regional Plant have not yet been agreed upon and those expenses are estimates only at this time. Rate increases beginning in 2010-2011 are projected and will provide adequate fund balance during the next five years but will need to be re-evaluated once plant operation expenses are more firm and an agreement is reached on Clovis' share of the capital improvement costs at the Regional Facility. The forecast assumes that the repairs will be performed each year throughout the forecast period. Also included in the forecast beginning in 2008-2009 is the estimated cost to operate the new Clovis Sewage Treatment/Water Reuse Facility.

The City issued bonds for the Clovis Sewage Treatment/Water Reuse Facility (ST-WRF) that are repaid with developer impact fees. When the bonds were issued it was calculated that development would need to remain at the conservative ten-year average of 750 units annually to meet debt service requirements. Due to the downturn in development we are currently estimating significantly less than that level and as a result it will be necessary to use the rate stabilization fund that was established at the time of the issuance of the last bonds in 2007 to make the debt service payments. In 2008-2009 the excess construction money available as a result of better than estimated contract costs was used to partially fund the debt service payments, saving some of the rate stabilization fund for future years. However, if the slow down in development continues as projected the rate stabilization fund would be depleted in less than two years therefore requiring rate increases for users. Because the bond covenants require a coverage ratio of 1.2 times debt service, it will be necessary to closely monitor revenue and expenses to assure the bond covenants are met.

Although it was originally anticipated that additional bonds would be issued in 2012 for the next phase of the Clovis facility, with the recent downturn in development it is anticipated that the next phase will not be needed until sometime later. This will be monitored as conditions change.

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of about $5.3 million at June 30, 2009. Overall expenses are expected to exceed revenues for 2008-2009 due to two factors. First, revenue is projected to be slightly less than budgeted due to the downturn in construction activity which results in fewer meter fees being paid. Secondly, early replacement of the membranes at the surface water treatment plant affect the capital outlay expenses for 2008-2009. Rate increases in the water enterprise are necessary beginning in 2009-2010 to fund the water banking project with Fresno Irrigation District, some major water capital improvements, and to provide debt service coverage for the 2003 Surface Water Treatment Plant bonds. Legal settlement revenues derived from litigation over chemical contamination of the aquifer are reduced in future years due to wells being taken off of treatment or for lesser usage. The level of contamination with the chemical DBCP has improved overtime for some wells causing a reduction in the corresponding legal settlement revenues that are issued to pay for the extra costs of treatment.

Overall the fund balance will be stable during the next five years with the projected rate increases. Rates were last increased in 1991 and pricing reflects incentives for conservations by requiring higher unit costs for higher volume usage of water.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $0.1 million. During 2008-2009 the new service enhancements implemented with Measure C funding were provided for the full year. However, with Measure C funding is derived from local sales tax activity and is not performing as originally projected. Some cost reductions will need to be considered and possibly service reduction in the Transit operation in order to stay within the funding allocated to Transit. If cuts in programs and costs are unable to be made due to regulatory restrictions, the impact will be to utilize additional Local Transportation Funding (LTF) that is currently allocated to Streets and Roads. This would cause a significant reallocation of funding away from street maintenance, negatively impacting the city's ability to address those needs.

Street Cleaning Enterprise

The Street Cleaning Enterprise Fund is a relatively small fund that must be carefully managed to maintain a prudent reserve. The fund is projected to end the current fiscal year with a small positive working capital balance. All new street sweepers will be powered by compressed natural gas rather than diesel. This change should reduce fuel costs, but it will raise vehicle replacement costs. The current forecast shows a minimal working capital balance throughout the forecast period. Due to the size of this operation one incident can cause the fund to become out of balance; therefore, careful monitoring is required to prevent this from happening.

INTERNAL SERVICE FUNDS

The Internal Service Fund group is projected to be self-balancing throughout the Five-Year Forecast. Since the Internal Service Fund group is funded by charges to the operating funds, issues that will affect the Internal Service Funds are dealt with in conjunction with analysis of the impact on the operating funds. Each of the funds within the Internal Service Fund group is continually reviewed to determine where more cost effective programs and services can be utilized.

CAPITAL IMPROVEMENT FUNDS

The projections for the Capital Improvement Funds group are based on the five-year Community Investment Program found in the 2007-2008 Annual Budget. The program lists the city's most urgent needs for major rehabilitation or replacement of worn out or inadequate public facilities. It also lists the city's needs for expansion or addition of public facilities to meet the demands of the growing community. The projections assume that the unfunded portion indicated in the budget will be funded in some manner. If funding in any year does not materialize, the project is delayed and scheduled for reconsideration in subsequent five-year programs.

DEBT SERVICE FUNDS

The Debt Service Fund group, out of necessity and legal obligation, will be fully funded in order to make the required debt payments.

ALTERNATIVES & RECOMMENDATIONS

It is recommended that the City Council provide policy direction in the following areas:

RECOMMENDATION #1 – Align budgetary expenditures with the City's strategic goals and revisit on a regular basis.

The City Council periodically conducts strategic planning and goal-setting workshops to gain information from citizens about community values and opportunities that are currently being considered or those that may not have been widely known that should be considered in order to achieve the community's full potential. The City Council then studies the information that has been gathered and refines those ideas into strategic goals and target actions for the budgetary implantation through work program development and budgetary allocation. Current goals are:

GOAL #1. Provide for orderly and planned community growth consistent with the vision adopted with the General Plan.

GOAL #2. Make Clovis the safest city in the Valley providing quick and effective response to high priority calls for emergency services.

GOAL #3. Provide for economic development strategies to grow business, jobs and to enhance the revenue base of the community; position the city to compete in the global market.

GOAL #4. Provide for a financially sustainable City as the community grows.

GOAL #5. Make Clovis a great place for families to live.

GOAL #6. Foster regional leadership by maintaining a distinct community identity and pride.

GOAL #7. Encourage and promote citizen engagement and community leadership.

GOAL #8. Maintain Clovis as a public sector employer of choice.

The concensus of the City Council and the management team is that the goals established for the city should not change. However, much work will need to be done to redefine priorities and how the workforce is utilized to meet those goals. Due to the size of the budget shortfall identified for general operations and the need for constrained spending for public utility enterprises facing current and future rate increases throughout the forecast, strategies for expenditure reduction must be utilized by every department for the 2009-2010 budget. Each department has been tasked with examining work flow processes, methods, and priorities for response to continue valuable service to the community while constraining the cost of doing business. The following reductions/expenditures are recommended to occur in the following ways:

a. Deferment of fleet replacement charges for another year. This means that the fleet replacement program will require an overhaul and a change in the way that business has been done. Full funding in advance is no longer occurring for the general operations and the program is migrating to a pay as you go model. Lease-purchase methods will need to be utilized for acquisition of large volumes of replacement vehicles and vehicles will be retained for use for a longer period of time, when possible. General Fund savings are expected to be about $0.9 million.

b. Workforce reduction through attrition and lay-off of sworn positions in police and fire. The police department may get relief in the form of federal economic stimulus and recovery funding to retain police officers. The fire department is not eligible for such relief and the result will be a temporary closure of one fire station. Low priority calls that can be managed by either self reporting or, if medically related, by ambulance service, are being reviewed for changes in service. This would make more efficient use of the staff for response to higher priority calls that involve far more health risk for our citizens. General Fund savings are expected to be about $1.6 million.

c. Reduction of overtime expenses for police and fire. Work schedules are under review to allow for better deployment of staffing resources and non-sworn employees will be assigned more support work for officers in the field. General Fund savings are expected to be about $0.9 million.

d. Wage and benefit savings will be sought through negotiated terms with employees. This is necessary to avoid further lay offs and maintain critical services to the community. General Fund savings are expected to be about $1.5 million.

e. Senior and recreation services will seek public and private partners for continuation of priority programs and services. Facilities may curtail operating hours and programs off-site will only occur if volunteers can supplement staffing resources. General Fund savings are expected to be about $0.3 million.

f. Capital outlays for materials, equipment, and buildings will be severely constrained for all departments. General Fund savings are expected to be $0.5 million.

g. A volunteer clearinghouse is being established to assist all departments in their efforts to recruit community volunteers for specific work in the community. Effective use of volunteers is already underway. One significant issue will be to seek volunteers capable of supervising projects and people. The value to the city will be priceless.

h. Planning and development functions that are not funded by permit fees are presently under analysis to determine the appropriate amount of General Fund resources to allocate to this department. It is estimated that the General Fund will need to allocate up to $0.4 million to this effort.

i. Parks and landscape maintenance is seeking partnerships with community groups to provide for maintenance of some park locations and facilities and has already achieved a small measure of success. Watering and maintenance schedules are being evaluated at every park and trail to determine where adjustments can be made that will keep the plant material healthy while at the same time reducing overall costs. Additional private contracts for street landscape maintenance and tree trimming are under review. The goal is to at least constrain costs to current levels. One result of these changes will be to either postpone or reject new offers for grant funding to expand public parks or landscaping in areas that are not supported by property assessments.

j. Contingency funds for economic uncertainty and increased levels to emergency reserve funds are recommended to be included in budget policies. This will require increasing the annual amount for general operating fund balance to $0.5 million and require that the emergency reserve be increased each year to reach an amount of at least 10% of the general operating budget.

RECOMMENDATION #2 – Revisit the financial policies to safeguard assets; stabilize funding base; and compile appropriate accounting data.

This year it has been made very clear how dependent city revenues for general operations have become on the volatility of the overall economy. Rapid changes in the economy, which continue to have significant and new effect because of the national and global interaction that now exists, prompt the need to reassess the financial policies now in place in order to build in a method for bringing more stability to the base of revenues and expenditures dedicated to general operations.

A. Fund Reserves – The current policy recommends that the goal for setting reserves should be 5-10%. This level is low given the current size of the city's operation and should be increased to at least 10-15% for the General Fund. With the exception of self-balancing funds, most Enterprise and Internal Service Funds operate with a 10-20% reserve depending upon need for capital spending and debt coverage. This range continues to serve the city well. This should be implemented as soon as possible.

B. Accumulated Savings - Use of accumulated savings should also be revisited for establishment of a budget stabilization fund since most accumulated savings from year to year is the result of dramatic activity in either property or sales tax collection, the latter being the most volatile. While current economic conditions represent a large swing in the economy over a short period of time, one which has not occurred for more than twenty years. This would assist in stabilizing city operations when dramatic shifts occur as we have witnessed over the past two years. This may take several budget cycles to establish and fully fund.

C. Balance of Revenues and Expenditures – As this forecast illustrates, projected expenditures, even with constraints, will exceed projected revenues for the next five years if no changes are made. The city will resolve this by either reducing

lesser priority services and the mix of services, limiting and reducing expenditures for personnel and associated benefits, and/or developing new revenue sources as appropriate. A mix of all of these strategies will be utilized by every department.

D. General Government Services Fund – This fund received transfers of cash from the General Fund for investment in public facilities, remodels, technology, and economic development. The fund also receives allocations for maintenance and depreciation for buildings and support services from all funds. The transfers have been suspended for several years due to budgetary constraints of the General Fund. This fund has debt service obligations for public facility construction and will need to dispose of real estate investments in the coming years to meet these obligations if the transfers are not restored. This transfer should be restored up to $500,000 each year as soon as recovery occurs.

E. User Fees – Current policy recommends that user fees for services be regularly examined to make sure that the fees are relevant to actual cost of service. Some fees are indexed to a measure for annual adjustment to stay current. Others are scheduled for review on a periodic basis and do not always stay current with actual costs. To the extent possible, all fees should either be indexed appropriately or be evaluated on at least a two-year basis. Some services that could be defined as user based are also property based. As required by law, any fee associated with such service would need to be treated as a special tax assessment on property and be subject to property owner/voter approval. Street lighting and landscape and park maintenance are two other services that should be studied for such assessment and be discussed with the community.

F. Development Impact Fees – Current policy recommends that new development should pay its way and not become a burden on existing taxpayers. The city annually reviews actual costs of development compared to development impact fees and makes adjustment by index or to actual, depending on the fee, with the goal to set fees as close to actual cost as possible. The method of trust fund collection point for such fees has provided a sound method for collection and reimbursement for advance work performed by any one development project. It has also provided benefit to the community of more contiguity in public facilities as new development takes place incrementally.

G. New Revenues – A review of available methods for developing new revenue sources for general operations will be explored. The city should seek ways to diversify its sources of revenue by also pursuing its economic development strategies and support for business retention and expansion.

H. Legislative Reforms – The city should remain vigilant and spend time analyzing the impact of various legislative initiatives to make sure both state and federal legislators understand the impacts of their decisions on our communities before new regulations are approved. Budgetary decisions at the state and federal level do impact specific programs conducted by local government and being located at the "bottom of the government food chain" with respect to taxes often becomes

an "easy" solution when times are tough. The City Council has consistently been engaged in legislative issues and should continue its involvement as time and resources permit.

I. Economic Stimulus and Recovery Funding – The city should take best advantage of the available programs for stimulus funding from both the state and federal governments. While the city's abilitiy to receive large volumes through entitlement formulas is somewhat limited, it should seek ways to leverage the ability to compete for other funding that is available.

J. Update the Forecast – The city should continue to utilize the five-year financial forecast to analyze the effect of major revenue and expenditure decisions. Although the forecast and its methodologies have been criticized from time to time for its limitations, it should be recognized for its usefulness in projecting trends in revenue and expenditure. Precision is not the purpose of a forecast; identification of current and future trends to allow for early interventions and for making longer range decisions is the purpose. Regular review of the history of actual conditions is recommended to continually refine the data and sources of data to improve the value of the forecast. Paraphrasing a quote from ancient philosopher Heraclitus, "There is nothing constant in life but change." This is the nature of any forecast.

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CITY OF CLOVIS

General Fund Financial Forecast - Summary

(dollars in thousands)

	ACTUALS			ESTIMATED		PROJECTED			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Beginning Available Fund Balance	4,620	3,930	1,830	1,170	0	0	0	0	0
REVENUES									
Discretionary	32,990	35,380	36,350	34,390	33,760	34,140	35,770	37,010	38,340
Non-Discretionary	15,350	17,210	18,740	17,910	16,010	16,930	17,760	18,590	19,450
Total Revenues	48,340	52,590	55,090	52,300	49,770	51,070	53,530	55,600	57,790
EXPENDITURES									
Public Safety	31,080	35,130	35,840	34,560	35,090	35,900	38,040	39,060	40,160
Public Utilities	5,480	5,910	6,580	6,750	6,890	6,660	6,930	7,080	7,260
Planning/Development	7,050	8,140	7,550	6,810	6,520	6,610	6,990	7,190	7,390
General Government	5,630	6,540	6,670	6,270	6,030	6,140	6,460	6,600	6,760
Total Expenditures	49,240	55,720	56,640	54,390	54,530	55,310	58,420	59,930	61,570
Current Year Operating Results (not including Fund Balance)	(900)	(3,130)	(1,550)	(2,090)	(4,760)	(4,240)	(4,890)	(4,330)	(3,780)
ADDITIONAL ITEMS									
Return of Unspent Funds/Premiums	650	580							
One-Time Revenue				1,230					
Transfers Out to Government Facilities			(250)						
Other Transfers In/(Out)		(80)	(30)	50	(40)	(40)	(40)	(50)	(50)
Total Additional Items	650	500	(280)	1,280	(40)	(40)	(40)	(50)	(50)
Net Increase/(Decrease) to Fund Balance	(250)	(2,630)	(1,830)	(810)	(4,800)	(4,280)	(4,930)	(4,380)	(3,830)
OTHER ITEMS									
(Use of)/Addition to Emergency Reserve	440	(530)	(1,170)	360	0	400	800	720	770
Increase/(Decrease) of Contingency for Economic Uncertainty					500	500			
Total Other Items	440	(530)	(1,170)	360	500	900	800	720	770
Expenditure Reductions/Additional Revenue Needed					5,300	5,180	5,730	5,100	4,600
Ending Available Fund Balance	3,930	1,830	1,170	0	0	0	0	0	0
Sales Tax Triple Flip Designation	860	860	860	860	860	860	860	860	860
Contingency for Economic Uncertainty-(Dollars)					500	1,000	1,000	1,000	1,000
Emergency Reserve-(Dollars)	4,810	4,280	3,110	3,470	3,470	3,870	4,670	5,390	6,160
Emergency Reserve-(% of Expenditures)	9.77%	7.68%	5.50%	6.40%	6.40%	7.00%	8.00%	9.00%	10.00%

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

REVENUES	ACTUALS			ESTIMATED		PROJECTED			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Residential Units (SF + MF)	1256	718	524	300	250	300	300	400	600
Discretionary									
Property Taxes	10,570	12,220	13,800	13,190	12,350	12,040	12,450	12,930	13,480
Educational Augmentation	(2,550)	(3,040)	(3,420)	(3,360)	(3,090)	(3,010)	(3,110)	(3,230)	(3,370)
ERAF III	(770)	0	0	0	0	0	0	0	0
County Admin Fee	(130)	(220)	(220)	(270)	(270)	(270)	(270)	(270)	(270)
Property Tax In Lieu-VLF	5,620	6,100	6,990	7,030	6,710	6,540	6,740	7,010	7,290
Sales Tax	11,640	11,780	11,040	10,160	9,650	9,950	10,600	10,960	11,360
In Lieu Sales Tax-Triple Flip	3,910	3,930	3,680	3,390	3,220	3,320	3,540	3,660	3,790
County Share	(780)	(790)	(740)	(680)	(640)	(660)	(710)	(730)	(760)
Franchise Fee	1,440	1,660	1,750	1,820	1,820	1,870	1,920	1,980	2,040
Business License	1,860	1,910	2,250	1,980	2,030	2,080	2,150	2,200	2,250
Other Taxes	980	800	680	780	1,480	1,660	1,760	1,860	1,870
State Subvention-Other	580	740	420	300	300	420	430	440	460
Interest	190	170	120	50	50	50	120	50	50
Other Revenues-Disc	420	110	170	160	150	150	150	150	150
Non-Discretionary									
Community Facility Fee	40	230	310	410	460	480	500	540	[illegible]
Sales Tax-(public safety)	240	230	280	240	230	240	250	260	270
Building Permits	2,950	1,960	1,610	1,150	1,090	1,180	1,200	1,640	2,100
Other Lic & Permits	100	90	150	120	160	160	160	160	160
Fines & Forfeit	280	310	350	240	240	240	240	240	240
Building Rentals	20	40	30	30	30	30	30	30	30
State Subvention-Gas Tax	980	1,040	1,040	990	1,110	1,120	1,130	1,140	1,160
Grants	860	1,120	1,740	1,740	490	1,100	1,100	1,100	1,100
From Other Agencies	550	620	410	260	270	270	270	270	270
Planning Fees	1,730	1,370	1,710	1,600	1,040	990	1,520	1,600	1,680
Engineering Fees	1,130	1,450	1,380	970	800	580	590	800	1,030
Capital Improvement Charges	1,920	2,570	2,770	3,010	3,010	3,310	3,390	3,270	3,130
Current Services	1,940	2,640	3,100	3,490	3,660	3,740	3,820	3,910	4,000
Other Revenues-non-disc	160	250	190	120	50	50	50	50	50
Impact/Rental Fees	610	840	920	920	920	940	960	980	1,000
Admin Charges	1,850	2,460	2,580	2,460	2,450	2,500	2,550	2,600	2,650
Total Revenues	48,340	52,590	55,090	52,300	49,770	51,070	53,530	55,600	57,790

Revenue Assumptions (dollars in dollars)

PROPERTY TAXES:	ANNUAL INCREASE		INCREASE IN ASSESSED VALUE		CITY TAX RATE (Before reductions)		
	2.00%		$159,000,000		18.19% of 1%		
Note: 09/10 and 10/11 reduced 4.5% and 2.5% respectively, from prior years, due to AB8 reductions					***Increase in AV above based on 500 units***		
Increase in AV for 300 units is $95,000,000 and for 400 units is $127,000,000							
PROPERTY TAX IN LIEU-VLF:	INCREASE BY ASSESSED VALUE GROWTH				4.00%	***(based on 500 units, 400 units-4%, 300 units-3%)***	
COMMUNITY FACILITY FEE:	2/3 OF NEW RES UNITS PER YEAR		335	ANNUAL FEE:	$183	INCREASE BY: 2.26%	
SALES TAX:	3 YEAR CPI	SALES TAX RATE		POPULATION ANNUAL INC		PER CAPITA $ PER YEAR	
	2.26%	1.00%		1,400		$142	
COUNTY SHARE:	5.00% OF GROSS SALES TAX			(Based on 500 units)			
	Add $450k in 11/12 for Walmart, et			***Note: Annual Population for 300 units is 800 and 400 units is 1100***			
FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	Comcast		P G & E	
	2.26%	500	1.00%	65.00% Participation		$300 Per Unit per Mo	
				$40 Per Unit per Month			
	Note: Units adjusted in 10/11 to 300 units, 11/12 to 300 units, 12/13 to 400 units						
BUSINESS LICENSE:	Increase annually by three year CPI			2.26%	***Note: Increase 11/12 by $21k for Walmart, et al***		
BUILDING PERMITS:	NEW RES UNITS PER YEAR	FEES PER RES UNIT	NEW NON-RESIDENTIAL		ANNUAL INCREASE		
	500	$3,067	25.00% of the residential amount		2.26%		
	Note: Units adjusted in 10/11 to 300 units, 11/12 to 300 units, 12/13 to 400 units						
FINES AND FORFEITURES:	PARKING AND VEHICLE		$240,000	Based on two year average			
INTEREST:	RATE ->>	3.00%	ON PRIOR YEAR'S BALANCE OR		$50,000	IF NEGATIVE FUND BALANCE	
BUILDING RENTALS:	Increase annually by 2.00%						
STATE SUBVENTIONS:		MOTOR VEH	GAS TAX	POPULATION GROWTH			
	PER CAPITA	$4.42	$10.96	1,400 PER YEAR			
				(Based on 500 units)			
			Note:	***Annual Population for 300 units is 800 and 400 units is 1,100***			
STATE GRANTS:	BASED ON THREE YEAR AVG.		$1,100,000				

UNITS:	524	300	250	300	300	400	500
PLANNING FEES:	2007/08 (actual)	2008/09 (rev est)	2009/10 (DR)	2010/11	2011/12	2012/13	2013/14
General Plan Fees	479,993	364,000	293,000	238,000	238,000	318,000	398,000
Regular Planning Fees	1,230,007	1,236,000	747,000	747,000	1,283,000	1,283,000	1,283,000

Note: Increase in Assessed Value: 300 units-$95M, 400 units-$127M, 500 units-$159M

Three Year Average (Regular Planning Fees) 1,071,002

	Avg. Eng. Fees: Based on 3 year actuals		***Units are adjusted in 10/11 to 300, 11/12 to 300, 12/13 to 400***	
ENGINEERING FEES:	NEW RES UNITS	AVERAGE ENG FEES	ANNUAL INCREASE	ADD'L NON-RESIDENTIAL
	500	$1,500	2.26%	25%
IMPACT/RENTAL FEES:	BASED ON ADDITIONAL ROUTES PROJECTED IN THE ENTERPRISE FUND			
ADMIN CHARGES:	INCREASE	2.00%	PER YEAR	
CURRENT CHARGES:	INCREASE BY THREE YEAR CPI AVERAGE		2.26%	
OTHER REVENUE:	INCREASE BY THREE YEAR CPI AVERAGE		2.26%	

CITY OF CLOVIS

General Fund - Financial Forecast (dollars in thousands)

EXPENDITURES	ACTUALS			ESTIMATED		PROJECTED			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
PUBLIC SAFETY									
Salaries									
Police-CPOA	6,510	7,390	7,900	7,360	7,210	7,210	7,210	7,370	7,540
Fire	3,920	4,380	4,730	4,520	4,450	4,450	4,450	4,550	4,650
Public Safety-Management	1,590	1,980	1,960	1,730	1,830	1,830	1,830	1,870	1,910
Dispatchers	580	590	790	760	740	740	740	760	780
Police-Non CPOA	990	1,310	1,250	1,250	1,380	1,380	1,380	1,410	1,440
Fire-Non Firefighters	210	250	260	220	180	180	180	180	180
Overtime									
Overtime-CPOA	1,310	1,510	1,400	1,480	1,960	2,000	2,050	2,100	2,150
Overtime-Fire	1,190	940	1,100	1,310	1,190	1,220	1,250	1,280	1,310
Extra Help	760	860	880	830	830	830	830	830	830
Benefits									
Health	1,540	1,990	2,390	2,250	2,330	2,610	2,920	3,270	3,660
Retirement	3,410	3,480	3,720	3,450	3,500	3,540	5,200	5,310	5,430
Other	2,140	2,300	2,160	1,860	1,620	1,570	1,560	1,590	1,630
SMS	6,230	6,950	6,160	6,450	7,340	7,800	7,890	7,980	8,070
Capital Outlay	700	1,200	1,140	1,090	530	540	550	560	580
Total Public Safety	31,080	35,130	35,840	34,560	35,090	35,900	38,040	39,060	40,160
PUBLIC UTILITIES									
Salaries	1,570	1,690	1,770	1,770	1,900	1,590	1,590	1,620	1,660
Overtime	30	50	60	70	60	60	60	60	60
Extra Help	100	180	170	200	140	140	140	140	140
Benefits									
Health	260	330	400	400	420	470	530	590	660
Retirement	180	280	260	260	260	240	410	420	430
Other	270	280	270	260	260	260	260	270	2[illegible]
SMS	2,950	2,870	3,510	3,650	3,690	3,730	3,770	3,810	3,85[illegible]
Capital Outlay	120	230	140	140	160	170	170	170	180
Total Public Utilities	5,480	5,910	6,580	6,750	6,890	6,660	6,930	7,080	7,260
PLANNING/DEVELOPMENT									
Salaries	3,630	3,950	3,810	3,140	2,920	2,920	2,920	2,990	3,060
Overtime	170	140	70	90	80	80	80	80	80
Extra Help	250	230	190	160	80	80	80	80	80
Benefits									
Health	450	570	580	500	460	520	580	650	730
Retirement	420	610	550	460	400	410	710	730	740
Other	420	430	380	270	370	370	370	380	390
SMS	1,700	2,110	1,960	2,170	2,190	2,210	2,230	2,260	2,290
Capital Outlay	10	100	10	20	20	20	20	20	20
Total Planning/Development	7,050	8,140	7,550	6,810	6,520	6,610	6,990	7,190	7,390
GENERAL GOVERNMENT									
Salaries	2,040	2,320	2,350	2,330	2,120	2,120	2,120	2,170	2,220
Overtime	70	40	30	20	20	20	20	20	20
Extra Help	320	350	340	310	280	280	280	280	280
Benefits									
Health	270	350	410	370	340	380	430	480	540
Retirement	230	340	340	320	290	330	570	580	600
Other	210	240	240	180	200	200	200	200	200
SMS	2,480	2,870	2,950	2,740	2,770	2,800	2,830	2,860	2,890
Capital Outlay	10	30	10	0	10	10	10	10	10
Total General Govt	5,630	6,540	6,670	6,270	6,030	6,140	6,460	6,600	6,760
Total Expenditures	49,240	55,720	56,640	54,390	54,530	55,310	58,420	59,930	61,570

Expenditure Assumptions (dollars in thousands)

SALARIES:		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
POLICE-CPOA	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
	1/1	0.00%					
POL-SAL BASE		$7,365	$7,209	$7,209	$7,209	$7,372	$7,539
Additional Officers-Salary		0	0	0	0	0	0
Number of Additional Officers		0	0	0	0	0	0
DISPATCH-SAL BASE		$763	$744	$744	$744	$761	$778
FIRE	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
	1/1	0.00%					
SALARY BASE		$4,525	$4,450	$4,450	$4,450	$4,551	$4,654
Additional Firefighter-Salary		0	0	0	0	0	0
Number of Addl Firefighters		0	0	0	0	0	0
PUBLIC UTILITIES	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
SALARY BASE		$1,506	$1,585	$1,585	$1,585	$1,621	$1,658
Additional Salaries-Park/Street		0	0	0	0	0	0
Addl Park/Street employees		0	0	0	0	0	0
GENERAL GOVT	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
MGMT	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 2.26%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 12.00%

RETIREMENT:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
POLICE-SAFETY	22.685%	23.760%	23.500%	33.500%	33.500%	33.500%
DISPATCHERS	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%
FIRE	22.685%	23.760%	23.500%	33.500%	33.500%	33.500%
PUBLIC UTILITIES	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%
GENERAL GOVERNMENT	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%
MANAGEMENT	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

WORKERS COMP:							
	Police-CPOA	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%
(included in other benefits)	Fire	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Mgmt & CUE	1.87%	5.00%	5.00%	5.00%	5.00%	5.00%
	Public Utility	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

OTHER BENEFITS: Previous year's amount increased by contracted and estimated salary increases. Includes 2% of non-safety salaries for deferred comp and 1% of total salaries for sick leave incentive and 1% for other benefits.

OTHER SMS: INCREASE BY ONE HALF OF AVERAGE PREVIOUS 3 YEAR CPI 1.13%

CAPITAL OUTLAY:		
	INCREASE BY 3 YEAR AVG CPI PER YEAR	2.26%
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY	$516
	FOUR YEAR AVERAGE-PUBLIC UTILITIES	$158 + ADDITIONAL EQUIP FOR NEW EMPLOYEES
	50% FOUR YEAR AVERAGE-COMMUNITY DEV	$18
	50% FOUR YEAR AVERAGE-GEN GOVT	$6

CONTINGENCY RESERVE: Maintain not less than 5.00% but not more than 10% of total expenditures. See the Summary Sheet for reserve.

CITY OF CLOVIS

Water Enterprise - Financial Forecast (dollars in thousands)

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Est to Close 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
BEG WORKING CAPITAL	8,440	9,550	8,920	7,750	5,330	4,680	3,370	3,840	3,440
REVENUES									
WATER CHARGES	8,840	9,760	9,240	9,140	10,590	12,320	13,750	14,650	14,860
DBCP-LEGAL SETTLEMENTS	580	560	510	360	320	330	340	350	360
TOTAL REVENUES	9,420	10,320	9,750	9,500	10,910	12,650	14,090	15,000	15,220
EXPENDITURES									
SALARIES	1,520	1,690	1,680	1,760	1,920	1,920	1,920	1,960	2,000
EXTRA HELP	30	30	50	50	50	50	50	50	50
OVERTIME	70	70	80	70	90	90	90	90	90
BENEFITS									
RETIREMENT	170	250	250	260	260	260	460	460	470
HEALTH	240	310	360	370	380	430	480	540	600
OTHER	230	290	240	230	300	300	300	310	310
SERV, MAT & SUPP	5,150	5,650	6,350	6,520	6,980	6,890	7,040	7,190	7,350
GAC REPLACEMENT/GEOSIMIN TREATMENT	120	110	140	190	170	170	170	170	170
CAPITAL OUTLAY	500	880	680	2,000	590	800	820	840	850
TOTAL EXPENDITURES	8,030	9,280	9,830	11,450	10,740	10,910	11,330	11,610	11,890
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	380	480	520	390	230	220	190	210	200
	380	480	520	390	230	220	190	210	200
TRANSFERS-OUT (CAPITAL)	(510)	(750)				(1,210)	(470)	(1,980)	(1,310)
WATER BANKING LOAN TO DEV FUND						(1,000)	(1,000)	(1,000)	(1,000)
CONTRIBUTION-SURFACE WTP	(600)	(600)	(810)	(810)	(810)	(810)	(810)	(810)	(810)
MEMBRANE REPLACEMENT RESERVE					(190)	(200)	(200)	(210)	(210)
WELL HEAD TREATMENT(RESERVE)	(50)	(50)	(50)	(50)	(50)	(50)			
RESERVE FOR DROUGHT CONTINGENCY		(750)	(750)						
INTRAFUND LOAN REPAYMENT	500								
END WORKING CAPITAL	9,550	8,920	7,750	5,330	4,680	3,370	3,840	3,440	3,640
RESERVE FOR WELLHEAD TREATMENT	750	800	850	900	950	1,000	1,000	1,000	1,000
RESERVE FOR MEMBRANE REPLACEMENT					190	390	590	800	1,010
RESERVE FOR DROUGHT CONTINGENCY		750	1,500	1,500	1,500	1,500	1,500	1,500	1,500

Water Enterprise- Revenue Assumptions (dollars in dollars)

Residential Rates: $1.05 per 1,000 gallons for 10,001 - 35,000 gallons, $1.31 per 1,000 gallons above 35,000 gallons. Minimum monthly charge $4.88.
Commercial Rates: $.88 per 1,000 gallons over 5,000 gallons. Minimum monthly charge from $4.88(1") to $64.12(6") includes 5,000 gallons.

Current Charges: INCREASED EACH YEAR BY THE AVERAGE INCREASE OF THE PREVIOUS THREE YEARS

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Rate Increase:	7/1	0.0%	15.0%	15.0%	10.0%	5.0%	0.0%

Rate Increase: As part of an anticipated rate increase, an additional residential tier for higher consumption is being considered to encourage conservation.

Interest: 3.00% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF $10,000

Water Enterprise - Expense Assumptions (dollars in thousands)

Salaries: CPWEA	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
10/1						
SALARY BASE	$1,760	$1,920	$1,920	$1,920	$1,960	$2,000
Add'l employee for Surface Water Plant		$30				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

Health: INCREASE PER YEAR 12.00%

Other Benefits:
- -RETIREMENT 14.676% OF EXTRA HELP
- -WORKERS COMP 10.000% FOR CPWEA 1.87% FOR ADMIN
- -MEDICARE 1.450% OF SALARIES
- -DEF COMP/SICKLEAVE INC 5.250% OF SALARIES

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 2.26%
(Increase energy cost by 50% for the Surface Water Treatment Plant operation beginning in 2004/05)
Rental of New Corp Yard-beginning 2002/03 $320 per year

Capital Outlay: FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS 2.26%

Transfers Out: FOR CAPITAL CONTRIBUTIONS FOR DISTRIBUTION SYSTEM IMPROVEMENTS
FOR LAND ACQ, DESIGN AND CONSTRUCTION OF RECHARGE FACILITIES-100%

Reserves: WELLHEAD TREATMENT CONTINGENCY ESTABLISHED FOR POSSIBLE CLEANUP OF DBCP CONTAMINATION
MEMBRANE REPLACEMENT RESERVE ESTABLISHED FOR NEW MEMBRANE COSTS
DROUGHT CONTINGENCY ESTABLISHED FOR WATER PURCHASE DURING POSSIBLE DROUGHT

CITY OF CLOVIS

Sewer Enterprise - Financial Forecast *(dollars in thousands)*

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Est to Close 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
BEG WORKING CAPITAL	9,100	6,920	7,370	9,090	7,590	5,610	6,040	3,870	4,500
REVENUES									
SEWER CHARGES	7,070	7,420	7,790	7,540	7,620	7,690	8,530	11,210	11,360
PRETREATMENT CHARGES	50	50	50	50	50	50	50	50	50
TOTAL REVENUES	7,120	7,470	7,840	7,590	7,670	7,740	8,580	11,260	11,410
EXPENDITURES									
SALARIES	480	560	560	570	610	640	640	650	660
EXTRA HELP	10	10	0	0	10	10	10	10	10
OVERTIME	10	10	10	10	10	10	10	10	10
BENEFITS									
RETIREMENT	60	80	80	80	80	90	150	150	160
HEALTH	70	80	120	140	140	160	180	200	220
OTHER	80	100	50	60	90	100	100	100	100
SERV, MAT & SUPP	1,410	1,610	1,700	1,870	2,410	2,460	2,510	2,560	2,610
FRESNO TREATMENT PLANT	2,080	2,320	2,690	2,910	2,910	1,430	2,270	2,360	2,450
CLOVIS TRMT/REUSE PLANT (ST-WRF)	0	0	0	450	1,900	1,940	1,980	2,020	2,070
DEBT SERVICE	1,070	1,070	1,310	1,230	1,250	1,250	1,250	1,250	1,250
CAPITAL	10	20	30	90	50	30	30	30	30
CAPITAL-FRESNO PLANT IMPROVEMENTS	570	240	1,370	4,720	2,000	2,000	2,000	2,000	2,000
TOTAL EXPENDITURES	5,850	6,100	7,920	12,130	11,460	10,120	11,130	11,340	11,570
OTHER REVENUE AND EXPENSE									
INTEREST	340	530	640	380	320	230	180	180	0
GRANTS/MISC/SALE OF ASSETS	30	30	20	20					
	370	560	660	400	320	230	180	180	0
TRANSFERS IN-DEBT SERVICE	370	370	370	370	370	370	370	370	370
TRANSFERS OUT-CAPITAL	(460)	(120)		(500)	(150)	(60)	(440)	(110)	0
FROM MAJ FAC-PLANT BUY-IN, UPGRADE AND CAPITAL IMPROVEMENTS	270	270	270	270	270	270	270	270	270
INTERFUND LOANS	(4,000)		500	500	1,000	2,000			
(INC)/USE OF FRESNO PLANT CAP RESERVE		(2,000)		2,000					
END WORKING CAPITAL	6,920	7,370	9,090	7,590	5,610	6,040	3,870	4,500	4,980
RESERVE FOR FRESNO PLANT CAPITAL		2,000	2,000						

Sewer Enterprise - Revenue Assumptions (dollars in dollars)

Current Charges:	Population Increase	Residential:	New Units Per Year	Additional Commercial	2008/09 Per Unit Per Month	Pretreatment Per Unit Per Month
	1,400		500	$22,000	$14.62	$0.06

(Note: Adjusted to 250 units for 09/10, 300 units for 10/11, 300 units for 11/12 and 400 units for 12/13)

Rate Increase:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Percentage	0.00%	0.00%	0.00%	10.00%	30.00%	0.00%
Revised Monthly Rate	$14.62	$14.62	$14.62	$16.08	$20.91	$20.91

Interest: 3.00% OF PREVIOUS YEARS WORKING CAPITAL

Sewer Enterprise - Expense Assumptions (dollars in thousands)

Salaries: (CPWEA)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
1/1						
SALARY BASE	$570	$610	$640	$640	$650	$660
Additional employee		$30				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-RETIREMENT	22.685%	OF EXTRA HELP	
-WORKERS COMP	10.000%	FOR CPWEA	1.87% FOR ADMIN
-MEDICARE	1.450%	OF SALARIES	
-DEF COMP/SICK LEAVE INC/OTHEF	5.250%	OF SALARIES	

Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS	2.26%
	Rental New Corp Yard-Beginning in 2002/03	$320
	Clovis Treatment/Reuse Plant Operations-Beginning 1/1/2009	$1,000
Regional Treatment Plant:	Annual payment for original plant buy-in plus O&M costs. Adjusted for average 3 year CPI and per capita amount	2.26%
Debt Service:	Fresno/Clovis Regional WWTP Renovation 96/97 - 2013	$1,250
Capital Outlay:	FUTURE YEARS @	$30
	- ADJUSTED BY 3 YEAR AVERAGE CPI	2.26%
Capital-Plant Improvements:	Based on estimates from the City of Fresno for sewer main and plant refurbishments	
Transfers In-Debt Service:	In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation/Exp:	$370
Transfers Out:	Out for on-going capital improvements-per Five Year CIP	
Interfund Loans:	Temporary cash loans to the Refuse Fund to conform with various bond covenants	

CITY OF CLOVIS

Refuse Disposal - Financial Forecast (dollars in thousands)

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Est to Close 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
BEG WORKING CAPITAL	930	4,260	3,660	4,240	4,460	2,590	2,850	5,240	9,200
REVENUES									
REFUSE CHARGES	10,230	11,070	11,840	12,480	13,050	13,660	14,310	15,010	15,740
RECYCLING CHARGES	780	860	950	970	1,010	1,060	1,110	1,160	1,210
GREEN WASTE CHARGES	940	1,030	1,110	1,150	1,200	1,260	1,320	1,390	1,460
TOTAL REVENUES	11,950	12,960	13,900	14,600	15,260	15,980	16,740	17,560	18,410
EXPENDITURES									
SALARIES	1,810	1,870	1,990	1,920	2,100	2,100	2,100	2,150	2,200
EXTRA HELP	100	130	150	210	100	100	100	100	100
OVERTIME	100	120	130	150	180	180	180	180	180
BENEFITS									
RETIREMENT	210	280	290	280	290	290	500	510	520
HEALTH	250	320	380	390	470	530	590	660	740
OTHER	330	350	300	300	350	350	350	360	360
SERV, MAT & SUPP	5,200	5,120	5,340	5,530	5,650	5,770	5,890	6,020	6,150
RECYCLING	840	880	940	990	1,030	1,080	1,130	1,180	1,240
GREEN WASTE PROGRAM	940	990	1,060	1,100	1,150	1,200	1,260	1,320	1,390
DEBT SERVICE	140	360	340	230	160	110	40	10	10
CAPITAL	610	280	530	1,180	730	80	90	90	90
LANDFILL CLOSURE	130	140	130	150	150	150	150	150	150
STATE & COUNTY SURCHARGES	160	150	150	150	180	210	210	210	210
LANDFILL IMPROVEMENTS	860	2,230	960	870	2,650	500	200	200	200
LANDFILL DEBT SERVICE	790	790	790	800	800	800	800	800	800
TOTAL EXPENDITURES	12,470	14,010	13,480	14,250	15,990	13,450	13,590	13,940	14,340
OTHER REVENUE AND EXPENSE									
INTEREST	160	260	290	210	220	170	180	260	380
GRANTS/MISC/SALE OF ASSETS	190	90	40						
	350	350	330	210	220	170	180	260	380
TRANSFERS	620	150	120	60	50	60	60	80	100
LANDFILL LINER FEE	0	70	210	100	90				
INTERFUND LOAN	3,000								
INTERFUND LOAN REPAYMENT	(120)	(120)	(500)	(500)	(1,500)	(2,500)	(1,000)		
END WORKING CAPITAL	4,260	3,660	4,240	4,460	2,590	2,850	5,240	9,200	13,750
RESERVE FOR CLOSURE	1,580	1,720	1,850	2,000	2,150	2,300	2,450	2,600	2,750
RESERVE FOR LIABILITY INS	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
RESERVE FOR LANDFILL LINER						100	200	340	510

*Note: Maintain ending working capital at 10% of expenditures or the bond covenant requirements.

Refuse Disposal - Revenue Assumptions (dollars in dollars)

Current Charges:	New Units Per Year	08/09 Average Unit Per Month	Recycling Per Month	Annual Rate Inc	Green Waste Per Month
	500	$23.51	$2.69	4.00%	$3.97

(Note: Adjusted to 250 units for 09/10, 300 units for 10/11, 300 units for 11/12 and 400 units for 12/13)

Additional Commercial Annual Revenue ---------- $35,000

		2008/09 *	2009/10 *	2010/11 *	2011/12 *	2012/13 *	2013/14 *
Rate Increase:	7/1	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Adjusted Monthly Rate:		$23.51	$24.45	$25.43	$26.45	$27.50	$28.60

*** Rate Increase:** Based on Council approved annual rate increase unless otherwise acted upon.

Green Waste: Based on current year charges, increased by new unit growth and projected rate increases.

Interest: 3.00% OF PREVIOUS YEARS WORKING CAPITAL

Average Three Year CPI: 2.26%

Refuse Disposal - Expense Assumptions (dollars in thousands)

Salaries:	(CPWEA)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
7/1		0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
Salary Base:		$1,920	$2,100	$2,100	$2,100	$2,150	$2,200

Additional Personnel: Res/Comm

Extra Help: $80 for Operations per year plus $132 for Landfill Reclamation Project through 07/08

Overtime: FLAT FOR FUTURE YEARS 2.26%

Retirement:	2008/09	2009/10	2010/11	2011/12	2012/13	2012/13
	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

Health: INCREASE PER YEAR 12.00%

Other Benefits:
- -RETIREMENT 14.676% OF EXTRA HELP
- -WORKERS COMP 10.00% FOR CPWEA 1.87% FOR ADMIN
- -MEDICARE 1.45% OF SALARIES
- -DEF COMP/SICK LEAVE INC/OTHER 5.25% OF SALARIES

Other SMS: INCREASE BY AVERAGE CPI FOR PREVIOUS 5 YEARS 2.26%

Rental for 25% of the Corp Yard beginning 2002/03 $320 per year

Debt Service: Greenwaste Containers Beginning 1998/99-2013/14 actual according to debt service schedule

98 Landfill Improvements Beginning 1999/2000-2018/19 actual according to debt service schedule

Capital Outlay: FLAT FOR FUTURE YEARS $80

ADJUSTED BY 3 YEAR AVERAGE CPI 2.26%

Transfers: In-For Toters $100 /year

Reserve For Closure: FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 2.26%

Interfund Loans/Repayments: Temporary cash loans to meet bond covenents. The Sewer Enterprise Fund loaned four million dollars, the Sewer Capital Development Fund loaned one million dollars and the Liability and Property Insurance Fund loaned one million dollars.

CITY OF CLOVIS

Street Cleaning - Financial Forecast (dollars in thousands)

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Est to Close 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
BEG WORKING CAPITAL	20	20	0	(10)	50	130	200	230	230
REVENUES									
STREET CLEANING CHARGES	900	930	950	960	960	960	970	980	990
TOTAL REVENUES	900	930	950	960	960	960	970	980	990
EXPENDITURES									
SALARIES	300	320	310	290	270	260	270	280	290
OVERTIME	10	10	10	10	10	10	10	10	10
BENEFITS									
RETIREMENT	40	50	50	50	40	40	60	70	70
HEALTH	40	50	60	60	60	70	80	90	100
OTHER	60	60	50	50	50	40	50	50	50
SERV, MAT & SUPP	450	460	480	440	450	470	480	490	500
CAPITAL	160	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	1,060	950	960	900	880	890	950	990	1,020
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	0	0	0	0	0	0	10	10	10
	0	0	0	0	0	0	10	10	10
TRANSFERS	160		0	0	0	0	0	0	0
END WORKING CAPITAL	20	0	(10)	50	130	200	230	230	210

Street Cleaning - Revenue Assumptions (dollars in dollars)

Current Charges:	NEW UNITS PER YEAR	PER UNIT PER MONTH
	500	$2.25

(Note: Adjusted to 250 units for 09/10, 300 units for 10/11, 300 units for 11/12 and 400 units for 12/13)

Rate Increase:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Increase amount:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Monthly Rate:	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25

Interest: 3.00% OF PREVIOUS YEARS WORKING CAPITAL

Street Cleaning - Expense Assumptions (dollars in thousands)

Salaries:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
CPWEA						
7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
1/1						
SALARY BASE	$290	$270	$270	$270	$280	$290

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-WORKERS COMP	10.000%	OF SALARIES
-MEDICARE	1.450%	OF SALARIES
-DEFERRED COMP/SICKLEAVE INCENTIVE/OTHER	5.250%	OF SALARIES

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.26%

Capital Outlay: NONE $0

Transfers: NONE $0

CITY OF CLOVIS

Transit - Financial Forecast (dollars in thousands)

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Est to Close 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
BEG WORKING CAPITAL	410	580	1,500	1,350	90	(560)	(1,180)	(1,960)	(2,730)
REVENUES									
MEASURE C FUNDS	320	330	1,060	980	930	960	990	1,030	1,070
LOCAL TRANSPORTATION FUNDS	1,900	2,310	1,970	1,990	2,030	2,080	2,130	2,180	2,230
STATE TRANSIT ASSISTANCE	260	770	400	100	100	100	100	100	100
OTHER(Fares, Advertising, Trolley Rents)	180	210	230	210	210	210	210	210	210
TOTAL REVENUES	2,660	3,620	3,660	3,280	3,270	3,350	3,430	3,520	3,610
EXPENDITURES									
SALARIES	650	750	810	870	950	950	950	970	990
EXTRA HELP	370	360	520	710	780	780	780	780	780
OVERTIME	20	30	30	30	30	30	30	30	30
BENEFITS									
RETIREMENT	80	110	130	130	130	130	230	230	230
HEALTH	110	160	180	190	200	220	250	280	310
OTHER	150	120	220	250	270	270	350	350	350
SERV, MAT & SUPP	1,110	1,140	1,320	1,430	1,460	1,490	1,520	1,550	1,590
CAPITAL-OTHER	0	0	0	70	0	0	0	0	0
CAPITAL-BUSES	0	60	630	1,690	100	100	100	100	100
TOTAL EXPENDITURES	2,490	2,730	3,840	5,370	3,920	3,970	4,210	4,290	4,380
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	0	20	30	820	0	0	0	0	0
SALE OF ASSETS		10		10					
	0	30	30	830	0	0	0	0	0
END WORKING CAPITAL	580	1,500	1,350	90	(560)	(1,180)	(1,960)	(2,730)	(3,500)

Transit- Revenue Assumptions

Transit Revenue: Revenues are projected to equal expenditures because of the requirement to use Local Transportation Funds for Transit purposes before street capital improvements.

Interest: 3.00% OF PREVIOUS YEARS WORKING CAPITAL

Transit- Expense Assumptions

Salaries:		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
CUE	7/1	0.00%	0.00%	0.00%	0.00%	2.26%	2.26%
Additional Employees							

Extra Help:
Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.26%

Retirement:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	14.676%	13.799%	13.700%	23.700%	23.700%	23.700%

Health: INCREASE PER YEAR 12.00%

Other Benefits:

-RETIREMENT	14.676%	OF EXTRA HELP	
-WORKERS COMP	10.000%	OF SALARIES	1.87% FOR ADMIN
-MEDICARE	1.450%	OF SALARIES and EXTRA HELP	
-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	5.250%	OF SALARIES	

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.26%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI 2.26%

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EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

Generally in preparation of the forecast, trends are determined and utilized for projecting future activity. With current activity in both revenues and expenditures falling significantly outside normal "trends" adjustments to the basis for the projections are needed. The table below indicates the values that required modification for projection purposes.

	10-YR Average	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
Residential Units (Single Family plus Multi Family)	1,025	250	300	300	400	500
Assessed Valuation (in Millions)	$281	$79	$95	$95	$127	$159
Population Increase	2,656	700	800	800	1,100	1,400

The 2008/09 revenues were estimated based on actuals to date through mid-March of 2009, and projected out for the remainder of the fiscal year based on trend analysis of prior years receipts. Some revenues were given special consideration due to the current economic climate along with budgetary actions taken at the state level such as property taxes, sales taxes, gas tax, and motor vehicle license fees. The economic downturn was a major consideration in budgeting revenues in both 2008/09 and 2009/10, but some revenue sources were projected to experience marked increases such as sales taxes, business licenses, and planning fees due to the opening of the Clovis/Herndon Shopping Center in 2011/12. Transient Occupancy Tax is expected to increase significantly due to the opening of two new hotels in 2008/09 and three new hotels in 2009/10.

The 2008/09 expenditures estimates were derived from the input received from department heads, and are based upon actuals to date through mid-March of 2009 and their knowledge of the remaining year's activities.

The following are the assumptions used in the projections of revenue and expenditures for the five-year forecast for the General Fund for the years 2009/10-2013/14:

REVENUE ASSUMPTIONS

Property Taxes – will decrease in 2009/10 by 4.5% from the prior year, and decrease again in 2010/11 by 2.5%, due to the devaluation of existing properties taking effect. In 2011/12-2013/14, increases are projected at 2% on existing properties plus additional revenue generated by the annual increase in assessed values depending on the number of units noted above for the projected fiscal year.

Property Tax in Lieu-VLF – 2009/10 and 2010/11 follow the same decreases as property taxes of 4.5% and 2.5%, respectively. 2011/12-2013/14 projected an increase of 2% plus the annual increase in Assessed Valuation based on the year projected.

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $183 per unit increased annually by CPI.

Sales Tax – 2009/10 was decreased by 5% from the prior year to reflect the impact of the economic recession, especially in auto sales and the retail industry. Sales taxes are projected to grow by the three-year CPI average plus a per capita amount for additional population. The sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County. [In 2011/12, an additional amount has been added for the Clovis/Herndon Shopping Center (Wal-Mart)].

Franchise Taxes - Franchise fees will increase by the three-year average annual CPI plus the addition of new residential units per year.

Business Licenses - Business licenses are projected to grow annually by CPI plus in 2011/12, an additional amount has been added for the Clovis/Herndon Shopping Center (Walmart).

Building Permits - Construction permits are estimated based on the number of new residential units per year plus 25% of the residential fees for commercial activity, plus the three-year average annual CPI.

Other Taxes – Includes Transient Occupancy Tax and has been increased significantly beginning in 2009/10 as a result of the opening of 5 new hotels.

Fines and Forfeitures - Parking citations are based on a two year average and remain flat for projected years.

Interest - Interest is calculated at 3.00% on the prior year's ending fund balance plus contingency reserve, with a minimum of $50,000 per year.

Building Rentals - Rental of City owned buildings is expected to increase at 2% annually.

State Subventions - State Subventions are calculated at the per capita rate based on estimated population.

State Grants - State Grants are projected based on the past three-year average and adjusted when specific duration of multi-year grants is known.

Planning Fees – Regular planning fees and the general plan update fee are projected based on the estimated number of units. A significant increase is projected in 2011/12 for the Clovis/Herndon Shopping Center (Walmart).

Engineering Fees - Engineering fees are projected by taking the average engineering fee based upon three year actuals, plus fees for new residential units adjusted for the three year average annual CPI.

Impact/Rental Fees - Impact/Rental fees are based on additional routes/mileage projected in the enterprise funds.

Administrative Charges - Administrative revenue to the General Fund is expected to increase at 2% per year.

Current Charges - Current charges are projected to increase at a rate of the three-year average annual CPI.

Other Revenue - Other miscellaneous revenues are expected to increase by the three-year average annual CPI.

EXPENDITURE ASSUMPTIONS

Staffing – For Safety is projected to decrease for the 2009/10 year to reflect the elimination of safety positions during the 2008/09 year. Non-safety personnel is also projected to decrease due to the elimination of positions during the 2008/09 year.

Salaries - No salary increases are projected for any groups until 2012/13 at which time the three-year average annual CPI is projected.

Overtime - Overtime is projected to increase by the three-year average annual CPI.

Extra Help - Extra Help is projected as flat for the next five years.

Salary Related Costs

- *Health Benefit* - The Health Benefit costs are projected to increase by 12% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2008/09, estimated rates from PERS for 2009/10, and rates are projected to increase in the 2011/12 year due to the sever decline in PERS market valuation.
- *Worker's Compensation* – For 2009/10 workers' compensation is based on the budgeted rate. For 2010/11-2013/14 the rate has been projected to remain flat for each category of employees.
- *Medicare and Unemployment* - Medicare is projected at 1% of salaries and Unemployment is projected as part of other benefits and has sufficient reserves for this limited expenditure.
- *Deferred Compensation and Sick Leave Incentive* - Deferred compensation is projected at 3% of non-safety salaries and sick leave incentive is projected at 1% of total salaries. An additional 1% of salaries have been added for other benefits.

Services, Materials, and Supplies - Services, materials, and supplies are projected to increase by one half of the three-year average annual CPI. Also, in 2008/09 significant cuts were made to fleet replacement charges and training for both safety and non-safety departments. In public safety the fleet replacement charges are reinstated in 2009/10. Due to the economic uncertainty of the future years, training is being delayed or cancelled in order to reduce expenditures.

Capital Outlays - Capital outlays are projected at 1/2 the previous four-year average expenditure or a portion thereof.

TRANSFER ASSUMPTIONS

Transfers to Government Facilities - This represents the on-going need to pay for governmental capital assets. This includes acquisition, construction, and debt service requirements for the City owned assets.

Other Transfers (To)/From and Return of Unspent Funds/Premiums - This represents the General Fund contribution to other programs/projects as the need arises or the return of unused funds previously transferred from the General Fund.

RESERVE ASSUMPTIONS

Emergency Reserve - The reserve established for emergencies. In 2009/10 this reserve is projected to be 6.4% of expenditures. Council's established goal is from 5%-10% of expenditures. Throughout the forecast period the reserve is increasing 1% every year beginning in 2010/11 and reaches 10% in 2013/14.

Reserve for Triple Flip - This reserve was established in 2004/05; the first year the sales tax triple flip was in effect and represents an offset to the long-term accrual of revenue that is not available for appropriation.

Contingency for Economic Uncertainty - This contingency is a set aside beginning in 2009/10 for a two year period to help stabilize the general fund due to the current economic downturn and the potential for additional steep declines in revenues.