# City of Clovis

## Five-Year Financial Forecast

Through Fiscal Year 2011/12

Prepared March 2007

# CITY OF CLOVIS

## *Five Year Financial Forecast*

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# CITY OF CLOVIS

## *FIVE YEAR FINANCIAL FORECAST*

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# INTRODUCTION

## 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 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 contributes to an environment of fiscal uncertainty. In November 2004, local governments comprised of cities, counties, special districts and redevelopment agencies joined with the Governor to place an initiative on the ballot 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 reduce the State budget deficit has been slow and it is projected that there will be up to a $7 billion deficit in 2007-08 if more spending reductions are not made. This fact continues to threaten fiscal stability for all levels of government. Passage of the initiative did, however, bring a new level of predictability to local government funding and is 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 that require new programs, and 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 remain 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 2007-08 Annual City Budget, the Five Year Community Investment Program, and budgetary planning for future years.

# 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. **Sustain 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. **Sustain staffing for park maintenance services to maintain service levels as additional green spaces are added; and manage the service to properties within the Landscape Maintenance District to stay within funding constraints of assessments approved by property owners.**

3. **Sustain staffing for planning, building, and engineering services at a baseline level to perform short and long range planning, deliver the community investment program, and provide a consistent code enforcement program.**

4. **Sustain staffing for streets maintenance; implement a priority for local streets repair and maintenance using the updated pavement management system within funding constraints; and develop a schedule for implementation of new funding from the extension of Measure C and State bonds for regional and local transportation improvements.**

5. **Proceed with implementation of the design – build – operate contract for the sewage treatment – water reuse facility and begin construction of the project.**

6. **Complete environmental remediation at the landfill and develop the schedule for future expansion of a new cell.**

The City's overall financial condition is beginning to stabilize, primarily attributable to the passage of Proposition 1A, the November 2004 ballot measure to provide Constitutional protection for the allocation of a portion of local taxes for local services. This will mean a more reliable predication of revenue from year to year but will not increase overall revenues except as the population and the market grows. Local governments should not become complacent with this new era of stability, because much can change with legislative action and ballot initiatives as the State continues to operate in a deficit position. The City's current challenge comes from rapid community growth in recent years that has strained the City's ability to expand operations sufficiently to keep up with the demand for services in a timely manner. The City made major commitments to expand public safety services in the past two years but will have difficulty sustaining that expansion in the near term unless additional revenue is identified.

While the city operates with several funds for specific operations, the General Fund supports general government services of police, fire and emergency services, parks maintenance and senior/recreation services. During the tumultuous years of loss of funds to the State, the City constrained the growth in staffing to the point that it was greatly impacting levels of service. As a result, in recent years accumulated fund balance carryover in each year has been utilized to supplement current revenues to be able to maintain levels of service as the city has grown. This volume of fund balance will be depleted 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. However, with housing growth slowing dramatically in 2006 some revenue collection has also slowed. For the near term housing and business growth rates are expected to return to more normal levels. Demand for services is expected to level off as well, but with the way in which revenue is collected, financial resources will continue to lag about 18 months behind the growth in population for a significant amount of general fund services.

**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, thus far yields a much smaller amount of collections than previously projected. Fiscal year 2005-06 was the first year that collections were recorded and the volume is growing slowly. Only $168,000 is expected in the current year to be apportioned between police and fire services for additional staffing. This yields about 1.6 employee positions.

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 at least 3 police officers and 3 firefighters each year during the forecast period. In order to do this it will be necessary to provide an additional $25.8 million throughout the forecast period to achieve this level of staffing. The financial growth trend indicates that we will not be able to add this level of staff unless significant cutbacks and/or elimination of services in the General Fund operations are made or new sources of revenue are identified to support the desired level of service. The City Council will be conducting a workshop in April to review alternatives for a more sustainable source of revenue for the level of services desired for public safety.

**Public Utilities** – Services are primarily supported by non-discretionary money from gas taxes, user fees, and special assessments. Parks maintenance and street maintenance are services that must be watched closely due to funding constraints. 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 services and 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 does not include new staff during the period. The City is increasingly using private landscape contractors for additions to the LMD which avoids adding full-time staff and the capital investment to support that effort.

**Planning & Development Services** – This department is largely funded by fees for services. However, there are certain functions that are not funded by fees and must rely on the General Fund. Code enforcement and general planning information to the public are two areas that are not covered by fees. When development takes an abrupt downturn as has occurred this year, fees are not sufficient to sustain the operation. An evaluation of the department is now in progress to determine whether it can be operated solely with reliance on fees.

**Local Street Repair and Maintenance** - City engineers and public utilities staff completed the update of the Pavement Maintenance System for evaluating condition of streets to determine appropriate maintenance work and schedules. Programming of maintenance schedules and capital projects will utilize this updated information this year. With the approval of the Measure C Extension by voters and the authorization of State bonds for transportation improvements, there is a new opportunity for improving the condition of city streets. It is important to note that during the collection of data last year used to analyze the transportation needs throughout Fresno County versus available funding from all sources, it was found that even with the approval of Measure C Extension there was sufficient funding available to meet only 45% of the need countywide. That ratio holds true for Clovis as well. Even thought funding resources are more predictable for the present time, critical decisions must be made about repair and maintenance work to preserve the life of the most heavily traveled streets critical to transportation for residents and businesses within the city.

**Sewage Treatment – Water Reuse Facility** – The City has completed contract negotiations and design of the facility is underway. Final design of the facility, obtaining permits, sale of revenue bonds and subsequent construction will allow the facility to be operational by 2009. Sale of bonds has just been completed. A total amount of $68 million were sold at a rate of 4.4%. 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. Opportunity to sell the recycles water for reuse will also provide some off-setting revenue for the facility. Markets for reuse of the water from this plant are now being developed. 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 that could become explosive 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. Underground monitoring wells will continue to monitor and detect any future leaching.

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 was required to be installed to reduce these levels of methane gas in concentration and to meet regulatory requirements in order to continue operation of the landfill. This project was completed in 2006 and the City is nearing full regulatory compliance as of this writing. 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 be able to begin paying off the interfund loans on schedule and will meet reserves sufficient to meet bond coverage covenants. Due to a need to construct a new cell for deposit of waste earlier than originally planned, a new development impact fee was enacted in 2006. Funds are being collected to contribute to the cost of this expansion planned for 2008-09.

**Community and Economic 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 sustain critical staffing to meet service demands.

The challenge this year and next will be to sustain the operations supported by the General Fund with current revenues because carryover fund balances have been depleted and will not be available.

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 maintenance 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 to 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 4.8% per year over the forecast period. The rate of growth in general revenue to support public safety remains a key issue but sustaining all other General Fund operations will also need to be considered. Based on the projections, expenditure reductions will have to be made or additional revenue identified 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 but would mean reducing service levels or elimination of some services. Emergency reserves could also be reduced to utilize savings to sustain 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 has been good news for job growth for Clovis and the region. Clovis has historically had unemployment rates at about one-half that of the region as a whole. Current unemployment rates in Clovis are tracking at an all time low of 4-5% which is considered full employment. Chronically high unemployment in the region remains an issue for local communities but is significantly down overall with a countywide rate of just 6.50%. The winter citrus freeze has negatively affected agriculture and its workers. This will have an overall effect increasing unemployment rates throughout the Valley and affecting business activity for many communities. 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, has slowed dramatically in the latter half of 2006 and is expected to rebound to a more normal rate of growth. The number of new residential units projected during the forecast is 1,000 units in each 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, housing, and private education institutions have been constructed and more projects are staging. The opening and expansion of the metropolitan freeway systems over the past decade have brought construction-related jobs to the region and allowed for commercial and business development to occur at previously land locked sites. The ½ cent sales tax for transportation that has been so vital to expansion of transportation systems and the economy of this region has been renewed and extended by voters for another 20-year period. The new program begins July 2007. In addition to an improved regional transportation system for the movement of goods and services and traffic congestion relief, Clovis will gain significant improvements to the public transit system, trail systems, and will average $2 million per year for the annual street maintenance program.

Significant economic and job opportunities have developed in recent years and continue to be developed. The continued interest in revitalizing Shaw Avenue from HWY 168 east to Armstrong Avenue has seen some 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 completing expansion with a new 16-screen 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. The recently approved Campus Pointe mixed use project at the eastern edge of the California State University, Fresno campus remains a concern for the success of revitalizing the Shaw Avenue corridor, especially the older westerly section. Further competition from a proposed 14-screen theater at the project is anticipated to have a negative effect on Clovis theaters and will contribute to a saturated market for ticket sales in the Fresno East/Clovis market and potential closure of a theater in Clovis.

The City-sponsored 180-acre research and technology business park at the Temperance Avenue interchange of HWY 168 is under construction with new business. The first business, a private business incubator and full service internet marketing and fulfillment center has opened and expansion of a plastics manufacturing business is under construction with more clients to follow this year. Additional testing laboratories and professional engineering offices are anticipated to begin construction in 2007. All properties controlled by the city have been sold and work has begun on plans for the 124-acre expansion of the business park. The first retail buildings to serve the business park have been opened as well as the new city fire station intended to serve the business park and the current neighborhoods and new ones developing to the northeast. Privately held lands within the park to the south and west of the city-owned parcels are also being marketed for development with specialty medical facilities. The City continues to target 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. 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, or technopolis. The committee is preparing to host an advanced technology conference in October 2007 to generate interest and awareness of the assets which the community has to offer such businesses and their employees.

The redevelopment agency continues 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 opened with restaurants under construction. The remaining phases will include a new hotel, professional offices, and limited commercial. The Department of Motor Vehicles office at Pollasky and Bullard Avenues will soon be vacated when a planned move to a new facility on Shaw near Armstrong Avenues is completed. The redevelopment agency is negotiating with the selected developer to upgrade the use of the site to mixed use housing and commercial uses. A new fire station is also under construction at the corner of Pollasky and Seventh Street and expected to open in fall 2007.

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 intends to sell the remainder of the parcel for development of a mixed-use project. The city is in an exclusive negotiations agreement for a period of time with a developer to perform an analysis of the feasibility for a project. The project has been delayed during the year due to issues with the sales transaction for the adjacent vacant land which is proposed to be included in the development. These issues are expected to be resolved in early 2007 so that planning for the redevelopment of the site can resume. The Clovis Veteran's Memorial District continues construction for expansion of meeting facilities at the existing site. Fresno County and 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 street sweeping enterprise and the capital improvement programs, all other enterprise operations, 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 funding for sustaining existing programs and levels of service, creation of new programs, and replacement and expansion of inadequate facilities.

The forecast indicates that General Fund revenues are projected to be less than expenditures, plus transfers, through the forecast period with expenditure reductions or revenue enhancements required throughout the forecast period. A designated reserve of 7.5% of expenditures is set aside as emergency reserve, consistent with City Council policy. This amount has been decreased from past set asides up to 10%, but still remains within the range as required by Council policy. 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 longer period of time. Capital investment in general government facilities, such as a new animal shelter, police and fire training facilities, 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 $500,000 per year to fund future building and technology needs be maintained.

We have previously noted a new era of revenue stability and predictability 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 general operations. 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 $4.5 million next year, or 8.3% of total General Fund revenue. This is significant because 93% 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 formalized by statute and is not likely to be changed in the near future.

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 $4.9 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 $19.5 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 $1.2 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 $670,000 over the next five years.

When taken together these losses represent more than $26.3 million over the five-year period of discretionary revenue losses from the General Fund. For relative comparison, that would be enough money to pay for all personnel in the police and fire departments for an entire year or to build a combination of a new library, performing arts center and community park. 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 now 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. 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, the cessation of further transfers of revenue by the State, and the possibility of new sources of revenue 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 and will target savings to recoup shortfalls in revenue. 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 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 rates. 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 persists 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 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 in recent 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. Do residential streets need to be swept twice per month or would once be adequate for dust control and sanitation? 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. A new method of service delivery introduced this year was the internet-based Citizen Response Management system that automatically routes service requests to the appropriate employee providing a single point of contact for citizens and improving response times and reducing the volume of redundant phone traffic at city offices.

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 is collected slowly in the early years as properties are added to the district and is intended to provide funding to hire police officers and firefighters. However, to date the number of properties included in the district has not grown sufficiently to support these positions due to the lag time from enrolling properties to actual tax collection. As previously noted, general operating revenues have been stabilized to a large extent but not increased with the passage of Proposition 1A in November 2004. However, the State may still 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 maintain police and fire service levels? 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. This opportunity for "video policing" has broadened in scope during the past year as the city continues to expand its wireless communication system for public safety. Several businesses are now investing in equipment at private sites and linking to the system to improve the capacity for remote monitoring to assist in the local policing efforts. 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 devices 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 any 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 16,800 for the current and five-year period which means that the City is expected to surpass 106,000 in population over the next five years. This projection takes into account slower growth than the City has been experiencing during the recent building boom 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. With the exception of Police and Fire, the forecast does not include increased personnel in any other departments that are likely to be needed to maintain service levels as the community grows.

The forecast projects the addition of 16 police officers from fiscal year 2007-08 through fiscal year 2011-12 to maintain a reasonable ratio of officers per 1,000 of population. The forecast also projects the addition of 15 firefighters for the staffing to meet the recommendations for community coverage contained in the fire master plan. Given the slower rate projected for revenue growth, the lack of any significant carryover fund balance, and the trend for increased expenditures for personnel and related benefit costs, these 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 $25.8 million will be needed for the five year period to realize the projected needs outlined in the forecast. The existing levels of service cannot be maintained without additional revenue. One option that the City may consider is a reauthorization or continuation of a portion of the sales tax override for public safety operations and capital improvements as opposed to the use of the Community Facilities District. This option and others will be discussed in more detail in a subsequent workshop with the City Council.

A transfer from the General Fund to the General Government Services Fund continues through the forecast period in the amount of $500,000 annually to provide resources to address remodeling and rehabilitation of existing facilities, technology improvements, and new facility needs. An emergency reserve of $4.8 million in 2006-07 has been set aside for unforeseen emergencies and is recommended to be adjusted throughout the forecast period to maintain a lower reserve of 7.50% 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.

The City continues to lose property tax revenue to the State to pay its obligations for schools estimated to be $19.5 million during the forecast period under the original Educational Revenue Augmentation Fund (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 taxes 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 of expenditure for personnel 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 increase from the 2006-07 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 slightly from the 2006-07 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 22.2% of salaries for public safety employees throughout the forecast period; in addition public safety employees will pay 9% of their salaries for retirement contribution. The City will pay retirement contributions of 14.7% of salaries for all other employees throughout the forecast period; in addition these employees will pay 8% of their salaries for retirement contribution.

Revenue growth is projected to increase by an average of 4.8% per year over the five-year period. Actual revenue growth for prior years through 2006-07 averaged 7.4% per year., Due to the slow down in development, the growth rate is projected to be about one-third less than prior years.

## ENTERPRISE FUNDS

In the Enterprise Funds, only the projection for the Refuse Enterprise Fund and Street Cleaning Fund include rate increases in 2007-08 through 2011-12 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 is presented below. Staff will continue to monitor the Street Cleaning Fund to determine if rate increases are ultimately necessary and bring options to the Council as needed. 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 Fund is forecast to have a working capital balance of about $8.0 million at June 30, 2007. The Surface Water Treatment plant has been in operation over two years 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. The forecast assumes the addition of one employee in 2008/09 to accommodate normal growth in service. The projection maintains a prudent working capital balance of more than 10% of expenditures. It is recommended that reserve for drought contingency be established with an initial amount of $750,000 in 2006-07 and each year thereafter to accumulate $4.5 million over the forecast period. This reserve would be used for the purchase of water rights, should that become necessary.

**Sewer Enterprise**

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $6.3 million at June 30, 2007. Several 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 Clovis 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. It is recommended that a reserve of $2.0 million be established to set aside funds for capital improvements because total costs are not yet known. 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 monitoring program will begin immediately because the bonds are being sold this spring to finance the Clovis Sewage Treatment/Water Reuse 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 Fund and its rate payers.

**Refuse Enterprise**

The Refuse Enterprise Fund is currently showing a working capital balance of $2.3 million at the end of fiscal year 2006-07. In order for the fund to meet bond coverage requirements, it was necessary to provide loans and rate increases over the last two years. This was necessitated by the fact that regulatory requirements placed conditions on the operation of the landfill to remediate ongoing air and water pollution impacts. The forecast currently reflects the 4% annual increase approved by Council in November 2004. The Refuse Enterprise Fund has received over $6.0 million in interfund loans in order to meet regulatory and operating requirements. Due to the improved fiscal condition of the Fund, it may be possible for the fund to repay the loans on the scheduled due dates. The projection includes expenditures of $0.7 million in fiscal year 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 2008-09 for new routes for residential and commercial customers. Staff will continue to monitor the condition of the fund to determine its ability to repay the loans as scheduled and to determine what rate increases are necessary and at what level.

**Street Cleaning Enterprise**

The Street Cleaning Enterprise Fund is projected to have a rate increase in 2008-09 through 2011-12 between 2.0% and 2.5% in order to have sufficient working capital to fund operations and maintain a small reserve throughout the forecast period. The Street Cleaning Enterprise Fund is one of the few City operations that have 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 Fund 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; they are subsidized using Measure C funds. The City is projecting to receive a direct allocation for transit of $1.2 million of Measure C funds and a portion of this can be used to make up the shortfall in the fare revenue. The LTF (comprised of state and federal gas taxes) is not permitted to be used for supporting fare box ratios. Currently plans are underway to expand and enhance transit services as specified by voters utilizing the additional Measure C funds to provide those services. 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. An increase of the current fare to $1.25 is being considered and will be presented to the City Council at a public hearing.

## INTERNAL SERVICE FUNDS

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

## CAPITAL IMPROVEMENT FUNDS

The projections for the Capital Improvement Funds group are based on the five-year Community Investment Program found in the 2006-07 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 2007-08 budget.**

Every two years, the City Council devotes time to a Leadership and Strategic Goal Setting Workshop and Citizens' Summit. The City Council conducted the last workshop in March 2005 and updated strategic goals and target actions at that time. The strategic goals 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; with particular emphasis on the Southeast Urban Center, ensure that infrastructure and service capacity is in place prior to development; include green space and buffers around neighborhood centers; and provide trails to link neighborhoods and village centers designed with active people in mind and for protection of property values with choices of neighborhoods and types of housing.

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** pursuing build out and expansion of the research and technology business park; facilitating development of a more diverse local economy ranging from high technology to light industry; promoting a strong retail base to grow sales tax revenues; planning for additional land for industrial expansion, retention and growth of existing businesses; and implementing the economic development strategy to meet the goals and objectives.

GOAL #4. **Provide for financially sustainable city services** by retaining and expanding city revenue and tax base; providing adequate financial reserves and fund balance consistent with adopted polices; maximizing utilization of grants and partnerships to better leverage scarce resources and focusing on grants with lower matching requirements, 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; providing a range of housing opportunities in character, density, and cost; and continuing to work with local schools for educational excellence.

**GOAL #6. Establish regional and community leadership** 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 arrivals; 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 and is planning for a workshop in 2007. As we prepare for next year's budget, the management team will be developing a statement clarifying each of the target issues for 2007-08 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 continue to clarify the interpretation and application of revenue redistribution involved with the "triple flip" in which vehicle license fees were swapped for property taxes and sales taxes were swapped for property taxes 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 at least one year after the performance and with delays in parcel enrollment for property tax purposes, revenue collection has been futher delayed. Additionally, the State transferred responsibility for calculating the redistribution of property and sales taxes to the Counties and their methods will be audited to confirm compliance with the law. Some new issues about the redistribution have arisn and are currently being reviewed with

County officials. It will, therefore, take more time and experience to compare estimates against actual performance and to learn how growth may impact the final outcome.

The fact that our trend shows *current* expenditures exceeding current revenues for the general operations of the city in each year going forward, must be a guiding prinicipal constraining the budgeting process as we move through the budget cycles. As noted, we cannot rely on carryover fund balances because this has been depleted. Departments will continue to implement programs and procedures to streamline operations and reduce costs. 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 or a housing inspection fee for rental housing to cover the cost of code enforcement.

- Fees and assessments should be designed so that new residential development pays its way. A recent example is the 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 2007.

EXHIBITS

# CITY OF CLOVIS

## General Fund

## Financial Forecast - Summary

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| Beginning Fund Balance | 1,987,819 | 2,613,404 | 4,615,962 | 3,926,614 | 2,784 | 21,784 | 21,784 | 36,784 | 62,784 |
| ***REVENUES*** | | | | | | | | | |
| Taxes | 20,626,476 | 26,854,931 | 32,090,044 | 35,130,100 | 37,435,000 | 39,771,000 | 42,235,000 | 44,941,000 | 47,697,000 |
| Other Revenue | 18,966,994 | 19,035,706 | 16,246,926 | 17,134,969 | 17,022,000 | 17,304,000 | 17,619,000 | 17,942,000 | 18,274,000 |
| Total Revenues | 39,593,470 | 45,890,637 | 48,336,970 | 52,265,069 | 54,457,000 | 57,075,000 | 59,854,000 | 62,883,000 | 65,971,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| Public Safety | 24,090,704 | 26,884,831 | 31,075,548 | 35,319,520 | 36,765,000 | 38,541,000 | 40,431,000 | 42,349,000 | 44,698,000 |
| Public Utilities | 4,547,717 | 4,793,469 | 5,480,290 | 6,852,514 | 6,957,000 | 7,160,000 | 7,378,000 | 7,610,000 | 7,856,000 |
| Planning/Development | 5,149,565 | 6,024,748 | 7,048,493 | 8,513,946 | 8,742,000 | 9,038,000 | 9,354,000 | 9,691,000 | 10,053,000 |
| General Government | 4,564,593 | 4,860,031 | 5,636,988 | 6,652,919 | 6,832,000 | 7,035,000 | 7,252,000 | 7,482,000 | 7,730,000 |
| Total Expenditures | 38,352,579 | 42,563,079 | 49,241,319 | 57,338,899 | 59,296,000 | 61,774,000 | 64,415,000 | 67,132,000 | 70,337,000 |
| Return of Unspent Funds/Premiums | | 400,000 | 650,000 | 575,000 | | | | | |
| Transfers Out to Government Facilities | (500,000) | (500,000) | | | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |
| Other Transfers In/Out | 24,694 | 0 | | (25,000) | | | | | |
| Contingency Reserve | (140,000) | (1,225,000) | (435,000) | | 358,000 | (186,000) | (198,000) | (204,000) | (240,000) |
| **ADD'L REVENUE/PROGRAM REDUCTIONS** | | | | **600,000** | **5,000,000** | **5,400,000** | **5,300,000** | **5,000,000** | **5,100,000** |
| Ending Fund Balance | 2,613,404 | 4,615,962 | 3,926,614 | 2,784 | 21,784 | 36,784 | 62,784 | 83,784 | 56,784 |
| Sales Tax Triple Flip Designation | | 855,000 | 855,000 | 855,000 | 855,000 | 855,000 | 855,000 | 855,000 | 855,000 |
| Emergency Reserve-(Dollars) | 4,000,000 | 4,370,000 | 4,805,000 | 4,805,000 | 4,447,000 | 4,633,000 | 4,831,000 | 5,035,000 | 5,275,000 |
| Emergency Reserve-(% of Expenditures) | 10.43% | 10.27% | 9.76% | 8.38% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |

# CITY OF CLOVIS

## General Fund - Financial Forecast

### Revenues

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| Property Taxes | 6,809,624 | 8,337,517 | 10,571,011 | 11,848,100 | 12,666,000 | 13,500,000 | 14,351,000 | 15,219,000 | 16,104,000 |
| Property Tax In Lieu-VLF | | 4,306,686 | 5,621,622 | 6,095,000 | 6,522,000 | 6,979,000 | 7,468,000 | 7,991,000 | 8,550,000 |
| Educational Augmentation | (1,824,280) | (2,159,645) | (2,548,711) | (3,036,000) | (3,432,000) | (3,659,000) | (3,889,000) | (4,124,000) | (4,364,000) |
| ERAF III | 0 | (773,510) | (773,510) | 0 | 0 | 0 | 0 | 0 | 0 |
| County Admin Fee | (122,228) | (114,481) | (125,823) | (141,000) | (192,000) | (205,000) | (284,000) | (232,000) | (247,000) |
| Community Facility Fee | 0 | 0 | 42,015 | 168,000 | 229,000 | 290,000 | 351,000 | 412,000 | 473,000 |
| Sales Tax | 12,822,643 | 10,835,414 | 11,642,668 | 12,237,000 | 12,980,000 | 13,746,000 | 14,535,000 | 15,349,000 | 16,188,000 |
| In Lieu Sales Tax-Triple Flip | 0 | 3,100,505 | 3,911,902 | 4,079,000 | 4,327,000 | 4,582,000 | 4,845,000 | 5,116,000 | 5,396,000 |
| County Share | (641,132) | (696,796) | (777,729) | (816,000) | (865,000) | (916,000) | (969,000) | (1,023,000) | (1,079,000) |
| Sales Tax-(public safety) | 200,082 | 224,229 | 238,167 | 240,000 | 247,000 | 255,000 | 263,000 | 271,000 | 279,000 |
| Franchise Fee* | 1,247,302 | 1,314,403 | 1,443,021 | 1,479,000 | 1,564,000 | 1,652,000 | 1,742,000 | 1,835,000 | 1,931,000 |
| Business License | 1,500,057 | 1,734,258 | 1,864,494 | 1,927,000 | 2,339,000 | 2,497,000 | 2,772,000 | 3,077,000 | 3,416,000 |
| Building Permits | 3,104,144 | 2,767,643 | 2,952,708 | 1,811,758 | 2,191,000 | 2,259,000 | 2,329,000 | 2,401,000 | 2,475,000 |
| Other Lic & Permits | 83,232 | 81,201 | 101,721 | 93,600 | 94,000 | 94,000 | 94,000 | 94,000 | 94,000 |
| Other Taxes | 634,408 | 746,351 | 980,916 | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 | 1,050,000 |
| Fines & Forfeit | 199,677 | 246,111 | 298,091 | 277,374 | 248,000 | 248,000 | 248,000 | 248,000 | 248,000 |
| Interest | 61,616 | 85,600 | 193,581 | 218,000 | 269,000 | 253,000 | 262,000 | 274,000 | 286,000 |
| Building Rentals | 110,047 | 108,160 | 106,385 | 89,731 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| State Subventions | 4,254,471 | 2,989,514 | 1,551,603 | 1,667,500 | 1,712,000 | 1,757,000 | 1,802,000 | 1,847,000 | 1,892,000 |
| Grants | 689,659 | 656,174 | 860,395 | 1,213,601 | 359,000 | 359,000 | 359,000 | 359,000 | 359,000 |
| From Other Agencies | 404,526 | 466,623 | 679,425 | 231,000 | 231,000 | 231,000 | 231,000 | 231,000 | 231,000 |
| Planning Fees | 2,066,980 | 2,186,206 | 1,727,275 | 1,510,519 | 1,669,000 | 1,669,000 | 1,669,000 | 1,669,000 | 1,669,000 |
| Engineering Fees | 1,175,294 | 1,459,514 | 1,197,208 | 1,617,289 | 919,000 | 944,000 | 971,000 | 997,000 | 1,025,000 |
| Capital Improvement Charges | 925,290 | 1,012,499 | 1,918,398 | 2,521,500 | 3,272,000 | 3,272,000 | 3,272,000 | 3,272,000 | 3,272,000 |
| Current Services | 1,608,050 | 2,132,544 | 2,042,606 | 2,425,650 | 2,501,000 | 2,579,000 | 2,659,000 | 2,741,000 | 2,826,000 |
| Other Revenues | 189,508 | 161,117 | 160,930 | 154,247 | 159,000 | 164,000 | 169,000 | 174,000 | 179,000 |
| Impact/Rental Fees | 2,810,800 | 3,161,400 | 608,000 | 842,000 | 868,000 | 895,000 | 923,000 | 952,000 | 982,000 |
| Admin Charges | 1,283,700 | 1,521,400 | 1,848,600 | 2,461,200 | 2,510,000 | 2,560,000 | 2,611,000 | 2,663,000 | 2,716,000 |
| **Total Revenues** | 39,593,470 | 45,890,637 | 48,336,970 | 52,265,069 | 54,457,000 | 57,075,000 | 59,854,000 | 62,883,000 | 65,971,000 |



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## *Revenue Assumptions*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **PROPERTY TAXES:** | ANNUAL INCREASE | | INCREASE IN ASSESSED VALL | CITY TAX RATE (Before reductions) | | | |
| | 2.00% | | $300,000,000 | 19.37% of 1% | | | |
| **PROPERTY TAX IN LIEU-VLF:** | INCREASE BY ASSESSED VALUE GROWTH | | 7.00% | | | | |
| **COMMUNITY FACILITY FEE:** | 1/3 OF NEW RES UNITS PER YEAR | 333 | ANNUAL FEE: $183 | NCREASE BY: 3.10% | | | |
| **SALES TAX:** | 3 YEAR CPI | SALES TAX RATE | POPULATION ANNUAL INC | PER CAPITA $ PER YEAR | | | |
| | 3.10% | 1.00% | 2,800 | $173 | | | |
| **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 Mo | | |
| | 3.10% | 1,000 | 1.00% | $40 Per Unit per Month | | | |
| *Potential loss of 1/2 of Franchise Fees | | | | | | | |
| **BUSINESS LICENSE:** | Increase annually by the 3 year average increase | | 11.02% | | | | |
| **BUILDING PERMITS:** | NEW RES UNITS PER YEAR | FEES PER RES UNIT | NEW NON-RESIDENTIAL | ANNUAL INCREASE | | | |
| | 1,000 | $1,700 | 25.00% of the residential amount | 3.10% | | | |
| **FINES AND FORFEITURES:** | PARKING AND VEHICLE | $248,000 | Based on three year average | | | | |
| **INTEREST:** | RATE ->> | 4.75% | N PRIOR YEAR'S BALANCE OR | $50,000 | IF NEGATIVE FUND BALANCE | | |
| **BUILDING RENTALS:** | Increase annually by 2.00% | | | | | | |
| **STATE SUBVENTIONS:** | MOTOR VEH | GAS TAX | POPULATION GROWTH | | | | |
| | $5.45 PER CAPITA | $10.56 PER CAPITA | 2,800 PER YEAR | | | | |
| **STATE GRANTS:** | PAST FIVE YEAR AVERAGE FOR POST AND AGING GRANT | | | | | | |
| **PLANNING FEES:** | 2005/06 (actual) | 2006/07 (rev est) | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| General Plan Fees | 907,302 | 591,224 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 |
| Regular Planning Fees | 819,973 | 919,295 | 919,000 | 919,000 | 919,000 | 919,000 | 919,000 |
| **ENGINEERING FEES:** | NEW RES UNITS | AVERAGE ENG FEES | ANNUAL INCREASE | ADD'L NON-RESIDENTIAL | | | |
| | 1,000 | $794 | 3.10% | $100,000 | | | |
| **IMPACT/RENTAL FEES:** | BASED ON ADDITIONAL ROUTES PROJECTED IN THE ENTERPRISE FUND | | | | | | |
| **ADMIN CHARGES:** | INCREASE | 2.00% | PER YEAR | | | | |
| **CURRENT CHARGES:** | INCREASE BY THREE YEAR CPI AVERAGE | | 3.10% | | | | |
| **OTHER REVENUE:** | INCREASE BY THREE YEAR CPI AVERAGE | | 3.10% | | | | |

# CITY OF CLOVIS

## General Fund - Financial Forecast

### Expenditures

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| **PUBLIC SAFETY** | | | | | | | | | |
| Salaries | | | | | | | | | |
| Police-CPOA | 4,980,233 | 5,460,222 | 6,514,814 | 7,572,919 | 8,169,000 | 8,612,000 | 9,073,000 | 9,589,000 | 10,128,000 |
| Fire | 3,064,721 | 3,528,718 | 3,914,723 | 4,519,618 | 5,120,000 | 5,460,000 | 5,816,000 | 6,189,000 | 6,579,000 |
| Public Safety-Management | 1,218,226 | 1,184,209 | 1,592,638 | 1,816,812 | 1,873,000 | 1,931,000 | 1,991,000 | 2,053,000 | 2,117,000 |
| Dispatchers | 398,167 | 534,591 | 583,492 | 809,349 | 858,000 | 885,000 | 912,000 | 940,000 | 999,000 |
| Police-Non CPOA | 1,287,012 | 1,219,856 | 990,327 | 1,237,077 | 1,275,000 | 1,315,000 | 1,356,000 | 1,398,000 | 1,441,000 |
| Fire-Non Firefighters | 185,780 | 216,298 | 213,899 | 247,609 | 255,000 | 263,000 | 271,000 | 279,000 | 288,000 |
| Overtime | | | | | | | | | |
| Overtime-CPOA | 891,245 | 1,221,854 | 1,305,370 | 1,455,025 | 1,500,000 | 1,547,000 | 1,595,000 | 1,644,000 | 1,695,000 |
| Overtime-Fire | 1,053,213 | 927,755 | 1,184,210 | 778,850 | 803,000 | 828,000 | 854,000 | 880,000 | 907,000 |
| Extra Help | 387,003 | 614,169 | 762,410 | 608,330 | 608,000 | 608,000 | 608,000 | 608,000 | 608,000 |
| Benefits | | | | | | | | | |
| Health | 1,274,028 | 1,335,453 | 1,537,186 | 1,994,326 | 2,295,000 | 2,641,000 | 3,039,000 | 3,497,000 | 4,023,000 |
| Retirement | 1,714,437 | 2,808,495 | 3,408,357 | 3,311,749 | 3,671,000 | 3,867,000 | 4,071,000 | 4,293,000 | 4,528,000 |
| Other | 2,057,297 | 1,952,680 | 2,140,887 | 2,243,301 | 2,590,000 | 2,709,000 | 2,841,000 | 2,844,000 | 3,116,000 |
| SMS | 4,962,433 | 5,306,830 | 6,228,161 | 7,196,808 | 7,308,000 | 7,421,000 | 7,536,000 | 7,653,000 | 7,772,000 |
| Capital Outlay | 616,909 | 573,701 | 699,074 | 1,527,747 | 440,000 | 454,000 | 468,000 | 482,000 | 497,000 |
| ***Total Public Safety*** | 24,090,704 | 26,884,831 | 31,075,548 | 35,319,520 | 36,765,000 | 38,541,000 | 40,431,000 | 42,349,000 | 44,698,000 |
| **PUBLIC UTILITIES** | | | | | | | | | |
| Salaries | 1,487,817 | 1,476,311 | 1,569,647 | 1,875,783 | 1,971,000 | 2,032,000 | 2,095,000 | 2,160,000 | 2,227,000 |
| Overtime | 13,621 | 22,046 | 30,474 | 31,900 | 34,000 | 36,000 | 38,000 | 40,000 | 42,000 |
| Extra Help | 97,746 | 150,508 | 99,641 | 197,560 | 198,000 | 198,000 | 198,000 | 198,000 | 198,000 |
| Benefits | | | | | | | | | |
| Health | 223,242 | 221,506 | 262,842 | 355,316 | 409,000 | 470,000 | 541,000 | 622,000 | 715,000 |
| Retirement | 81,140 | 133,038 | 184,714 | 269,785 | 289,000 | 298,000 | 307,000 | 317,000 | 326,000 |
| Other | 323,286 | 290,303 | 268,119 | 385,989 | 398,000 | 410,000 | 423,000 | 436,000 | 450,000 |
| SMS | 2,308,460 | 2,422,272 | 2,949,735 | 3,486,213 | 3,540,000 | 3,595,000 | 3,651,000 | 3,708,000 | 3,765,000 |
| Capital Outlay | 12,405 | 77,485 | 115,118 | 249,968 | 118,000 | 121,000 | 125,000 | 129,000 | 133,000 |
| ***Total Public Utilities*** | 4,547,717 | 4,793,469 | 5,480,290 | 6,852,514 | 6,957,000 | 7,160,000 | 7,378,000 | 7,610,000 | 7,856,000 |
| **PLANNING/DEVELOPMENT** | | | | | | | | | |
| Salaries | 2,887,148 | 3,206,640 | 3,630,251 | 3,946,551 | 4,069,000 | 4,195,000 | 4,325,000 | 4,459,000 | 4,597,000 |
| Overtime | 69,903 | 98,032 | 172,470 | 157,258 | 162,000 | 167,000 | 172,000 | 177,000 | 182,000 |
| Extra Help | 190,521 | 238,386 | 251,257 | 284,869 | 285,000 | 285,000 | 285,000 | 285,000 | 285,000 |
| Benefits | | | | | | | | | |
| Health | 331,748 | 367,557 | 450,801 | 540,184 | 621,000 | 714,000 | 821,000 | 944,000 | 1,086,000 |
| Retirement | 149,530 | 291,473 | 418,677 | 586,463 | 596,000 | 615,000 | 634,000 | 654,000 | 674,000 |
| Other | 366,566 | 387,497 | 414,208 | 542,529 | 559,000 | 576,000 | 594,000 | 612,000 | 631,000 |
| SMS | 1,100,947 | 1,431,107 | 1,696,276 | 2,395,842 | 2,431,000 | 2,467,000 | 2,503,000 | 2,540,000 | 2,577,000 |
| Capital Outlay | 53,202 | 4,056 | 14,553 | 60,250 | 19,000 | 19,000 | 20,000 | 20,000 | 21,000 |
| ***Total Planning/Development*** | 5,149,565 | 6,024,748 | 7,048,493 | 8,513,946 | 8,742,000 | 9,038,000 | 9,354,000 | 9,691,000 | 10,053,000 |
| **GENERAL GOVERNMENT** | | | | | | | | | |
| Salaries | 1,547,860 | 1,536,643 | 2,043,303 | 2,357,933 | 2,431,000 | 2,506,000 | 2,584,000 | 2,664,000 | 2,747,000 |
| Overtime | 25,889 | 49,602 | 72,555 | 44,900 | 46,000 | 47,000 | 48,000 | 49,000 | 51,000 |
| Extra Help | 353,083 | 381,746 | 316,241 | 369,000 | 369,000 | 369,000 | 369,000 | 369,000 | 369,000 |
| Benefits | | | | | | | | | |
| Health | 209,623 | 200,989 | 274,731 | 356,034 | 409,000 | 470,000 | 541,000 | 622,000 | 715,000 |
| Retirement | 77,500 | 133,624 | 232,515 | 338,369 | 356,000 | 367,000 | 379,000 | 390,000 | 403,000 |
| Other | 152,218 | 169,173 | 209,726 | 267,159 | 275,000 | 284,000 | 293,000 | 302,000 | 311,000 |
| SMS | 2,136,577 | 2,380,457 | 2,482,415 | 2,888,640 | 2,933,000 | 2,978,000 | 3,024,000 | 3,071,000 | 3,119,000 |
| Capital Outlay | 61,843 | 7,797 | 5,502 | 30,884 | 13,000 | 14,000 | 14,000 | 15,000 | 15,000 |
| ***Total General Govt*** | 4,564,593 | 4,860,031 | 5,636,988 | 6,652,919 | 6,832,000 | 7,035,000 | 7,252,000 | 7,482,000 | 7,730,000 |
| **Total Expenditures** | 38,352,579 | 42,563,079 | 49,241,319 | 57,338,899 | 59,296,000 | 61,774,000 | 64,415,000 | 67,132,000 | 70,337,000 |

# *Expenditure Assumptions*

| SALARIES: | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| POLICE-CPOA | 7/1 | 5.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| | 1/1 | 1.00% | | | | | |
| POL-SAL BASE | | 7,834,000 | 8,261,000 | 8,706,000 | 9,171,000 | 9,723,000 | 10,231,000 |
| Additional Officers-Salary | | 334,296 | 184,000 | 189,000 | 195,000 | 268,000 | 207,000 |
| Number of Additional Officers | | 6 | 3 | 3 | 3 | 4 | 3 |
| DISPATCH-SAL BASE | | 832,400 | 858,000 | 885,000 | 912,000 | 940,000 | 969,000 |
| FIRE | 7/1 | 4.00% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| | 1/1 | 4.00% | | | | | |
| SALARY BASE | | 4,881,000 | 5,208,000 | 5,550,000 | 5,909,000 | 6,285,000 | 6,678,000 |
| Additional Firefighter-Salary | | 283,980 | 176,000 | 181,000 | 187,000 | 193,000 | 198,000 |
| Number of Addl Firefighters | | 5 | 3 | 3 | 3 | 3 | 3 |
| PUBLIC UTILITIES | 7/1 | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| SALARY BASE | | 1,912,000 | 1,971,000 | 2,032,000 | 2,095,000 | 2,160,000 | 2,227,000 |
| Additional Salaries-Park/Street | | 117,585 | 0 | 0 | 0 | 0 | 0 |
| Addl Park/Street employees | | 3 | 0 | 0 | 0 | 0 | 0 |
| GENERAL GOVT | 7/1 | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| MGMT | 7/1 | 3.00% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |

**OVERTIME:** INCREASE BY PREVIOUS THREE YEAR CPI 3.10%

**EXTRA HELP:** FLAT FOR NEXT FIVE YEARS

**HEALTH:** INCREASE PER YEAR 15.00%

| RETIREMENT: | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| POLICE-SAFETY | 21.470% | 22.212% | 22.212% | 22.212% | 22.212% | 22.212% |
| DISPATCHERS | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |
| FIRE | 21.470% | 22.212% | 22.212% | 22.212% | 22.212% | 22.212% |
| PUBLIC UTILITIES | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |
| GENERAL GOVERNMENT | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |
| MANAGEMENT | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **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 1.55%

| | | | |
|---|---|---|---|
| **CAPITAL OUTLAY:** | INCREASE BY 3 YEAR AVG CPI PER YEAR | 3.10% | |
| | 50% FOUR YEAR AVERAGE-PUBLIC SAFETY | 427,000 | |
| | FOUR YEAR AVERAGE-PUBLIC UTILITIES | 114,000 | + ADDITIONAL EQUIP FOR NEW EMPLOYEES |
| | 50% FOUR YEAR AVERAGE-COMMUNITY DEV | 17,000 | |
| | 50% FOUR YEAR AVERAGE-GEN GOVT | 13,000 | |

**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 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| BEG WORKING CAPITAL | 3,930,751 | 4,404,247 | 8,437,388 | 9,548,107 | 8,032,451 | 6,617,451 | 5,195,451 | 4,263,451 | 3,561,451 |
| ***REVENUES*** | | | | | | | | | |
| WATER CHARGES | 8,343,441 | 8,461,519 | 8,843,346 | 9,950,100 | 10,486,000 | 11,161,000 | 11,934,000 | 12,595,000 | 13,298,000 |
| DBCP-LEGAL SETTLEMENTS | 468,514 | 487,796 | 577,103 | 555,501 | 573,000 | 591,000 | 609,000 | 628,000 | 647,000 |
| TOTAL REVENUES | 8,811,955 | 8,949,315 | 9,420,449 | 10,505,601 | 11,059,000 | 11,752,000 | 12,543,000 | 13,223,000 | 13,945,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| SALARIES | 1,161,767 | 1,217,424 | 1,518,246 | 1,716,499 | 1,769,000 | 1,870,000 | 1,928,000 | 1,988,000 | 2,050,000 |
| EXTRA HELP | 6,476 | 11,987 | 33,276 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| OVERTIME | 42,950 | 62,681 | 72,046 | 77,000 | 77,000 | 77,000 | 77,000 | 77,000 | 77,000 |
| BENEFITS | | | | | | | | | |
| RETIREMENT | 60,322 | 111,637 | 174,057 | 247,043 | 259,000 | 274,000 | 283,000 | 291,000 | 300,000 |
| HEALTH | 153,329 | 168,124 | 242,290 | 315,904 | 363,000 | 417,000 | 480,000 | 552,000 | 635,000 |
| OTHER | 222,804 | 246,132 | 233,091 | 328,957 | 304,000 | 321,000 | 331,000 | 341,000 | 351,000 |
| SERV, MAT & SUPP | 5,247,336 | 5,931,981 | 5,139,279 | 6,304,907 | 6,572,000 | 6,845,000 | 7,120,000 | 7,396,000 | 7,681,000 |
| GAC REPLACEMENT/GEOSIMIN TREATMENT | 46,874 | 60,881 | 114,156 | 200,324 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| CAPITAL OUTLAY | 612,558 | 703,294 | 503,839 | 972,123 | 720,000 | 777,000 | 766,000 | 834,000 | 798,000 |
| TOTAL EXPENDITURES | 7,554,416 | 8,514,141 | 8,030,280 | 10,194,757 | 10,546,000 | 11,063,000 | 11,467,000 | 11,961,000 | 12,374,000 |
| ***OTHER REVENUE AND EXPENSE*** | | | | | | | | | |
| INTEREST/RENTAL/GRANTS | 118,431 | 196,967 | 377,750 | 329,000 | 420,000 | 355,000 | 290,000 | 248,000 | 217,000 |
| DEBT SERVICE | (3,374) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 115,057 | 196,967 | 377,750 | 329,000 | 420,000 | 355,000 | 290,000 | 248,000 | 217,000 |
| TRANSFERS OUT (DEBT SERVICE) | (213,000) | | | | | | | | |
| TRANSFERS-OUT (CAPITAL) | (1,136,100) | (448,000) | (505,200) | (754,500) | (737,000) | (854,000) | (686,000) | (600,000) | (600,000) |
| TRANSFERS-IN (RETURN OF CAP TRANSFERS) | | 4,000,000 | | | | | | | |
| CONTRIBUTION-SURFACE WATER TREATMENT PLANT | | (601,000) | (602,000) | (601,000) | (811,000) | (812,000) | (812,000) | (812,000) | (812,000) |
| WELL HEAD TREATMENT(RESERVE) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) | 0 |
| RESERVE FOR DROUGHT CONTINGENCY | | | | (750,000) | (750,000) | (750,000) | (750,000) | (750,000) | (750,000) |
| INTRAFUND LOAN REPAYMENT | 500,000 | 500,000 | 500,000 | | | | | | |
| END WORKING CAPITAL | 4,404,247 | 8,437,388 | 9,548,107 | 8,032,451 | 6,617,451 | 5,195,451 | 4,263,451 | 3,561,451 | 3,187,451 |
| RESERVE FOR WELLHEAD TREATMENT | 650,000 | 700,000 | 750,000 | 800,000 | 850,000 | 900,000 | 950,000 | 1,000,000 | 1,000,000 |
| RESERVE FOR DROUGHT CONTINGENCY | | | | 750,000 | 1,500,000 | 2,250,000 | 3,000,000 | 3,750,000 | 4,500,000 |

## 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

| | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| **Rate Increase:** | 7/1 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

**Interest:** 4.75% OF PREVIOUS YEARS WORKING CAPITAL OR A MINIMUM OF $10,000

## Water Enterprise - *Expense Assumptions*

| **Salaries:** CPWEA | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| 7/1 | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| 10/1 | | | | | | |
| SALARY BASE | 1,716,000 | 1,769,000 | 1,870,000 | 1,928,000 | 1,988,000 | 2,050,000 |
| Add'l employees for Surface Water Plant | 79,000 | | 46,000 | | | |

**Extra Help:** FLAT FOR NEXT FIVE YEARS

**Overtime:** FLAT FOR NEXT FIVE YEARS

| **Retirement:** | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |

**Health:** INCREASE PER YEAR 15.00%

**Other Benefits:**

| | | |
|---|---|---|
| -RETIREMENT | 14.63% OF EXTRA HELP | |
| -WORKERS COMP | 12.45% FOR CPWEA | 2.49% FOR ADMIN |
| -MEDICARE | 1.00% OF SALARIES | |
| -DEF COMP/SICKLEAVE INC | 5.25% OF SALARIES | |

**Other SMS:** INCREASE BY CPI FOR FUTURE YEARS 3.10%
(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 3.10%
PLUS: New truck for maintenance worker in 2008/09 $30,000

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

**Reserves:** WELLHEAD TREATMENT CONTINGENCY ESTABLISHED FOR POSSIBLE CLEANUP OF DBCP CONTAMINATION
DROUGHT CONTINGENCY ESTABLISHED FOR WATER PURCHASE DURING POSSIBLE DROUGHT

# CITY OF CLOVIS

## Sewer Enterprise - Financial Forecast

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| BEG WORKING CAPITAL | 7,068,849 | 8,662,004 | 9,103,539 | 6,920,990 | 6,267,725 | 7,812,725 | 8,904,725 | 9,259,725 | 9,882,725 |
| ***REVENUES*** | | | | | | | | | |
| SEWER CHARGES | 7,198,202 | 6,965,177 | 7,074,310 | 7,451,000 | 7,670,000 | 7,889,000 | 8,108,000 | 8,327,000 | 8,546,000 |
| PRETREATMENT CHARGES | 69,108 | 69,108 | 48,237 | 49,000 | 50,000 | 51,000 | 52,000 | 53,000 | 54,000 |
| TOTAL REVENUES | 7,267,310 | 7,034,285 | 7,122,547 | 7,500,000 | 7,720,000 | 7,940,000 | 8,160,000 | 8,380,000 | 8,600,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| SALARIES | 449,212 | 422,222 | 483,541 | 564,747 | 603,000 | 622,000 | 641,000 | 661,000 | 681,000 |
| EXTRA HELP | 4,429 | 22,892 | 11,576 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| OVERTIME | 8,447 | 11,374 | 8,728 | 12,500 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 |
| BENEFITS | | | | | | | | | |
| RETIREMENT | 24,021 | 40,259 | 56,786 | 81,369 | 88,000 | 91,000 | 94,000 | 97,000 | 100,000 |
| HEALTH | 80,450 | 80,339 | 68,383 | 84,268 | 97,000 | 112,000 | 129,000 | 148,000 | 170,000 |
| OTHER | 96,390 | 80,111 | 76,180 | 102,085 | 102,000 | 105,000 | 109,000 | 112,000 | 115,000 |
| SERV, MAT & SUPP | 2,067,402 | 2,176,404 | 1,410,627 | 1,669,867 | 1,712,000 | 2,005,000 | 2,257,000 | 2,317,000 | 2,379,000 |
| FRESNO TREATMENT PLANT | 1,632,316 | 1,922,541 | 2,079,840 | 2,287,824 | 2,432,000 | 2,110,000 | 1,821,000 | 1,900,000 | 2,042,000 |
| CLOVIS TREATMENT/REUSE PLANT | 0 | 0 | 0 | 0 | 0 | 1,000,000 | 2,002,000 | 2,064,000 | 2,128,000 |
| DEBT SERVICE | 1,072,887 | 1,073,263 | 1,073,673 | 1,081,300 | 1,261,000 | 1,261,000 | 1,261,000 | 1,261,000 | 1,261,000 |
| CAPITAL | 19,840 | 47,951 | 12,467 | 28,850 | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 |
| CAPITAL-FRESNO PLANT IMPROVEMENTS | 859,111 | 4,103,475 | 571,714 | 1,175,655 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| TOTAL EXPENDITURES | 6,314,505 | 9,980,831 | 5,853,515 | 7,098,465 | 7,344,000 | 8,356,000 | 9,364,000 | 9,611,000 | 9,928,000 |
| ***OTHER REVENUE AND EXPENSE*** | | | | | | | | | |
| INTEREST | 193,314 | 259,329 | 344,533 | 400,000 | 488,000 | 537,000 | 566,000 | 559,000 | 540,000 |
| GRANTS/MISC/SALE OF ASSETS | 7,036 | 9,652 | 23,686 | 23,200 | | | | | |
| | 200,350 | 268,981 | 368,219 | 423,200 | 488,000 | 537,000 | 566,000 | 559,000 | 540,000 |
| TRANSFERS IN-DEBT SERVICE | 373,000 | 373,000 | 373,000 | 373,000 | 373,000 | 373,000 | 373,000 | 373,000 | 373,000 |
| CORPORATION YARD | | | | | | | | | |
| TRANSFERS OUT-CAPITAL | (481,000) | (523,900) | (462,800) | (121,000) | (462,000) | (172,000) | (150,000) | (348,000) | (348,000) |
| FROM MAJ FAC-PLANT BUY-IN, UPGRADE AND CAPITAL IMPROVEMENTS | 548,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 |
| INTERFUND LOANS | | | (4,000,000) | | 500,000 | 500,000 | 500,000 | 1,000,000 | 1,500,000 |
| (INC)/USE OF FRESNO PLANT CAP RESERVE | | 3,000,000 | | (2,000,000) | | | | | |
| END WORKING CAPITAL | 8,662,004 | 9,103,539 | 6,920,990 | 6,267,725 | 7,812,725 | 8,904,725 | 9,259,725 | 9,882,725 | 10,889,725 |
| RESERVE FOR FRESNO PLANT CAPITAL | 3,000,000 | 0 | 0 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

# Sewer Enterprise - Revenue Assumptions

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Current Charges:** | Population Increase 2,800 | Residential: | New Units Per Year 1,000 | Additional Commercial $44,000 | 2006/07 Per Unit Per Month $14.62 | | Pretreatment Per Unit Per Month $0.06 |
| **Rate Increase:** | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| | 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:** | 4.75% | OF PREVIOUS YEARS WORKING CAPITAL | | | | | |

# Sewer Enterprise - Expense Assumptions

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Salaries:** | (CPWEA) | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| 7/1 | | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| 1/1 | | | | | | | |
| SALARY BASE | | 585,000 | 603,000 | 622,000 | 641,000 | 661,000 | 681,000 |
| Additional employees | | 26,000 | | | | | |
| **Extra Help:** | FLAT FOR NEXT FIVE YEARS | | | | | | |
| **Overtime:** | FLAT FOR NEXT FIVE YEARS | | | | | | |
| **Retirement:** | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| | | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |
| **Health:** | INCREASE PER YEAR | | | | | 15.00% | |
| **Other Benefits:** | -RETIREMENT | | | 14.625% | OF EXTRA HELP | | |
| | -WORKERS COMP | | | 12.450% | FOR CPWEA | 2.49% | FOR ADMIN |
| | -MEDICARE | | | 1.000% | OF SALARIES | | |
| | -DEF COMP/SICK LEAVE INC/OTHER | | | 5.250% | OF SALARIES | | |
| **Other SMS:** | INCREASE BY AVERAGE CPI FOR PREVIOUS 3 YEARS | | | | | 3.10% | |
| | Rental New Corp Yard-Beginning in 2002/03 | | | | | $325,000 | |
| | Clovis *Treatment/Reuse Plant Operations*-Beginning 1/1/2009 | | | | | $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 | | | | | 3.10% | $25.44 |
| **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 | | | | | 3.10% | |
| **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 | | | | | | |
| **Interfund Loans:** | Temporary cash loans to the Refuse Fund to conform with various bond covenants | | | | | | |

# CITY OF CLOVIS

## Refuse Disposal - Financial Forecast

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| BEG WORKING CAPITAL | 438,849 | (1,227,406) | 931,784 | 4,262,718 | 2,294,725 | 2,347,725 | 3,402,725 | 1,541,725 | 2,006,725 |
| ***REVENUES*** | | | | | | | | | |
| REFUSE CHARGES | 6,908,360 | 8,906,249 | 10,228,645 | 10,356,000 | 10,979,000 | 11,635,000 | 12,326,000 | 13,053,000 | 13,819,000 |
| RECYCLING CHARGES | 691,593 | 729,161 | 781,715 | 815,000 | 863,000 | 913,000 | 965,000 | 1,019,000 | 1,075,000 |
| GREEN WASTE CHARGES | 811,176 | 867,121 | 940,552 | 991,000 | 1,053,000 | 1,118,000 | 1,186,000 | 1,256,000 | 1,329,000 |
| LANDFILL LINER FEE | 0 | 0 | 0 | 100,000 | 349,000 | 349,000 | 349,000 | 349,000 | 349,000 |
| TOTAL REVENUES | 8,411,129 | 10,502,531 | 11,950,912 | 12,262,000 | 13,244,000 | 14,015,000 | 14,826,000 | 15,677,000 | 16,572,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| SALARIES | 1,537,918 | 1,655,703 | 1,807,229 | 1,900,637 | 2,064,000 | 2,205,000 | 2,247,000 | 2,317,000 | 2,389,000 |
| EXTRA HELP | 310,346 | 224,946 | 101,947 | 146,000 | 146,000 | 118,000 | 118,000 | 118,000 | 118,000 |
| OVERTIME | 131,646 | 114,081 | 98,771 | 108,600 | 109,000 | 109,000 | 109,000 | 109,000 | 109,000 |
| BENEFITS | | | | | | | | | |
| RETIREMENT | 79,109 | 147,551 | 207,155 | 273,722 | 303,000 | 323,000 | 329,000 | 340,000 | 350,000 |
| HEALTH | 231,016 | 253,084 | 251,156 | 284,180 | 327,000 | 376,000 | 432,000 | 497,000 | 572,000 |
| OTHER | 337,149 | 337,301 | 333,868 | 399,360 | 387,000 | 408,000 | 415,000 | 427,000 | 440,000 |
| SERV, MAT & SUPP | 4,053,776 | 5,132,777 | 4,824,461 | 4,868,370 | 5,009,000 | 5,154,000 | 5,304,000 | 5,458,000 | 5,617,000 |
| RECYCLING | 724,293 | 788,445 | 838,471 | 890,000 | 924,000 | 977,000 | 1,033,000 | 1,092,000 | 1,154,000 |
| GREEN WASTE PROGRAM | 806,082 | 877,682 | 937,759 | 987,000 | 1,030,000 | 1,094,000 | 1,162,000 | 1,233,000 | 1,308,000 |
| DEBT SERVICE | 69,102 | 99,724 | 142,239 | 314,200 | 357,000 | 273,000 | 244,000 | 220,000 | 125,000 |
| CAPITAL | 255,310 | 358,793 | 611,439 | 467,310 | 302,000 | 85,000 | 315,000 | 90,000 | 93,000 |
| LANDFILL CLOSURE | 108,914 | 114,622 | 131,003 | 113,000 | 117,000 | 121,000 | 125,000 | 129,000 | 133,000 |
| STATE & COUNTY SURCHARGES | 121,777 | 153,040 | 157,220 | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| LANDFILL IMPROVEMENTS | 531,257 | 629,048 | 859,542 | 2,403,114 | 720,000 | 100,000 | 3,500,000 | 0 | 0 |
| LANDFILL DEBT SERVICE | 825,308 | 794,067 | 791,825 | 800,500 | 801,000 | 794,000 | 796,000 | 796,000 | 796,000 |
| ENVIRONMENTAL COMPLIANCE | 179,612 | 373,583 | 380,848 | 230,000 | 237,000 | 244,000 | 252,000 | 260,000 | 268,000 |
| SURFACE WATER DISCHARGE | 0 | 0 | 0 | 0 | 300,000 | 309,000 | 319,000 | 329,000 | 339,000 |
| TOTAL EXPENDITURES | 10,302,615 | 12,054,447 | 12,474,933 | 14,345,993 | 13,293,000 | 12,850,000 | 16,860,000 | 13,575,000 | 13,971,000 |
| ***OTHER REVENUE AND EXPENSE*** | | | | | | | | | |
| INTEREST | 71,574 | 79,542 | 159,231 | 91,000 | 237,000 | 245,000 | 301,000 | 218,000 | 247,000 |
| GRANTS/MISC/SALE OF ASSETS | 39,907 | 49,724 | 193,724 | | | | | | |
| SALE OF BONDS/COP'S | | | | | | | | | |
| | 111,481 | 129,266 | 352,955 | 91,000 | 237,000 | 245,000 | 301,000 | 218,000 | 247,000 |
| LANDFILL LIAB INS RESERVE | | | | | | | | | |
| TRANSFERS | 113,750 | 341,840 | 622,000 | 145,000 | 365,000 | 145,000 | 372,000 | 145,000 | 145,000 |
| CORPORATION YARD | | | | | | | | | |
| INTERFUND LOAN | | 3,240,000 | 3,000,000 | | | | | | |
| INTERFUND LOAN REPAYMENT | | | (120,000) | (120,000) | (500,000) | (500,000) | (500,000) | (2,000,000) | (2,500,000) |
| END WORKING CAPITAL | (1,227,406) | 931,784 | 4,262,718 | 2,294,725 | 2,347,725 | 3,402,725 | 1,541,725 | 2,006,725 | 2,499,725 |
| RESERVE FOR CLOSURE | 1,336,644 | 1,451,266 | 1,582,269 | 1,695,269 | 1,812,269 | 1,933,269 | 2,058,269 | 2,187,269 | 2,320,269 |
| 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

**Current Charges:**

| New Units Per Year | 06/07 Average Unit Per Month | Recycling Per Month | Annual Rate Inc | Green Waste Per Month |
|---|---|---|---|---|
| 1,000 | $21.74 | $2.49 | 4.00% | $3.66 |

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

| | | 2006/07 | 2007/08 | 2008/09 * | 2009/10 * | 2010/11 * | 2011/12 * |
|---|---|---|---|---|---|---|---|
| **Rate Increase:** | 7/1 | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| **Adjusted Monthly Rate:** | | $21.74 | $22.61 | $23.51 | $24.45 | $25.43 | $26.45 |

*** 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:** 4.75% OF PREVIOUS YEARS WORKING CAPITAL
**Average Three Year CPI:** 3.10%

# Refuse Disposal - Expense Assumptions

| | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| **Salaries:** (CPWEA) 7/1 | | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| Salary Base: | | 1,901,000 | 2,064,000 | 2,179,000 | 2,247,000 | 2,317,000 | 2,389,000 |
| Additional Personnel: | Res/Comm | | 104,000 | 51,000 | | | |

**Extra Help:** $50,000 for Operations per year plus $250,000 for Landfill Reclamation Project through 06/07
**Overtime:** FLAT FOR FUTURE YEARS 3.10%

**Retirement:**

| 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|
| 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |

**Health:** INCREASE PER YEAR 15.00%

**Other Benefits:**

| | | | | |
|---|---|---|---|---|
| -RETIREMENT | 14.625% | OF EXTRA HELP | | |
| -WORKERS COMP | 12.45% | FOR CPWEA | 2.49% | FOR ADMIN |
| -MEDICARE | 1.00% | OF SALARIES | | |
| -DEF COMP/SICK LEAVE INC/OTHER | 5.25% | OF SALARIES | | |

**Other SMS:** INCREASE BY AVERAGE CPI FOR PREVIOUS 5 YEARS 3.10%
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 3.10%
PLUS: New Commercial Route Equipment Beginning 7/1/2007 $220,000
PLUS: New Residential Route Equipment Beginning 1/1/2009 $227,000
**Transfers:** In-For Toters (@$145/unit) $145,000 /year
**Reserve For Closure:** FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 3.10%
**Interfund Loans/Repayments:** Temporary cash loans to meet various bond covenents. The Sewer Enterprise Fund loaned four million dollars, the Sewer Capital Development Fund loaned one million dollars and the Liability and Property Insurance Fund loaned one million dollars.

# CITY OF CLOVIS

## Street Cleaning - Financial Forecast

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| BEG WORKING CAPITAL | (74,511) | (124,535) | 20,672 | 16,513 | 25,345 | 9,345 | 2,345 | 1,345 | 5,345 |
| ***REVENUES*** | | | | | | | | | |
| STREET CLEANING CHARGES | 582,310 | 857,331 | 894,667 | 935,000 | 957,000 | 1,004,000 | 1,047,000 | 1,092,000 | 1,138,000 |
| TOTAL REVENUES | 582,310 | 857,331 | 894,667 | 935,000 | 957,000 | 1,004,000 | 1,047,000 | 1,092,000 | 1,138,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| SALARIES | 226,215 | 245,873 | 304,081 | 305,738 | 315,000 | 325,000 | 335,000 | 345,000 | 356,000 |
| EXTRA HELP | 0 | 5,437 | 2,910 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| OVERTIME | 7,075 | 6,621 | 8,222 | 10,600 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| BENEFITS | | | | | | | | | |
| RETIREMENT | 11,658 | 22,316 | 35,502 | 46,215 | 46,000 | 48,000 | 49,000 | 51,000 | 52,000 |
| HEALTH | 29,279 | 28,523 | 40,798 | 46,521 | 53,000 | 61,000 | 70,000 | 81,000 | 93,000 |
| OTHER | 55,022 | 52,191 | 57,691 | 72,007 | 62,000 | 64,000 | 66,000 | 67,000 | 70,000 |
| SERV, MAT & SUPP | 302,705 | 351,163 | 454,350 | 440,087 | 482,000 | 497,000 | 512,000 | 528,000 | 544,000 |
| CAPITAL | 448 | 0 | 158,133 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENDITURES | 632,402 | 712,124 | 1,061,687 | 926,168 | 974,000 | 1,011,000 | 1,048,000 | 1,088,000 | 1,131,000 |
| ***OTHER REVENUE AND EXPENSE*** | | | | | | | | | |
| INTEREST/GRANTS/MISC | 68 | 0 | 2,861 | 0 | 1,000 | 0 | 0 | 0 | 0 |
| | 68 | 0 | 2,861 | 0 | 1,000 | 0 | 0 | 0 | 0 |
| TRANSFERS | 0 | 0 | 160,000 | | 0 | 0 | 0 | 0 | 0 |
| END WORKING CAPITAL | (124,535) | 20,672 | 16,513 | 25,345 | 9,345 | 2,345 | 1,345 | 5,345 | 12,345 |

## Street Cleaning - Revenue Assumptions

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current Charges:** | | NEW UNITS PER YEAR | PER UNIT PER MONTH | | | |
| | | 1,000 | $2.25 | | | |

| **Rate Increase:** | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| Increase amount: | 0.00% | 0.00% | 2.50% | 2.00% | 2.00% | 2.00% |
| Monthly Rate: | $2.25 | $2.25 | $2.31 | $2.36 | $2.41 | $2.46 |

**Interest:** 4.75% OF PREVIOUS YEARS WORKING CAPITAL

## Street Cleaning - Expense Assumptions

| **Salaries:** | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| CPWEA | | | | | | |
| 7/1 | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| 1/1 | | | | | | |
| SALARY BASE | 306,000 | 315,000 | 325,000 | 335,000 | 345,000 | 356,000 |

Additional personnel (Street Sweeper Operator)

**Extra Help:** FLAT FOR NEXT FIVE YEARS

**Overtime:** FLAT FOR NEXT FIVE YEARS 2.50%

| **Retirement:** | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |

**Health:** INCREASE PER YEAR 15.00%

**Other Benefits:**

- -WORKERS COMP 12.450% OF SALARIES
- -MEDICARE 1.450% OF SALARIES
- -DEFERRED COMP/SICKLEAVE INCENTIVE/OTHER 5.250% OF SALARIES

**Other SMS:** INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 3.10%

**Capital Outlay:** NONE $0

**Transfers:** NONE $0

# CITY OF CLOVIS

## Transit - Financial Forecast

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| BEG WORKING CAPITAL | 290,938 | 241,633 | 414,670 | 578,739 | 294,030 | 0 | 0 | 0 | 0 |
| ***REVENUES*** | | | | | | | | | |
| MEASURE C FUNDS | 275,000 | 352,000 | 320,000 | 390,000 | 1,200,000 | 1,237,000 | 1,275,000 | 1,315,000 | 1,356,000 |
| LOCAL TRANSPORTATION FUNDS | 1,658,740 | 1,760,497 | 1,895,015 | 2,284,700 | 1,313,970 | 1,682,000 | 1,741,000 | 1,805,000 | 1,876,000 |
| STATE TRANSIT ASSISTANCE | 112,140 | 119,437 | 261,137 | 769,198 | 958,000 | 988,000 | 1,019,000 | 1,051,000 | 1,084,000 |
| OTHER(Fares, Advertising, Trolley Rents) | 112,130 | 169,014 | 181,982 | 173,600 | 179,000 | 185,000 | 191,000 | 197,000 | 203,000 |
| TOTAL REVENUES | 2,158,010 | 2,400,948 | 2,658,134 | 3,617,498 | 3,650,970 | 4,092,000 | 4,226,000 | 4,368,000 | 4,519,000 |
| ***EXPENDITURES*** | | | | | | | | | |
| SALARIES | 619,076 | 629,915 | 654,674 | 776,123 | 855,000 | 882,000 | 909,000 | 937,000 | 966,000 |
| EXTRA HELP | 272,888 | 309,187 | 369,675 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 |
| OVERTIME | 13,165 | 22,640 | 18,657 | 21,310 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 |
| BENEFITS | | | | | | | | | |
| RETIREMENT | 30,672 | 56,568 | 79,071 | 107,823 | 125,000 | 129,000 | 133,000 | 137,000 | 142,000 |
| HEALTH | 78,362 | 86,702 | 108,709 | 131,223 | 151,000 | 174,000 | 200,000 | 230,000 | 265,000 |
| OTHER | 92,129 | 135,203 | 150,173 | 196,443 | 202,000 | 207,000 | 211,000 | 216,000 | 220,000 |
| SERV, MAT & SUPP | 791,872 | 957,740 | 1,114,438 | 1,270,600 | 1,310,000 | 1,351,000 | 1,393,000 | 1,436,000 | 1,481,000 |
| DEBT SERVICE | | | | | | | | | |
| CAPITAL-OTHER | 0 | 0 | 0 | 0 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| CAPITAL-BUSES | 309,750 | 47,355 | 0 | 1,071,685 | 958,000 | 988,000 | 1,019,000 | 1,051,000 | 1,084,000 |
| TOTAL EXPENDITURES | 2,207,914 | 2,245,310 | 2,495,397 | 3,910,207 | 3,962,000 | 4,092,000 | 4,226,000 | 4,368,000 | 4,519,000 |
| ***OTHER REVENUE AND EXPENSE*** | | | | | | | | | |
| INTEREST/GRANTS/MISC | 599 | 399 | 1,332 | 1,000 | 14,000 | 0 | 0 | 0 | 0 |
| SALE OF FIXED ASSETS | | 17,000 | | 7,000 | 3,000 | | | | |
| | 599 | 17,399 | 1,332 | 8,000 | 17,000 | 0 | 0 | 0 | 0 |
| END WORKING CAPITAL | 241,633 | 414,670 | 578,739 | 294,030 | 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:** 4.75% OF PREVIOUS YEARS WORKING CAPITAL

## Transit- Expense Assumptions

| **Salaries:** | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|
| CUE | 7/1 | 3.50% | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% |
| Additional Employees | | 58,000 | 55,315 | | | | |

Conversion of temporary bus drivers to permanent and add'l clerical position in 2006/07; additional management analyst in 2007/08

**Extra Help:**

**Overtime:** INCREASE BY PREVIOUS THREE YEAR CPI 3.10%

| **Retirement:** | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|
| | 14.625% | 14.658% | 14.658% | 14.658% | 14.658% | 14.658% |

**Health:** INCREASE PER YEAR 15.00%

**Other Benefits:**

| | | | |
|---|---|---|---|
| -RETIREMENT | 14.625% 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 | 5.250% OF SALARIES | | |

**Other SMS:** INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 3.10%

**Capital Outlay:** BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI 3.10%

# CITY OF CLOVIS

## Summary of Capital Projects

### Financial Forecast

| | Actual 2003/04 | Actual 2004/05 | Actual 2005/06 | Est to Close 2006/07 | Projected 2007/08 | Projected 2008/09 | Projected 2009/10 | Projected 2010/11 | Projected 2011/12 |
|---|---|---|---|---|---|---|---|---|---|
| Beginning Balance | 70,210,948 | 45,988,147 | 65,205,577 | 50,916,372 | 36,484,258 | 32,519,258 | 31,034,258 | 32,567,258 | 33,415,134 |
| **SOURCE OF FUNDING** | | | | | | | | | |
| Revenues | 26,240,352 | 30,771,609 | 33,069,792 | 27,029,000 | 23,042,000 | 21,557,000 | 21,297,000 | 23,381,000 | 24,106,000 |
| Bonds & Long Term Financing | 0 | 24,000,000 | 3,000,000 | 60,950,000 | 12,335,000 | 8,000,000 | 0 | 42,000,000 | 0 |
| Unfunded | 0 | 0 | 0 | 0 | 6,896,000 | 10,263,000 | 7,809,000 | 208,019,000 | 71,700,000 |
| Total Sources of Funding | 26,240,352 | 54,771,609 | 36,069,792 | 87,979,000 | 42,273,000 | 39,820,000 | 29,106,000 | 273,400,000 | 95,806,000 |
| **EXPENDITURES** | | | | | | | | | |
| Sewer Projects | 3,683,893 | 11,065,598 | 28,698,318 | 68,206,200 | 19,361,000 | 16,163,000 | 4,384,000 | 175,828,124 | 13,303,000 |
| Street Projects | 5,463,072 | 6,789,656 | 11,404,379 | 10,383,900 | 11,903,000 | 11,518,000 | 9,609,000 | 8,352,000 | 10,353,000 |
| Storm Drain Projects | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Park Projects | 1,777,407 | 1,875,697 | 3,037,829 | 8,416,500 | 5,998,000 | 5,832,000 | 3,243,000 | 3,775,000 | 3,892,000 |
| Refuse Projects* | 531,258 | 629,048 | 859,542 | 2,403,114 | 720,000 | 100,000 | 3,500,000 | 0 | 0 |
| Water Projects | 37,351,945 | 7,629,515 | 8,765,027 | 10,497,600 | 7,258,000 | 6,006,000 | 8,167,000 | 59,550,000 | 61,396,000 |
| CCDA Projects | 1,040,001 | 1,584,028 | 1,443,441 | 2,341,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 |
| General Service Projects | 1,977,143 | 3,045,904 | 6,193,101 | 1,196,650 | 1,062,000 | 1,886,000 | 1,470,000 | 25,195,000 | 6,162,000 |
| Total Expenditures | 51,824,719 | 32,619,446 | 60,401,637 | 103,444,964 | 47,002,000 | 42,205,000 | 31,073,000 | 273,400,124 | 95,806,000 |
| Transfers | 1,361,566 | (2,934,733) | 10,042,640 | 1,033,850 | 764,000 | 900,000 | 3,500,000 | 848,000 | 874,000 |
| Ending Balance | 45,988,147 | 65,205,577 | 50,916,372 | 36,484,258 | 32,519,258 | 31,034,258 | 32,567,258 | 33,415,134 | 34,289,134 |

07 summary capital.xls 3/16/2007 3:43 PM

**EXHIBIT B**

*PROJECTION ASSUMPTIONS*

*GENERAL FUND*

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

## REVENUE ASSUMPTIONS

*Property Taxes* - will increase by 2% a year plus additional revenue generated by $300 million in annual increase of assessed value through 2011-2012.

*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 $171 per unit within the district.

*Sales Tax* - Sales taxes will grow by the five-year CPI average annual increase plus a $173 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 five-year average annual CPI plus the addition of 1,000 new units per year.

*Business Licenses* - Business licenses are projected to grow by the three-year average annual increase.

*Building Permits* - Construction permits are estimated at the rate of 1,000 new residential units per year plus 25% of the residential fees for the commercial activity, plus the five-year average annual CPI.

*Fines and Forfeitures* - Parking citations at a flat amount per year.

*Interest* - Interest is calculated at 4.75% on the prior year's ending fund balance plus contingency reserve, with a minimum of $50,000 per year.

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

*State Subventions* - State Subventions are calculated at the per capita rate based on a 2,900 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 1,000 new residential units per year adjusted for the five year average annual CPI plus $100,000 per year in non-residential revenue.

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

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

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

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

## EXPENDITURE ASSUMPTIONS

*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.

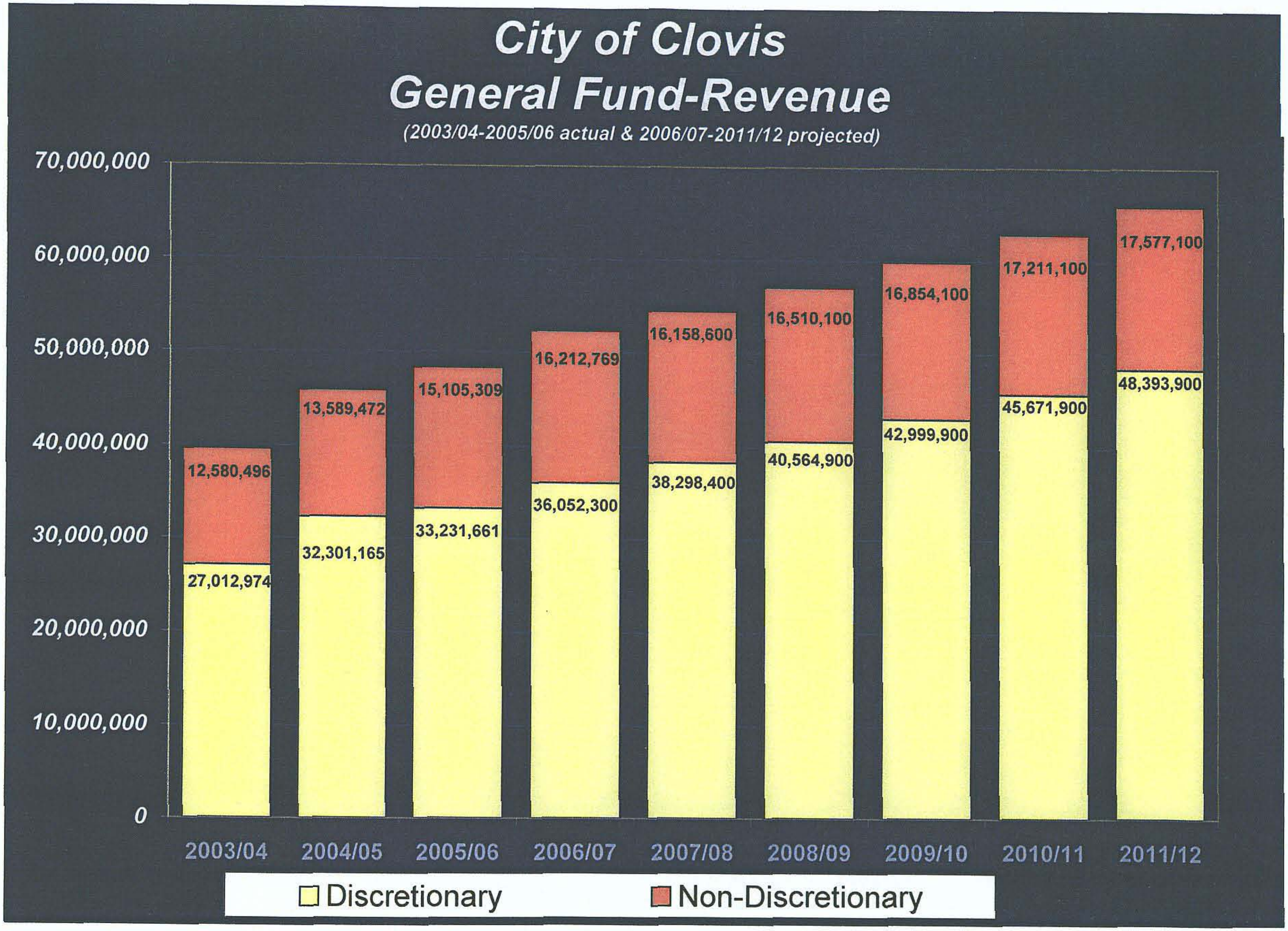
*Extra Help* - Extra Help is projected as flat for the next five years.

*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 2006/07 workers' compensation is based on the budgeted rate. For 2007/08-2010/11 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 five-year average annual CPI.

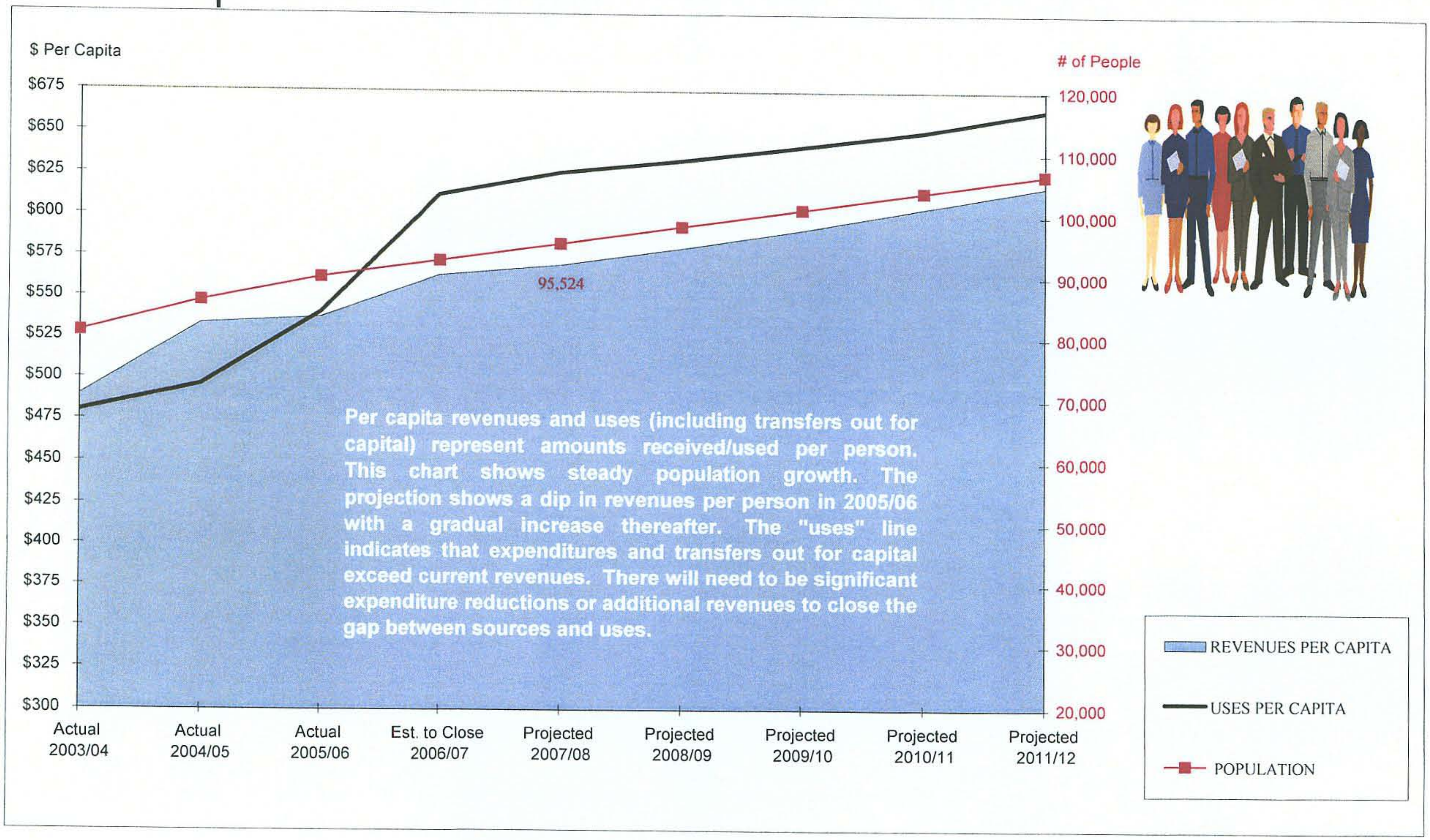
*Capital Outlays* - Capital outlays are projected to increase at the previous four-year average expenditure or a portion thereof.


City of Clovis
General Fund-Revenue
(2003/04-2005/06 actual & 2006/07-2011/12 projected)
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
12,580,496
27,012,974
13,589,472
32,301,165
15,105,309
33,231,661
16,212,769
36,052,300
16,158,600
38,298,400
16,510,100
40,564,900
16,854,100
42,999,900
17,211,100
45,671,900
17,577,100
48,393,900
2003/04
2004/05
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
Discretionary
Non-Discretionary

# City of Clovis

## General Fund Revenues and Uses Per Capita

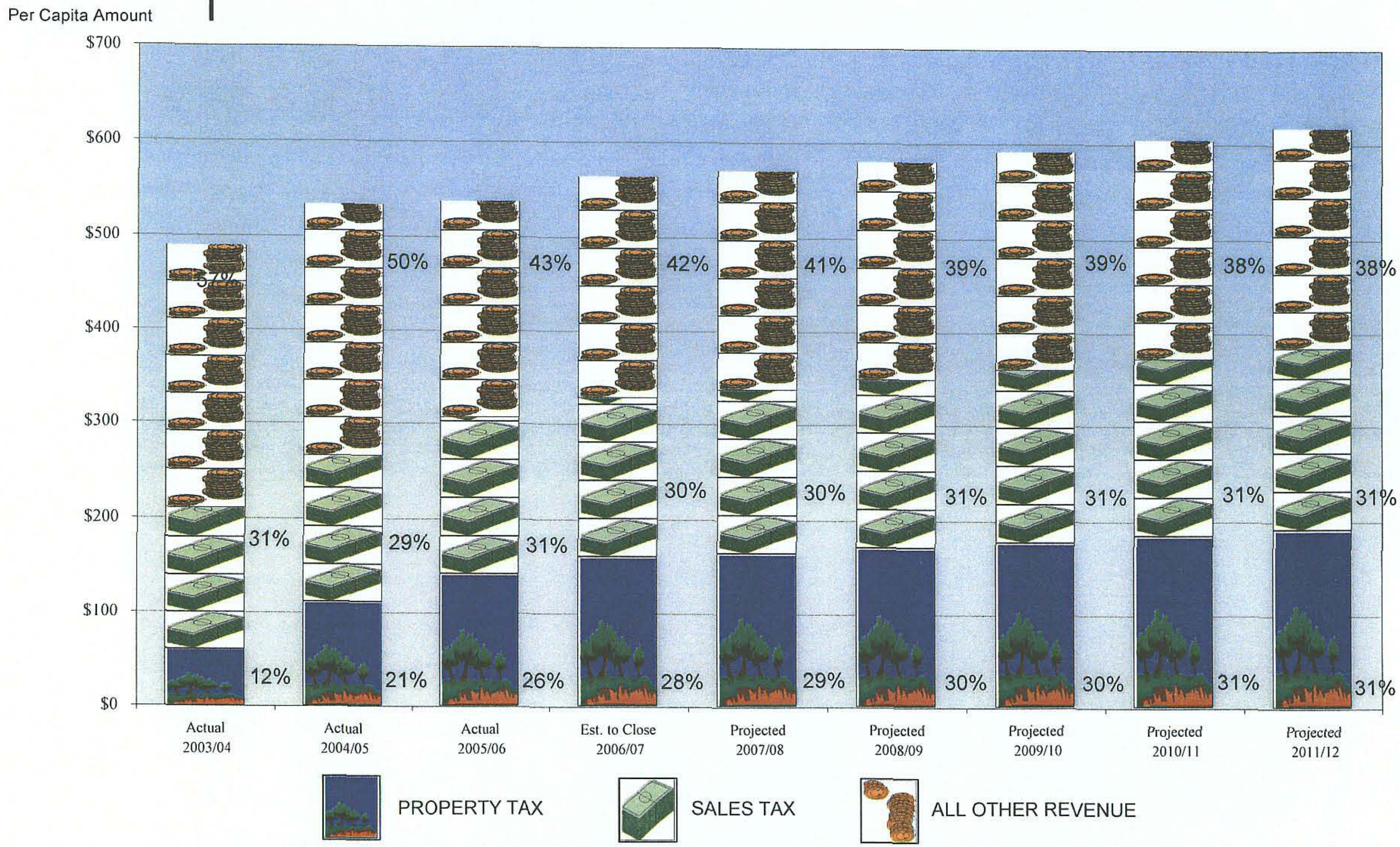
*(In Current Dollars)*



# City of Clovis

## Various General Fund Revenues Per Capita

*(In Current Dollars)*



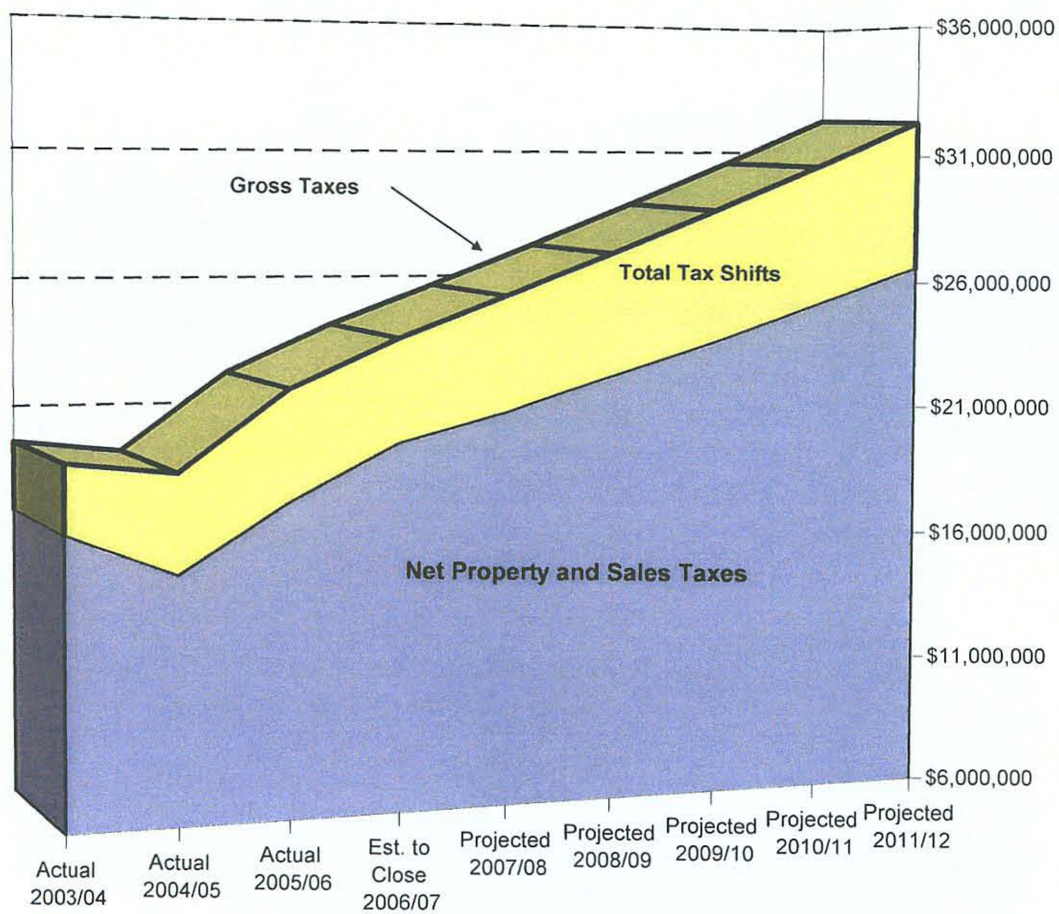

As shown by this chart, sales tax is the single greatest source of revenue available for funding General Fund operations. The second largest source of revenue is property tax, these two sources of revenue make up nearly half of all general fund revenues.

# City of Clovis

## General Fund Tax Shifts

*(In Current Dollars)*

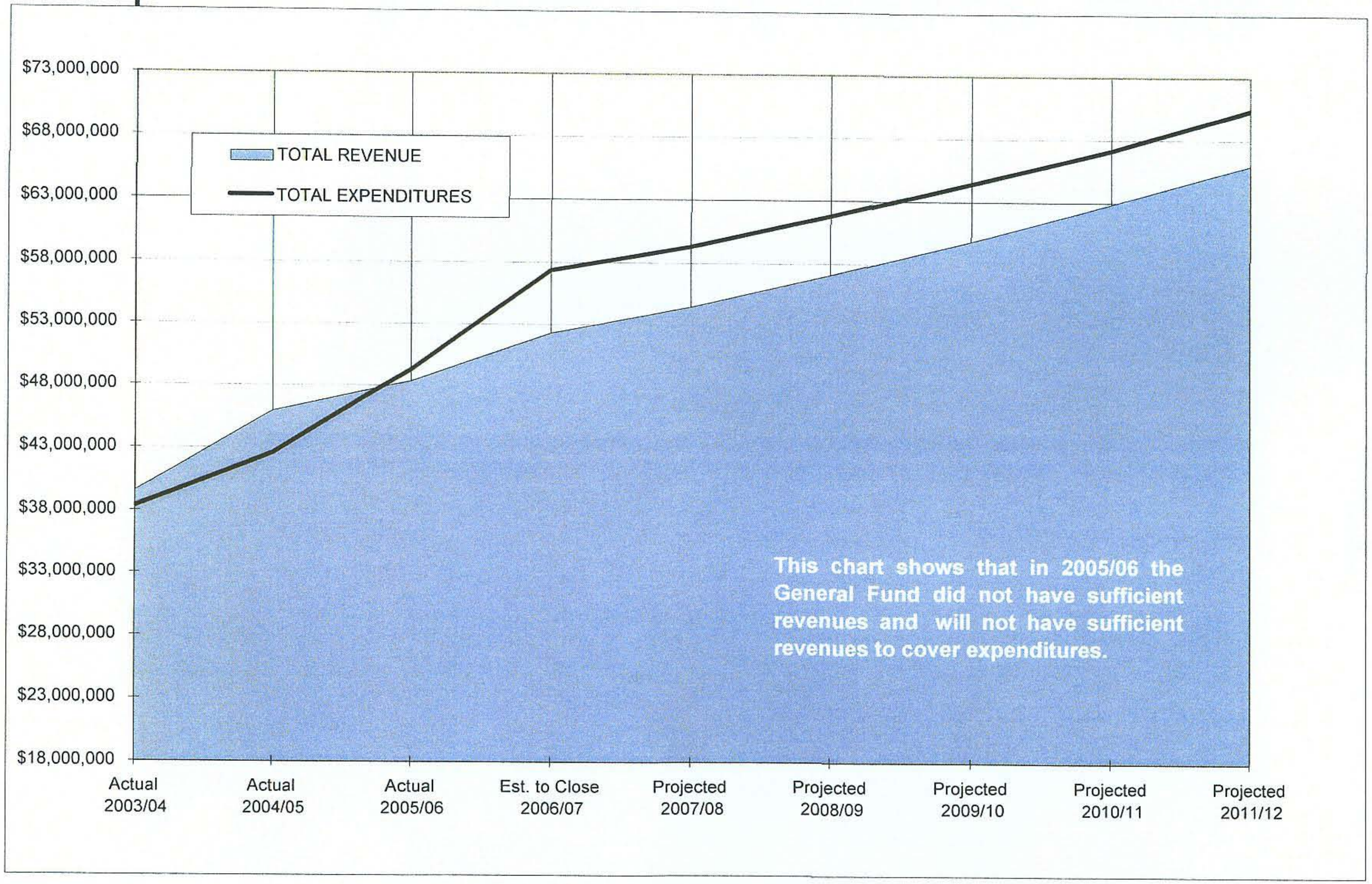
Indicated in this chart is the difference between the amount of property and sales tax the city actually receives compared to the gross amount prior to tax shifts. Total tax shifts include the amount reallocated by the State for the educational revenue augmentation fund, administrative fees paid to the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



# City of Clovis

## General Fund Revenue and Expenditures

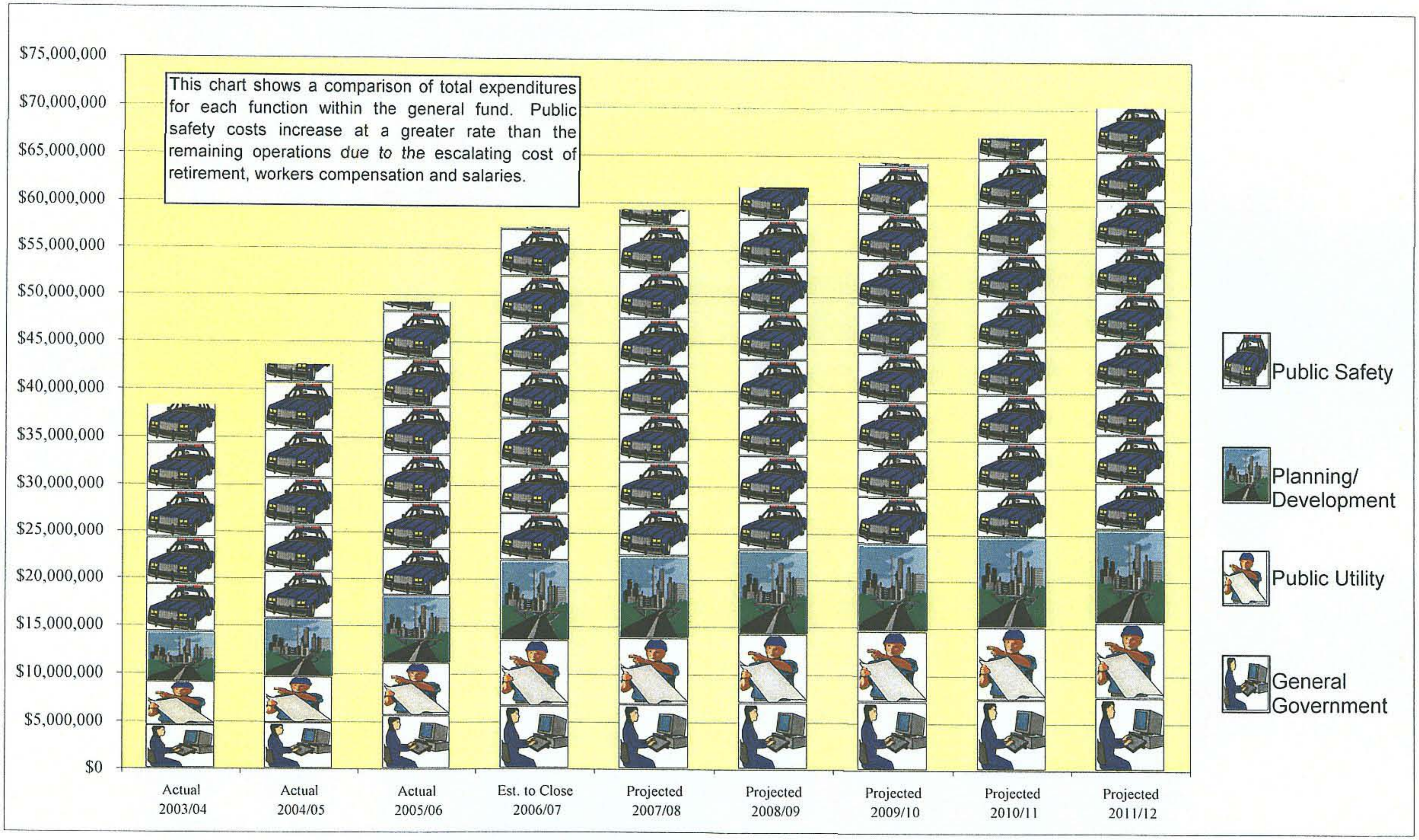
*(In Current Dollars)*



# City of Clovis

## General Fund Costs

### (In Current Dollars)



MID YEAR REVIEW

## General Fund

The General Fund is the primary operating fund for the City. All discretionary revenues are appropriated in this fund with approximately 93% of current year discretionary revenues going to fund public safety services. 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 ending June 30, 2006. As reported in December, the General Fund ended the 2005-06 year with an available fund balance slightly higher than projected in the budget estimates. During the preparation of the 2006-07 budget, the 2005-06 General Fund balance "available for appropriation" was projected to be approximately $2.6 million. The actual available year end balance was $2.8 million resulting in an increase of $0.2 million. The increased balance was due to actual expenditures being slightly less than estimated ($0.1 million) and revenues being slightly greater than estimated ($0.1 million).

In the 2006-07 Budget plus amendments, total revenue for the General Fund was projected to be $53.9 million. Based on current estimates the General Fund revenue is now projected to be $52.3 million or $1.6 million less than estimated. Due to the slow down in development activity, development related revenues, building permits, and planning fees are now projected to be $2.2 million lower than originally budgeted. Offsetting these revenue shortfalls are higher than estimated business license revenue, higher engineering fee revenue, and higher than estimated property tax revenue.

Expenditures in the General Fund are projected to be below the revised budget for 2006-07 by approximately $1.0 million. The General Fund expenditures approved in June were $56.3 million. Carryover encumbrances plus budget amendments were added during the year, making the revised budget $58.3 million. The projected $1.0 million savings in expenditures is attributable to salary savings and other expenditure reductions in the Planning and Development Services Department. Positions in the Building and Planning Divisions are planned to remain unfilled through the fiscal year. Reductions have also been made in expenditure for outside consultants.

In summary based on current projections, $600,000 in reduced spending will still need to be made due to the net shortfall in revenues of $1.6 million offset by the net reduction in expenditures of $1.0 million, by June 30, 2006 in order to avoid utilizing emergency reserves.

At December 31, 2006, only the Police Department was currently over budget but is expected to be within budget by June 30, 2007. The Police Department is experiencing higher than budgeted expenditures for overtime for shift coverage due to employee injuries, illnesses, vacations and vacancies. All other general fund departments are expected to be narrowly within the approved budget at June 30, 2007 unless significant savings can be achieved through delayed hiring or deferred project expenditures.

Taking into account that expenditures are estimated to be greater than revenues, the General Fund is projected to end the 2006-07 fiscal year with an unreserved fund balance of less than $10,000 and an emergency reserve of $4.8 million or 8.38% 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 will not receive until the conclusion of the "Triple Flip" in 2035.

With revised estimates of current expenditures being higher than current revenues by $5.0 million, all available unreserved fund balance will be depleted by June 30, 2007. Prior to 2005-06, annual revenues were slightly greater than annual expenditures allowing for the carryover to be utilized in future budget years. This year, however, no carryover balance is expected at the end of the fiscal period and future budgeting can only rely on current revenues.

**Water Enterprise Fund**

The Water Enterprise Fund is expected to have a working capital balance of $8.0 million at June 30, 2007. This is about $2.0 million less than the working capital balance of $10.0 million projected in the budget. The reduced amount is due mainly to a less than expected beginning working capital balance from 2005-06, and the proposed creation of a Drought Contingency Reserve.

**Sewer Enterprise Fund**

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $6.3 million at June 30, 2007. This is about $2.0 million less than originally estimated in the 2006-07 budget and is attributable to the proposed creation of a reserve for the Fresno Plant Capital. The reservation of working capital of $2.0 million is for expenditures that are expected for Clovis' share of ongoing improvements at the Fresno/Clovis Regional Waste Water Treatment Plant.

**Refuse Enterprise Fund**

The Refuse Enterprise Fund is projected to have a working capital balance of $2.3 million at June 30, 2007 which is $0.8 million higher than projected in the 2006-2007 budget. This amount is well above the working capital balance required by bond covenants of $1.1 million or the normally recommended 10% of expenditures or approximately $1.4 million as a working capital balance. The higher working capital balance is attributable to a higher beginning balance, and slightly higher revenues. Increased expenditures due to the reclamation project are offsetting the higher beginning fund balance and revenue amounts. The Refuse Enterprise Fund has received over $6.0 million in loans in recent years in order meet regulatory and operating requirements. Beginning in 2007-08 the Refuse Enterprise Fund will be able to start repaying these Interfund loans.

**Street Cleaning Enterprise Fund**

The Street Cleaning Enterprise Fund is projected to have a small positive working capital balance on June 30, 2007 with revenues only slightly higher than expenditures. This positive balance in working capital is the result of a rate increase that was implemented January 1, 2004.

**Transit Enterprise Fund**

The Transit Enterprise Fund is expected to have a working capital balance of $0.3 on June 30, 2007, which is more than projected in the 2006-07 budget. This is entirely due to receiving more State Transit Assistance revenue than anticipated. The additional money will be utilized to purchase new busses. We endeavor to maintain as small a working capital balance as possible in the Transit Enterprise Fund to allow the maximum amount of the Local Transportation Funds to be utilized for street maintenance and road construction.

**Other Funds**

The Clovis Community Development Agency and Community Investment Funds are all projected to be within budget for 2006-07.

The Internal Service Funds, listed below, are all projected to be within budget for 2006-07.

The Liability and Property Insurance Fund will end the year with an estimated balance of $0.3 million. 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.

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 normally receives a transfer from the general fund for future capital investments but due to budget constraints in the general fund transfer was unable to made in 2006-07.

The General Government Services Fund is projected to have an ending fund balance of $2.9 million on June 30, 2007, 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 this year the fund will be accounting for the construction of two new fire stations. The construction of Station 5 and purchase of a fire apparatus was funded utilizing Public Safety Measure "A" sales tax funds. The relocation and construction of Station 1 will utilize lease purchase financing with the debt service costs being paid from this fund.

The Fleet Maintenance and Replacement Fund accounts for the maintenance and replacement of the City's fleet. The fund ending balance for June 30, 2007 is projected to be $4.0 million, with most of this balance accumulated for fleet equipment replacement.

The Employee Benefits Fund is projected to be within budget at June 30, 2007.

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.