City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2010/11

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CITY OF CLOVIS

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PREPARED BY:

Kathy Millison, City Manager

Robert Woolley, Finance Director

Jamie Hughson, Deputy Finance Director
Bill Casarez, Deputy Finance Director
Barbara Melendez, Accountant
Jay Schengel, Accountant

CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

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INTRODUCTION

The Five Year Financial Forecast 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 economic assumptions are realized.

The City operates with a portion of funding which is collected and distributed by the State of California or by State authority issued to the Counties. In past years, these sources of funds, including local property taxes, sales taxes, and motor vehicle license fees, have been uncertain and either reduced, reallocated, or eliminated due to changes made by the State Legislature or by voter ballot initiative. This has greatly contributed to an environment of fiscal uncertainty. After years of planning, local governments comprised of cities, counties, special districts and redevelopment agencies joined with the Governor to place an initiative on the November 2004 ballot, Proposition 1A, to both restore and protect local government revenue for local services. The ballot measure passed with an overwhelming approval of 84% of voters. The proposition provided that local governments contribute $1.3 billion in property and sales taxes in each year over the following two years as contribution to resolving the State's budget deficit in exchange for future stability in local property and sales taxes dedicated to local government services. Progress to reign in expenditures at the State has been slow and it is projected that the State will still be operating with up to a $5 billion deficit in 2006-07 if more significant changes are not made. This fact will continue to threaten fiscal stability for all levels of government in the state. Passage of Proposition 1A, however, did bring a new level of stability to local government funding and will be extremely helpful in our efforts to perform long range planning for city services.

While the forecast has become a valuable management tool to examine the ever changing fiscal conditions, we have also learned of the limitations of its use. Due to the many changes in reallocation, swap of funds, and reduction of funding by the State, changes in regulations which require new programs and dramatic changes in the economy, we find 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.

The report includes a baseline forecast that reviews actual financial performance over the past three years, an estimate of financial performance for the current year, 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. In addition, the report contains a mid-year review for the current fiscal year beginning on July 1 and ending on June 30.

The report is presented to stimulate discussion that will ultimately result in policy guidelines for the development of the 2006-07 Annual City Budget and the Five Year Community Investment Program and budgetary planning for future years. This forecasting tool has proven useful for examining spending policies which have resulted in the City's ability to live within its means, provide for important programs and adequate service levels for the growing community, and begin to set aside reserve funding for major capital investment in public facilities.

FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

During the upcoming budget year and through the forecast period the city should address the following key issues:

1. **Staffing and resources for police and fire services to maintain service levels and to adequately staff new patrol and fire service boundaries as the community continues to grow.**

2. **Staffing for park maintenance services to maintain service levels as the community continues to grow with additional green spaces; and manage the Landscape Maintenance District to stay within funding constraints of assessments approved by property owners.**

3. **Prioritize local streets for repair and maintenance given current funding constraints; and advocate for the importance of the extension of Measure C for continued regional and local transportation improvements.**

4. **Proceed with the selection of a vendor to provide design – build – operate solutions for the proposed sewage treatment – water reuse facility and pursue the project to construction and operation.**

5. **Determine future expansion and use of the landfill and the funding options for continued environmental remediation.**

The City's overall financial condition is beginning to stabilize, primarily attributable to the passage of Proposition 1A, the November 2004 ballot measure to secure allocation of local taxes for local services. This shows a favorable trend for more positive financial planning than has been experienced for the past ten years. However, local governments should not become complacent with this new found stability, because much can change with legislative action and ballot initiatives as the State continues to operate in a deficit position. We have witnessed the methods for erosion of local tax revenues derived from property taxes, sales taxes, and vehicle license fees --- the "bread and butter" revenue for local services, primarily public safety services. While there are still some uncertainties with the outcome of the new formulas put into place we should be able to rely on longer range fiscal planning to meet the needs of the community. To citizens and taxpayers of the community and the state, we again express our gratefulness for "getting it right" and overwhelmingly voting to maintain local services, primarily affecting public safety in our communities with the passage of Proposition 1A.

While the city operates with several funds for specific operations, the General Fund supports the general government service function of police, fire and emergency services, parks maintenance and senior/recreation services. During the tumultuous years of State take-aways, we constrained the growth in staffing to the point that it was greatly impacting levels of service. As a result, in the past two years we have been utilizing accumulated fund balances in each year to supplement current revenues in the amount of $2.0 million per year to be able to maintain levels of service as the city has grown. This volume of fund balance is not expected to materialize by end of the current year because most departments have or will be reaching full authorized staffing levels. Therefore, some fiscal constraint will need to be exercised for the next few budget cycles. The current year has seen a dramatic increase in expenditure primarily used for increased staffing in public safety, public utilities, and planning and development services. It has truly been a catch-up year.

Public Safety – Services are supported by discretionary revenues primarily derived from property taxes, sales taxes, and vehicle license fees. The Community Facilities District assessments, enacted in 2004, for public safety staffing will yield its first returns in the current year. Receipts thus far show a much smaller amount of collections than previously projected. Only $80,000 is expected in the current year to be apportioned between police and fire services for additional staffing. There are also some issues with the County Assessor's Office regarding the timing of property enrollment for tax collection purposes. The county has been challenged to process the large volume of parcel creation throughout Fresno County in a timely manner due to funding and staffing constraints. This has resulted in a 6 – 8 month delay in enrollment for tax collection purposes. City staff is working with the County Assessor to determine what can be done to resolve this issue. It may be that the city will need to invoice new parcels subject to the CFD assessment for the first year. Subsequent tax enrollment will resolve the matter in future years.

The forecast indicates that in order to add sufficient staffing to maintain an adequate level of service for the growing community it will be necessary to add 6 police officers and 3 firefighters each year. And to do so will require staging the hiring of the additional personnel throughout the fiscal year to spread the impact of cost. Even so, it will be necessary to provide an additional $6 million throughout the forecast period to achieve this level of staffing. The financial growth trend indicates that we will likely have to add less staffing during the period, or seek cutbacks elsewhere in the General Fund operations, or develop new sources of revenue to support the desired level of service.

Public Utilities – Services are primarily supported by non-discretionary money from gas taxes, user fees, and special assessments. Parks maintenance is one service that must be watched closely. Nearly half of all parks maintenance occurs in the Landscape Maintenance District. The city has committed to a specific level of funding for services in the LMD and must manage its resources to remain within the funding constraint. More green spaces are being added to the city as growth continues, but nearly all will be supported by the special assessments of the LMD. The forecast indicates that it will be necessary to add 3 parks employees each year to maintain an adequate level of service. These positions will be partially funded by the LMD.

Local Street Repair and Maintenance - City engineers are working on a new update of the Preventive Maintenance System for evaluating condition of streets to determine appropriate maintenance work and schedules. The entire city should be completed by June 2006. In the meantime, the existing records of evaluation of street condition still allow for the necessary prioritization of work to be accomplished. The larger issue is the continuing fact that dedicated revenues for street repair and maintenance lag far behind the need. This is not a unique circumstance for Clovis. Unfortunately, it is a fact for all of Fresno County and its cities and throughout much of the state. During the collection of data last year used to analyze the transportation needs versus available funding from all sources, it was reported that there was sufficient funding available to meet only 45% of the need countywide. For Clovis it is estimated that current funding is only sufficient to meet between 40-45% of the need for street repair and maintenance. Given this fact, critical decisions must be made about repair and maintenance work to preserve the life of the most heavily trafficked streets critical to transportation for residents and businesses within the city.

It is also notable that a consensus has now been reached amongst community leaders about an expenditure plan for a successor measure for the ½ cent sales tax for transportation, Measure C. If approved by the city councils and board of supervisors to qualify for the ballot, the successor measure will be placed before voters in November 2006. Currently, Measure C provides over $1.0 million to Clovis to spend for transportation purposes at the City Council's discretion. This money has been used for local street repair and maintenance as well as support for the transit system. If the new measure is passed, not only will there be new money dedicated to completing and improving the regional highway network in all of Fresno County, but Clovis will receive about $2.0 million each year for the next 20 years to spend on local transportation needs at its discretion. Other changes to state and federal legislation regarding dedicated taxes for transportation purposes could yield a more reliable revenue stream for these purposes.

Sewage Treatment – Water Reuse Facility – Upon authorization to negotiate with a vendor, contract negotiations will ensue for approximately four months. If negotiations are successful, a contract will be completed and submitted for City Council approval by Summer 2006. Design of the facility, obtaining permits, sale of revenue bonds and subsequent construction will allow the facility to be operational by 2009. The city will need to carefully manage the cost of the project, compare actual to estimated costs to be funded by development impact fees, and provide analysis of necessary user fees to support the project. There will also be a need to consider new management strategies for use of the capacity of the Fresno-Clovis Regional Treatment Plant in conjunction with the use of the new Clovis Treatment Plant. All of these issues are currently under study and best estimates of cost for construction and operation are included in the forecast, but will need to be updated when actual costs are known.

Landfill Environmental Remediation and Future Use – The Refuse Enterprise supports both the collection aspect of solid waste as well as operation of the city's landfill. The landfill has been the site of an excavation project to remove refuse deposited over 50 years ago in an unlined portion of the landfill. The purpose of removal has been to remediate water pollution leaching from the site and to dissipate methane gases from the site. Both types of pollution are typical of landfill operations and both are better controlled with new technology developed for lining the pits prior to deposit of refuse. The project has been difficult at times because this type of excavation and recovery has not been previously utilized in California, although the eastern United States and much of Europe have utilized the technique for many years. There have been several unknowns during the course of the project including unknown topography of the original ground level to accurately project the volume of materials to be excavated, resulting in increased cost. But, much knowledge has been obtained through trial and experiment to be used to improve operations in the future and to share with the solid waste industry throughout California. The results will not be thoroughly known until the excavation project is completed, however, the water contamination from leaching has been significantly reduced to acceptable levels and cost of full-scale water treatment facilities have been avoided, although underground monitoring wells will continue to record any flows.

Methane gas remediation has been far more problematic. Due to the compact nature of the clay soils at the site and the retention of moisture in the soils, methane gas has become trapped in certain areas at greater concentration than originally known or anticipated. While much of the problem has been greatly reduced over a large area due to the excavation and removal of refuse, a gas extraction system must be installed to reduce these levels of methane gas in concentration and to meet regulatory requirements in order to continue operation of the landfill. All of these projects are costly and have exceeded original budget estimates. New rate increases went into effect in 2004 and have allowed for annual adjustment since that time. In addition, interfund loans have also been made to deal with the immediate need to continue the project. At this time, the forecast indicates that the Refuse Enterprise will not be able to pay off the interfund loans on schedule and will not have sufficient revenue to meet bond coverage covenants for reserves without additional funding sources. The city will need to make additional interfund loans to complete the current projects and provide sufficient reserves this year. The city should also consider a development impact fee for future expansion of the landfill and consider a landfill remediation surcharge for ratepayers. These and related issues will be discussed in greater detail at an upcoming workshop with the City Council.

Overview

Spending policies adopted through the years by the City Council have allowed the city to weather these years of turbulent fiscal times by increasing emergency reserve funds and holding back on expansion of the workforce and new programs. At the same time there have been commitments made to increased salaries and benefits to remain competitive in the marketplace and to a public facilities building program. These commitments will require that we continue to manage resources carefully and move cautiously into the future to maintain staffing levels.

The spending philosophy should continue guarded for the next two years with respect to general operations, focus on the steady increase in staffing for public safety and parks within funding constraints, focus on the planned investment in public facilities where funding is available, continue investment in the economic development strategy to facilitate job growth and prepare the community for jobs of the future, and plan for the long-term needs and financing of the growing community.

Annual growth in General Fund revenues is expected to increase at an average of 6.6% per year over the forecast period. This rate is 2.5% over the rate of inflation but when the city's population growth rate is coupled with inflation, this revenue growth falls short of meeting need by more than 2%. The rate of growth in general revenue to support public safety is a key issue. Based on the projections, expenditure reductions will have to be made or additional revenue found in order to meet the projected need. The issue of budget reductions is a practical solution to close the gap between available resources and planned expenditures. Contingency reserves could also be reduced to utilize savings to expand services and meet projected needs. This, of course, would be a solution of limited duration since these one-time revenues would not be available for use into the future once they have been expended. These issues will be examined closely during the budget preparation this year and in future years.

The strong local economy, however, has been good news for job growth for Clovis, which has historically had unemployment rates at about one-half that of the region as a whole (from 6% to 8.5%). Current unemployment rates in Clovis are tracking at 4-5% which is often considered close to full employment. Chronically high unemployment in the region continues to frustrate some local communities but is significantly down overall with a countywide rate of just 9.5%, still double the state and national averages and unacceptable to the community at large. The challenge to the region remains its ability to offer jobs and needed training for jobs to help transition people from welfare rolls to payrolls. The building industry, a large segment of the local economy, continues at a robust pace but is showing signs of slowing to a more normal rate of growth. The number of new residential units is expected to be 1,800 in each of the 2005-06 and 2006-07 years but is expected to decline some and continue thereafter at about 1,500 units per year.

Development interest and activity remains steady along the Herndon Avenue corridor east and west of the HWY 168 interchange and major shopping centers, auto dealers, medical offices and services, housing, and private education institutions are preparing for or completing construction. The construction of the metropolitan freeway systems over the past decade have brought over 14,000 construction-related jobs to the region, infusing over $1 billion to local businesses for goods and services, increasing personal income by over $300 million, and resulting in additional revenues to local governments. The ½ cent sales tax for transportation that has been so vital to expansion of transportation systems and the economy of this region is set to expire in June 2007. Efforts are underway to present a successor ballot measure to voters in November 2006 to continue these transportation programs for the region. In addition to an improved regional transportation system for the movement of goods and services and traffic congestion relief, Clovis would gain significant improvements to the public transit system, trail systems, and over $2 million per year for the annual street maintenance program. If the measure is not successful, Clovis will see the immediate loss of over $1 million per year for street repair and maintenance and the region will see a tremendous setback to transportation improvement and the loss of significant economic activity that results from the construction and investment that follows.

Significant economic and job opportunities have developed in recent years and continue to be developed. The renewed interest in revitalizing Shaw Avenue from HWY 168 east to Armstrong Avenue has seen improvement and expansion of business and will continue to receive proposals for new investment in office, retail, restaurant, and hotel businesses. Sierra Vista Mall is currently undergoing expansion to include a new and larger stadium seating theater and new shops and restaurants adjoining in a pedestrian friendly, courtyard along with a "Main Street" thoroughfare connecting the north and south sides of the mall. Grand openings are expected in late 2006.

The City-sponsored 180-acre research and technology business park at the Temperance Avenue interchange of HWY 168 is beginning to come out of the ground. The first business, a private business incubator and full service e-marketing and fulfillment center is now under construction with more clients to follow this year. The first retail buildings to serve the business park are also under construction as is the new city fire station intended to serve the business park and the neighborhoods developing to the northeast. Marketing efforts have been fruitful to attract technology-based businesses to locate within the park and nearly all parcels are sold or optioned at this time. Privately held lands within the park to the south and west of the city-owned parcels are also staging for development with specialty medical facilities. Construction is not expected for these areas until 2007/08. The City continues to target certain technology trade shows and is also working to create business leads through the Economic Development Corporation Serving Fresno County, development specialists, and real estate brokers. Some relocation and expansion of existing businesses will be occurring at the site as well. The city has also embarked on a program to expand the business park by 125 acres to the east, abutting FWY 168 and is preparing a master plan for utility placements. The city is also working with residents and business leaders to develop a long range vision and strategy for becoming a hub for technology business. The committee has plans to host an advanced technology conference next year to generate interest and awareness of the assets which the community has to offer such businesses and their employees.

The redevelopment agency is working to facilitate the development of the Golden Triangle at Herndon and Clovis Avenues as a mixed use professional office and limited commercial site. A private technical institute has been constructed and ready to open with restaurants to follow in the first phase of development at the site. Land assembly is underway for the remainder of the site which extends south to Sierra Avenue and east from FWY 168 and the Old Town Trail to Clovis Avenue. The current Department of Motor Vehicles office at Pollasky and Bullard Avenues will soon be vacated when a new facility is built in Clovis for the DMV. In anticipation of this change of use, the redevelopment agency is soliciting development proposals to upgrade the use of the site. A new fire station will be constructed at the corner of Pollasky and Seventh Street in 2006 with the remainder of the DMV building and parking lot becoming available for demolition and new construction. Several ideas for uses from residential housing to hotel to restaurant, shops and offices are being considered.

The Old Swiss Colony Winery site on Clovis and Dakota Avenues is generating new interest for a mixed use project. The city has taken early steps to acquire the site and plans to retain the parcel with the Clovis Area Recreation facility but sell the remainder of the parcel for development of a mixed-use project. Some interesting and exciting proposals should be coming forward in the next year. The Clovis Veteran's Memorial District continues to pursue plans for expansion of meeting facilities at the existing site and plans for financing a proposed performing arts center. Friends of the Library are also making plans for a new and expanded public library in Clovis in anticipation of funding availability in the near future.

The future of the city's financial condition is greatly impacted by the expanding residential, commercial, and industrial base in the community. Revenues derived from property taxes, sales taxes, and user fees have been able to reasonably sustain the cost of general government services and to enhance the community's quality of living. With exception of the refuse enterprise, all other enterprise operations, capital improvement programs, internal service activities, and debt service accounts are adequately funded at this time or will receive modest adjustment already approved during the forecast period. However, general government operations, technology improvements, and public buildings continue to need revenues for maintenance of existing programs and levels of service, creation of new programs, and replacement and expansion of inadequate facilities. The city is underway to build and equip one new fire station this year utilizing the proceeds of the Public Safety Measure A sales tax and will relocate one fire station in order to provide better response throughout the city. Reserves set aside for such purpose will fund this fire station. A challenge will be the rapidly rising cost of land and cost of construction for future projects. Where just a few years ago we were able to purchase land for $100,000 per acre, we are now faced with prices ranging from $300,000 to $450,000 per acre. And where construction costs for a fire station were about $1.5 million just seven years ago, they now are three times that cost and rising.

The forecast indicates that General Fund revenues are projected to be less than expenditures, plus transfers, through much of the forecast period with expenditure reductions or revenue enhancements required beginning in 2006/07 and continuing through 2009/10. A designated reserve of 10% of expenditures is set aside as emergency reserve, consistent with City Council policy. This amount was increased to 10% over the past five years to help stabilize services in the face of continuous revenue losses when needed. The City Council, by four-fifths vote, may decide if any of these reserves should be used for support of services or projects in any year. The only caution is to acknowledge that the reserves are a one-time source of funds and will not sustain services over a period of time. Capital investment in general government facilities, such as a new animal shelter, new community centers, new fire stations, public restrooms, parking garage and improved technology remain an issue and will be funded in the future with regular transfers made to the government services and facilities fund or new sources of revenue are developed. It is proposed that a transfer to the General Government Services Fund of at least $1,000,000 per year to fund future building and technology needs be maintained.

We have previously noted a new era of revenue stability that we have not experienced for many years as a result of the passage of Proposition 1A. We are still adjusting to the new schedules of revenue release that greatly affect the cash flow for city operations but should be more confident of the schedule of revenues after the next fiscal year. While the newfound stability is helpful, the fact remains that there will continue to be a loss in tax revenues and fees due to permanent reallocation to either the State or the County. These revenue losses constitute over $5.6 million next year, or 11% of total General Fund revenue, or 18% of discretionary revenue collected by the General Fund. This is significant because 83% of the discretionary revenues are used to support public safety services. This amount of funding would pay for the construction and equipping of one new fire station or 56 police officers and fire fighters. This continues to be an ongoing loss of revenue going forward. This is a fiscal problem that has been inherited and is not likely to be altered significantly.

In order to gain a perspective on the impact of the shifts in local revenue that have occurred, it is important to review some of the more significant actions that contribute to the permanent and continuing losses in local tax revenue:

- A property and sales tax sharing agreement with Fresno County to direct urban development to cities is estimated to net the county more than $4.6 million in additional sales taxes for general purposes over the next five years.
- State mandated transfers of local property taxes to the Education Revenue Augmentation Fund are projected to net the State more than $25.7 million for schools over the next five years.
- State mandated administrative fees to Fresno County for collection of local property taxes are expected to net the county over $2.3 million over the next five years.
- State mandated jail booking fees to Fresno County for operation of the jails that will net the county nearly $650,000 over the next five years.

When taken together these losses are more than $33.3 million over the five-year period of discretionary revenue from the General Fund. There is no question that these losses have severely limited the city's ability to maintain services and certainly have limited the ability to pay for needed public facilities. Under constitutional protection, the State is prohibited from taking more of these primary sources of local revenue that support local government services unless certain conditions of fiscal emergency arise.

The challenges of continued growth in the community are found in the increasing demand for services and the need to expand and/or replace public facilities. While it had been demonstrated that services could be reasonably sustained by growth in revenues, the financial trend over the past ten years has been for expenditure growth including capital needs to exceed revenue growth, with per capita revenues growing at a pace less than the cost of services and the growth in population combined. It will take continued discipline in financial management and the cessation of further transfers of revenue by the State to provide sufficient funds for maintenance of service levels and major capital expenditures in the future.

As we approach budget preparation, all departments will examine their operations for effecting greater efficiencies where possible. The city's use of technology and outsourcing of certain services has assisted our efforts to manage the increasing demand for services as the city grows. Again, the forecast illustrates that the city's decision makers will need to consider policies that either contain or reduce the cost of providing services and facilities, change the mix of services, reduce the service level, or increase the revenues available to provide those services and facilities.

The diversity of commercial and industrial development in the city over the past ten years has contributed to a much healthier local economy. This is demonstrated by the continued growth in sales and property tax revenue. Last year, Clovis ranked second highest of all cities in Fresno County in per capita sales taxes and continually exceeds statewide per capita sales taxes. This means that Clovis is not only serving the retail needs of its citizens but is also capturing a share of sales in the region.

Although housing costs have escalated rapidly in recent years, economic reports and short-term forecasts for the Central Valley continue to forecast population growth, stability in household incomes if job growth keeps pace with population growth, and low rates of inflation all contributing to continued home building, consumer spending, and improvements in retail sales. One regional factor remains troubling and serves to diminish the positive aspects of growth for the economy. The most urgent change needed in the region is the ability to increase the volume of job growth for both entry level and living wage jobs to exceed the growth in population and reduce the overall high rates of unemployment in the region. Degradation of air quality and new, stricter regulations to control sources of air pollution will have a direct impact on the region's ability to attract new employment and may constrain the flow of dollars for highway and street improvement in addition to other investments in the region.

While the forecast identifies both negative and positive trends, the city has consistently taken responsible steps to deal with the increasing demand for services, the 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 has required the City Council and city management to 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. 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 improve the effectiveness of our financial management and will raise the public's confidence in the decision-making and accountability of its public leadership.

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BACKGROUND

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 through the 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.

ALTERNATIVES

The forecast projections indicate that there may not be sufficient resources in all funds to maintain current operations, meet regulatory requirements, or increase staffing to meet the growing demand for services at established levels, even if revenues meet expectations. This section describes four alternatives for dealing with the need for funding services and capital projects in more detail. The City has utilized each of these alternatives to some degree over the years. The alternatives range from the simple to the complex; from the tried and true to the experimental. The range of political feasibility is equally as broad. The ultimate package of any measures used will likely be a combination of factors representing the City Council's best judgment of what is most needed for the community and what can be supported.

Alternative 1 - Reduce the Cost of Services

This alternative is one that has a first priority for review in any analysis of services. We continually look for ways to reduce or, at a minimum, contain our costs of services. There are several ways in which this can be done.

First, we can improve productivity through more efficient use of employees through the introduction of labor saving devices and new technology, aggressive injury prevention programs, and caps on increases in salary and benefit costs. Automation and use of technology in business operations are yielding some of the best productivity gains by allowing existing employees to handle 50%-150% more transactions per person or operation.

Secondly, we can shift service delivery, operations, and/or capitalization to the private sector (privatization) or request services from another public or private agency (contracting out). City departments have utilized both methods effectively. For example, the city has privatized the recycling and greenwaste programs. Several city departments contract out to private firms to perform peak workload volumes beyond the capacity of existing staff and rely on private contractors to regularly perform services such as tree trimming, landscaping, engineering, billing and collection services. A new strategy that we are currently utilizing is the design/build/operate solution for the new sewage treatment-water reuse facility. This strategy is expected to result in more efficiency in design and construction as well as operation of the facility. It is being utilized because we are building a new public facility, desire to retain ownership, and do not have the existing staff both available and trained to operate the facility. Another advantage to this strategy is the ability to transfer the risk of operational reliability and environmental compliance.

A third strategy is to seek legislative relief from the many state and federal mandates that impose burdensome costs on the city. For example, changes to benefit schedules and other program changes to the worker's compensation program increased the cost of this program by 220% in just five years despite best efforts towards loss prevention and control. Legislative reform, enacted over the past two years, is now yielding results with an estimated 20% cost savings.

Alternative 2 - Reduce the Level, Rearrange the Mix, or Eliminate Services

In addition to efforts to make services operate more efficiently, it is possible to cutback on level of services, look for less costly alternatives, or eliminate some services. This alternative deals with the question of priorities. How important is it to respond to 90% of police or fire calls within five minutes? Should there be a different standard depending on the nature of the call? How important is it to keep public counters open for business transactions eight hours a day, five days a week? Would more limited public counter time allow more efficient utilization of the existing workforce to perform certain tasks during uninterrupted periods of time? Would alternative work schedules and business hours allow for reduced energy consumption, consolidation of service schedules, and traffic congestion?

The traditional approach to government service has been to look internally for ways to provide the service when the community need is demonstrated. Now, as the service sector of the local economy has matured, we are finding that there is often no need for government to actually provide some services. Services can be purchased in the marketplace. We are also looking to other agencies, public, private and non-profit, and to volunteers from the community for coordination of resources to answer the need for services. When there are opportunities for joint participation, the cost is often lower and the service can be mobilized more readily. Often, either the agencies or the business community are already involved in the service activity and have the experience, financial resources, and knowledge to bring services to operation more quickly.

Modified workweeks to reduce actual hours worked and designated work furloughs (time off without pay) have been viable options for many public agencies having to cope with significant losses in revenue. This does reduce the level of service in the community, but can save significant expense, and is preferred to massive layoffs because it keeps the diversity of talent in the workforce, only at a reduced level. Elimination of services is certainly an option but one that can often be controversial. The city will continue to examine services and programs that we are now involved in and determine if it is essential to continue or if the service could be obtained at less cost elsewhere.

Alternative 3 - Increase Fees and Taxes

While not popular, raising fees and taxes is an alternative. The City has developed programs over the years that regularly review the fees that are charged of developers. The City's policy is designed to assure that new development pays for itself and that it not be a burden to existing residents. In the past, these programs have collected fees sufficient to finance major capital improvements such as water mains, wells, and storage capacity; sewer mains, trunk mains, and treatment plant capacity; storm drainage facilities, streets; parks; new garbage trucks and street sweepers, and police and fire equipment and facilities. The city charges a number of fees for service when a specific group of users can be identified. All of these fees are reviewed periodically to determine if they are set at a rate that recaptures the cost or if they are sufficient to provide the regulatory control that the city intended.

In recent years, the city initiated the use of Community Facilities Districts to require a new tax assessment for all new residential growth areas to support police and fire services at standard levels of service. This new source of revenue will be collected slowly at first but will be able to provide support to hire police officers and firefighters. As previously noted, general revenues have been stabilized to a large extent with the passage of Proposition 1A in November 2004. However, the State may be able to find ways to raid local treasuries in the future or could change collection and allocation formulas. For a variety of reasons, in the future the city may be faced with considering more fees and taxes. Would the community support additional general property or sales taxes to help maintain police and fire services? Would the community support additional fees to support parks, street lights, and street maintenance? These are some of the questions that may face the City Council and the community in the future.

The city's economic development strategy has achieved much in terms of encouraging new commercial and industrial construction. This adds to the property tax and employment base, encourages new retail sales outlets thereby increasing the city's share of regional retail activity and per capita sales taxes, and attracts new employers to provide more and better paying jobs increasing disposable income. Government services derive its primary sources of revenue from such activities. So, in a very real sense a healthy economy provides for the quality of life in the community. We know that residential growth alone will not generate sufficient revenue to pay for all city services as well as for the capital expansion of public facilities. The ability to attract substantial new industrial, retail or office growth depends upon the availability of land and other market factors such as the regional transportation system, private financing, and access to materials and markets. Industries which produce materials or products that can be exported and sold outside of the region bringing new revenue into the community are a priority for target industries outlined in the strategy.

Alternative 4 - Reduce the Need for Services

Reducing the need for services or demand management is a preventive approach to analyzing the need for service and settling on a service strategy. More and more we are finding that spending the time to determine root causes of problems and intervening earlier is less costly and resolves problems at a less serious level. It is a decision to invest in programs that provide education on drug/alcohol use awareness and prevention, domestic violence prevention, graffiti prevention, youth recreation and leadership training, summer youth employment, and neighborhood preservation, to name just a few programs utilized by the city.

We also reduce the need for service when we require movie theaters to provide parking lot security or convenience stores to install video security systems to control entrance and exit points to reduce the need for police services and to improve the record for investigations when needed. We also reduce the need for fire services when we require structures to provide automatic fire sprinkler systems. We have installed cautionary speed warning signs at local schools to encourage drivers to "self-police" their driving behavior. We have installed traffic signal preemption devises to allow fire apparatus to drive through busy intersections safely and unimpeded by traffic congestion. This allows for maintaining acceptable response times for emergency vehicles as service areas build-out and traffic congestion increases.

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.

GENERAL FUND

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 new circumstances as they occur. The projections are a systematic way to provide early disclosure of revenue or expenditure trends that could become problems. This disclosure would indicate that new strategies should 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 more lead-time to study alternatives and implement solutions.

The forecast projects a population increase of 26,800 for the current and five-year period which means that the City is expected to surpass 112,800 in population over the next five years. This projection takes into account anticipated faster growth for 2005-06 and 2006-07 years. The General Fund receives very close attention in our analysis because it is the source of funds for the day-to-day operations and services of the city and it has been most vulnerable to revenue reductions by the State. There are several areas of spending need that are not included in the General Fund forecast that will be necessary to serve the increased population. The forecast does not include increased personnel in all departments that are likely to be needed to maintain service levels as the community grows except for Police, Fire and the Parks Division where staffing needs are most critical.

The forecast includes the addition of 29 police officers through fiscal year 2010-11 to maintain a reasonable ratio of officers per 1,000 of population. The forecast includes the addition of 15 firefighters for the staffing of Station 35 scheduled for completion in fiscal year 2006-07 and to meet the recommendations for community coverage contained in the fire master plan. The forecast also includes the addition of 15 employees for the Parks Division of the Public Utilities Department over the five year period in order maintain the minimum level of maintenance of city parks and the landscape maintenance district. Given the trend for increased expenditures for personnel and related benefit costs, additional positions will not be possible to add unless other expenditure reductions are made or additional revenue is generated. In order to achieve this projection, service and/or expenditure reductions or additional revenue of more than $6.1 million will be needed for the five year period to realize the projected needs outlined in the forecast.

A transfer from the General Fund to the General Government Services Fund continues through the forecast period in the amount of $1,000,000 annually to provide resources to address remodeling and rehabilitation of existing facilities, technology improvements, and new facility needs. A contingency reserve of $5.0 million in 2005-06 has been set aside for unforeseen emergencies and is recommended to be adjusted throughout the forecast period to maintain a reserve of 10% of expenditures. The emergency reserve is deemed prudent to deal with both unforeseen emergencies and potential losses of revenue to the General Fund. In addition, the City has reserved $855,000 due to the implementation of the "Triple Flip" by the State of California, which is the estimated amount the City won't receive each year until the conclusion of the triple flip in 2035.

Fiscal year 2005-06 is the last year that the City will be impacted by the state budget agreement negotiated by the League of California Cities and its local government partners with Governor Schwarzenegger and legislative leaders. Cities, counties, special districts and redevelopment agencies are helping the state solve its budget crisis by giving up $1.3 billion in local revenues in both FY 2004-05 and 2005-06 ($2.6 billion total). This transfer of property tax is called the Educational Revenue Augmentation Fund (ERAF III). The cities' share of this loss is $350 million for each of the two years. The City of Clovis General Fund's share is $773,000 for each of the two years ($1.5 million total) and the Redevelopment Agency share is $280,000 each year ($560,000 total).

The City continues to lose property tax revenue to the State to pay its obligations for schools estimated to be over $20 million during the forecast period under the original ERAF shift. Statewide, the ERAF shift is almost $5 billion annually but due to the passage of Proposition 1A in November 2004, the State cannot shift any additional property or sales tax or vehicle license fees from local government treasuries unless certain declarations of fiscal emergency are made and all previous loans from local government have been fully repaid.

The projection for 2006-07 reflects the employer retirement rate provided by the Public Employees Retirement System (PERS) for the 3% @ 50 benefit formula for public safety personnel and the PERS 2.7% @ 55 formula for miscellaneous (non-safety) personnel. The rate for the public safety formula is assumed to decrease from the 2005-06 rate and then remain stable throughout the forecast because of "investment gains" from interest earnings that PERS has experienced the last couple of years. The rate for the miscellaneous formula is assumed to increase from the 2005-06 rate due to enhancing the formula from 2.5% @ 55 to 2.7% @ 55. Thereafter, the rate is assumed to remain stable throughout the forecast, all based upon estimates received from PERS. The City will pay retirement contributions of 21-24% of salaries for public safety employees throughout the forecast period; in addition public safety employees pay 9% of their salaries for retirement Contribution. The City will pay retirement contributions of 14-15% of salaries for all other employees throughout the forecast period; in addition these employees pay 8% of salaries.

Revenue growth is projected to increase by an average of 6.6% per year over the five-year period. The magnitude of the increases in personnel salary and benefit costs and the requirement for new personnel to meet the needs of the growing city will require reductions in service or increases in revenue. The forecast indicates that program reductions and/or additional revenue of about $4.4 million will be needed over the next two years. In order to address the issues of funding and levels of service, the City Council and city management will need to work diligently with the community to come to acceptable solutions that can be reasonably implemented.

ENTERPRISE FUNDS

In the Enterprise Funds, only the projection for the Refuse Enterprise Fund includes rate increases in 2006-07 through 2010-11 periods. As approved by the City Council in November 2004 the Refuse Enterprise rate will increase 4% annually with staff returning in 2008-09 to determine if any adjustment to the rates can be made. Additional information on the Refuse Enterprise Fund will be presented below and staff will be holding a workshop with Council in the near future to discuss the financial condition of the Fund. No other Enterprise Fund is currently requiring a rate increase throughout the projection period. Further detail regarding each enterprise fund is discussed in the following pages.

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of about $7.8 million at June 30, 2005. The Surface Water Treatment plant has been in operation over a year and the current rate structure has been able to support the increased costs and debt service requirements due to its operation and construction. No additional rate increases are foreseen during the projection period at this time. The forecast assumes the addition of two employees in 2006-07 to provide support for the surface water treatment plant and canal maintenance and security. The projection maintains a prudent working capital balance of 10% of expenditures.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $10.3 million at June 30, 2006. A few years ago rate increases were necessary 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, and the increased operational costs at the plant as a result of the upgrade. These rate increases are currently sufficient to meet current operating, capital and debt service requirements and there are no rate adjustments recommended at this time. 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. The forecast assumes that the repairs will be performed each year through the forecast period. Estimates are included for Clovis' share of those improvements. Also included in the forecast beginning in 2008-09 is an estimate of the cost to operate the Clovis Sewage Treatment/Water Reuse Facility. Because the bond covenants require a coverage ratio of 1.2 times debt service, it will be necessary to closely monitor revenue and expenditures to assure the bond covenants are met. This is especially true after the bonds were sold in the spring of 2005 to finance projects related to the Clovis Sewage Treatment/Water Reuse Facility. Additional bonds will be sold over the next few years related to this facility. Although the revenue bonds for this project will be repaid from development impact fees, the bonds must have the backing of the Sewer Enterprise.

Refuse Enterprise

The Refuse Enterprise is currently showing deficit working capital balances in each of the fiscal years through 2010-11. Most of these deficits are the result of regulatory requirements placed on the operation of the landfill in the form of air and water pollution remediation requirements. In order for the fund to meet bond coverage requirements, it will be necessary to provide additional loans and/or additional rate increases or both. The forecast currently reflects the 4% annual increase approved by Council in November 2004. To continue to meet coverage requirements it will be necessary to make an additional loan to the Refuse Fund in fiscal year 2005-06 which will be in addition to the $2.0 million already approved for the active gas extraction system. The Refuse Enterprise Fund will have received over $6.0 million in Interfund loans in order to meet regulatory and operating requirements if an additional loan is approved. Due to the fiscal condition of the Fund, it may not be possible for the fund to repay the loans on the scheduled due dates. The projection includes expenditures of $1.7 million in fiscal years 2006-07 and 2007-08 for the completion of the landfill excavation project. The forecast also includes $3.5 million to construct a new cell in 2009-10. The forecast includes additional employees in 2007-08 and 2009-10 for additional routes for residential and commercial customers. As previously indicated, staff will conduct a workshop with Council in the near future to discuss in more detail the condition of the Refuse Enterprise operation and alternatives for future use and funding of the landfill.

Street Cleaning Enterprise

The Street Cleaning Enterprise is projected to have sufficient working capital to fund operations and maintain a small reserve throughout the forecast period. The Street Cleaning Enterprise is one of the few City operations that has not been impacted by new regulations requiring costly improvements. However, future regulations controlling air pollution (fugitive dust) and storm water pollution will have some financial impact on this operation. Staff will continue to monitor the development of these regulations as they also have a direct impact on construction activity and storm drainage operations.

Transit Enterprise

The Transit Enterprise is projected to be funded through the first year of the five-year period with expenditures projected to grow as a result of annual inflation and the replacement of buses. The reason that no deficit will occur is that State law and regulations require that transit needs be met before any Local Transportation Fund (LTF) money can be used for street purposes.

The Transit operation is required to meet fare box ratios in order to continue to receive LTF funding. The fare box ratio required for Roundup (disabled and senior service on demand) is 10% and for Stageline (general fixed route service) is 20%. Rules for transit funding require annual examination to determine ratios of fare box revenue. Presently, fair box ratios are not being met with fares alone and the City is utilizing $360,000 of Measure C funds to make up the shortfall in the fare revenue. However, with the potential for loss of Measure C funds in 2007-08 if a successor tax renewal is not approved by voters by November 2006, it will be necessary for the City to implement a fare increase or find some other funding source such as a General Fund contribution in order to continue the current level of service and to meet fare box ratio requirements. The LTF (comprised of state and federal gas taxes) is not permitted to be used for supporting fare box ratios. Absent such funds, the transit operation would need to be scaled back in both routes and personnel. Such discussion is complicated by laws requiring that unmet transit needs be first provided using the LTF before allocating any of the funds to street repair or construction. And, with increasing traffic congestion and air quality concerns, public transit becomes a more important service. As the demand for transit increases along with the cost, it will require that an increase to the current $1 per one way trip fare be reconsidered. Already we are noting that other agencies in California and across the nation are beginning to raise general transit fares to $1.50 per one way trip.

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 Fund group are based on the five-year Community Investment Program in the 2005-06 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.

RECOMMENDATIONS

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

Recommendation 1) Identify specific issues to be addressed in the preparation of the 2006-07 budget.

Every two years, the City Council devotes time to a Leadership and Strategic Goal Setting Workshop and Citizens' Summit. The workshop in combination with the summit results in strategic goals and a target list of priority issues to be addressed in future budget cycles. The City Council conducted the workshop in March 2005 and updated strategic goals and target actions at that time. Those strategic goals for the next five years and priority target actions listed for the current budget and going forward are provided as follows:

GOAL #1. Provide for orderly and planned community growth consistent with the vision adopted with general and specific plans, preserving community identity and small town character; ensure that infrastructure and service capacity is in place prior to development; complete infill projects that benefit the whole neighborhood; include green space and trails to link neighborhoods and shopping centers; and strive to be a model of success for other communities.

GOAL #2. Make Clovis the safest city in the Valley, providing diligent enforcement of the law and no tolerance for criminal activity; providing a timely response to calls for service in five minutes or less for emergencies; taking a preventive approach to safety through public education and citizen partnerships; community design and outreach to families and youth; being prepared for emergencies and potential disasters; maintaining the same or better level of service throughout the community.

GOALS #3. Provide for business and employment opportunities by pursuit of build out and expansion of the research and technology business park; development of a more diverse local economy ranging from high technology to light industry; promotion of a strong retail base to grow sales tax revenues; planning for additional land for industrial expansion; retention and growth of existing businesses; and implementation of the economic development strategy to meet the goals and objectives.

GOAL #4. Provide for superior city services by retaining and expanding city revenue and tax base; providing adequate financial reserves and fund balance consistent with adopted polices; delivering services in the most cost-effective manner; keeping well-maintained city infrastructure and facilities; improving financial forecasting and planning for establishing city service rates; and formalizing succession planning for management staff.

GOAL #5. Make Clovis a great place for families to live by providing well-maintained, attractive neighborhoods and transportation corridors; expanding performing arts and cultural venues; nurturing an engaged citizenry by increasing opportunities for civic involvement and preparing future leaders; balancing jobs and residential housing at a ratio of 1.25 to 1; provide a range of housing opportunities in character, density, and cost; and continuing to work with local schools for educational and community excellence.

GOAL #6. Provide regional leadership and civic engagement by maintaining a distinct community identity and pride; providing leadership on regional issues and problem solving; providing strong advocacy to protect Clovis' interests; integrating new residents into our community --- blending old and new; actively ensuring that citizens are engaged in city governance and planning; and development of future civic and community leaders.

In achieving these goals, the City utilizes various long-range planning documents including the General Plan, Service and Infrastructure Master Plans, Specific Plans (for sub-areas of the General Plan), various service and facility plans (developed especially for a single project), and the Five-Year Community Investment Program. These plans are reviewed from time to time to ensure consistency with current law, trends, and technologies. In addition, the City Council and city management actively participate in various regional committees seeking to resolve the question of balance between regional and local needs for development of various programs to address such issues as water, sewer, air quality, economic development, and transportation.

The City Council will periodically revisit the goals in workshops to add to, reorder, or reaffirm these priorities. As we prepare for next year's budget, the management team will be developing a statement clarifying each of the target issues for 2006-07 and will prepare a work program to achieve the results desired by the City Council. The long-range goals will provide policy guidance throughout preparation and implementation of the budget plan for the current year and future years as well.

After review of the financial forecast, it is clear that it will be difficult to implement the staffing plan as outlined unless significant reductions or additional revenues are realized in the General Fund. We will also be experiencing during the next budget cycle the first full year of performance of revenues involved with the "triple flip" in which vehicle license fees were swapped for property taxes and sales taxes were swapped for property taxes with no obligation for transfers for State budget deficit reduction and for full collection of the Community Facilities District assessments. The swaps are being made on gross annual receipts with the prior year used as a baseline and the payments being made in two installments rather than monthly installments which greatly affects cash flow. Adjustments for extraordinary growth such as the type this city has experienced in recent years will not be reconciled and paid until one year after the performance and with delays in parcel enrollment for property tax purposes, revenue collection has been futher delayed. We will need another full year of experience to examine the estimates against actual performance and to learn how growth may impact the final outcome. We are also learning more about the assumptions and precise methods being utilized by the State for such allocations and swaps.

The fact that our trend shows expenditures exceeding revenues for the general operations of the city in four out of five years going forward, must be a guiding prinicipal constraining the budgeting process as we move through the budget cycles.

Departments will continue to implement programs and procedures to streamline operations and reduce costs. However, some of the largest cost increases, which have affected the enterprise operations most significantly, are attributable to regulatory legislation that is mandatory and environmental clean-up that is necessary to continue operations.

Again, we need to spend time analyzing the impact of various legislative efforts to make sure both state and federal legislators understand the impacts of their decisions on our communities before new regulations are approved. We also need to track state budget negotiations this year because last minute deals may have significant changes in responsibility for programs and sources of revenue for local government.

Recommendation 2) Identify long term budget strategies to address the service needs of the community and to fund capital projects.

To balance the rate of spending growth to coincide with the rate of revenue growth, a combination of actions are needed. In addition to expenditure control, perhaps the more important, is the need to aggressively pursue new commercial and industrial development to help pay for services and to diversify the job and tax base. We recommend the following approaches:

- The Economic Development Strategy should be fully implemented and budgetary support for the overall business retention, expansion, and attraction program needs to be provided along with support for specific marketing efforts to recruit business tenants for all public and private business parks in Clovis.
- For revenue sources under the City Council's control, user rates should be adjusted on a periodic basis to bring them into line with the increased costs of services or increased economic activity. Examples may include, adjusting water, sewer, or refuse rates as needed, and adjusting planning, engineering, and building fees on an annual basis.
- Capital improvement projects should be appropriated in accordance with the Five-Year Community Investment Program that should clearly identify funding sources and availability.
- There should be expanded uses of "charges for services" (user fees) to pay for services that are not provided on a community wide basis, but rather to an identifiable group of customers who would be willing to pay for value received. Examples may include a new fee for environmental remediation of the landfill or a fee to provide realtors with specialized information needed to close private party real estate transactions.
- Fees and assessments should be designed so that new residential development pays its way. Examples may include a new fee for expansion of the landfill to serve new population and business growth.

- Ways to manage the demand for services should continue to be developed. Examples include the design and maintenance requirements for new multifamily projects or the security systems required in retail stores to deter or prevent criminal activity that requires police services.
- Continued investment in productivity improvements should be a priority as well as identification of current services that could be eliminated, "spun off" to other levels of government, or contracted out. Examples include employee training and acquisition of new computer technology to manage citizen requests for service and expansion of the current program for contracting out peak load review of private development projects by planning, building and engineering and the contracting for janitorial service at public park restrooms and some landscape maintenance. The focus should continue to be on opportunities for substantial and sustained cost savings.
- Continued set-aside of a prescribed amount of dollars each year to the government services and building fund to enable the city to proceed with technology, economic development, and facilities replacement and/or expansion when it is needed. The city should also consider alternatives for obtaining funding for selected projects through partnerships with other agencies or non-profit organizations and seek voter approved bond issues, grants, or donations when appropriate.
- Update the Five-Year Forecast annually and use it to analyze the effect of major revenue or spending decisions.

City Council policy direction on these or other issues will be incorporated into the City Manager's Recommended Budget that will be submitted in May 2006.

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CITY OF CLOVIS

General Fund

Financial Forecast - Summary

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
Beginning Fund Balance	2,965,542	1,987,819	2,613,404	4,615,962	392,094	94	94	94	94
REVENUES									
Taxes	18,814,808	20,626,476	23,754,426	22,024,352	23,872,000	25,662,000	27,493,000	28,210,000	31,287,000
Other Revenue	18,765,813	18,966,994	22,136,211	25,128,605	28,088,000	28,773,000	30,391,000	33,282,000	33,978,000
Total Revenues	37,580,621	39,593,470	45,890,637	47,152,957	51,960,000	54,435,000	57,884,000	61,492,000	65,265,000
EXPENDITURES									
Public Safety	22,067,748	24,090,704	26,884,831	30,744,145	32,633,000	34,267,000	35,916,000	37,668,000	39,483,000
Public Utilities	4,372,095	4,547,717	4,793,469	6,373,792	6,961,000	7,379,000	7,812,000	8,274,000	8,765,000
Planning/Development	4,791,990	5,149,565	6,024,748	7,000,375	7,573,000	7,818,000	8,084,000	8,116,000	8,416,000
General Government	4,429,511	4,564,593	4,860,031	5,672,513	5,887,000	6,048,000	6,222,000	6,409,000	6,606,000
Total Expenditures	35,661,344	38,352,579	42,563,079	49,790,825	53,054,000	55,512,000	58,034,000	60,467,000	63,270,000
Return of Unspent Funds/Premiums			400,000	650,000					
Transfers Out to Government Facilities	(750,000)	(500,000)	(500,000)	(1,127,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Other Transfers In/Out		24,694	0	(500,000)					
Contingency Reserve	(2,147,000)	(140,000)	(1,225,000)	(609,000)	(326,000)	(246,000)	(252,000)	(496,000)	(524,000)
ADD'L REVENUE/PROGRAM REDUCTIONS					**2,028,000**	**2,323,000**	**1,402,000**	**471,000**	
Ending Fund Balance	**1,987,819**	**2,613,404**	**4,615,962**	**392,094**	**94**	**94**	**94**	**94**	**471,094**
Sales Tax Triple Flip Designation			855,000	855,000	855,000	855,000	855,000	855,000	855,000
Contingency Reserve-(Dollars)	3,860,000	4,000,000	4,370,000	4,979,000	5,305,000	5,551,000	5,803,000	6,047,000	6,327,000
Contingency Reserve-(% of Expenditures)	10.82%	10.43%	10.27%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

CITY OF CLOVIS

General Fund - Financial Forecast

Revenues

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
Property Taxes	5,965,400	6,809,624	8,337,517	11,671,510	12,927,000	14,038,000	15,171,000	16,327,000	17,506,000
Property Tax In Lieu-VLF			4,306,686	5,623,000	6,298,000	7,054,000	7,900,000	8,848,000	9,910,000
Educational Augmentation	(1,615,754)	(1,824,280)	(2,159,645)	(3,967,000)	(4,379,000)	(4,755,000)	(5,139,000)	(5,531,000)	(5,930,000)
ERAF III	0	0	(773,510)	(773,510)	0	0	0	0	0
County Admin Fee	(113,518)	(122,228)	(114,481)	(234,000)	(385,000)	(422,000)	(461,000)	(504,000)	(548,000)
Community Facility Fee	0	0	0	80,000	168,000	256,000	344,000	432,000	520,000
Sales Tax	11,823,323	12,822,643	10,835,414	11,051,579	12,014,000	12,902,000	13,816,000	14,756,000	15,724,000
In Lieu Sales Tax-Triple Flip	0	0	3,100,505	3,683,158	4,004,000	4,300,000	4,605,000	4,918,000	5,240,000
County Share	(591,166)	(641,132)	(696,796)	(736,737)	(801,000)	(860,000)	(921,000)	(984,000)	(1,048,000)
Sales Tax-(public safety)	180,000	200,082	224,229	210,000	216,000	222,000	228,000	235,000	242,000
Franchise Fee	1,102,498	1,247,302	1,314,403	1,380,000	1,479,000	1,581,000	1,686,000	1,794,000	1,905,000
Business License	1,532,335	1,500,057	1,734,258	1,609,000	1,673,000	1,740,000	1,809,000	1,881,000	1,956,000
Building Permits	2,735,208	3,104,144	2,767,643	2,871,000	3,334,000	2,859,000	2,942,000	3,027,000	3,115,000
Other Lic & Permits	79,463	83,232	81,201	85,000	85,000	85,000	85,000	85,000	85,000
Other Taxes	531,690	634,408	746,351	960,000	960,000	960,000	960,000	960,000	960,000
Fines & Forfeit	251,922	199,677	246,111	226,000	233,000	233,000	233,000	233,000	233,000
Interest	106,067	61,616	85,600	159,000	218,000	216,000	224,000	233,000	250,000
Building Rentals	109,993	110,047	108,160	117,000	72,000	73,000	74,000	75,000	77,000
State Subventions	5,118,146	4,254,471	2,989,514	1,562,500	1,646,000	1,716,000	1,786,000	1,856,000	1,926,000
Grants	304,546	689,659	656,174	455,557	109,000	109,000	109,000	109,000	109,000
From Other Agencies	346,866	404,526	466,623	191,000	191,000	191,000	191,000	191,000	191,000
Planning Fees	1,585,680	2,066,980	2,186,206	2,064,200	2,206,000	1,971,000	1,971,000	1,971,000	1,971,000
Engineering Fees	1,301,137	1,175,294	1,459,514	1,167,000	1,765,000	1,813,000	1,863,000	1,914,000	1,967,000
Engineering Charges	1,140,347	925,290	1,012,499	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000
Current Services	1,429,806	1,608,050	2,132,544	2,186,800	2,250,000	2,315,000	2,382,000	2,451,000	2,522,000
Other Revenues	187,932	189,508	161,117	127,600	131,000	135,000	139,000	143,000	147,000
Impact/Rental/Franchise Fees	2,594,000	2,810,800	3,161,400	2,052,000	2,177,000	2,295,000	2,439,000	2,584,000	2,706,000
Admin Charges	1,474,700	1,283,700	1,521,400	1,901,300	1,939,000	1,978,000	2,018,000	2,058,000	2,099,000
Total Revenues	37,580,621	39,593,470	45,890,637	47,152,957	51,960,000	54,435,000	57,884,000	61,492,000	65,265,000

Revenue Assumptions

PROPERTY TAXES:	ANNUAL INCREASE	INCREASE IN ASSESSED VALUE	CITY TAX RATE (Before reductions)	
	2.00%	$472,000,000	18.06% of 1%	

Note: (Adjusted to $590M for 2005/06 and $566M for 2006/07)

PROPERTY TAX IN LIEU-VLF: INCREASE BY ASSESSED VALUE GROWTH 12.00%

COMMUNITY FACILITY FEE: 1/3 OF NEW RES UNITS PER YEAR 500 ANNUAL FEE PER UNIT $175

SALES TAX:	3 YEAR CPI	SALES TAX RATE	POPULATION ANNUAL INC	PER CAPITA $ PER YEAR
	2.90%	1.00%	4,200	$171

Note: (Adjusted to 5,000 for 2005/06 and 5,000 for 2006/07)

COUNTY SHARE: 5.00% OF GROSS SALES TAX

FRANCHISE TAX:	3 YEAR CPI	NEW RES UNITS PER YEAR	FEE OF GROSS	ComCast	P G & E
				65.00% Participation	$300 Per Unit per Month
	2.90%	1,500	1.00%	$40 Per Unit per Month	

Note: (Adjusted to 1,800 units for 2005/06 and 1,800 for 2006/07)

BUSINESS LICENSE: Increase annually by the 3 year average increase 3.99%

BUILDING PERMITS:	NEW RES UNITS PER YEAR	FEES PER RES UNIT	NEW NON-RESIDENTIAL	ANNUAL INCREASE
	1,500	$1,500	20.00% of the residential amount	2.90%

Note: (Adjusted to 1,800 units for 2005/06 and 1,800 for 2006/07)

FINES AND FORFEITURES: PARKING AND VEHICLE $233,000 Based on three year average

INTEREST: RATE ->> 3.50% ON PRIOR YEAR'S BALANCE OR $50,000 IF NEG FB

BUILDING RENTALS: Increase annually by 2.00%

STATE SUBVENTIONS:	MOTOR VEH	GAS TAX	POPULATION GROWTH
	$5.70 PER CAPITA	$11.04 PER CAPITA	4,200 PER YEAR

Note: (Adjusted to 5,000 for 2005/06 and 5,000 for 2006/07)

STATE GRANTS: PAST FIVE YEAR AVERAGE FOR POST AND AGING GRANT

PLANNING FEES:	2004/05 (actual)	2005/06 (rev est)	2006/07	2007/08	2008/09	2009/10	2010/11
General Plan Fees	992,775	1,475,000	1,415,000	1,180,000	1,180,000	1,180,000	1,180,000
Regular Planning Fees	1,193,431	949,200	791,000	791,000	791,000	791,000	791,000

ENGINEERING FEES:	NEW RES UNITS	AVERAGE ENG FEES	ANNUAL INCREASE	ADD'L NON-RESIDENTIAL
	1,500	$1,079	2.90%	$100,000

Note: (Adjusted to 1,800 units for 2005/06 and 1,800 for 2006/07)

IMPACT/RENTAL/FRANCHISE: Based on prior year amount + 5% of the increase in revenue in the water, sewer, refuse and street cleaning funds.

ADMIN CHARGES: INCREASE 2.00% PER YEAR

CURRENT CHARGES: INCREASE BY THREE YEAR CPI AVERAGE 2.90%

OTHER REVENUE: INCREASE BY THREE YEAR CPI AVERAGE 2.90%

CITY OF CLOVIS

General Fund - Financial Forecast

Expenditures

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
PUBLIC SAFETY									
Salaries									
Police-CPOA	4,699,286	4,980,233	5,460,222	5,925,393	7,083,000	7,693,000	8,280,000	8,895,000	9,506,000
Fire	2,908,540	3,064,721	3,528,718	3,768,271	4,526,000	4,689,000	4,825,000	4,966,000	5,109,000
Public Safety-Management	1,167,828	1,218,226	1,184,209	1,192,712	1,227,000	1,263,000	1,300,000	1,338,000	1,377,000
Dispatchers	447,619	398,167	534,591	719,922	741,000	762,000	784,000	807,000	830,000
Police-Non CPOA	1,154,006	1,287,012	1,219,856	1,678,770	1,727,000	1,777,000	1,829,000	1,882,000	1,937,000
Fire-Non Firefighters	177,402	185,780	216,298	262,776	270,000	278,000	286,000	294,000	303,000
Overtime									
Overtime-CPOA	868,468	891,245	1,221,854	1,220,630	1,256,000	1,292,000	1,329,000	1,368,000	1,408,000
Overtime-Fire	1,023,160	1,053,213	927,755	1,285,278	1,323,000	1,361,000	1,400,000	1,441,000	1,483,000
Extra Help	371,968	387,003	614,169	622,940	623,000	623,000	623,000	623,000	623,000
Benefits									
Health	1,129,593	1,274,028	1,335,453	1,662,946	1,916,000	2,207,000	2,542,000	2,927,000	3,369,000
Retirement	1,247,541	1,714,437	2,808,495	3,298,448	3,155,000	3,313,000	3,487,000	3,668,000	3,850,000
Other	1,546,356	2,057,297	1,952,680	2,056,999	2,235,000	2,359,000	2,479,000	2,604,000	2,729,000
SMS	4,937,065	4,962,433	5,306,830	6,142,127	6,231,000	6,321,000	6,413,000	6,506,000	6,600,000
Capital Outlay	388,916	616,909	573,701	906,933	320,000	329,000	339,000	349,000	359,000
Total Public Safety	22,067,748	24,090,704	26,884,831	30,744,145	32,633,000	34,267,000	35,916,000	37,668,000	39,483,000
PUBLIC UTILITIES									
Salaries	1,432,639	1,487,817	1,476,311	1,708,272	2,069,000	2,223,000	2,374,000	2,532,000	2,697,000
Overtime	20,466	13,621	22,046	27,400	29,000	31,000	33,000	35,000	37,000
Extra Help	159,972	97,746	150,508	185,000	185,000	185,000	185,000	185,000	185,000
Benefits									
Health	216,432	223,242	221,506	349,581	423,000	507,000	604,000	715,000	843,000
Retirement	44,083	81,140	133,038	185,198	301,000	321,000	343,000	366,000	390,000
Other	275,398	323,286	290,303	307,234	340,000	372,000	405,000	439,000	474,000
SMS	2,139,703	2,308,460	2,422,272	3,363,307	3,482,000	3,604,000	3,729,000	3,858,000	3,991,000
Capital Outlay	83,402	12,405	77,485	247,800	132,000	136,000	139,000	144,000	148,000
Total Public Utilities	4,372,095	4,547,717	4,793,469	6,373,792	6,961,000	7,379,000	7,812,000	8,274,000	8,765,000
PLANNING/DEVELOPMENT									
Salaries	2,648,665	2,887,148	3,206,640	3,665,035	3,771,000	3,880,000	3,993,000	4,109,000	4,228,000
Overtime	74,656	69,903	98,032	102,000	95,000	98,000	101,000	104,000	107,000
Extra Help	162,581	190,521	238,386	188,360	188,000	188,000	188,000	188,000	188,000
Benefits									
Health	291,177	331,748	367,557	444,087	512,000	591,000	681,000	785,000	904,000
Retirement	75,994	149,530	291,473	402,452	549,000	560,000	577,000	593,000	611,000
Other	275,452	366,566	387,497	402,559	416,000	430,000	444,000	459,000	474,000
SMS	1,218,003	1,100,947	1,431,107	1,766,382	2,024,000	2,052,000	2,080,000	1,858,000	1,883,000
Capital Outlay	45,462	53,202	4,056	29,500	18,000	19,000	20,000	20,000	21,000
Total Planning/Development	4,791,990	5,149,565	6,024,748	7,000,375	7,573,000	7,818,000	8,084,000	8,116,000	8,416,000
GENERAL GOVERNMENT									
Salaries	1,457,531	1,547,860	1,536,643	1,949,404	2,006,000	2,064,000	2,124,000	2,186,000	2,249,000
Overtime	21,757	25,889	49,602	27,600	28,000	29,000	30,000	31,000	32,000
Extra Help	359,182	353,083	381,746	450,000	450,000	450,000	450,000	450,000	450,000
Benefits									
Health	175,593	209,623	200,989	303,003	348,000	400,000	460,000	529,000	608,000
Retirement	49,538	77,500	133,624	217,978	292,000	298,000	307,000	316,000	325,000
Other	121,044	152,218	169,173	213,768	220,000	226,000	233,000	240,000	247,000
SMS	2,222,902	2,136,577	2,380,457	2,492,460	2,529,000	2,566,000	2,603,000	2,641,000	2,679,000
Capital Outlay	21,964	61,843	7,797	18,300	14,000	15,000	15,000	16,000	16,000
Total General Govt	4,429,511	4,564,593	4,860,031	5,672,513	5,887,000	6,048,000	6,222,000	6,409,000	6,606,000
Total Expenditures	35,661,344	38,352,579	42,563,079	49,790,825	53,054,000	55,512,000	58,034,000	60,467,000	63,270,000

Expenditure Assumptions

SALARIES:		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
POLICE-CPOA	10/1	3.40%	2.90%	2.90%	2.90%	2.90%	2.90%
	4/1	2.50%					
POL-SAL BASE		6,763,579	7,304,000	7,870,000	8,462,000	9,082,000	9,506,000
Additional Officers-Salary		272,490	171,995	176,983	182,116	187,397	160,693
Number of Additional Officers		5	6	6	6	6	5
DS-SAL BASE		719,922	741,000	762,000	784,000	807,000	830,000
FIRE	10/1	3.76%	2.90%	2.90%	2.90%	2.90%	2.90%
	4/1	2.53%					
SALARY BASE		4,349,962	4,476,000	4,606,000	4,740,000	4,877,000	5,018,000
Additional Firefighter-Salary		155,232	81,052	83,403	85,821	88,310	90,871
Number of Additional Firefighters		3	3	3	3	3	3
Special Pay		84,000					
PUBLIC UTILITIES	7/1	3.50%	3.50%	2.90%	2.90%	2.90%	2.90%
SALARY BASE		1,905,764	2,069,000	2,223,000	2,374,000	2,532,000	2,697,000
Additional Public Utilities-Parks			96,924	93,807	86,835	89,353	91,944
Additional Parks employees			3	3	3	3	3
GENERAL GOVT	7/1	3.00%	2.90%	2.90%	2.90%	2.90%	2.90%
MGMT	7/1	3.00%	2.90%	2.90%	2.90%	2.90%	2.90%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 2.90%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 15.00%

RETIREMENT:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
POLICE-SAFETY	25.758%	21.470%	21.300%	21.300%	21.300%	21.300%
DISPATCHERS	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%
FIRE	25.758%	21.470%	21.300%	21.300%	21.300%	21.300%
PUBLIC UTILITIES	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%
GENERAL GOVERNMENT	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%
MANAGEMENT	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%

WORKERS COMP:	Police-CPOA	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
(included in other benefits)	Fire	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
	Mgmt & CUE	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Public Utility	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%

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 1.0% for other benefits.

OTHER SMS: INCREASE BY ONE HALF OF AVERAGE PREVIOUS 3 YEAR CPI 1.45%

CAPITAL OUTLAY:			
	INCREASE BY 3 YEAR AVG CPI PER YEAR	2.90%	
	50% FOUR YEAR AVERAGE-PUBLIC SAFETY	311,000	
	FOUR YEAR AVERAGE-PUBLIC UTILITIES	68,000	+ ADDITIONAL EQUIP FOR NEW EMPLOYEES
	50% FOUR YEAR AVERAGE-COMMUNITY DEV	17,000	
	50% FOUR YEAR AVERAGE-GEN GOVT	14,000	

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

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
BEG WORKING CAPITAL	4,036,326	3,930,751	4,404,247	8,437,388	7,846,178	6,797,766	5,745,315	4,646,171	3,638,044
REVENUES									
WATER CHARGES	7,189,475	8,343,441	8,461,519	9,045,000	9,535,000	9,932,000	10,422,000	10,881,000	11,330,000
DBCP-LEGAL SETTLEMENTS	364,867	468,514	487,796	577,102	489,627	504,000	519,000	534,000	549,000
TOTAL REVENUES	7,554,342	8,811,955	8,949,315	9,622,102	10,024,627	10,436,000	10,941,000	11,415,000	11,879,000
EXPENDITURES									
SALARIES	1,034,912	1,161,767	1,217,424	1,574,667	1,749,000	1,800,000	1,852,000	1,906,000	1,961,000
EXTRA HELP	44,300	6,476	11,987	31,200	31,000	31,000	31,000	31,000	31,000
OVERTIME	46,804	42,950	62,681	62,600	63,000	63,000	63,000	63,000	63,000
BENEFITS									
RETIREMENT	32,410	60,322	111,637	177,166	255,000	260,000	267,000	275,000	283,000
HEALTH	132,885	153,329	168,124	239,330	275,000	316,000	363,000	417,000	480,000
OTHER	207,786	222,804	246,132	242,255	269,000	276,000	284,000	292,000	301,000
SERV, MAT & SUPP	4,656,820	5,247,336	5,931,981	6,466,516	6,520,000	6,731,272	6,946,305	7,161,288	7,375,534
GAC REPLACEMENT	105,864	46,874	60,881	170,539	170,539	170,539	170,539	170,539	170,539
CAPITAL OUTLAY	610,058	612,558	703,294	738,839	686,000	705,000	729,000	735,000	734,000
TOTAL EXPENDITURES	6,871,839	7,554,416	8,514,141	9,703,112	10,018,539	10,352,811	10,705,844	11,050,827	11,399,073
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	154,735	118,431	196,967	147,000	301,000	264,000	227,000	189,000	154,000
DEBT SERVICE	(409,813)	(3,374)	0	0	0	0	0	0	0
	(255,078)	115,057	196,967	147,000	301,000	264,000	227,000	189,000	154,000
TRANSFERS OUT (DEBT SERVICE)	(213,000)	(213,000)							
TRANSFERS-OUT (CAPITAL)	(414,000)	(1,136,100)	(448,000)	(505,200)	(754,500)	(588,640)	(749,300)	(749,300)	(749,300)
TRANSFERS-IN (RETURN OF CAP TRANSFERS)			4,000,000						
CORPORATION YARD	(356,000)								
CONTRIBUTION-SURFACE WATER TREATMENT PLANT			(601,000)	(602,000)	(601,000)	(811,000)	(812,000)	(812,000)	(812,000)
WELL HEAD TREATMENT(RESERVE)	(50,000)	(50,000)	(50,000)	(50,000)					
TRANSFERS (TO)/FROM SEWER MAJ FAC	500,000	500,000	500,000	500,000					
END WORKING CAPITAL	3,930,751	4,404,247	8,437,388	7,846,178	6,797,766	5,745,315	4,646,171	3,638,044	2,710,671
RESERVE FOR WELLHEAD TREATMENT	600,000	650,000	700,000	750,000	750,000	750,000	750,000	750,000	750,000

Water Enterprise- Revenue Assumptions

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

		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Rate Increase:	7/1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF $10,000

Water Enterprise - Expense Assumptions

Salaries: CPWEA	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
7/1	3.50%	3.50%	2.90%	2.90%	2.90%	2.90%
10/1	2.00%					
SALARY BASE	1,613,880	1,749,349	1,800,080	1,852,283	1,905,999	1,961,273
Add'l employees for Surface Water Plant	25,523	78,983				

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%

Health: INCREASE PER YEAR 15.00%

Other Benefits:

-RETIREMENT	11.251% OF EXTRA HELP		
-WORKERS COMP	12.45% FOR CPWEA	2.49% FOR ADMIN	
-MEDICARE	1.00% OF SALARIES		
-DEF COMP/SICKLEAVE INC	3.50% OF SALARIES		

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 2.90%
(Increase energy cost by 50% for the Surface Water Treatment Plant operation beginning in 2004/05)
Rental of New Corp Yard-beginning 2002/03 $325,000 per year

Capital Outlay: FOUR YEAR AVERAGE INCREASED BY CPI FOR FUTURE YEARS 2.90%

Transfers In (Return of Capital): FROM WATER CAP-ENTERPRISE TO RETURN PREVIOUS YEARS' TRANSFERS NOT NEEDED FOR PROJ

Transfers Out (Debt Service): TO WATER MAJOR FACILITIES FOR USER
SHARE OF DEBT SERVICE ON 92 COP'S (thru 03/04)

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

CITY OF CLOVIS

Sewer Enterprise - Financial Forecast

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
BEG WORKING CAPITAL	5,419,416	7,068,849	8,662,004	9,103,539	10,295,836	11,696,836	10,231,836	8,968,836	9,086,836
REVENUES									
SEWER CHARGES	6,544,896	7,198,202	6,965,177	7,301,763	7,684,000	8,013,000	8,342,000	8,671,000	9,000,000
PRETREATMENT CHARGES	66,000	69,108	69,108	48,237	50,000	51,000	52,000	53,000	54,000
TOTAL REVENUES	6,610,896	7,267,310	7,034,285	7,350,000	7,734,000	8,064,000	8,394,000	8,724,000	9,054,000
EXPENDITURES									
SALARIES	424,066	449,212	422,222	471,401	519,000	534,000	594,000	612,000	629,000
EXTRA HELP	16,497	4,429	22,892	15,000	15,000	15,000	15,000	15,000	15,000
OVERTIME	7,825	8,447	11,374	11,500	12,000	12,000	12,000	12,000	12,000
BENEFITS									
RETIREMENT	11,594	24,021	40,259	53,037	76,000	77,000	86,000	88,000	91,000
HEALTH	66,095	80,450	80,339	82,665	95,000	109,000	125,000	144,000	166,000
OTHER	91,780	96,390	80,111	72,837	75,000	77,000	85,000	88,000	90,000
SERV, MAT & SUPP	1,932,068	2,067,402	2,176,404	1,883,738	1,929,000	1,976,000	2,274,000	2,531,000	2,595,000
FRESNO TREATMENT PLANT	1,550,559	1,632,316	1,922,541	2,114,793	2,282,000	2,458,000	2,158,000	1,751,000	1,830,000
CLOVIS TREATMENT/REUSE PLANT	0	0	0	0	0	0	1,000,000	2,000,000	2,000,000
DEBT SERVICE	1,078,430	1,072,887	1,073,263	1,261,000	1,261,000	1,261,000	1,261,000	1,261,000	1,261,000
CAPITAL	24,312	19,840	47,951	17,800	26,000	26,000	27,000	28,000	29,000
CAPITAL-PLANT IMPROVEMENTS	432,483	859,111	4,103,475	624,332	925,000	3,528,000	2,849,000	645,000	214,000
TOTAL EXPENDITURES	5,635,709	6,314,505	9,980,831	6,608,103	7,215,000	10,073,000	10,486,000	9,175,000	8,932,000
OTHER REVENUE AND EXPENSE									
INTEREST	273,746	193,314	259,329	250,000	360,000	409,000	358,000	314,000	318,000
GRANTS/MISC/SALE OF ASSETS		7,036	9,652	20,200					
	273,746	200,350	268,981	270,200	360,000	409,000	358,000	314,000	318,000
TRANSFERS IN-DEBT SERVICE	373,000	373,000	373,000	373,000	373,000	373,000	373,000	373,000	373,000
CORPORATION YARD	(356,000)								
TRANSFERS OUT	(300,000)	(481,000)	(523,900)	(462,800)	(121,000)	(508,000)	(172,000)	(388,000)	(330,000)
FROM MAJ FAC-PLANT BUY-IN, UPGRADE AND CAPITAL IMPROVEMENTS	683,500	548,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
INTERFUND LOANS									
(INC)/USE OF FRESNO PLANT CAP RESERVE			3,000,000						
END WORKING CAPITAL	7,068,849	8,662,004	9,103,539	10,295,836	11,696,836	10,231,836	8,968,836	9,086,836	9,839,836
RESERVE FOR FRESNO PLANT CAPITAL	3,000,000	3,000,000	0	0	0	0	0	0	0

Sewer Enterprise - Revenue Assumptions

Current Charges:	Population Increase 4200	Residential:	New Units Per Year 1,500	Additional Commercial $66,000	2005/06 Per Unit Per Month $14.62		Pretreatment Per Unit Per Month $0.06

(Note: Adjusted to 1,800 units for 05/06 and 1,800 for 2006/07)

		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Rate Increase:	Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Revised Monthly Rate	$14.62	$14.62	$14.62	$14.62	$14.62	$14.62

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Sewer Enterprise - Expense Assumptions

Salaries: (CPWEA)	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
7/1	3.50%	3.50%	2.90%	2.90%	2.90%	2.90%
1/1						
SALARY BASE	476,000	519,072	577,667	594,420	611,658	629,396
Additional employees		26,412	43,542			

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%

Health:	INCREASE PER YEAR			15.00%	
Other Benefits:	-RETIREMENT	11.251%	OF EXTRA HELP		
	-WORKERS COMP	12.450%	FOR CPWEA	2.49%	FOR ADMIN
	-MEDICARE	1.000%	OF SALARIES		
	-DEF COMP/SICK LEAVE INC/OTHER	3.500%	OF SALARIES		
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS			2.90%	
	Rental New Corp Yard-Beginning in 2002/03			$325,000	
	Clovis Treatment/Reuse Plant Operations-Beginning 08/09			$1,000,000	
Regional Treatment Plant:	Annual payment for original plant buy-in plus O&M costs.				
	Adjusted for average 3 year CPI and per capita amount			2.90%	$24.59
Debt Service:	Fresno/Clovis Regional WWTP Renovation				
	96/97 - 2013			$1,261,000	
Capital Outlay:	FUTURE YEARS @			25,000	
	- ADJUSTED BY 3 YEAR AVERAGE CPI			2.90%	
Capital-Plant Improvements:	Based on estimates from the City of Fresno for sewer main refurbishments				
Transfers In-Debt Service:	In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation			$373,000	
Transfers Out:	Out for on-going capital improvements-per Five Year CIP				

CITY OF CLOVIS

Refuse Disposal - Financial Forecast

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
BEG WORKING CAPITAL	3,744,155	438,849	(1,227,406)	931,784	27,387	(434,613)	(207,613)	1,302,387	(2,728,613)
REVENUES									
REFUSE CHARGES	6,241,334	6,908,360	8,906,249	9,659,500	10,356,000	11,052,000	11,788,000	12,565,000	12,882,000
RECYCLING CHARGES	653,534	691,593	729,161	758,000	815,000	870,000	927,000	986,000	1,048,000
GREEN WASTE CHARGES	756,712	811,176	867,121	915,000	991,000	1,064,000	1,140,000	1,219,000	1,301,000
REVENUE SHARING-RECYCLING	29,167	4,788	4,937	0	0	0	0	0	0
TOTAL REVENUES	7,680,747	8,415,917	10,507,468	11,332,500	12,162,000	12,986,000	13,855,000	14,770,000	15,231,000
EXPENDITURES									
SALARIES	1,501,655	1,537,918	1,655,703	1,756,395	1,836,000	1,963,000	2,020,000	2,129,000	2,190,000
EXTRA HELP	293,442	310,346	224,946	268,000	200,000	200,000	118,000	118,000	118,000
OVERTIME	180,792	131,646	114,081	124,400	124,000	124,000	124,000	124,000	124,000
BENEFITS									
RETIREMENT	44,972	79,109	147,551	197,611	267,000	284,000	292,000	308,000	316,000
HEALTH	197,405	231,016	253,084	304,652	350,000	403,000	463,000	532,000	612,000
OTHER	261,952	337,149	337,301	342,867	315,000	336,000	336,000	353,000	363,000
SERV, MAT & SUPP	3,622,552	4,053,776	5,132,777	5,064,452	5,402,000	5,549,000	5,700,000	5,856,000	6,016,000
RECYCLING	673,854	724,293	788,445	825,000	870,000	912,000	973,000	1,037,000	1,105,000
GREEN WASTE PROGRAM	739,556	806,082	877,682	914,000	972,000	1,025,000	1,100,000	1,180,000	1,264,000
DEBT SERVICE	63,923	69,102	99,724	69,940	72,000	72,000	12,000	6,000	6,000
CAPITAL	380,079	255,310	358,793	695,500	82,000	297,000	87,000	321,000	92,000
LANDFILL CLOSURE	85,256	108,914	114,622	110,000	113,000	116,000	119,000	122,000	126,000
STATE & COUNTY SURCHARGES	151,179	121,777	153,040	140,000	140,000	140,000	140,000	140,000	140,000
LANDFILL IMPROVEMENTS	1,761,111	531,257	629,048	2,769,000	891,000	670,000	0	3,500,000	0
LANDFILL DEBT SERVICE	853,947	825,308	794,067	973,600	979,000	976,000	969,000	971,000	883,000
ENVIRONMENTAL COMPLIANCE	88,648	179,612	373,583	200,000	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	10,900,323	10,302,615	12,054,447	14,755,417	12,813,000	13,267,000	12,653,000	16,897,000	13,555,000
OTHER REVENUE AND EXPENSE									
INTEREST	139,185	71,574	79,542	15,000	91,000	78,000	90,000	147,000	11,000
GRANTS/MISC/SALE OF ASSETS	51,044	35,119	44,787	1,520					
SALE OF BONDS/COP'S	82,541								
	272,770	106,693	124,329	16,520	91,000	78,000	90,000	147,000	11,000
LANDFILL LIAB INS RESERVE	(100,000)								
TRANSFERS	97,500	113,750	341,840	622,000	218,000	430,000	218,000	449,000	218,000
CORPORATION YARD	(356,000)								
INTERFUND LOAN			3,240,000	2,000,000					
INTERFUND LOAN REPAYMENT				(120,000)	(120,000)			(2,500,000)	(2,500,000)
END WORKING CAPITAL	438,849	(1,227,406)	931,784	27,387	(434,613)	(207,613)	1,302,387	(2,728,613)	(3,323,613)
RESERVE FOR CLOSURE	1,227,730	1,336,644	1,451,266	1,561,266	1,674,266	1,790,266	1,909,266	2,031,266	2,157,266
RESERVE FOR LIABILITY INS	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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

Refuse Disposal - *Revenue Assumptions*

		New Units Per Year	05/06 Average Unit Per Month	Recycling Per Month	Annual Rate Inc	Green Waste Per Month
Current Charges:		1,500	$20.90	$2.39	4.00%	$3.52

(Note: Adjusted to 1,800 units for 05/06 and 1,800 for 06/07)

Additional Commercial Annual Revenue --------------------------------- $70,000

		2005/06	2006/07	2007/08	2008/09 *	2009/10 *	2010/11 *
Rate Increase:	7/1	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Adjusted Monthly Rate:		$20.90	$21.74	$22.61	$23.51	$24.45	$25.43

*** 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: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Average Three Year CPI: 2.90%

Refuse Disposal - *Expense Assumptions*

		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Salaries:	(CPWEA)						
7/1		3.50%	3.50%	2.90%	2.90%	2.90%	2.90%
Salary Base:		1,773,530	1,835,604	1,963,175	2,020,107	2,128,620	2,190,350
Additional Personnel:	Res/Comm			74,338		49,931	

Extra Help: $50,000 for Operations per year plus $250,000 for Landfill Reclamation Project through 06/07

Overtime: FLAT FOR FUTURE YEARS 2.90%

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Retirement:	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%

Health: INCREASE PER YEAR 15.00%

Other Benefits:	-RETIREMENT	11.251%	OF EXTRA HELP		
	-WORKERS COMP	12.45%	FOR CPWEA	2.49%	FOR ADMIN
	-MEDICARE	1.00%	OF SALARIES		
	-DEF COMP/SICK LEAVE INC/OTHER	3.50%	OF SALARIES		
Other SMS:	INCREASE BY AVERAGE CPI FOR PREVIOUS 5 YEARS			2.90%	
	Rental for 25% of the Corp Yard beginning 2002/03			$325,000	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			80,000	
	ADJUSTED BY 3 YEAR AVERAGE CPI			2.90%	
	PLUS: New Residential Route Equipment		Beginning in 2005/06		$200,000
	PLUS: New Commercial Route Equipment		Beginning in 2007/08		$212,000
	PLUS: New Residential Route Equipment		Beginning in 2009/10		$231,000
Transfers:	In-For Toters (@$145/unit)	$218,000	/year		
Reserve For Closure:	FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI			2.90%	

CITY OF CLOVIS

Street Cleaning - Financial Forecast

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
BEG WORKING CAPITAL	110,793	(74,511)	(124,535)	20,672	20	15,020	37,020	42,020	48,020
REVENUES									
STREET CLEANING CHARGES	432,191	582,310	857,331	891,000	935,000	971,000	1,007,000	1,043,000	1,079,000
TOTAL REVENUES	432,191	582,310	857,331	891,000	935,000	971,000	1,007,000	1,043,000	1,079,000
EXPENDITURES									
SALARIES	242,691	226,215	245,873	297,040	308,000	317,000	326,000	335,000	345,000
EXTRA HELP	0	0	5,437	8,000	8,000	8,000	8,000	8,000	8,000
OVERTIME	8,301	7,075	6,621	7,000	7,000	7,000	7,000	7,000	7,000
BENEFITS									
RETIREMENT	5,998	11,658	22,316	30,157	45,000	46,000	47,000	48,000	50,000
HEALTH	27,236	29,279	28,523	36,853	42,000	48,000	55,000	63,000	72,000
OTHER	39,508	55,022	52,191	51,465	56,000	57,000	59,000	61,000	62,000
SERV, MAT & SUPP	294,357	302,705	351,163	481,137	454,000	467,000	501,000	516,000	531,000
CAPITAL	0	448	0	160,000	0	0	0	0	0
TOTAL EXPENDITURES	618,091	632,402	712,124	1,071,652	920,000	950,000	1,003,000	1,038,000	1,075,000
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS	596	68	0	0	0	1,000	1,000	1,000	2,000
	596	68	0	0	0	1,000	1,000	1,000	2,000
TRANSFERS	0	0	0	160,000		0	0	0	0
END WORKING CAPITAL	(74,511)	(124,535)	20,672	20	15,020	37,020	42,020	48,020	54,020

Street Cleaning - Revenue Assumptions

Current Charges:			NEW UNITS PER YEAR	PER UNIT PER MONTH			
			1,500	$2.25			
	(Note: Adjusted to 1,800 units for 05/06 and 1,800 for 06/07)						
Rate Increase:		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
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:	3.50%	OF PREVIOUS YEARS WORKING CAPITAL					

Street Cleaning - Expense Assumptions

Salaries:		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
CPWEA							
7/1		3.50%	3.50%	2.90%	2.90%	2.90%	2.90%
1/1							
SALARY BASE		297,396	307,805	316,731	325,916	335,368	345,094
Additional personnel (Street Sweeper Operator)							
Extra Help:	FLAT FOR NEXT FIVE YEARS						
Overtime:	FLAT FOR NEXT FIVE YEARS					2.50%	
Retirement:		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
		11.251%	14.563%	14.444%	14.444%	14.444%	14.444%
Health:	INCREASE PER YEAR					15.00%	
Other Benefits:	-WORKERS COMP				12.450%	OF SALARIES	
	-MEDICARE				1.450%	OF SALARIES	
	-DEFERRED COMP/SICKLEAVE INCENTIVE/OTHER				3.500%	OF SALARIES	
Other SMS:	INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI					2.90%	
Capital Outlay:	Street Sweeper for new route in 2005/06					$160,000	
Transfers:	In from the Capital Fund in 2005/06 to cover the add'l Street Sweeper					$160,000	

CITY OF CLOVIS

Transit - Financial Forecast

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budget 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
BEG WORKING CAPITAL	63,403	290,938	241,633	414,670	302,528	0	0	0	0
REVENUES									
MEASURE C FUNDS	232,000	275,000	352,000	353,000	363,000	0	0	0	0
LOCAL TRANSPORTATION FUNDS	1,605,415	1,658,740	1,760,497	1,956,140	2,041,883	2,281,000	2,348,000	2,419,000	2,489,000
STATE TRANSIT ASSISTANCE	103,281	112,140	119,437	153,457	158,000	163,000	168,000	173,000	178,000
OTHER(Fares, Advertising, Trolley Rents)	108,768	112,130	169,014	145,500	150,000	154,000	158,000	163,000	168,000
FARE INCREASE/OTHER REVENUE	0	0	0	0	0	374,000	385,000	396,000	407,000
TOTAL REVENUES	2,049,464	2,158,010	2,400,948	2,608,097	2,712,883	2,972,000	3,059,000	3,151,000	3,242,000
EXPENDITURES									
SALARIES	555,032	619,076	629,915	671,974	750,000	772,000	794,000	817,000	841,000
EXTRA HELP	259,058	272,888	309,187	359,082	381,000	381,000	381,000	381,000	381,000
OVERTIME	4,895	13,165	22,640	20,100	20,000	20,000	20,000	20,000	20,000
BENEFITS									
RETIREMENT	21,510	30,672	56,568	75,604	109,000	112,000	115,000	118,000	121,000
HEALTH	64,904	78,362	86,702	96,138	111,000	128,000	147,000	169,000	194,000
OTHER	109,257	92,129	135,203	151,718	180,000	183,000	186,000	189,000	193,000
SERV, MAT & SUPP	778,482	791,872	957,740	1,043,323	1,099,000	1,131,000	1,164,000	1,198,000	1,233,000
DEBT SERVICE									
CAPITAL-OTHER	0	0	0	0	5,000	5,000	5,000	5,000	5,000
CAPITAL-BUSES	31,554	309,750	47,355	302,500	371,000	240,000	247,000	254,000	254,000
TOTAL EXPENDITURES	1,824,692	2,207,914	2,245,310	2,720,439	3,026,000	2,972,000	3,059,000	3,151,000	3,242,000
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	2,763	599	399	200	10,588	0	0	0	0
SALE OF FIXED ASSETS			17,000						
	2,763	599	17,399	200	10,588	0	0	0	0
END WORKING CAPITAL	290,938	241,633	414,670	302,528	0	0	0	0	0

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: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Transit- Expense Assumptions

		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Salaries:							
CUE/MGMT	7/1	3.00%	3.00%	2.90%	2.90%	2.90%	2.90%
Additional Employees			58,065				

Extra Help: ADDITIONAL PART TIME BUS DRIVER STARTING 06/07, THEN FLAT FOR REMAINING FOUR YEARS

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 2.90%

Retirement:	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	11.251%	14.563%	14.444%	14.444%	14.444%	14.444%

Health: INCREASE PER YEAR 15.00%

Other Benefits:

-RETIREMENT	11.251%	OF EXTRA HELP		
-WORKERS COMP	12.450%	OF SALARIES	2.49%	FOR ADMIN
-MEDICARE	1.450%	OF SALARIES and EXTRA HELP		
-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	3.500%	OF SALARIES		

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 2.90%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI 2.90%

CITY OF CLOVIS

Summary of Capital Projects

Financial Forecast

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Budgeted 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10	Projected 2010/11
Beginning Balance	29,715,734	70,210,948	45,988,147	65,025,577	43,384,856	32,878,856	28,425,856	22,287,856	24,256,856
SOURCE OF FUNDING									
Revenues	30,720,973	26,240,352	30,591,609	13,084,666	8,100,000	9,655,000	8,315,000	6,718,000	6,913,000
Bonds & Long Term Financing	42,204,251	0	24,000,000	12,000,000	40,815,000	18,670,000	0	0	0
Unfunded	0	0	0	0	11,275,000	10,559,000	6,459,000	18,168,000	17,683,000
Total Sources of Funding	72,925,224	26,240,352	54,591,609	25,084,666	60,190,000	38,884,000	14,774,000	24,886,000	24,596,000
EXPENDITURES									
Sewer Projects	2,971,417	3,683,893	11,065,598	19,547,100	48,094,000	24,244,000	3,996,000	4,096,000	4,096,000
Street Projects	9,472,291	5,463,072	6,789,656	5,125,800	10,444,000	9,399,000	5,997,000	5,439,000	7,281,000
Storm Drain Projects	0	0	0	0	0	0	0	0	0
Park Projects	467,093	1,777,407	1,875,697	4,527,800	3,309,000	2,634,000	2,629,000	3,664,000	3,770,000
Refuse Projects*	1,246,038	531,258	629,048	891,000	891,000	670,000	0	3,500,000	0
Water Projects	9,893,838	37,351,945	7,629,515	11,179,000	8,595,000	4,941,000	6,387,000	5,454,000	5,612,000
CCDA Projects	1,952,309	1,040,001	1,584,028	1,323,487	765,000	765,000	765,000	765,000	765,000
General Service Projects	10,093,224	1,977,143	3,045,904	7,555,900	594,000	2,610,000	2,630,000	1,968,000	3,072,000
Total Expenditures	36,096,210	51,824,719	32,619,446	50,150,087	72,692,000	45,263,000	22,404,000	24,886,000	24,596,000
Transfers	3,666,200	1,361,566	(2,934,733)	3,424,700	1,996,000	1,926,000	1,492,000	1,969,000	1,526,000
Ending Balance	**70,210,948**	**45,988,147**	**65,025,577**	**43,384,856**	**32,878,856**	**28,425,856**	**22,287,856**	**24,256,856**	**25,782,856**

* - Included in Refuse Disposal Fund Forecast

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EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

The following are the assumptions used in the projections of revenue and expenditures for the three-year forecast for the General Fund:

REVENUE ASSUMPTIONS

Property Taxes - will increase by 2% a year plus additional revenue generated by $590 million in annual increase of assessed value for 2005-06, $566 million in 2006-07 and $472 million through 2010-11.

Property Tax in Lieu-VLF - will increase by the annual increase in Assessed Valuation.

Community Facilities Fee - flat per unit fee based on 1/3 of new residential units falling within the community facilities district at $175 per unit within the district.

Sales Tax - Sales taxes will grow by the three-year CPI average annual increase plus a $171 per capita adjustment 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.

Franchise Taxes - Franchise fees will increase by the three-year average annual CPI plus the addition of 1,500 new units per year (adjusted to 1,800 units in 2005-06 and 2006-07).

Business Licenses - Business licenses are projected to grow by the average annual increase over the past 3 years.

Building Permits - Construction permits are estimated at the rate of 1,800 new residential units in 2005-06 and 2006-07 then 1,500 units per year plus 20% of the residential fees for the commercial activity, plus the three-year average annual CPI.

Fines and Forfeitures - Parking citations at a flat amount per year at the three year average.

Interest - Interest is calculated at 3.5% 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 2005/06 per capita rate adjusted for 5,000 persons in 2005-06 and 2006-07 then 4,200 persons per year growth in population.

State Grants - State Grants are projected based on the past five-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.

Engineering Fees - Engineering fees are projected based on 1,800 new residential units per year for 2005-06 and 2006-07 then 1,500 units per year adjusted for the three year average annual CPI plus $100,000 per year in non-residential revenue.

Impact/Rental/Franchise Fees - The impact/rental/franchise charges to the Enterprise Funds are based on the revenues of the enterprises.

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

Salaries - Salaries for all groups are projected at the contract rates. After the contract period, salaries for all employees are projected at the three-year average annual CPI.

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

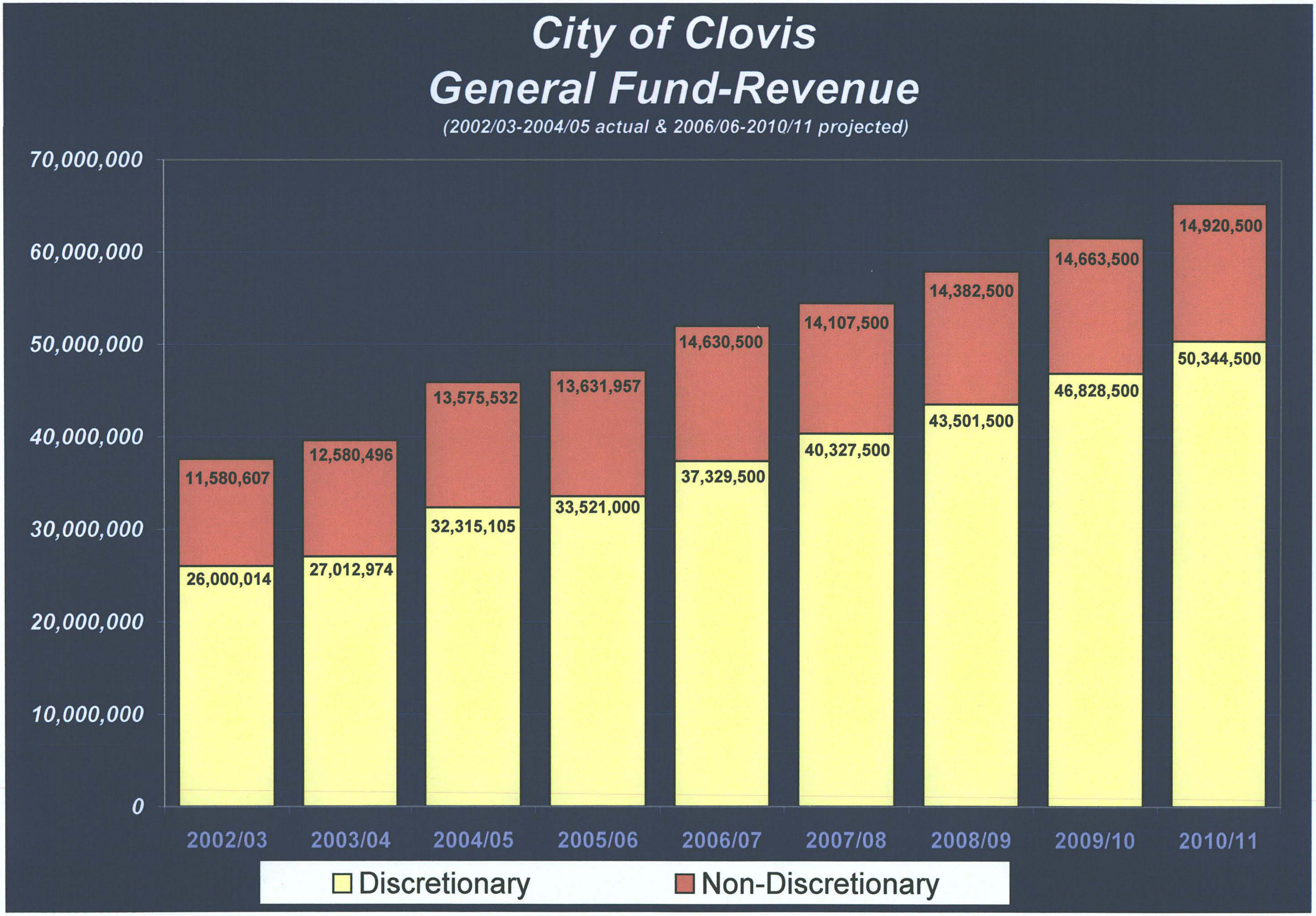
Extra Help - Extra Help is projected as flat for the next five years.

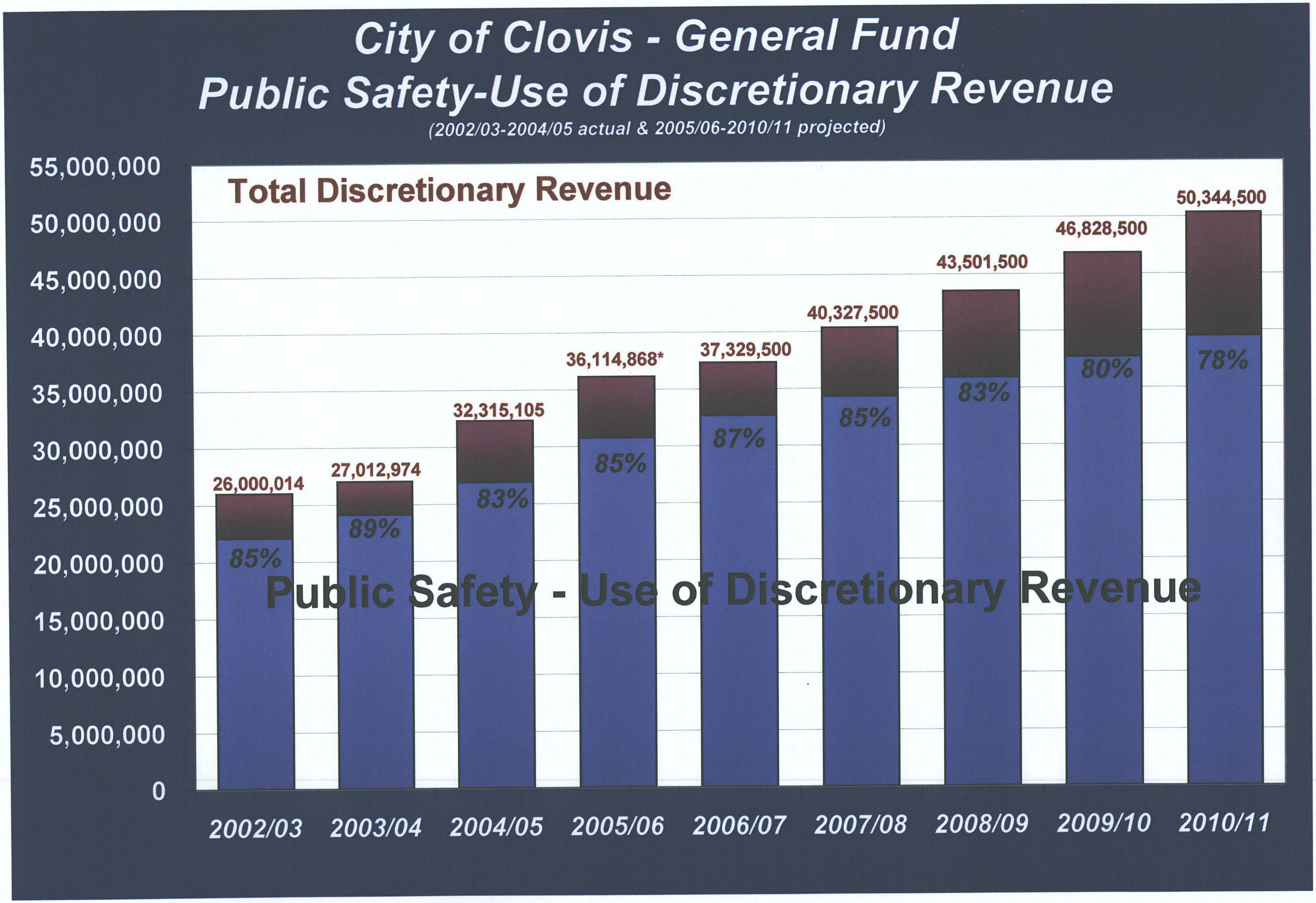
Salary Related Costs

- *Health Benefit* - The Health Benefit costs are projected to increase by 15% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2006/07, estimated rates from PERS for 2007/08, and projected rates from a rate study for the future years.
- *Worker's Compensation* – For 2005/06 workers' compensation is based on the budgeted rate. For 2006/07-2010/11 the rate has been projected based on the estimated contribution rate for each category of employees.
- *Medicare and Unemployment* - Medicare is projected at 1% of salaries and Unemployment is projected at 0% of salaries because the City is self-insured and has sufficient reserves for this limited expenditure.
- *Deferred Compensation and Sick Leave Incentive* - Deferred compensation is projected at 2% 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.

Capital Outlays - Capital outlays are projected to increase at the previous four-year average expenditure or a portion thereof.


City of Clovis
General Fund-Revenue
(2002/03-2004/05 actual & 2006/06-2010/11 projected)
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
11,580,607
26,000,014
12,580,496
27,012,974
13,575,532
32,315,105
13,631,957
33,521,000
14,630,500
37,329,500
14,107,500
40,327,500
14,382,500
43,501,500
14,663,500
46,828,500
14,920,500
50,344,500
2002/03
2003/04
2004/05
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
Discretionary
Non-Discretionary

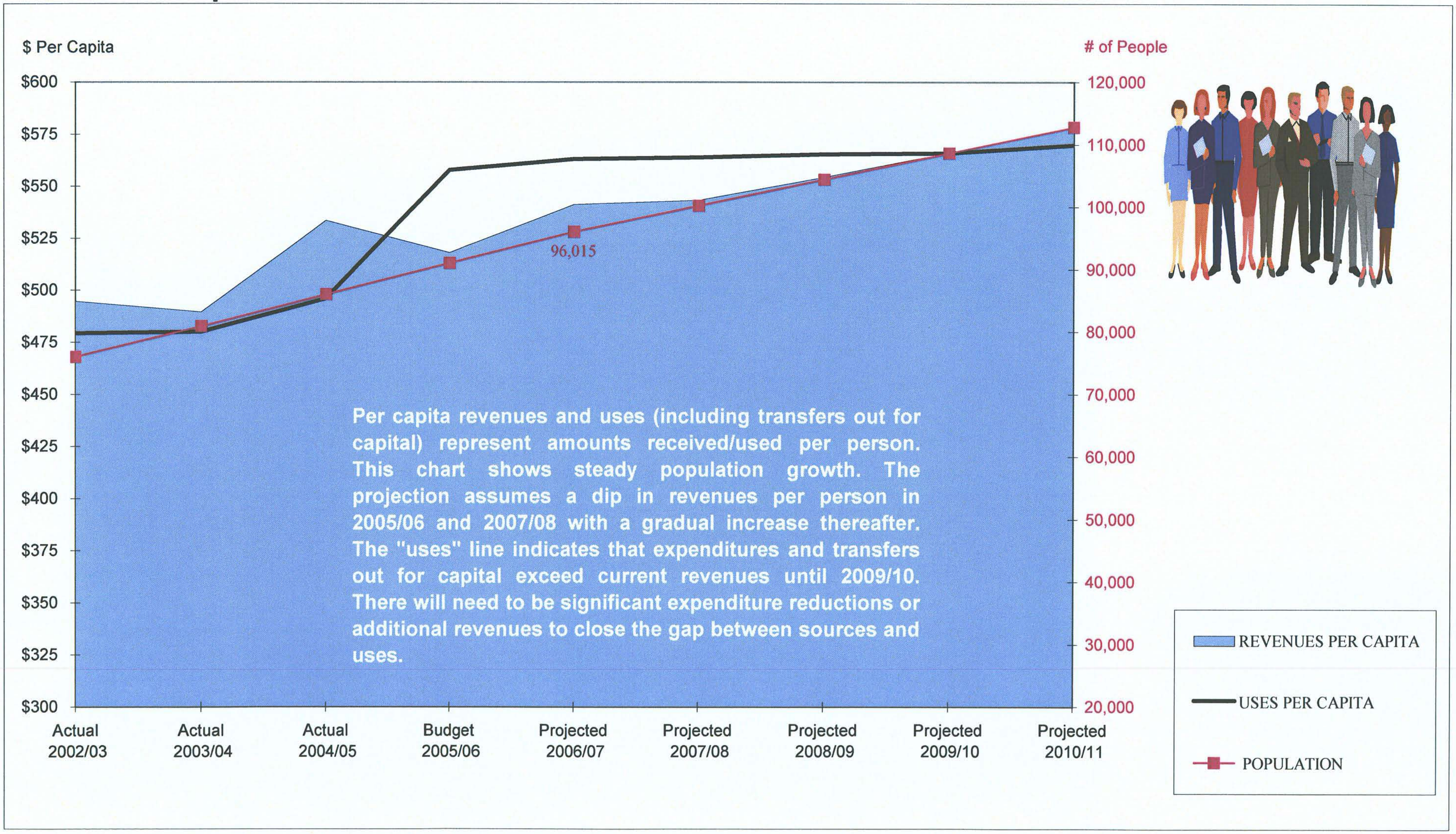


*Discrectionary revenues for 2005/06 adjusted to include use of $2,637,868 in reserves.

City of Clovis

General Fund Revenues and Uses Per Capita

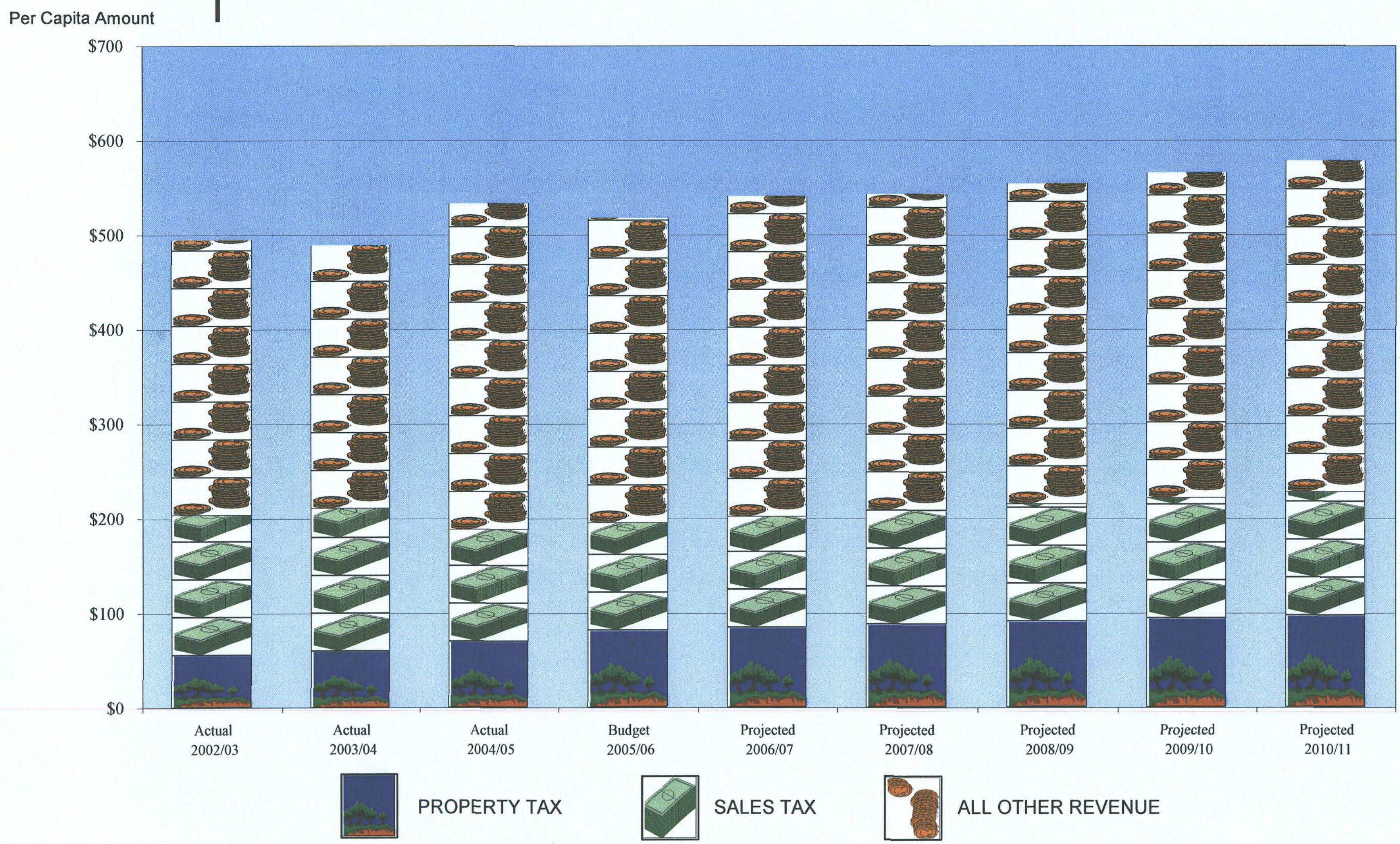
(In Current Dollars)



City of Clovis

Various General Fund Revenues Per Capita

(In Current Dollars)



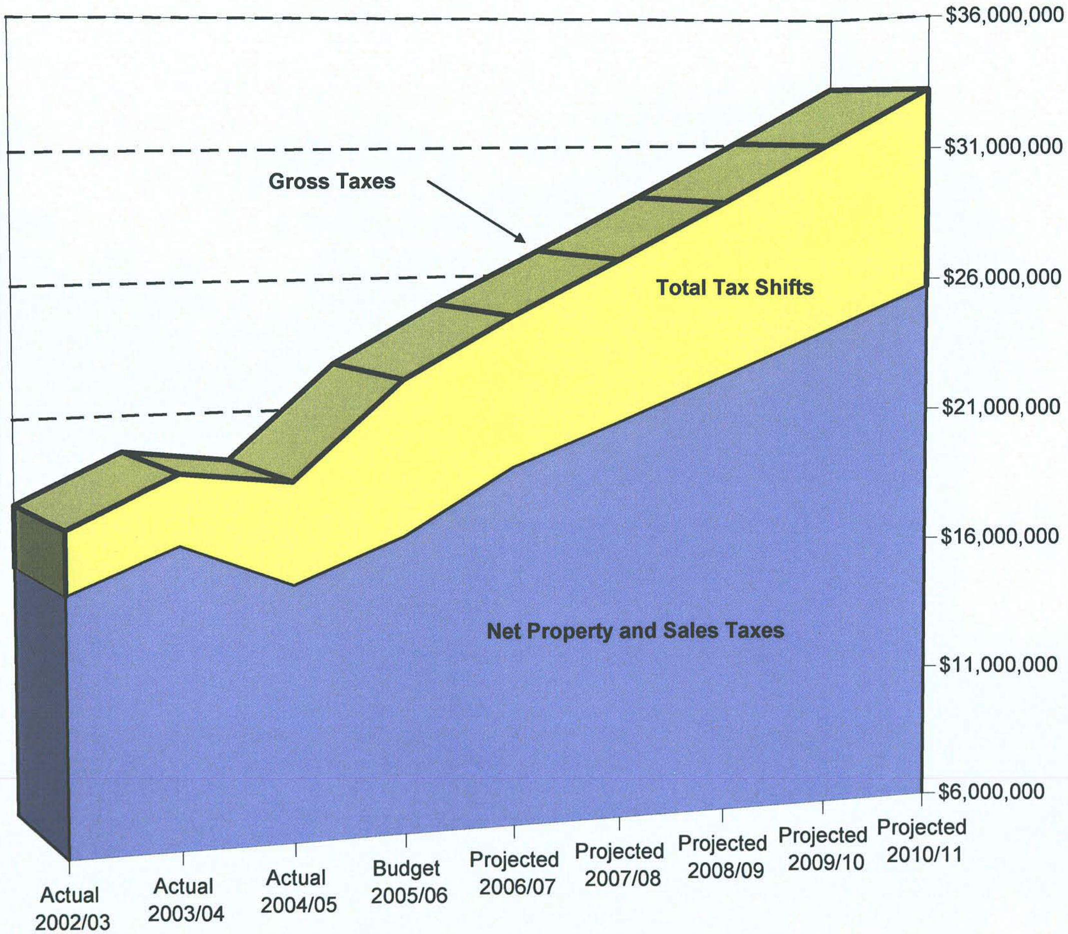
As shown by this chart, sales tax is the single greatest source of revenue available for funding General Fund operations. The second largest source of revenue is property tax, these two sources of revenue make up nearly half of all general fund revenues.

City of Clovis

General Fund Tax Shifts

(In Current Dollars)

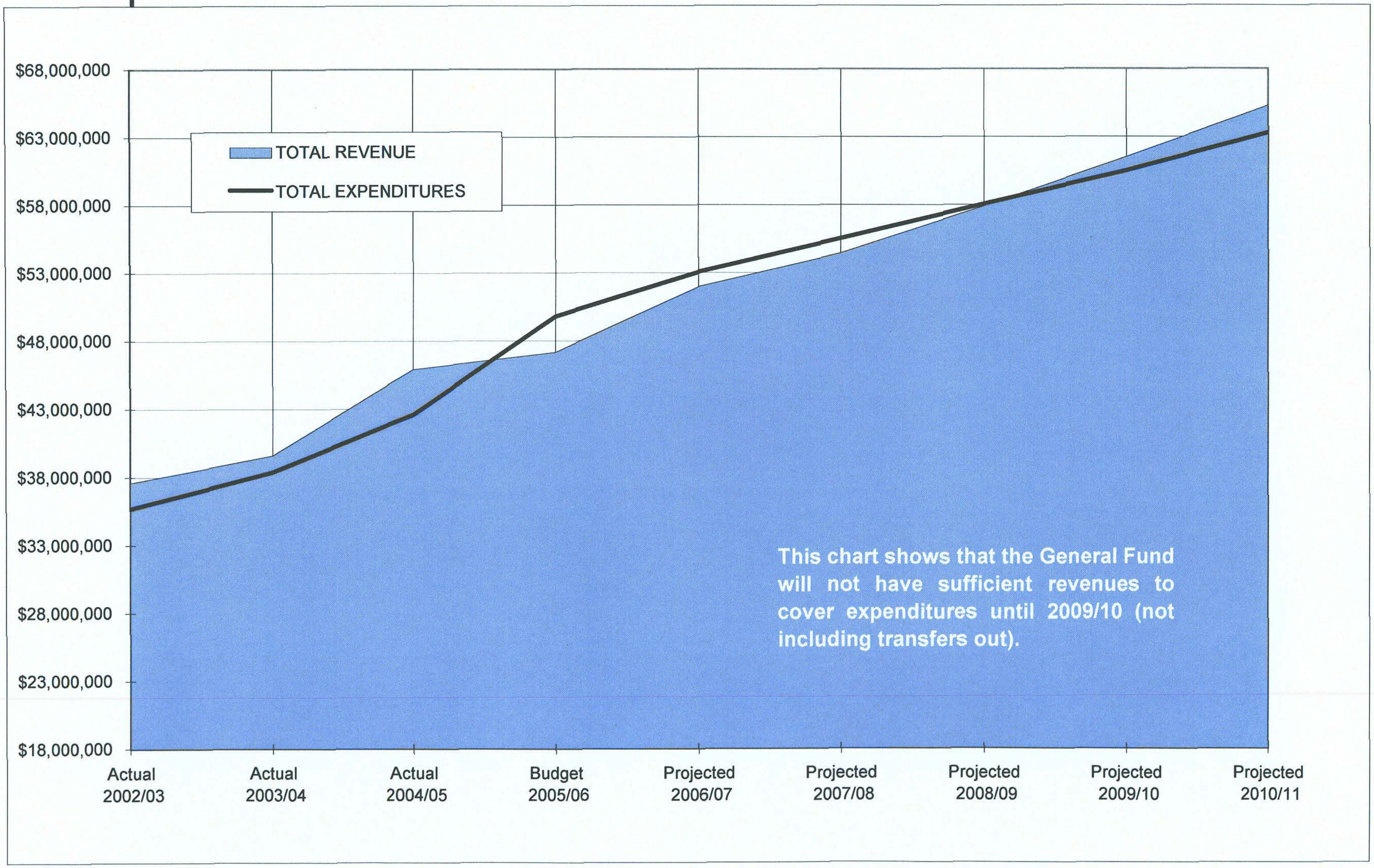
Indicated in this chart is the difference between the amount of property and sales tax the city actually receives compared to the gross amount prior to tax shifts. Total tax shifts include the amount reallocated by the State for the educational revenue augmentation fund, administrative fees paid to the county and the sales tax sharing agreement between the City and the County.



City of Clovis

General Fund Revenue and Expenditures

(In Current Dollars)



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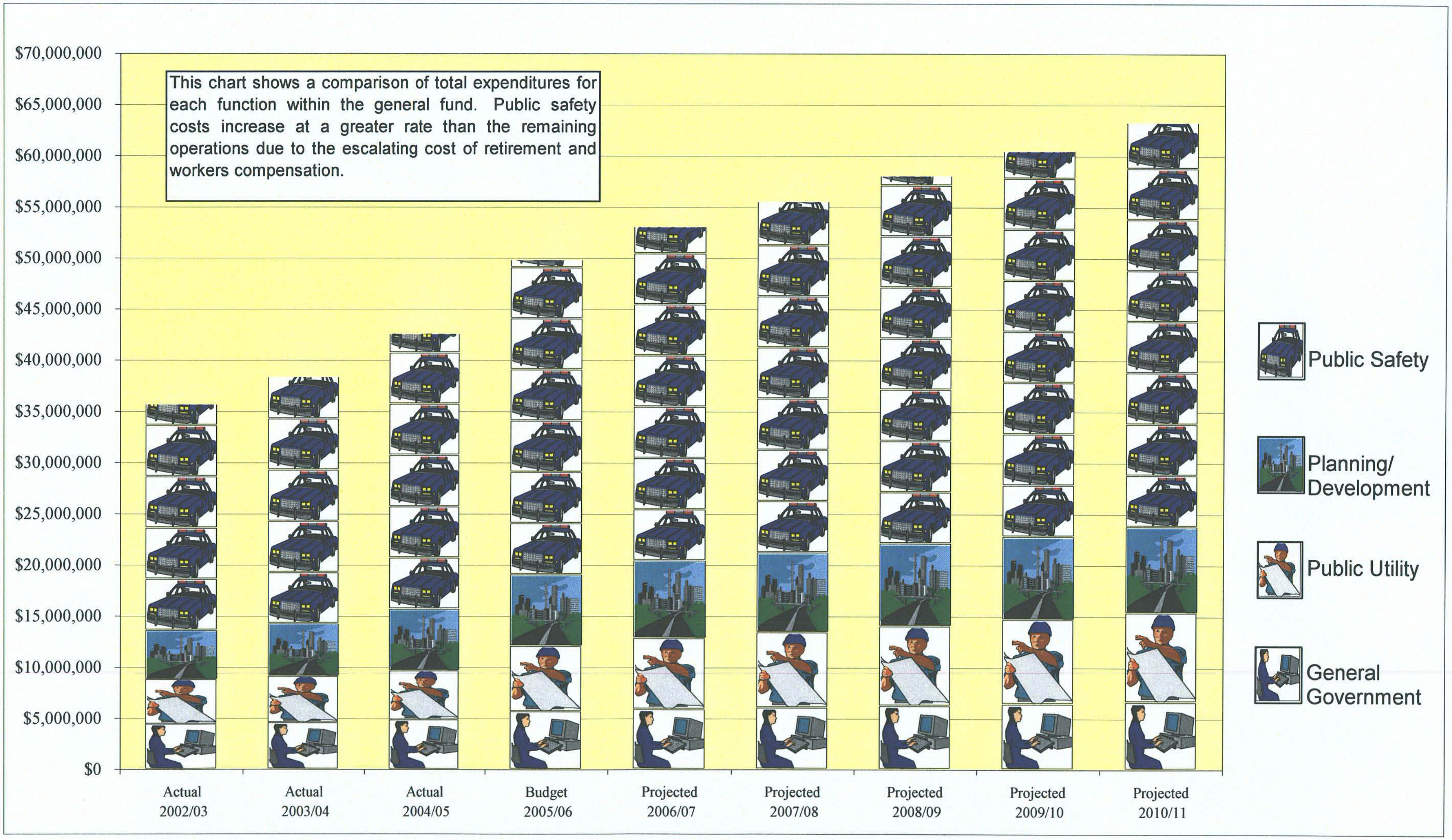
City of Clovis

General Fund Costs

(In Current Dollars)



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M I D Y E A R R E V I E W

CURRENT YEAR STATUS 2005-2006

General Fund

The General Fund is the primary operating fund for the City. All discretionary revenues are appropriated in this fund with approximately 83% going to public safety. As a result, the forecast is focused mainly on the General Fund. It is during the preparation of the forecast that analysis of the current year revenues and expenditures begin in order to identify trends for the upcoming budget and throughout the forecast period.

As a starting point, it is important to review how the general fund performed for the year ended June 30, 2005. As reported in December, the General Fund balance ended the year $100,000 less than that projected for the year ended June 30, 2005 during the preparation of the 2005-2006 Budget. The small shortfall was due to expenditures coming in greater than estimated and a reduction of available cash due to the State of California's implementation of the sales tax for property tax swap, commonly referred to as the "triple flip". Revenues came in slightly higher than estimated, offsetting the impact of the overages in expenditures and the impact of the implementation of the" triple flip".

In the 2005-06 Budget, revenue for the General Fund was projected to be $46.1 million. With the award of additional grant funds, and higher than estimated In-Lieu of Motor Vehicle License Fee-Property Tax, the General Fund revenue is now projected to be $47.1 million or $1.0 million higher than estimated. Property Taxes are currently projected to be $140,000 less than estimated, and is the only major revenue source not projected to reach or exceed the budget estimate. We believe the shortfall in property tax may be due to a delay at the County in applying the value of all new construction to the tax roll in a timely manner.

Expenditures in the General Fund are projected to be below the revised budget for 2005-06 by approximately $100,000. The General Fund expenditures approved in June were $49.2 million. Carryover encumbrances plus budget amendments were added during the year, making the revised budget $49.9 million. The projected savings in expenditures is attributable to salary savings due to positions remaining vacant longer than anticipated and delaying the start of the Northwest Specific Plan to next budget year. It is projected that expenditures will be $49.8 million. Only the Fire Department is projected to be over budget at this time. The Fire Department is experiencing higher than budgeted expenditures for overtime for shift coverage due to employee injuries, illnesses, vacations and vacancies.

Taking into account that expenditures are estimated to be greater than revenues, the General Fund is projected to end the 2005-06 fiscal year with an unreserved fund balance of only $400,000 and a contingency reserve of $4.98 million or 10% of budgeted expenditures. In addition the City has reserved $855,000 due to the implementation of the "Triple Flip" by the State of California, which is the estimated amount the City won't receive until the conclusion of the "Triple Flip" in 2035.

Normally revenues are greater than expenditures allowing for the carryover to be utilized in future budget years. This year reflects a much lower carryover balance than the City has experienced in past years. The forecast does maintain the recommended transfer of $1.0 million to the general government services fund for future investment in technology, facilities and capital expenditures.

Water Enterprise Fund

The Water Enterprise is expected to have a working capital balance of about $7.8 million at June 30, 2006. This is about $1.7 million greater than the working capital balance of $6.1 million projected in the budget. The additional amount is due mainly to a larger than expected working capital balance from 2004-05, as revenue and expenditures for 2005-06 are projected to be approximately equal to the amounts budgeted.

Sewer Enterprise Fund

The Sewer Enterprise is projected to have a working capital balance of approximately $10.3 million on June 30, 2006. This is about $4.4 million more than originally estimated in the 2005-06 budget, and is attributable to higher than projected working capital balance from 2004-05 ($3.2 million). The City was able to the release a reservation of working capital of $3.0 million for expenditures that were expected for Clovis' share of completed and ongoing improvements at the Fresno/Clovis Regional Waste Water Treatment Plant. Revenue for 2005-06 is projected to be at $7.3 million, which is slightly less than the original budget. Expenditures for 2005-06 are expected to be $6.6 million, which is under the revised budget of $7.6 million by about $1.0 million. This is entirely due to lower than expected expenditures for Clovis' share of the improvements at the Regional Plant.

Refuse Enterprise Fund

The Refuse Enterprise is projected to have a working capital balance of $27,300 at the end of 2005-06. This amount is well below the required working capital balance required by bond covenants of $1.1 million or the normally recommended 10% of expenditures which would mean the fund should have $1.4 million as a working capital balance. In order to meet the required bond covenants it will be necessary to loan the Refuse Enterprise Fund an additional $1.1 million. With this recommended loan, the Refuse Enterprise Fund will have received over $6.0 million in loans in order meet regulatory and operating requirements. Revenues for the Refuse Enterprise for 2005-06 are projected to be at the budget estimate of $11.3 million and expenditures are projected to be slightly above estimates due to regulatory testing and landfill reclamation costs. The latter will be higher than estimated due to the contractor's ability to process materials at a faster rate. Earlier in the year the Council approved a $2.0 million loan to cover the costs of active gas extraction which is included in the revised estimates. Due to the fund's current financial position it may not be possible to repay the loans on the schedule originally established. Additional revenues will be needed to complete the reclamation project, the regulatory requirements, and future capital improvements. Staff is exploring options for a landfill remediation surcharge and development impact fees. A workshop with City Council is also planned for the near future to discuss all available options for the future use of the landfill.

Street Cleaning Enterprise Fund

The Street Cleaning Enterprise is projected to have a minimum positive working capital balance on June 30, 2006 which is due to increased operating costs and slightly lower than anticipated revenue. This positive balance in working capital is the result of the rate increase that was implemented January 1, 2004 and will gradually increase over time reaching a 5% balance.

Transit Enterprise Fund

The Transit Enterprise is expected to have a working capital balance of $300,000 on June 30, 2006, which is slightly more than projected in the 2004-05 budget. This is entirely due to the working capital carryover from 2004-05. Revenue and expenditures are both expected to increase slightly over the 2005-2006 budget. We endeavor to maintain as small a working capital balance as possible in the Transit Enterprise to allow the maximum amount of the Local Transportation Funds to be utilized for street maintenance and construction.

Other Funds

The Clovis Community Development Agency and Capital Improvement Funds are all projected to be within budget for 2005-06.

The Internal Service Funds, listed below, are all projected to be within budget for 2005-06.

The Liability and Property Insurance Fund will end the year with an estimated balance of $200,000. This fund accounts for the City's insurance programs. The City obtains its liability coverage through the Central San Joaquin Valley Risk Management Authority (RMA), a joint powers authority with 55 member cities. Unlike traditional liability insurance in which an entity pays a yearly premium for insurance, the RMA liability program charges each member city an annual deposit premium for liability coverage based on each member city's risk factors. The deposit premium is used to pay claim related expenses for the city. Each year, the RMA retrospectively adjusts the funds on account for each individual city. If the member city has funds left over from its deposit premium after five years due to low claims experience and maturation or closure of claims, the member city receives a refund of the remaining deposit premium with interest. If after five years the member city has a deficit in their deposit premium for that year, the member city must pay the RMA for the deficit for that year. During 2004-05 the fund loaned $1.0 million to the Refuse Enterprise. It was anticipated that the loan would be repaid 50% in fiscal year 2007-08 and 50% in 2008-09 with interest, but due to the financial condition of the Refuse Fund it may be necessary to delay the repayment of the loans.

The General Government Services Fund accounts for centralized support provided to other departments including computer services, communications, energy and janitorial services. This fund also accounts for government facility maintenance, enhancements, and acquisitions. In addition to charges to the operating departments, this fund receives transfer from the General Fund for future capital investments. The transfer is $977,000 for this fiscal year.

The General Government Services Fund is projected to have an ending fund balance of $1.2 million on June 30, 2006 but could be larger dependent upon the timing of sales of real estate. The fund has a commitment to loan up to $2.0 million to a developer to cover development fees for a project in the Golden Triangle. It is not anticipated that the total commitment will be utilized at one time and that the fund will have sufficient resources available when needed. During the year the fund also loaned $2.0 million to the Refuse Enterprise Fund for the construction of the active gas extraction system at the landfill. Over the last two years the General Government Services Fund has loaned the Refuse Enterprise Fund $3.0 million. Due to the financial condition of the Refuse Fund it may be necessary to delay the repayment of the loans.

During this year the fund will be accounting for the construction of two new fire stations. The construction of Station 35 and purchase of a fire apparatus will be funded utilizing Public Safety Measure "A" sales tax funds. The construction of Station 31 will utilize lease purchase financing with the debt service costs being paid from this fund. The contract purchase of the former Swiss Colony Winery property will also be paid for from this fund.

The Fleet Maintenance and Replacement Fund accounts for the maintenance and replacement of the City's fleet. The Fleet Fund's ending balance for June 30, 2006 is projected to be $2.7 million, with most of this balance accumulated for fleet equipment replacement.

The Employee Benefits Fund is projected to be within budget at June 30, 2006 and it is possible that it will have a higher fund balance due to lower costs in the workers compensation program.

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.