City of Clovis

Five-Year Financial Forecast

Through Fiscal Year 2012/13

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CITY OF CLOVIS

Five Year Financial Forecast

Through Fiscal Year 2012/13

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CITY OF CLOVIS

FIVE YEAR FINANCIAL FORECAST

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INTRODUCTION

INTRODUCTION

The Five Year Financial Forecast through 2012-2013 represents a continuing effort to analyze the City's long term fiscal condition based upon a reasonable set of economic and operational assumptions. It is an important management tool used by both the City Council and the City Manager in identifying fiscal trends and issues which must be addressed early in order to assure continued financial success. The set of forecasts contained in the following pages is not a prediction of what will occur. They are a snap shot in time and an **approximate view of what could occur** in the future if all of the assumptions are realized.

This year the forecast is being prepared after the annual budget preparation instead of in advance of the budget. The reasons for this are the rapid decline of economic conditions throughout the state and the country, the new volatility experienced with key sources of revenue for government operations, and the need to fully devote staff resources to the challenge involved with analyzing and restructuring the city's current and future services and spending plans to align with the new revenue constraints.

Uncertainty of the future is still the hallmark of any forecast and this forecast is no exception. In previous forecasts, historical trends provided an excellent basis for projecting future results. Due to current economic conditions that we have not experienced in nearly twenty years, historical trends are not necessarily a valid indicator of future results. A case in point is sales tax performance. Historically there has been double digit, year-over-year growth. The city is now experiencing negative year-over-year results. The first negative quarter occurred at the end of calendar 2006 and has persisted since that time for a full six quarters.

The economy plays a critical role in any forecast, and the current state of the economy is having a significant impact now more than ever. The collapse of the housing market which began at the end of calendar year 2006, the credit and banking crisis that has endured over the year, the rapid spike in oil prices and the ensuing rise in transportation costs, and consumer confidence reaching a 28-year low point, are all factors having an impact on the development of this forecast. The result of the General Fund forecast continues to reflect that the city is under fiscal stress primarily due to the current economy's impact on revenue growth that supports general operations, that is primarily derives from property and sales taxes. Following is a snapshot of current California economic data:

California Economic Snapshot		
New Auto Registrations Fiscal Year to Date	**1,588,320** through May 2007	**1,419,317** through May 2008
Median Home Price for Single Family Homes	**$594,530** in May 2007	**$384,840** in May 2008
Single Family Home Sales (Annualized Rate)	**358,640** In May 2007	**423,700** in May 2008
CA Foreclosures Initiated Notices of Default	**46,760** In First Quarter 2007	**113,676** In First Quarter 2008
Total State Employment (Seasonally adjusted)	**15,161,700** in May 2007	**15,143,100** in May 2008
Data Sources: California Department of Motor Vehicles, California Association of REALTORS (sales data), DataQuick (foreclosure data), California Employment Development Department.		

The snapshot above shows the statewide downward trend in auto sales, median home prices, employment numbers and a substantial increase in foreclosures. On a positive note, statewide there has been an increase in home sales in 2008 when compared to last year. Further analysis indicates that reduced prices and foreclosures are spurring sales of existing homes. Nationally new home sales dropped to 5.12 million homes annually in May, which was a 40.3 percent year-over-year decline.

Inflation is another disturbing factor that is just beginning to have an impact on the economic landscape. June 2008 inflation numbers as reported July 16, 2008, show that both Consumer Price Index (CPI) and Producers Price Index (PPI) reflected double digit inflation on an annualized basis. This is a one month evaluation but if this inflation trend continues, it will only make the city's budget issues more difficult.

The current State of California budget impasse also has the potential of seriously impacting this forecast but is unknown at this time. With a whopping more than $15 billion deficit and a polarized Legislature, swift and careful actions to resolve the problem are not promising. Local government revenues are at risk as has been demonstrated repeatedly by the State. Proposition 1A, a Constitutional Amendment passed overwhelmingly by California voters in 2004, provided some stability to local revenues by preventing the State from arbitrarily taking local revenues at will. However, it does allow the State to borrow local property taxes in case of a "severe fiscal emergency". If a such fiscal emergency is declared the State has the capability to borrow between $1.0 - $2.5 million of the city's local property tax and redevelopment property tax revenue. Other revenues currently received from the State, including Proposition 172 funds and "COPS" grants, which are special funding for front-line public safety services, are also susceptible to reduction or elimination. Transportation revenues, also designated by voters to be used for transportation purposes, may be raided by the State on this same basis and the city could lose about $0.9 million. Loans to the state from these sources would have to be repaid within three years and with interest. The result is that the state budget deficit is transferred to local government with a "papering over" of the real problem which will ultimately need to be resolved in the future all over again.

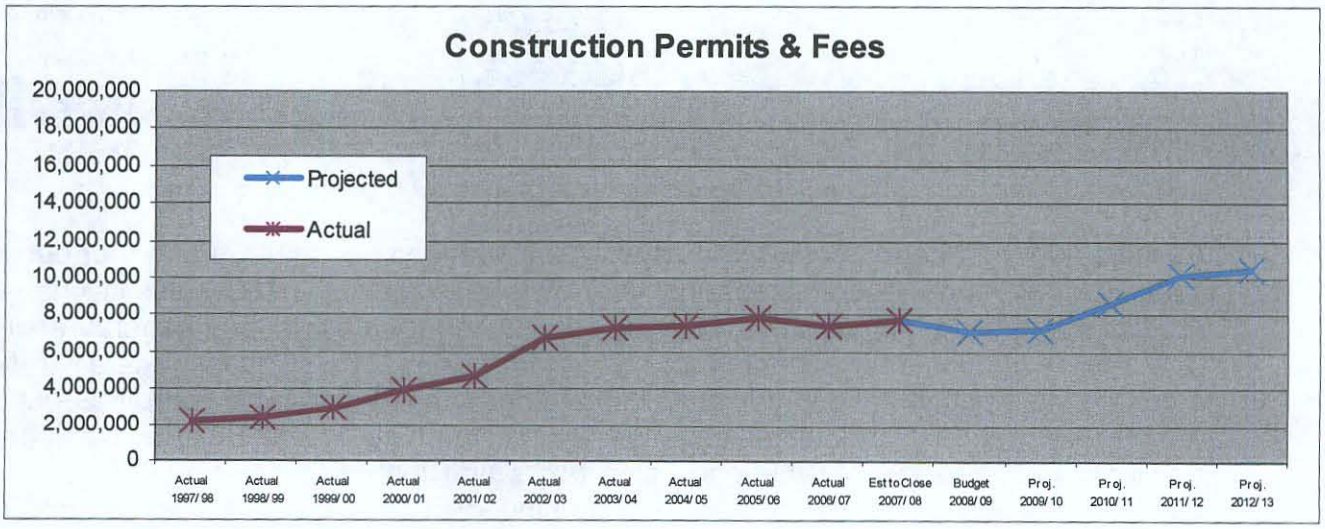
This year's forecast has the benefit of utilizing the 2008-2009 City Council approved budget as the starting point in developing the forecast for the General Fund. Of course that benefit, as noted above, could be erased by actions of the Legislature and Governor when the state budget is finally approved. The forecast, normally presented in March in preparation of the upcoming fiscal year budget, was postponed this year to devote more time to the budget preparation. The 2008-2009 budget required substantial expenditure reductions due to the declining revenue base. As a result of the expenditure reductions, service levels also were reduced. The forecast is developed with an assumption that service levels throughout the forecast period, especially in public safety and parks maintenance will need to be restored at least in part. Sworn personnel in both police and fire are scheduled for being restored to pre-2008 budget levels of 1.20 police officers and 0.76 firefighters per thousand population beginning in the 2009-2010 fiscal years. Restoration of non-safety general fund personnel begins in the 2010-2011 fiscal year. None of these services is planned for full restoration to recommended service levels of the master plans.

Critical non-personnel expenditures such as fleet replacement and training funds that were reduced or eliminated in the 2008-2009 budget have been restored in the forecast.

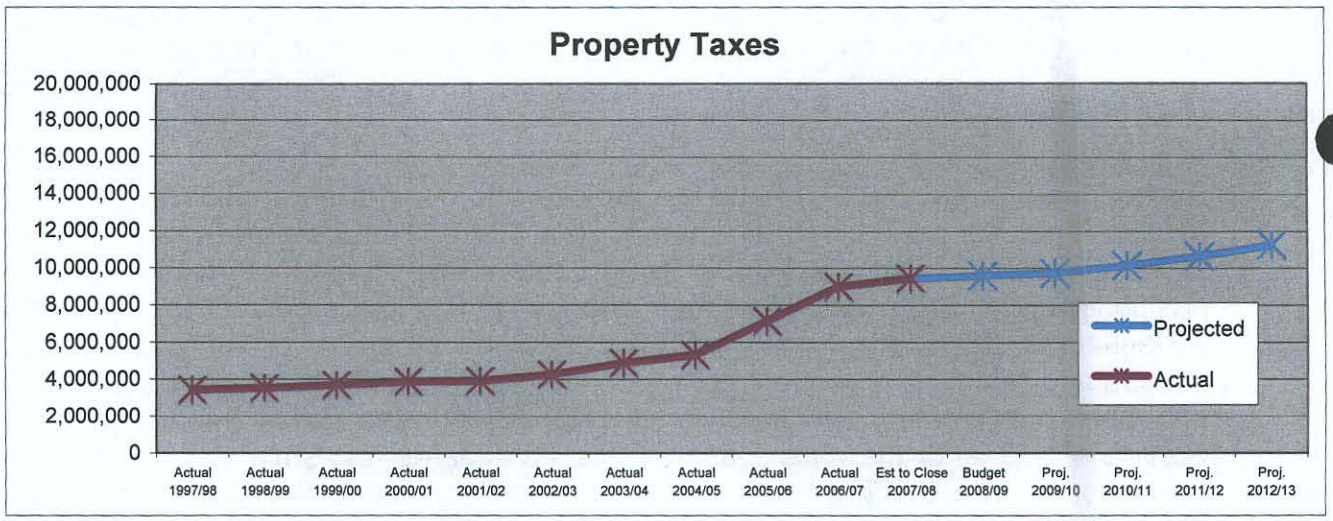
As the city's fleet begins to age, especially safety vehicles, we will no longer be able to postpone the replacement of these vehicles. Training is another critical item that is being restored in the forecast and will be necessary as new employees replace retirees throughout the period.

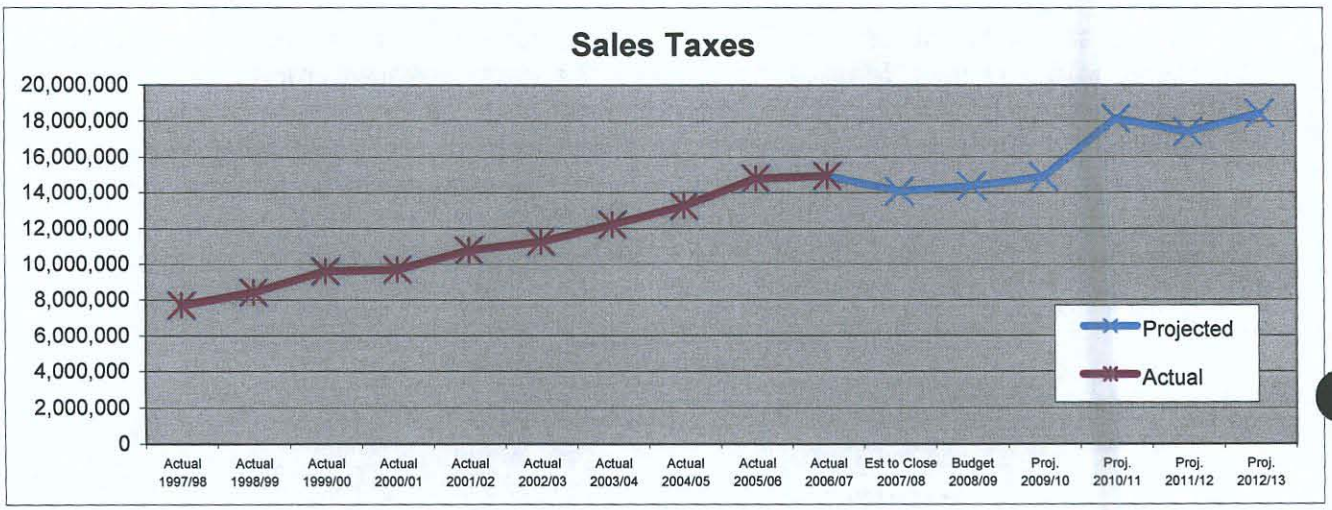
Expenditures in the General Fund are projected to grow at an annual average of 6.2% over the forecast period. This compares to a 10.8% average growth rate in the 2005-2006, 2006-2007, and 2007-2008 fiscal years. Other than the restoration of some positions lost for safety and parks maintenance staffing levels and critical non-personnel expenditures, the forecast does not reflect any new programs or services and remains constrained. Current revenue trends do not allow the city to make headway toward enhanced public safety personnel levels established in the Police Departments "Master Service Plan" and the Fire Departments "Standards of Coverage for Emergency Response". The staffing levels recommended by these plans are 1.3 sworn police officers and 0.8 firefighters per 1000 population.

The most significant General Fund revenue sources --- sales taxes, property taxes, and development related fees --- have been the most severely impacted revenues during this downturn of the economy. Development fees, which include planning and building permits, began to fall at the end of 2006 and have remained at a depressed level since that time. The forecast continues to project below average construction through 2009-2010 with the beginning of a turnaround in 2010-2011, then reflecting the 10 year average of 1,000 units in 2011-2012. This is represented in the following chart:



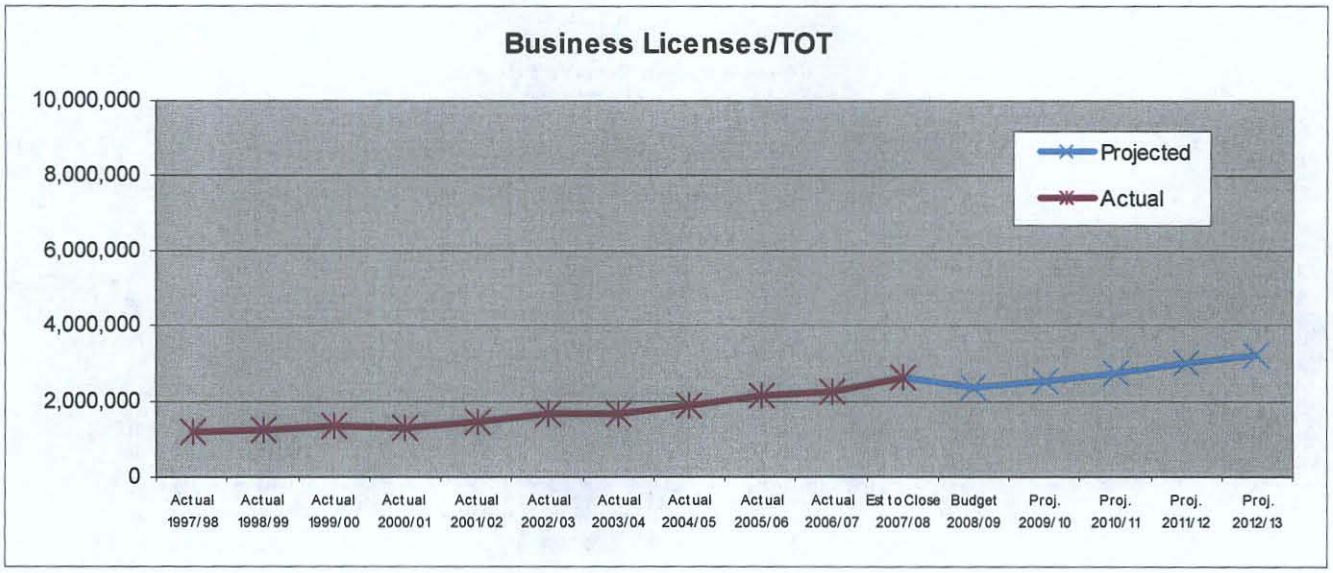
Property taxes, as indicated in the chart below, reflect the slow down in construction activity and also the downward valuation of property sold or constructed in the last 3 to 5 years as announced by the County Assessor. The forecast assumes the normal 2% growth for the first two years of the forecast assuming that the downward trend in valuation and foreclosures will be offset by any new construction. We are assuming that property taxes will begin reflecting new growth with no offsets by 2010-2011. An unknown factor is tax delinquency. Historically the city has experienced a very low property tax delinquency rate. As more homes go into foreclosure, delinquent property taxes may become more of a factor and will need to be closely monitored.



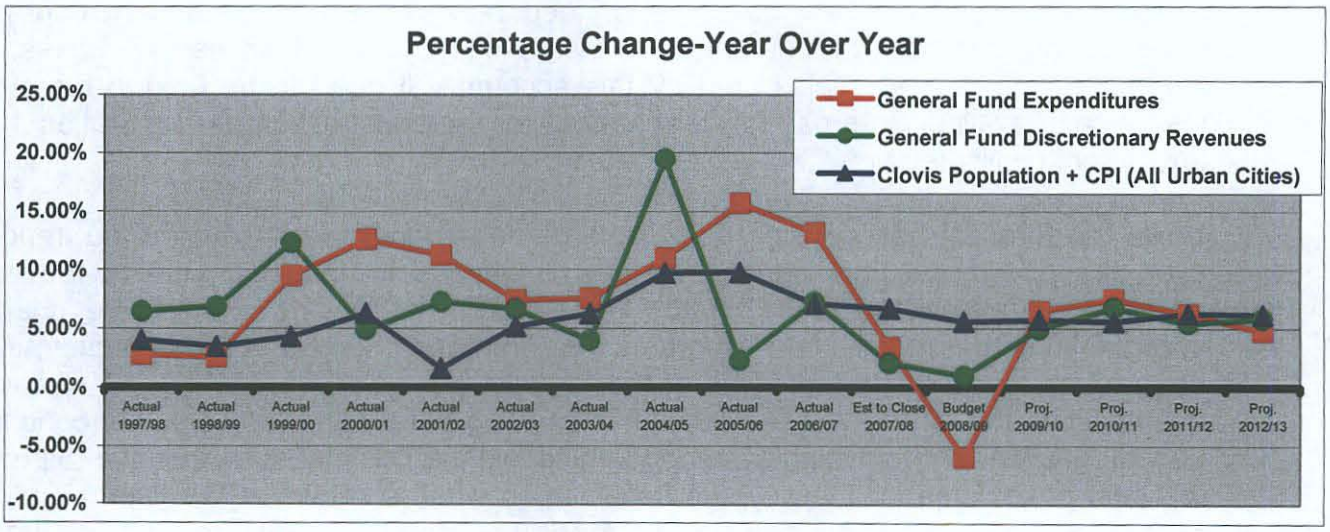


As indicated in the above chart, the city has experienced six quarters of flat or declining sales tax revenues when comparing year-over-year results. The sales tax revenue reflects the decline in auto sales, building supplies and materials, and general retail due to a decline in consumer spending and new home sales. The forecast generally reflects a continuing sluggishness in consumer spending by projecting no growth in 2008-2009 with the exception of additional revenue for the opening of the Best Buy electronics retailer. In 2009-2010 and beyond sales tax is anticipated to grow by CPI, additional population growth, and the anticipated opening of a major Clovis/Herndon shopping center in July 2010. If this shopping center is further delayed, the projections simply move out over a longer period before any recovery and significant growth occurs.

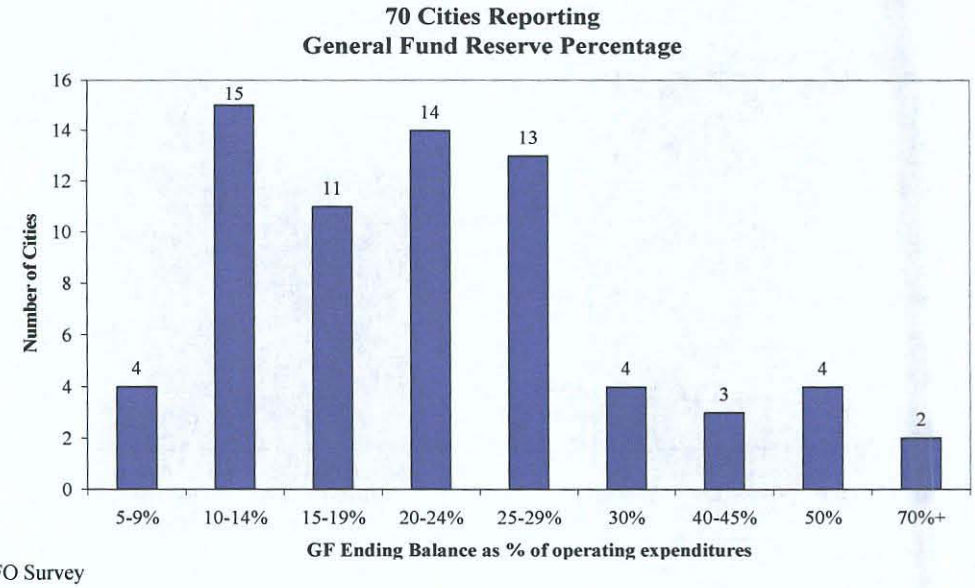
Transient Occupancy Tax is a bright spot in the forecast. We are projecting the opening of five new hotels, three currently in construction and two just beginning construction, within the next two years more than doubling this revenue source. Economic development efforts by the city and community partners to secure target industries, in this case hospitality and tourism, are beginning to have an impact. Also included in the following chart are business licenses, which as a result of an audit being performed for the City, are showing a spike in revenue for 2007-2008 from past due payments that will not reoccur in future years.



General Fund revenues are projected to grow an average 5.5%. This compares to a 6.0% average growth rate in the 2005-2006, 2006-2007, and 2007-2008 fiscal years. The following chart illustrates how the growth in General Fund expenditures compares to growth in discretionary revenues, population and Consumer Price Index.



The forecast also reflects increasing the emergency reserve to 10% over the forecast period. Staff is recommending that increasing the General Fund emergency reserve to 10% should become a priority and reconsideration of the current policy. It should be noted that Clovis currently maintains the lowest emergency reserve amongst a recent survey of 70 California cities. Among cities of comparable size to Clovis the average reserve is greater than 15%. As the city has grown, the current reserve policy should be addressed. A 10% reserve would provide the City with only 1.2 months of operating resources. As we have found, this amount is not adequate for sustaining operations during periods of rapid economic downturn. Failure to increase the reserve to a more prudent amount could cause the city's credit rating to be downgraded by the rating agencies, affecting the city's ability to borrow money and affecting the cost of borrowing. The following graph shows the reserve balances of the 70 reporting California cities:



Source-CSMFO Survey

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

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

The financial tables in the report include a baseline forecast that reviews actual financial performance over the past three years, an estimate of financial performance for the current year, and projections for financial performance for the next five years. All of the forecasts are based upon a specific set of assumptions that are utilized throughout the report and identified with each forecast.

This forecasting tool has proven useful for examining spending policies which have resulted in providing an advanced indicator of the financial issues facing the City. This report is primarily for information only since the City just recently adopted the 2008-2009 budget. A new updated Five-Year Forecast will be presented to City Council in March 2009 in preparation of the 2009-2010 budget.

FIVE YEAR FINANCIAL FORECAST

BUDGET ISSUES

This year and for at least the next two years, it is expected that the City will continue to face fiscal distress from declining or flattening sources of revenue necessary for its general operations. There are local, state, and national economic conditions which have set the stage for this distress. Federal and State governments are operating with historical levels of debt resulting in significant cut-backs in spending that will have local affect in the community. Local governments rely on a variety of taxes to sustain operations. These local revenue sources are directly related to current economic conditions and the performance of property and sales taxes.

During the 2008-2009 budget year and through the forecast period the city should address the following key issues:

1. Insufficient funding to sustain and expand staffing and resources to meet the goals and standards for service levels for police and fire services; restructuring of those services to focus on meeting the most urgent needs of the community within the new fiscal constraints; development of new sources of revenue and improved economic conditions will be necessary to meet and sustain the goals and standards for service levels.

2. Insufficient funding to sustain and expand staffing and resources to meet the goals and standards for service levels for a clean and green community; reduction of service levels to maintain the investment in landscape materials as a first priority, with aesthetics becoming a lower priority; development of new sources of revenue, improved economic conditions, and new methods of service delivery will be necessary to meet and sustain the goals and standards for service levels.

3. Insufficient funding to sustain and expand staffing and resources for planning, building, and engineering services as a fee-based program to meet the goals and standards for service levels for short and long range programs; restructuring of services, development of new sources of general and fee-based revenues, improved economic conditions, and new methods of service delivery will be necessary to meet and sustain the goals and standards for service levels.

4. Uncertainty of funding designated for streets and roads that is administered by the State to local governments due to the potential for "borrowing" to resolve the state budget deficit; prioritize constrained funding to sustain staffing and resources for the most urgent street repairs and maintenance to meet the goals and standards using the pavement management system; reduce or defer some projects for repair and maintenance to account for available revenue; develop new sources of revenue to help advance the schedule of deferred maintenance to avoid higher future costs

5. Seek ways to reduce the large fiscal burden to the General Fund for street lighting by considering alternative funding, such as a special district fee.

6. Complete construction of the new sewage treatment-water reuse facility and commission the plant in 2009; make policy decisions concerning use and pricing of recycled water.

7. Develop funding for long range planning programs for updating the 1993 General Plan and 2000 Sphere of Influence with increased permit fees; extend the time-frame for delivery of the plan beyond the proposed 24-month delivery schedule due to economic conditions and slower fee collection.

8. Implementation of the Economic Development Strategy to facilitate retention and expansion of business, support of business park development, and strategic investment in infrastructure to support business growth; pursue specific projects in redevelopment areas for targeted investment of bond funds.

9. Develop opportunities for partnerships with other public and non-profit agencies, citizen volunteers, and private entities, where appropriate, to seek cost efficiencies and alternate methods of service delivery.

10. Maintain a prudent emergency reserve balance of no less than 5% of annual expenditures and seek ways to increase that volume in succeeding years.

The City's overall financial condition is strained due to the effects of a rapid downturn in economic conditions. Stability will be sought through reduced spending and reduction in workforce, salary and benefit expenses. Economic conditions are not expected to improve greatly to affect growth in government revenues until at least 2010. The magnitude of the changes resulting from current economic conditions have shifted the city's general operating revenues downward to a level that is more like 2006. It will take some time to recover such losses through renewed real estate and consumer activity. But there are warnings everywhere, that more businesses will be restructuring or leaving the market during the next year. It is very difficult to make an accurate projection about when the economy will rebound under such circumstances, so a cautious approach to spending is in order. For the near term, careful examination of services throughout the city must be accomplished to dedicate resources to the greatest needs and continue to constrain spending. This will mean some reduction in service levels throughout the city and there will be a period of adjustment for city staff as well as our citizens.

The results of stabilization of local government revenues through Constitutional Amendment in 2004 may already be short-lived, since the State Legislature is still talking about "borrowing" local property taxes and transportation taxes to give short term relief to the persistent state budget deficit. The city's current challenge comes from rapid change in economic conditions with a near collapse of the housing and mortgage markets in addition to rapidly escalating fuel costs. The gains that the city has made since 2006 in both property value and sales tax growth appear to have been wiped out by the current economic condition. The city made major

commitments to expand public safety services in the past two years but can not sustain that expansion, has now made reductions to workforce, and will need additional revenue for restoration of staffing in the near term and sustaining recommended levels in the future.

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. Approximately $376,000 is expected in the current year to be apportioned between police and fire services for additional staffing. This yields support for about four sworn employee positions.

The forecast indicates that in order to restore some staffing to improve the level of service for the community it will be necessary to add 15 police officers and 16 firefighters during the forecast period. In order to do this it will be necessary to provide about $8.5 million throughout the forecast period to achieve and sustain this level of staffing. But that will not provide the ability to meet levels of service outlined in the master plans. Additional funding will be necessary to fully restore funds for vehicle replacement and training programs. 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. Current studies conducted by the City Council to determine the community support for additional funding for these and other services with a ballot measure will help determine the future direction of services and funding.

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 includes only restoration of two positions during the period. No new park facilities will be built with General Fund support after the close of projects for the 2007-2008 fiscal year. There are new solutions being explored for funding the maintenance of city landscape and parks with either support from a ballot measure or a maintenance district.

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 recently occurred, fees are not sufficient to sustain the operation. An ongoing evaluation of the department is in progress to determine whether it can be operated solely with reliance on fees and certain new fees have been put into place for specific projects.

Local Street Repair and Maintenance - Programming of maintenance and capital projects will utilize the Pavement Maintenance System for evaluating condition of streets to determine appropriate maintenance work and schedules. 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. This opportunity is again under threat by the State Legislature for "borrowing" of sales taxes from fuel sales to temporarily resolve the state budget deficit.

During the collection of data 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 anticipated meeting only 45% of the need countywide. That ratio holds true for Clovis as well. Even though 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. Rising oil and aggregate materials prices are also having an effect on service operations that require vehicle use and the general cost of construction projects in the future.

Sewage Treatment – Water Reuse Facility – The new facility will be constructed by the end of 2008 and will be commissioned to be operational by mid-2009. The project is currently on-time and under-budget. The city will need to 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 recycled water for reuse will also provide some off-setting revenue for the facility but are not expected to fully pay for either facilities or operations. 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 long-term use of the capacity owned at the Fresno-Clovis Regional Treatment Plant in conjunction with the use of the new Clovis Treatment Plant.

Landfill Environmental Remediation and Future Cell Expansion – 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 cells prior to deposit of refuse.

This project is nearing completion expected in 2010. 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. Several unknowns during the course of the project, in particular unknown topography of the original ground level to accurately project the volume of materials to be excavated, resulted in increased cost. But, much knowledge has been obtained through the project experience and is now considered

a test case to be used to improve operations in the solid waste industry throughout California and other Western States. Testing confirms that water contamination from leaching has been significantly reduced to acceptable levels and the cost of full-scale water treatment facilities has been avoided. This is a significant achievement sought with the project. 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 has reached regulatory compliance. Short term violations at some monitoring sites continue to occur during wet weather when soils are very dense.

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. The forecast indicates that the Refuse Enterprise will be able to pay 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 2009-10.

Community and Economic Overview

Economists have characterized the current economic downturn as something not seen for at least twenty years. Spending policies adopted through the years by the City Council have allowed the city to weather 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 all have required 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 for the foreseeable future of this forecast will be to carefully restore some of the operations lost to budgetary cutbacks that are supported by the General Fund with current revenues because carryover fund balances have been depleted and will not be available. In addition, emergency reserves are minimal and should be increased during the forecast period.

The spending philosophy should remain guarded during the forecast period with respect to general operations, focus on the steady restoration of 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 continue the long-range land use planning and financing of the growing community.

Annual growth in General Fund revenues is expected to increase at an average of 5.5% per year over the forecast period while modest spending for services is expected to increase at an average of 6.2% per year. Obviously, this equation does not balance and it illustrates the fiscal challenge and constraint the City will have for meeting its service needs. 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 are already set at a minimum level and should not be utilized further to sustain services and meet projected needs. These issues will need to be examined especially close during budget preparation and more importantly on an ongoing basis throughout the operational years.

The local economy has been affected similarly to other communities around the State and Nation. Clovis has historically had unemployment rates at about one-half that of the region as a whole but numbers are on the uptick. Current unemployment rates in Clovis as of June 2008 are tracking at 5.1% well below the statewide average of 7.1% and more closely to the national average of 5.7%. Chronically high unemployment in the region, however, remains an issue for local communities with a current countywide rate of 9.7%. 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 and is not expected to rebound to a more normal rate of growth until at least 2010.

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 in recent years with more projects staging for the future, although at a much slower pace. 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 began July 2007 and has allowed for an increase to local bus transit and street repair.

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 has seen new investment in office, restaurant, and two new hotels, Holiday Inn Express and Hilton Garden Inn & Suites. Sierra Vista Mall completed 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. Store spaces are gradually filling and residents are re-discovering the Mall as a destination point for shopping, entertainment, and eating out. The 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. While new hotel and restaurant development will draw business from the nearby Save Mart Event Center, further competition from a proposed 14-screen theater 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, potentially resulting in 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 as well as expansion of a plastics product manufacturing business and expansion of professional engineering offices. Expansion of APPL environmental testing laboratories is underway and will open later this year. Expansion of the CargoBay concept with adaptations for larger business operations are finishing construction this year as OfficeBay and VentureBay. These two business operations provide opportunities for expansion of growing companies from within CargoBay or elsewhere.

All properties controlled by the city have been sold and work has begun on plans for the 124-acre expansion of the business park eastward. Privately held lands within the park to the south and west of the city-owned parcels are also being marketed for development possibility with specialty medical facilities. The City continues to target technology trade shows and is also working to create local and regional business leads through the Economic Development Corporation Serving Fresno County, development specialists, and real estate brokers. The city continues to work with residents and business leaders to develop a strategy for becoming a hub for successful technology business, or Technopolis. The committee has developed partnerships with Fresno State University and with other business groups in the region to share information, support regional efforts for such business, and partner for sponsorship of local seminars on the subject of innovation, technology, and entrepreneurship.

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 some restaurants still under construction. A new hotel, Fairfield Inn, will open this year as well as the new western regional office of Agrium, providing services and materials to the agricultural community. The remaining phases will include new professional offices and limited commercial.

The Old Swiss Colony Winery site on Clovis and Dakota Avenues is generating new interest for a commercial-mixed use project. The city has taken early steps to acquire the site and help facilitate future development. 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 and planning for the redevelopment of the site

continues. The Clovis Veteran's Memorial District completed expansion of the meeting facilities at the existing site and have provided new event venues for the community with inclusion of a lecture hall and larger ballroom and exhibit area. Fresno County and Friends of the Library continue to discuss plans for a new and expanded public library in Clovis in anticipation of funding availability if a ballot measure for funding is approved in November 2008.

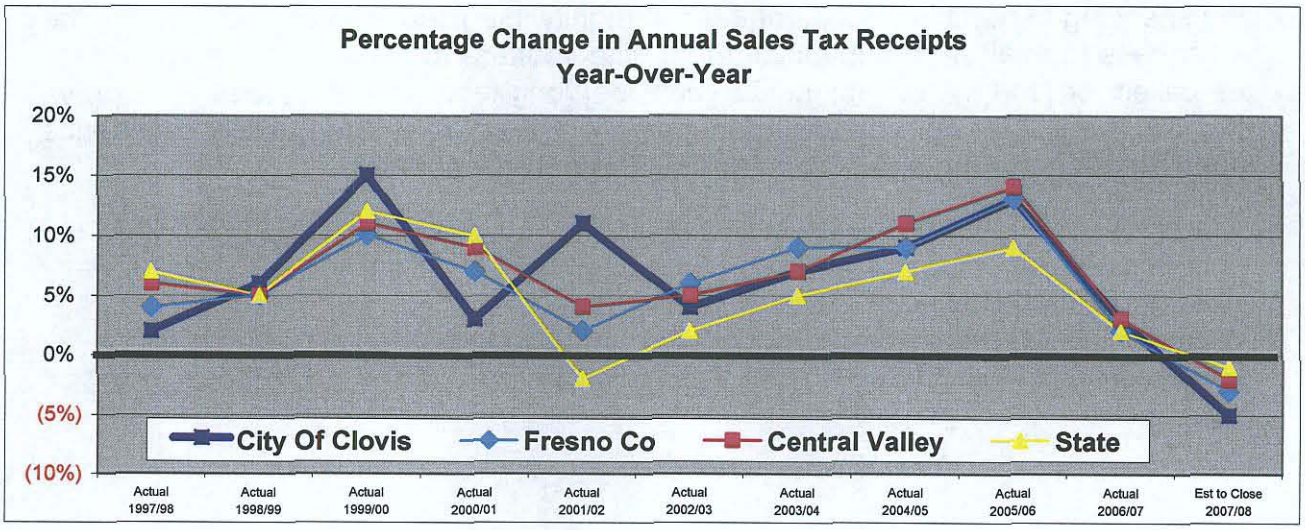
Despite the economic progress occurring in the community, there remains continued loss of local tax revenues and fees due to permanent reallocation to either the State or the County. These reallocations include: property and sales tax sharing agreement with Fresno County to direct urban development to cities; transfers of local property taxes to the Education Revenue Augmentation Fund for distribution to schools; administrative fees to Fresno County for collection of local property taxes; jail booking fees to Fresno County for operation of the jails. These revenue losses constitute over $5 million this year, or about 10% of total General Fund revenue. This is significant because 87% of the discretionary revenues in the General Fund are currently used to support public safety services (this would be a larger share, about 92%, if true expenses for vehicle replacement had not been suspended this year and last). This continues to be an ongoing loss of revenue going forward. This is now a local fiscal problem that has been formalized by State statute and is not likely to be changed in the foreseeable future.

When taken together these losses represent more than $26 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 salary and benefits in the police and fire departments for an entire year or to build a combination of a new library and performing arts center. 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.

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.

The diversity of commercial and industrial development in the city over the past ten years has contributed to a much healthier and diverse local economy but the city is still far from its goal for improved jobs-housing balance. Clovis continues to be ranked highly in cities in Fresno County in per capita sales taxes and continues to exceed 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. A reliance on regional sales for funding local government has its risks. Recent studies show that just over 80% of retail sales in Clovis are generated by residents. A full 20% is relied on by drawing from the regional population and visitors. This often

provides for robust collections in good times, but as we have seen when economic conditions dramatically change, disposable income declines, and fuel costs spike, collection of sales taxes also declines. Internet sales and competition from major commercial development immediately south and west of the city will continue to draw sales from Clovis and are a grave concern. The following chart illustrates the continuous fluctuation in year-over-year growth of sales taxes. This fluctuation in revenue stream should be further analyzed to determine how best to stabilize its use for ongoing operations in future years.



Economic reports and short-term forecasts for the Central Valley continue to forecast population growth although at a slower pace than witnessed earlier this decade. Housing values have declined dramatically losing up to 30% of prior value over the past year. This represents a wholesale adjustment to the economic base of the community and the region that is unlikely to recover entirely during the forecast period. Rising mortgage rates and inflation rates are surfacing as new concerns and will have a great impact on whether this forecast is realized.

One regional factor, jobs, persists and remains a challenge for growth in the regional 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.

Funding for local government has been very uncertain for the past 15 years. While passage of a Constitutional Amendment in 2004 has helped stabilize local property tax allocation, it is only stable to the extent that state government manages its affairs in a fiscally prudent fashion. Local revenues may still be subject to borrowing by the state during times of extreme fiscal hardship and would not be paid back for three years. Such an occurrence may materialize this year. Local governments are truly the "end of the food chain" for tax revenues without going the step further and asking

voters for additional taxes. This looming unknown would negate the entire forecast and put the city into further financial distress immediately.

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 requires that the City Council and city management work together, observe the early warning signs, and take the necessary steps to adjust programs and spending to meet the needs of the community in a fiscally responsible way. 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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ANALYSIS OF FUNDS

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

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

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

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

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

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

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

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

GENERAL FUND

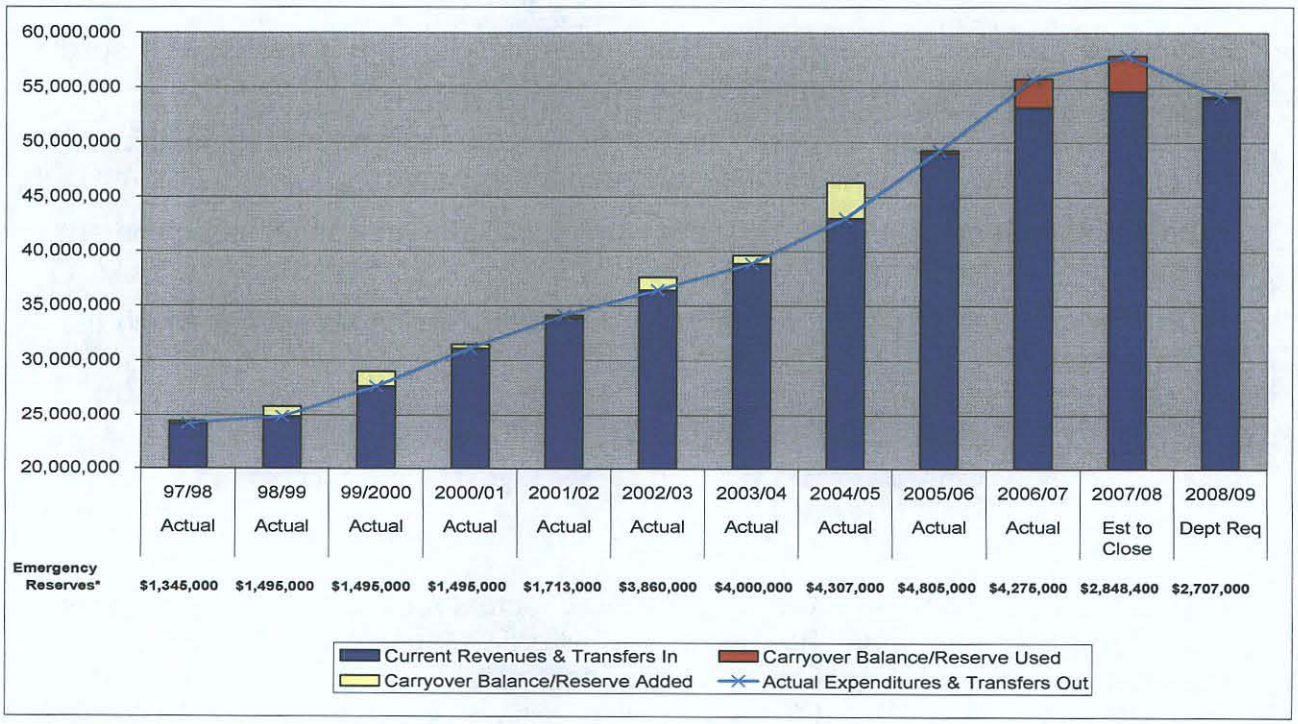
The Past

A good place to begin the forecast is to review actual results of past fiscal years in order to better understand how we arrived where we are today. The schedules presented in the exhibit section of the forecast reflect 3 years of actual history (2004-2005 through 2006-2007) along with estimates for the fiscal year just completed (2007-2008), the current year (2008-2009) and 4 projected fiscal years. The analysis begins with three actual fiscal years and the fiscal year just completed.

The quote, "it was the best of times; it was the worst of times," describes the financial status of the City of Clovis during this period. It begins with the passage

of Proposition 1A in November 2004. The proposition provided for future stability in local property and sales tax bringing a new level of predictability to local government funding. Fiscal year 2004-2005 saw the implementation of Property Tax In Lieu-Vehicle License Fees (VLF) and a one-time payment called VLF GAP, which was a return of suspended VLF funds due from the prior year. Also at this time residential development was at its peak. Property and sales taxes were growing at a double digit pace. Revenues outpaced expenditures by $3.3 million. The fiscal year finished with a $4.6 million available fund balance and an emergency reserve of over 10% of expenditures. This was the "best of times."

Fiscal year 2005-2006 continued on a positive note but as the year, there was trouble ahead. Revenues continued their positive trends with both property taxes and sales taxes growing at their double digit paces and new residential growth had not subsided. On the expenditure side the city added 18 new positions, including nine in public safety and five in parks and street maintenance. With the new positions and the full impact of recently negotiated salary increases, General Fund expenditures grew 16% in 2005-2006. It was then that the first major hit to the General Fund revenue came in the spring of 2006. The legal precedence for the city practice of charging franchise fees to city owned utilities' was determined to be inappropriate and over $2.5 million was returned to the Enterprise Funds from the General Fund. Expenditures exceeded revenues by $0.9 million and the year ended with an available $3.9 million fund balance and an emergency reserve of just under 10%.



As can be seen by the above chart, a structural deficit was created in an attempt to expand services using accumulated savings to meet community need, which began in 2005-2006 and continues through even the most current fiscal year 2008-2009, although greatly reduced by cuts to re-balance expenditures and available revenues. Why did the city use some of the accumulated savings from prior years to expand operations? Because the need was very great and it was done with reliance on the historical trends of economic growth with an expectation

that there was the ability for revenues to "catch up" to expenditures on the short term in succeeding years. This, of course, did not happen and correction was required in a very short period of time. The chart also depicts that total revenues are expected to experience a year-over-year decline in 2008-2009 for the first time in the past ten years.

Economic storm clouds began to form during the 2006-2007 fiscal year. In the late fall of 2006 the housing boom became a bust at a rate that seemed to occur almost overnight. Property taxes continued to grow based on the previous year activity but sales taxes finished flat. Development related fees (planning and building permit fees) took the most dramatic drop falling by over $1.3 million. Even with development slowing down revenues still increased 9% on the strength of Property Tax and Property Tax In Lieu-VLF. Expenditures grew at a 13% pace, outpacing revenues. The General Fund added 18.85 new positions, including 11 sworn public safety positions. Expenditures exceeded revenues by $3.1 million. The budget was balanced with the use of reserves and a transfer from the General Government Facilities Fund. The year ended with $1.8 million available fund balance and a 7.6% emergency reserve.

The just completed 2007-2008 fiscal year can be characterized as the worst of times. The "perfect economic storm" had blown in. Development activity, affected by subprime loans and the credit crunch continued to decline. Property taxes are being impacted by falling home values and foreclosures and its growth has slowed. Sales tax, being impacted by consumer confidence and disposable income, has actually declined for the first time in recent history. Due to the projected impact of falling revenues, the city made mid-year expenditure reductions of $1.3 million in January 2008. Even with the $1.3 million in expenditure reductions, expenditures are estimated to exceed revenues by $2.9 million, requiring the use of $1.4 million from the emergency reserve. At the end of fiscal year 2007-2008 it is estimated that the General Fund will have a zero carryover fund balance and only a 5% emergency reserve. The annual financial audit will confirm this estimate.

Going Forward

As with any forecast, this is a statistical forecast based on a fixed set of assumptions. The actual results will differ from the projections as we move through the projected period and make adjustments for actual performance and any new circumstances as they occur. The projections are a systematic way to provide early disclosure of revenue or expenditure trends that highlight possible problems. 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 14,000 for the five-year period which means that the City is expected to approach 106,000 in population over the next five years. This projection takes into account slower growth than has previously occurred in recent years and will be reflected by fewer new housing units. As stated in the Introduction Section, the forecast reflects restoring service levels throughout the forecast period that were reduced or eliminated in the previous or current budget year, especially in public safety and parks

maintenance, but there are no new spending needs that are included in the General Fund forecast that will likely be necessary to serve the increased population at desired service levels.

For the purposes of this forecast, sworn personnel in both police and fire are being restored to pre-2008 budget levels of 1.20 police officers and 0.76 firefighters per thousand population beginning in the 2009-2010 fiscal years. Restoration of non-safety General Fund personnel begins in the 2010-2011 fiscal year.

Critical non-personnel expenditures such as fleet replacement and training funds that were reduced or eliminated in the 2008-2009 budget have been incrementally restored in the forecast. As the city's fleet begins to age, especially safety vehicles, we will no longer be able to postpone the replacement of these vehicles. Training is another critical item that is being restored in the forecast to meet the needs of new personnel hired to replace those retiring.

Given the slower rate projected for revenue growth, the lack of any significant fund balance, and the trend for increased expenditures for personnel and related benefit costs, even these restored expenditures will not be possible to add back unless other expenditure reductions are made or additional revenue is generated. In order to achieve the projection outlined in the forecast, service and/or expenditure reductions or additional revenue of more than $10.5 million will be needed for the five year period to realize the projected needs.

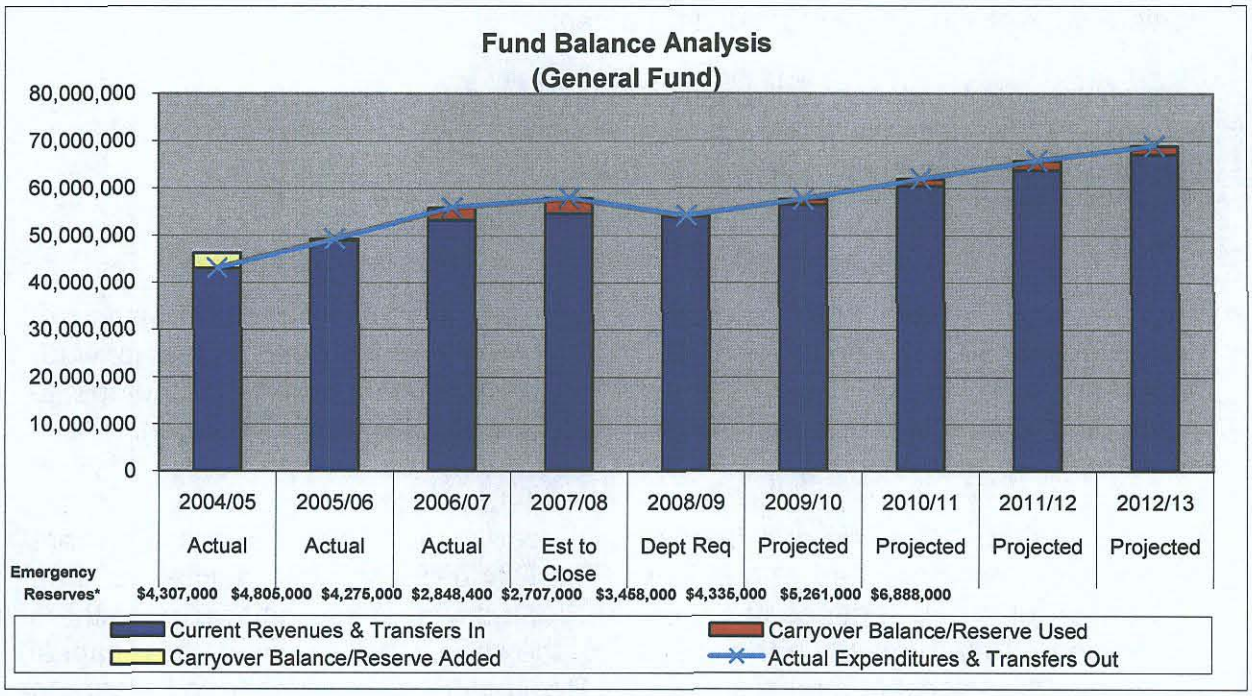
As noted in the Introduction Section the General Fund is unable to transfer resources to the General Government Services Fund to address remodeling and rehabilitation of existing facilities, technology improvements, debt service and new facility needs. All proceeds from the sale of properties held by this Fund will need to be retained. In addition, staff is recommending increasing the emergency reserve to 10% over the forecast period. 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 projection of expenditure for personnel for 2008-2009 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 2007-2008 rate, begin to show a slight decrease, then remain stable throughout the forecast because of "investment gains" from interest earnings that PERS has experienced the last few years. Recent market downturns could have an impact in the later years of the forecast. The rate for the miscellaneous formula is decreasing slightly from 2007-2008, begins another slight decrease from 2008-2009 and 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 22.1% 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 14.2% 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 annual average of 5.5% over the five-year period while expenditures in the General Fund are projected to grow at an annual average of 6.2% over the forecast period. Details of the General Fund are found in the Exhibits Section of the forecast.

Shown below is the graphical representation of the general fun revenues and expenditures:



ENTERPRISE FUNDS

In the Enterprise Funds, only the projection for the Refuse Enterprise Fund includes rate increases in 2008-2009 through 2012-2013 periods. As approved by the City Council in November 2004 the Refuse rates will increase 4% annually with staff returning in 2008/09 to determine if any adjustments to the rates need to be made. No adjustments could be made at that time due to the need to repay significant interfund loans. The earliest time indicated for a review will be 2012-2013. The Water Enterprise Fund is projecting a possible need for a rate increase at the beginning of the 2010-2011 fiscal year. The Street Cleaning Fund is projecting a possible need for a rate increase at the beginning of the 2009-2010 fiscal year. The Sewer Enterprise Fund is not currently requiring a rate increase. The Transit Fund assumes that transit fares will continue at the current rate throughout the projection period. Further details regarding each Enterprise Fund is found below and in the Exhibits Section of the forecast.

Water Enterprise

The Water Enterprise is forecast to have a working capital balance of about $6.2 million at June 30, 2008. Overall expenses are expected to exceed revenues for 2007-2008 due to two factors. First, revenue is projected to be slightly less than budgeted due to the downturn in construction activity which results in fewer meter fees being paid. Second, early replacement of the membranes at the surface water treatment plant will affect the capital outlay expenses for 2007-2008 and 2008-2009. DBCP legal settlement revenues are also reduced in future years due to wells being taken off of treatment. The level of DBCP has also improved in some wells causing a reduction cost of treatment and in the corresponding legal settlement revenues to pay for such treatment.

Overall the fund balance will be declining during the next five years. A rate increase will be necessary and will be considered within the next year to stabilize the fund. Rates were last increased in 1991.

Sewer Enterprise

The Sewer Enterprise Fund is projected to have a working capital balance of approximately $6.9 million at June 30, 2008. A few years ago rate increases were necessary to pay the utility user's prorated share of the debt service for the cost to repair and upgrade the Fresno/Clovis Regional Wastewater Treatment Plant, annual capital improvements at the plant, and the increased operational costs at the plant as a result of the upgrade. These rate increases are currently sufficient to meet operating, capital and debt service requirements and there are no rate adjustments recommended at this time. The City of Fresno has notified us that, as a result of a maintenance study on the trunk sewer lines, major expenditures will be necessary to maintain the integrity of the lines. Cost shares on new capital improvement projects at the Fresno-Clovis Regional Facility will need to be agreed upon and those expenses are only a rough estimate at this point.

Overall the fund balance appears to be adequate during the next five years but will need to be re-evaluated once plant operation expenses are more firm and an agreement is reached on Clovis' share of the capital improvement costs at the Fresno Regional Facility. The forecast assumes that the repairs will be performed each year throughout the forecast period. Estimates are included for Clovis' share of those improvements. Also included in the forecast beginning in 2008-2009 is the estimated cost to operate Clovis' Sewage Treatment-Water Reuse Facility.

The City issued bonds for the Clovis Sewage Treatment-Water Reuse Facility (ST-WRF) that are to be repaid with development impact fees. When the bonds were issued it was calculated that development would need to remain at 750 units annually to meet debt service requirements. Due to the downturn in development we are currently estimating 450 development units for 2008-2009. Should development continue to remain slow it may be necessary to use the rate stabilization fund that was established at the time of the issuance of the last bonds in 2007 to make the debt service payments. If the slow down in development continues the rate stabilization fund would be depleted in less than two years and a rate increase to users would be required. Because the bond covenants require a coverage ratio of 1.2 times debt service, it will be necessary to closely monitor revenue and expenses to assure that bond covenants are met.

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

Refuse Enterprise

The Refuse Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $3.4 million. The fund received more than $6 million in interfund loans in past fiscal years in order meet regulatory and operational needs and to maintain sufficient reserves to meet bond covenants. The fund has begun repayment of the loans and is projected to repay the balance on schedule. The five-year forecast also includes $400,000 in 2008-2009 to complete the landfill reclamation project; $500,000 in 2008-2009 to address surface water discharge issues; and $3.2 million in 2009-2010 to construct a new waste cell at the landfill.

A new commercial route was added in the current fiscal year to address recent commercial growth. The five year forecast reflects the additional labor and equipment costs associated with the new route as well as with a new residential route that is projected to begin in 2009-2010. The forecast reflects the 4% annual rate increase that was approved by Council in November 2004. Staff will continue to monitor the fund for its ability to repay the loans as scheduled and to determine the need for continuation or adjustment of the approved rate increases.

Street Cleaning Enterprise

The Street Cleaning Enterprise Fund is a relatively small fund that must be carefully managed to maintain a small reserve. The fund is projected to end the current fiscal year with a working capital balance of $25,000. All new street sweepers will be powered by compressed natural gas rather than diesel. This change should reduce fuel costs, but it will raise vehicle replacement costs. The current forecast shows a minimal working capital balance at the end of 2008-2009. A rate increase will be necessary in 2009-2010 in order to fund operations and maintain a small reserve.

Transit Enterprise

The Transit Enterprise Fund is projected to finish the current fiscal year with a working capital balance of $1.6 million. The Transit Enterprise is projected to be funded through the first year of the five-year period with expenses projected to grow as a result of added programs and services, increased fuel costs, 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.

With the influx of Measure C funding, transit has begun the implementation of new and improved transit services. Weekend Stageline (general fixed-route) service and a second bus on Route 50 (improving bus service from every 60 minutes to every 30 minutes) were implemented November 17, 2007. Transit also hired a consultant to conduct a complete study of the fixed-route Stageline service to ensure that the Measure C funding is utilized to provide services to the largest

segment of the population possible. Final results from the study are expected in late April.

Although some new services have been implemented throughout the fiscal year, additional service enhancements are pending the results of the consultants' report and hiring of necessary personnel. As a result of the delays, expenses in 2007-2008 are below revenues. In 2008-2009 full utilization of the transit funding is expected with the implementation of the consultant's recommendations and compliance with the Measure C expenditure plan.

INTERNAL SERVICE FUNDS

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

CAPITAL IMPROVEMENT FUNDS

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

DEBT SERVICE FUNDS

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

ALTERNATIVES

The forecast projections indicate that there will not be sufficient resources in all funds to maintain current operations, meet regulatory requirements, or restore and increase staffing to meet the growing demand for levels of services at or near master service plans, 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.

Second, 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 as well as cap certain costs or index certain costs with the contract.

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, consolidate services with other agencies, look for less costly alternatives, or eliminate some services. These alternatives deal with the question of priorities. Do residential streets need to be swept twice per month and with two passes each time or would one pass 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? Should some calls be referred to other agencies if not true emergencies? 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 reduced 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. However, local service sector within the local economy can often provide some of these services and 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 is 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 reducing the volume of redundant phone traffic at city offices. Unfortunately it is not perfect, and citizens sometimes leave urgent safety requests on the system that should have been handled with a phone call. With reductions in the workforce, the volume of requests can become overwhelming at times, causing the efficiency of the system to suffer when requests are prioritized and not all responded to as quickly as expected.

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 18-24 month gap in time from enrollment of properties with the County Tax Collector to actual tax collection and distribution.

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 support police and fire service levels? Would the community support additional fees to support parks, recreation, senior services, street lights, and street maintenance? These are some of the questions are currently facing the City Council and the community.

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 and shopping centers to provide security patrols and/or video cameras 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.

RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Accumulated Savings - Use of accumulated savings should also be revisited for establishment of a budget stabilization fund since most accumulated savings from year to year is the result of dramatic activity in either property or sales tax collection, the latter being the most volatile. While current economic conditions represent a large swing in the economy over a short period of time, one which has not occurred for more than twenty years. This would assist in stabilizing city operations when dramatic shifts occur as we have witnessed over the past 18 months. This may take several budget cycles to establish and fully fund.

C. Balance of Revenues and Expenditures – As this forecast illustrates, projected expenditures, even with constraints, will exceed projected revenues for the next five years. The city must resolve this dilemma by either reducing service levels, reducing the mix of services, limiting expenditures for personnel, developing new revenue sources, or a mix of all of the above.

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

E. User Fees – Current policy recommends that user fees for services be regularly examined to make sure that the fees are relevant to actual cost of service. Some fees are indexed to a measure for annual adjustment to stay current. Others are scheduled for review on a periodic basis and do not always stay current with actual costs. To the extent possible, all fees should either be indexed appropriately or be evaluated on at least a two-year basis. A comprehensive review of services should also be conducted throughout the city to determine if some services could be user fee-based. Some services that could be defined as user based are also property based. As required by law, any fee associated with such service would need to be treated as a special tax assessment on property and processed in a different manner than traditional user fees. This has been accomplished with the Community Faculties District Assessment on new residential units for maintenance of service levels for public safety services. The CFD could be expanded throughout the city, but such efforts are equal to any other type of general tax increase and should be

considered carefully. Street lighting and landscape and park maintenance are two other services that should be studied for such assessment and be discussed with the community.

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

G. New Revenues – Consistent with direction from the City Council, new revenue sources for general operations will be explored. Currently, a sales tax override is under study to determine whether there is community acceptance for it and which services specifically would be preferred for such support.

H. Legislative Reforms – The city should remain vigilant and spend time analyzing the impact of various legislative initiatives to make sure both state and federal legislators understand the impacts of their decisions on our communities before new regulations are approved. Budgetary decisions at the state and federal level do impact specific programs conducted by local government and being located at the "bottom of the government food chain" with respect to taxes often becomes an "easy" solution when times are tough. The City Council has consistently been engaged in legislative issues and should continue its involvement as time and resources permit.

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

EXHIBITS

CITY OF CLOVIS

General Fund

Financial Forecast - Summary

	Actual 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
Beginning Fund Balance	2,613,404	4,615,962	3,926,614	1,824,929	(71)	2,329	(1,908,671)	(4,225,671)	(7,101,671)
REVENUES									
Discretionary	32,057,352	32,993,485	35,379,873	36,097,000	36,448,000	38,130,000	40,750,000	42,990,000	45,480,000
Non-Discretionary	13,833,285	15,343,485	17,214,973	18,540,000	17,589,000	18,380,000	19,740,000	20,820,000	21,610,000
Total Revenues	45,890,637	48,336,970	52,594,846	54,637,000	54,037,000	56,510,000	60,490,000	63,810,000	67,090,000
EXPENDITURES									
Public Safety	26,884,831	31,075,548	35,131,624	36,503,769	34,256,340	36,710,000	39,820,000	42,420,000	44,760,000
Public Utilities	4,793,469	5,480,290	5,908,482	6,621,794	6,804,714	7,120,000	7,380,000	7,640,000	7,880,000
Planning/Development	6,024,748	7,048,493	8,138,112	7,805,698	6,830,477	7,260,000	7,960,000	8,680,000	8,990,000
General Government	4,860,031	5,636,987	6,544,313	6,673,339	6,246,469	6,540,000	6,770,000	7,020,000	7,250,000
Total Expenditures	42,563,079	49,241,318	55,722,531	57,604,600	54,138,000	57,630,000	61,930,000	65,760,000	68,880,000
Return of Unspent Funds/Premiums	400,000	650,000	575,000						
Transfers Out to Government Facilities	(500,000)			(250,000)	0	0	0	0	0
Other Transfers In/Out	0		(79,000)	(34,000)	(38,000)	(40,000)			
Contingency Reserve	(1,225,000)	(435,000)	530,000	1,426,600	141,400	(751,000)	(877,000)	(926,000)	(1,627,000)
Ending Fund Balance	4,615,962	3,926,614	1,824,929	(71)	2,329	(1,908,671)	(4,225,671)	(7,101,671)	(10,518,671)
Sales Tax Triple Flip Designation	855,000	855,000	855,000	855,000	855,000	855,000	855,000	855,000	855,000
Emergency Reserve-(Dollars)	4,370,000	4,805,000	4,275,000	2,848,400	2,707,000	3,458,000	4,335,000	5,261,000	6,888,000
Emergency Reserve-(% of Expenditures	10.27%	9.76%	7.67%	4.90%	5.00%	6.00%	7.00%	8.00%	10.00%

CITY OF CLOVIS

General Fund - Financial Forecast

Revenues

	Actual 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
Property Taxes	8,337,517	10,571,011	12,224,005	13,119,000	13,480,000	13,750,000	14,330,000	15,050,000	15,930,000
Property Tax In Lieu-VLF	4,306,686	5,621,622	6,095,352	6,989,000	7,129,000	7,270,000	7,580,000	7,960,000	8,420,000
Educational Augmentation	(2,159,645)	(2,548,711)	(3,036,236)	(3,423,000)	(3,608,000)	(3,730,000)	(3,880,000)	(4,080,000)	(4,320,000)
ERAF III	(773,510)	(773,510)	0	0	0	0	0	0	0
County Admin Fee	(114,481)	(125,823)	(215,384)	(263,000)	(266,000)	(280,000)	(290,000)	(300,000)	(320,000)
Community Facility Fee	0	42,015	231,999	315,000	376,000	450,000	550,000	690,000	840,000
Sales Tax	10,835,414	11,642,668	11,779,592	11,109,000	11,345,000	11,730,000	12,960,000	13,740,000	14,540,000
In Lieu Sales Tax-Triple Flip	3,100,505	3,911,902	3,926,531	3,703,000	3,782,000	3,910,000	4,320,000	4,580,000	4,850,000
County Share	(696,796)	(777,729)	(785,306)	(741,000)	(756,000)	(780,000)	(860,000)	(920,000)	(970,000)
Sales Tax-(public safety)	224,229	238,167	225,608	247,000	0	260,000	270,000	280,000	290,000
Franchise Fee*	1,314,403	1,443,021	1,662,659	1,725,000	1,823,000	1,910,000	2,000,000	2,110,000	2,220,000
Business License	1,734,258	1,864,494	1,907,704	2,275,000	1,980,000	2,170,000	2,380,000	2,610,000	2,860,000
Building Permits	2,767,643	2,952,708	1,960,673	1,738,000	1,526,000	1,640,000	2,260,000	2,710,000	2,820,000
Other Lic & Permits	81,201	101,721	90,086	175,000	111,000	110,000	110,000	110,000	110,0
Other Taxes (incl T.O.T.)	746,351	980,916	795,817	778,000	728,000	1,480,000	1,480,000	1,480,000	1,480,000
Fines & Forfeit	246,111	298,091	306,592	310,000	270,000	280,000	280,000	280,000	280,000
Interest	85,600	193,581	171,995	150,000	125,000	120,000	80,000	50,000	50,000
Building Rentals	108,160	106,385	133,725	36,000	28,000	30,000	30,000	30,000	30,000
State Subventions	2,989,514	1,551,603	1,637,282	1,711,500	1,761,000	1,790,000	1,830,000	1,880,000	1,930,000
Grants	656,174	860,395	1,121,950	1,460,000	961,000	960,000	960,000	960,000	960,000
From Other Agencies	466,623	679,425	760,120	567,000	475,000	480,000	480,000	480,000	480,000
Planning Fees	2,186,206	1,727,275	1,368,387	1,653,000	1,268,000	1,100,000	1,400,000	1,520,000	1,620,000
Engineering Fees	1,459,514	1,197,208	1,453,431	1,397,000	1,157,000	1,200,000	1,750,000	2,410,000	2,500,000
Capital Improvement Charges	1,012,499	1,918,398	2,572,239	2,905,000	3,139,000	3,250,000	2,840,000	2,340,000	2,420,000
Current Services	2,132,544	2,042,606	2,646,532	2,994,500	3,641,000	3,760,000	3,890,000	4,020,000	4,160,000
Other Revenues	161,117	160,930	256,294	211,000	127,000	130,000	140,000	140,000	150,000
Impact/Rental Fees	3,161,400	608,000	842,000	920,000	920,000	950,000	980,000	1,010,000	1,040,000
Admin Charges	1,521,400	1,848,600	2,461,200	2,576,000	2,515,000	2,570,000	2,620,000	2,670,000	2,720,000
Total Revenues	45,890,637	48,336,970	52,594,846	54,637,000	54,037,000	56,510,000	60,490,000	63,810,000	67,090,000

Revenue Assumptions

PROPERTY TAXES:

ANNUAL INCREASE	INCREASE IN ASSESSED VALUE	CITY TAX RATE (Before reductions)
2.00%	$310,000,000	18.72% of 1%

Note: Adjusted AV for 530 units ($164,300,000) in 09/10 and 10/11; 750 units ($232,500,000) in 11/12

PROPERTY TAX IN LIEU-VLF: INCREASE BY AV GROWTH

2008/09 (DR)	2009/10	2010/11	2011/12	2012/13
2.00%	2.00%	4.20%	5.00%	5.80%

COMMUNITY FACILITY FEE: 2/3 OF NEW RES UNITS PER YEAR 670 ANNUAL FEE: $193 INCREASE BY: 3.40%

SALES TAX:

3 YEAR CPI	SALES TAX RATE	POPULATION ANNUAL INC	PER CAPITA $ PER YEAR
3.40%	1.00%	2,800	$161

Note: Added $750k for Walmart center beginning in 10/11

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
3.40%	1,000	1.00%	65.00% Participation $40 Per Unit per Month	$300 Per Unit per Mo

*Potential loss of 1/2 of Franchise Fees ***Note: Adjusted to 530 units in 09/10, 750 units in 10/11***

BUSINESS LICENSE: Increase annually by the 3 year average increase 9.69%

BUILDING PERMITS:

NEW RES UNITS PER YEAR	FEES PER RES UNIT	NEW NON-RESIDENTIAL	ANNUAL INCREASE
1,000	$2,317	25.00% of the residential amount	3.40%

Note: Adjusted to 530 units for 9/10, 750 units in 10/11

FINES AND FORFEITURES: PARKING AND VEHICLE $284,000 Based on three year average

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

BUILDING RENTALS: Increase annually by 2.00%

STATE SUBVENTIONS:

MOTOR VEH	GAS TAX	POPULATION
$6.52	$11.15	GROWTH
PER CAPITA	PER CAPITA	2,800 PER YEAR

Note: Population adjusted for 530 units in 09/10, 750 units in 10/11

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

PLANNING FEES:

	2006/07 (actual)	2007/08 (rev est)	2008/09 (DR)	2009/10	2010/11	2011/12	2012/13
General Plan Fees	595,171	475,000	370,000	410,000	583,000	675,000	775,000
Regular Planning Fees	773,216	1,178,000	688,000	688,000	820,000	840,000	840,000

Note: Adjusted GP fees for 530 and 750 units in 09/10 and 10/11

Note: Adjusted units to 530 and 750 in 09/10 and 10/11

ENGINEERING FEES:

NEW RES UNITS	AVERAGE ENG FEES	ANNUAL INCREASE	ADD'L NON-RESIDENTIAL
1,000	$1,746	3.40%	25%

IMPACT/RENTAL FEES: BASED ON ADDITIONAL ROUTES PROJECTED IN THE ENTERPRISE FUND

ADMIN CHARGES: INCREASE 2.00% PER YEAR

CURRENT CHARGES: INCREASE BY THREE YEAR CPI AVERAGE 3.40%

OTHER REVENUE: INCREASE BY THREE YEAR CPI AVERAGE 3.40%

CITY OF CLOVIS

General Fund - Financial Forecast

Expenditures

	Actual 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
PUBLIC SAFETY									
Salaries									
Police-CPOA	5,460,222	6,514,814	7,253,911	7,890,362	7,376,514	7,590,000	8,100,000	8,670,000	9,190,000
Fire	3,528,718	3,914,723	4,381,486	4,630,873	4,631,168	4,860,000	5,380,000	5,840,000	6,170,000
Public Safety-Management	1,184,209	1,592,638	1,588,960	1,400,028	1,520,385	1,590,000	1,740,000	1,800,000	1,860,000
Dispatchers	534,591	583,492	587,963	762,625	774,303	790,000	810,000	890,000	1,010,000
Police-Non CPOA	1,219,856	990,327	1,690,511	1,664,021	1,692,007	1,720,000	1,870,000	2,020,000	2,090,000
Fire-Non Firefighters	216,298	213,899	393,514	412,711	348,798	360,000	400,000	470,000	490,000
Overtime									
Overtime-CPOA	1,221,854	1,305,370	1,509,586	1,644,060	1,419,600	1,470,000	1,520,000	1,570,000	1,620,000
Overtime-Fire	927,755	1,184,210	940,424	1,082,250	996,950	1,030,000	1,070,000	1,110,000	1,150,000
Extra Help	614,169	762,410	854,423	931,065	874,438	870,000	870,000	870,000	870,000
Benefits									
Health	1,335,453	1,537,186	1,989,280	2,394,444	2,551,012	2,890,000	3,300,000	3,690,000	4,110,000
Retirement	2,808,495	3,408,357	3,482,642	3,845,483	3,782,022	3,630,000	3,920,000	4,210,000	4,440,000
Other	1,952,680	2,140,887	2,302,796	2,072,531	1,002,501	2,180,000	2,460,000	2,750,000	3,070,000
SMS	5,306,830	6,228,161	6,951,399	6,232,266	6,694,092	7,320,000	7,950,000	8,090,000	8,230,000
Capital Outlay	573,701	699,074	1,204,729	1,541,050	592,550	410,000	430,000	440,000	460,000
Total Public Safety	26,884,831	31,075,548	35,131,624	36,503,769	34,256,340	36,710,000	39,820,000	42,420,000	44,760,000
PUBLIC UTILITIES									
Salaries	1,476,311	1,569,647	1,688,907	1,769,129	1,879,700	1,910,000	2,010,000	2,100,000	2,170,000
Overtime	22,046	30,474	49,322	72,300	65,500	70,000	70,000	70,000	70,000
Extra Help	150,508	99,641	178,849	233,282	95,000	100,000	100,000	100,000	100,000
Benefits									
Health	221,506	262,842	334,548	401,067	481,008	530,000	590,000	660,000	730,0
Retirement	133,038	184,714	279,438	297,413	286,800	290,000	300,000	310,000	320,000
Other	290,303	268,119	276,011	248,569	161,842	270,000	290,000	310,000	320,000
SMS	2,422,272	2,949,735	2,872,478	3,420,634	3,761,064	3,830,000	3,900,000	3,970,000	4,040,000
Capital Outlay	77,485	115,118	228,929	179,400	73,800	120,000	120,000	120,000	130,000
Total Public Utilities	4,793,469	5,480,290	5,908,482	6,621,794	6,804,714	7,120,000	7,380,000	7,640,000	7,880,000
PLANNING/DEVELOPMENT									
Salaries	3,206,640	3,630,251	3,945,261	3,805,108	3,604,122	3,670,000	4,110,000	4,570,000	4,730,000
Overtime	98,032	172,470	137,991	106,100	117,000	120,000	120,000	120,000	120,000
Extra Help	238,386	251,257	235,386	220,100	198,000	200,000	200,000	200,000	200,000
Benefits									
Health	367,557	450,801	566,749	576,508	567,610	620,000	740,000	870,000	960,000
Retirement	291,473	418,677	613,197	585,694	526,958	550,000	610,000	680,000	700,000
Other	387,497	414,208	427,654	364,829	128,888	340,000	360,000	380,000	390,000
SMS	1,431,107	1,696,276	2,106,348	2,140,159	1,681,899	1,740,000	1,800,000	1,830,000	1,860,000
Capital Outlay	4,056	14,553	105,526	7,200	6,000	20,000	20,000	30,000	30,000
Total Planning/Development	6,024,748	7,048,493	8,138,112	7,805,698	6,830,477	7,260,000	7,960,000	8,680,000	8,990,000
GENERAL GOVERNMENT									
Salaries	1,536,643	2,043,303	2,316,165	2,354,060	2,472,965	2,520,000	2,640,000	2,760,000	2,850,000
Overtime	49,602	72,555	45,770	32,450	21,705	20,000	20,000	20,000	20,000
Extra Help	381,746	316,241	351,648	331,000	321,300	320,000	320,000	320,000	320,000
Benefits									
Health	200,989	274,731	350,812	405,196	442,673	490,000	540,000	600,000	660,000
Retirement	133,624	232,515	394,285	397,912	395,657	410,000	420,000	440,000	450,000
Other	169,173	209,725	187,027	189,538	44,109	180,000	190,000	200,000	210,000
SMS	2,380,457	2,482,415	2,867,232	2,947,483	2,546,560	2,590,000	2,630,000	2,670,000	2,720,000
Capital Outlay	7,797	5,502	31,374	15,700	1,500	10,000	10,000	10,000	20,000
Total General Govt	4,860,031	5,636,987	6,544,313	6,673,339	6,246,469	6,540,000	6,770,000	7,020,000	7,250,0
Total Expenditures	42,563,079	49,241,318	55,722,531	57,604,600	54,138,000	57,630,000	61,930,000	65,760,000	68,880,000

Expenditure Assumptions

SALARIES:		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
POLICE-CPOA	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
	1/1	0.00%					
POL-SAL BASE		7,890,000	7,377,000	7,683,000	8,256,000	8,795,000	9,294,000
Additional Officers-Salary		0	0	181,000	312,000	258,000	200,000
Number of Additional Officers		0	0	3	5	4	3
DISPATCH-SAL BASE		763,000	774,000	787,000	858,000	973,000	1,006,000
FIRE	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
	1/1	0.00%					
SALARY BASE		4,631,000	4,631,000	5,008,000	5,590,000	5,905,000	6,244,000
Additional Firefighter-Salary		0	0	298,000	412,000	125,000	138,000
Number of Addl Firefighters		0	0	5	7	2	2
PUBLIC UTILITIES	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
SALARY BASE		1,769,000	1,880,000	1,912,000	2,005,000	2,102,000	2,173,000
Additional Salaries-Park/Street		0	0	0	28,000	29,000	0
Addl Park/Street employees		0	0	0	1	1	0
GENERAL GOVT	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
MGMT	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%

OVERTIME: INCREASE BY PREVIOUS THREE YEAR CPI 3.40%

EXTRA HELP: FLAT FOR NEXT FIVE YEARS

HEALTH: INCREASE PER YEAR 10.00%

RETIREMENT:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
POLICE-SAFETY	22.434%	22.685%	22.100%	22.100%	22.100%	22.100%
DISPATCHERS	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%
FIRE	22.434%	22.685%	22.100%	22.100%	22.100%	22.100%
PUBLIC UTILITIES	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%
GENERAL GOVERNMENT	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%
MANAGEMENT	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

WORKERS COMP:							
(included in other benefits)	Police-CPOA	10.6%	9.0%	9.9%	10.9%	12.0%	13.2%
	Fire	5.0%	6.0%	6.6%	7.3%	8.0%	8.8%
	Mgmt & CUE	1.9%	1.9%	2.1%	2.3%	2.5%	2.7%
	Public Utility	9.3%	10.0%	11.0%	12.1%	13.3%	14.6%

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 1.70%

CAPITAL OUTLAY:		
INCREASE BY 3 YEAR AVG CPI PER YEAR	3.40%	
50% FOUR YEAR AVERAGE-PUBLIC SAFETY	387,000	
FOUR YEAR AVERAGE-PUBLIC UTILITIES	108,000	+ ADDITIONAL EQUIP FOR NEW EMPLOYEES
50% FOUR YEAR AVERAGE-COMMUNITY DEV	22,000	
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 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
BEG WORKING CAPITAL	4,404,247	8,437,388	9,548,107	8,917,717	6,198,145	4,261,145	1,421,145	(2,269,855)	(5,226,855)
REVENUES									
WATER CHARGES	8,461,519	8,843,346	9,757,929	9,146,600	9,170,000	9,209,000	9,264,000	9,337,000	9,410,000
DBCP-LEGAL SETTLEMENTS	487,796	577,103	555,501	510,000	334,000	325,000	336,000	347,000	359,000
TOTAL REVENUES	8,949,315	9,420,449	10,313,430	9,656,600	9,504,000	9,534,000	9,600,000	9,684,000	9,769,000
EXPENDITURES									
SALARIES	1,217,424	1,518,246	1,690,826	1,691,571	1,816,000	1,847,000	1,910,000	1,975,000	2,042,000
EXTRA HELP	11,987	33,276	32,118	48,856	40,000	40,000	40,000	40,000	40,000
OVERTIME	62,681	72,046	71,619	82,100	87,000	87,000	87,000	87,000	87,000
BENEFITS									
RETIREMENT	111,637	174,057	249,261	249,099	262,000	262,000	271,000	280,000	290,000
HEALTH	168,124	242,290	294,651	348,440	419,000	461,000	507,000	558,000	614,000
OTHER	246,132	233,091	304,480	256,933	173,000	269,000	278,000	287,000	297,000
SERV, MAT & SUPP	5,931,981	5,139,279	5,646,291	6,317,036	6,665,000	6,904,000	7,143,000	7,390,000	7,646,000
GAC REPLACEMENT/GEOSIMIN TREATMENT	60,881	114,156	111,913	200,000	125,000	170,000	170,000	170,000	170,000
CAPITAL OUTLAY	703,294	503,839	873,970	2,030,237	1,369,000	847,000	936,000	952,000	945,000
TOTAL EXPENDITURES	8,514,141	8,030,280	9,275,129	11,224,272	10,956,000	10,887,000	11,342,000	11,739,000	12,131,000
OTHER REVENUE AND EXPENSE									
INTEREST/RENTAL/GRANTS	196,967	377,750	486,809	459,100	376,000	248,000	182,000	10,000	10,000
	196,967	377,750	486,809	459,100	376,000	248,000	182,000	10,000	10,000
TRANSFERS OUT (DEBT SERVICE)									
TRANSFERS-OUT (CAPITAL)	(448,000)	(505,200)	(754,500)	0	0	(873,000)	(1,269,000)	(100,000)	(813,000)
TRANSFERS-IN (RTN OF CAP TRANSFERS)	4,000,000								
CONTRIBUTION-SURFACE WATER TREATMENT PLANT	(601,000)	(602,000)	(601,000)	(811,000)	(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)	0	0
RESERVE FOR DROUGHT CONTINGENCY			(750,000)	(750,000)					
INTRAFUND LOAN REPAYMENT	500,000	500,000							
END WORKING CAPITAL	8,437,388	9,548,107	8,917,717	6,198,145	4,261,145	1,421,145	(2,269,855)	(5,226,855)	(9,203,855)
RESERVE FOR WELLHEAD TREATMENT	700,000	750,000	800,000	850,000	900,000	950,000	1,000,000	1,000,000	1,000,000
RESERVE FOR DROUGHT CONTINGENCY			750,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

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

		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Rate Increase:	7/1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Water Enterprise - *Expense Assumptions*

Salaries:	CPWEA	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
7/1		0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
10/1							
SALARY BASE		1,691,571	1,816,000	1,847,000	1,910,000	1,975,000	2,042,000

Add'l employees for Surface Water Plant

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

Health: INCREASE PER YEAR 10.00%

Other Benefits:

-RETIREMENT	14.658% OF EXTRA HELP	
-WORKERS COMP	9.340% FOR CPWEA	1.87% FOR ADMIN
-MEDICARE	1.000% OF SALARIES	
-DEF COMP/SICKLEAVE INC	5.250% OF SALARIES	

Other SMS: INCREASE BY CPI FOR FUTURE YEARS 3.40%
(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 3.40%
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 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
BEG WORKING CAPITAL	8,662,004	9,103,539	6,920,990	7,367,028	7,246,143	6,399,143	4,529,143	3,506,143	2,971,143
REVENUES									
SEWER CHARGES	6,965,177	7,074,310	7,418,537	7,450,000	7,566,000	7,670,000	7,846,000	8,065,000	8,284,000
PRETREATMENT CHARGES	69,108	48,237	48,958	50,000	50,000	50,000	51,000	52,000	53,000
TOTAL REVENUES	7,034,285	7,122,547	7,467,495	7,500,000	7,616,000	7,720,000	7,897,000	8,117,000	8,337,000
EXPENDITURES									
SALARIES	422,222	483,541	563,009	550,294	573,000	583,000	603,000	624,000	645,000
EXTRA HELP	22,892	11,576	8,503	1,200	10,000	10,000	10,000	10,000	10,000
OVERTIME	11,374	8,728	7,575	9,720	12,000	12,000	12,000	12,000	12,000
BENEFITS									
RETIREMENT	40,259	56,786	82,573	78,814	83,000	83,000	86,000	89,000	92,000
HEALTH	80,339	68,383	83,883	109,644	140,000	154,000	169,000	186,000	205,000
OTHER	80,111	76,180	101,415	74,248	52,000	84,000	86,000	89,000	92,000
SERV, MAT & SUPP	2,176,404	1,410,627	1,607,978	1,734,346	2,104,000	2,364,000	2,433,000	2,505,000	2,579,000
FRESNO TREATMENT PLANT	1,922,541	2,079,840	2,317,101	2,533,074	2,660,000	2,066,000	2,022,000	1,994,000	1,977,000
CLOVIS TRMT/REUSE PLANT (ST-WRF)	0	0	0	0	1,040,000	2,046,000	2,116,000	2,188,000	2,262,000
DEBT SERVICE	1,073,263	1,073,673	1,072,784	1,085,000	1,084,000	1,245,000	1,245,000	1,245,000	1,245,000
CAPITAL	47,951	12,467	16,182	49,345	72,000	27,000	28,000	29,000	30,000
CAPITAL-FRESNO PLANT IMPROVEMENTS	4,103,475	571,714	241,128	3,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
TOTAL EXPENDITURES	9,980,831	5,853,515	6,102,131	9,225,685	9,830,000	10,674,000	10,810,000	10,971,000	11,149,000
OTHER REVENUE AND EXPENSE									
INTEREST	259,329	344,533	533,596	450,000	381,000	329,000	247,000	176,000	123,000
GRANTS/MISC/SALE OF ASSETS	9,652	23,686	25,078	11,743	15,000				
	268,981	368,219	558,674	461,800	396,000	329,000	247,000	176,000	123,000
TRANSFERS IN-DEBT SERVICE	373,000	373,000	373,000	373,000	373,000	373,000	373,000	373,000	373,000
TRANSFERS OUT-CAPITAL	(523,900)	(462,800)	(121,000)	0	(172,000)	(388,000)	0	0	0
FROM MAJ FAC-PLANT BUY-IN, UPGRADE AND CAPITAL IMPROVEMENTS	270,000	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	0
(INC)/USE OF FRESNO PLANT CAP RESERVE	3,000,000		(2,000,000)						
END WORKING CAPITAL	9,103,539	6,920,990	7,367,028	7,246,143	6,399,143	4,529,143	3,506,143	2,971,143	925,143
RESERVE FOR FRESNO PLANT CAPITAL	0	0	2,000,000	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	Residential:	New Units Per Year	Additional Commercial	2007/08 Per Unit Per Month	Pretreatment Per Unit Per Month
	2,800		1,000	$44,000	$14.62	$0.06

(Note: Adjusted to 600 units for 07/08, 530 units for 08/09, 530 units for 09/10 and 750 units for 10/11)

Rate Increase:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revised Monthly Rate	$14.62	$14.62	$14.62	$14.62	$14.62	$14.62

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Sewer Enterprise - *Expense Assumptions*

Salaries: (CPWEA)	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
1/1						
SALARY BASE	550,294	573,000	583,000	603,000	624,000	645,000
Additional employees						

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS

Retirement:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

Health:	INCREASE PER YEAR			10.00%
Other Benefits:	-RETIREMENT	14.658%	OF EXTRA HELP	
	-WORKERS COMP	9.340%	FOR CPWEA	1.87% 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			3.40%
	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			3.40% $25.11
Debt Service:	Fresno/Clovis Regional WWTP Renovation 96/97 - 2013			$1,245,000
Capital Outlay:	FUTURE YEARS @			25,000
	- ADJUSTED BY 3 YEAR AVERAGE CPI			3.40%
Capital-Plant Improvements:	Based on estimates from the City of Fresno for sewer main and plant refurbishments			
Transfers In-Debt Service:	In from Major Facilities-34.57% of debt service for 1993 WWTP Renovation/Expa			$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 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
BEG WORKING CAPITAL	(1,227,406)	931,784	4,262,718	3,658,933	3,100,062	3,017,062	1,610,062	2,347,062	3,179,062
REVENUES									
REFUSE CHARGES	8,906,249	10,228,645	11,070,188	10,979,000	11,566,000	12,182,000	12,862,000	13,617,000	14,412,000
RECYCLING CHARGES	729,161	781,715	854,748	863,000	906,000	951,000	1,001,000	1,057,000	1,115,000
GREEN WASTE CHARGES	867,121	940,552	1,041,295	1,066,000	1,118,000	1,175,000	1,240,000	1,313,000	1,389,000
TOTAL REVENUES	10,502,531	11,950,912	12,966,231	12,908,000	13,590,000	14,308,000	15,103,000	15,987,000	16,916,000
EXPENDITURES									
SALARIES	1,655,703	1,807,229	1,873,259	1,965,773	2,029,000	2,114,000	2,186,000	2,260,000	2,337,000
EXTRA HELP	224,946	101,947	128,457	212,320	212,000	80,000	80,000	80,000	80,000
OVERTIME	114,081	98,771	121,948	141,000	142,000	142,000	142,000	142,000	142,000
BENEFITS									
RETIREMENT	147,551	207,155	280,502	287,434	293,000	300,000	310,000	321,000	332,000
HEALTH	253,084	251,156	282,429	346,703	410,000	451,000	496,000	546,000	601,000
OTHER	337,301	333,868	384,941	351,948	271,000	326,000	336,000	347,000	359,000
SERV, MAT & SUPP	5,132,777	4,824,461	4,850,655	5,143,130	5,257,000	5,425,000	5,598,000	5,777,000	5,962,000
RECYCLING	788,445	838,471	880,563	890,000	890,000	935,000	986,000	1,044,000	1,105,000
GREEN WASTE PROGRAM	877,682	937,759	993,379	987,000	987,000	1,039,000	1,099,000	1,169,000	1,243,000
DEBT SERVICE	99,724	142,239	360,813	371,000	233,000	181,000	164,000	94,000	6,000
CAPITAL	358,793	611,439	283,467	806,843	703,000	313,000	88,000	91,000	95,000
LANDFILL CLOSURE	114,622	131,003	141,064	140,000	150,000	155,000	160,000	165,000	171,000
STATE & COUNTY SURCHARGES	153,040	157,220	150,479	155,000	175,000	245,000	253,000	262,000	271,000
LANDFILL IMPROVEMENTS	629,048	859,542	2,233,407	886,720	821,000	3,200,000	0	0	0
LANDFILL DEBT SERVICE	794,067	791,825	793,995	803,000	797,000	796,000	796,000	796,000	796,000
ENVIRONMENTAL COMPLIANCE	373,583	380,848	255,710	230,000	230,000	238,000	246,000	254,000	263,000
TOTAL EXPENDITURES	12,054,447	12,474,933	14,015,068	13,717,871	13,600,000	15,940,000	12,940,000	13,348,000	13,763,000
OTHER REVENUE AND EXPENSE									
INTEREST	79,542	159,231	261,812	170,000	212,000	211,000	167,000	199,000	234,000
GRANTS/MISC/SALE OF ASSETS	49,724	193,724	86,830	1,000					
	129,266	352,955	348,642	171,000	212,000	211,000	167,000	199,000	234,000
LANDFILL LIAB INS RESERVE									
TRANSFERS	341,840	622,000	145,000	365,000	77,000	329,000	145,000	145,000	145,000
LANDFILL LINER FEE	0	0	71,410	215,000	138,000	185,000	262,000	349,000	349,000
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)	0
END WORKING CAPITAL	931,784	4,262,718	3,658,933	3,100,062	3,017,062	1,610,062	2,347,062	3,179,062	7,060,062
RESERVE FOR CLOSURE	1,451,266	1,582,269	1,723,333	1,863,333	2,013,333	2,168,333	2,328,333	2,493,333	2,664,333
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	07/08 Average Unit Per Month	Recycling Per Month	Annual Rate Inc	Green Waste Per Month
	1,000	$22.61	$2.59	4.00%	$3.81

(Note: Adjusted to 600 units for 07/08, 530 units for 08/09, 530 units for 09/10 and 750 for 10/11)

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

		2007/08	2008/09 *	2009/10 *	2010/11 *	2011/12 *	2012/13 *
Rate Increase:	7/1	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Adjusted Monthly Rate:		$22.61	$23.51	$24.45	$25.43	$26.45	$27.51

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

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

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Average Three Year CPI: 3.40%

Refuse Disposal - Expense Assumptions

Salaries: (CPWEA)	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
Salary Base:	1,965,773	2,029,000	2,114,000	2,186,000	2,260,000	2,337,000
Additional Personnel: Res/Comm			51,000			

Extra Help: $80,000 for Operations per year plus $132,000 for Landfill Reclamation Project through 07/08

Overtime: FLAT FOR FUTURE YEARS 3.40%

Retirement:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

Health: INCREASE PER YEAR 10.00%

Other Benefits:
- -RETIREMENT 14.658% OF EXTRA HELP
- -WORKERS COMP 9.34% FOR CPWEA 1.87% 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 3.40%
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 3.40%
PLUS: New Commercial Route Equipment Beginning 7/1/2007 $220,000
PLUS: New Residential Route Equipment Beginning 1/1/2010 $227,000

Transfers: In-For Toters (@$145/unit) $145,000 /year

Reserve For Closure: FROM 98/99, INCREASE BY 3 YEAR AVERAGE CPI 3.40%

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

CITY OF CLOVIS

Street Cleaning - Financial Forecast

	Actual 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
BEG WORKING CAPITAL	(124,535)	20,672	16,513	2,912	26,610	610	(50,390)	(123,390)	(214,390)
REVENUES									
STREET CLEANING CHARGES	857,331	894,667	926,021	957,000	966,000	975,000	990,000	1,012,000	1,034,000
TOTAL REVENUES	857,331	894,667	926,021	957,000	966,000	975,000	990,000	1,012,000	1,034,000
EXPENDITURES									
SALARIES	245,873	304,081	316,993	316,340	324,000	330,000	341,000	353,000	365,000
EXTRA HELP	5,437	2,910	1,752	0	3,000	3,000	3,000	3,000	3,000
OVERTIME	6,621	8,222	7,490	8,150	9,000	9,000	9,000	9,000	9,000
BENEFITS									
RETIREMENT	22,316	35,502	47,902	47,741	47,000	47,000	48,000	50,000	52,000
HEALTH	28,523	40,798	43,855	48,382	53,000	58,000	64,000	70,000	77,000
OTHER	52,191	57,691	69,248	59,270	46,000	54,000	55,000	57,000	59,000
SERV, MAT & SUPP	351,163	454,350	452,788	453,419	508,000	525,000	543,000	561,000	580,000
CAPITAL	0	158,133	0	0	2,000	0	0	0	0
TOTAL EXPENDITURES	712,124	1,061,687	940,028	933,302	992,000	1,026,000	1,063,000	1,103,000	1,145,000
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	0	2,861	406	0	0	0	0	0	0
	0	2,861	406	0	0	0	0	0	0
TRANSFERS	0	160,000		0	0	0	0	0	0
END WORKING CAPITAL	20,672	16,513	2,912	26,610	610	(50,390)	(123,390)	(214,390)	(325,390)

Street Cleaning - Revenue Assumptions

Current Charges:

NEW UNITS PER YEAR	PER UNIT PER MONTH
1,000	$2.25

(Note: Adjusted to 600 units for 07/08, 530 units for 08/09, 530 units for 09/10 and 750 units for 10/11)

Rate Increase:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Increase amount:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Monthly Rate:	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Street Cleaning - Expense Assumptions

Salaries:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
CPWEA						
7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
1/1						
SALARY BASE	316,340	324,000	330,000	341,000	353,000	365,000

Additional personnel (Street Sweeper Operator)

Extra Help: FLAT FOR NEXT FIVE YEARS

Overtime: FLAT FOR NEXT FIVE YEARS 2.50%

Retirement:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

Health: INCREASE PER YEAR 10.00%

Other Benefits:

-WORKERS COMP	9.340%	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 3.40%

Capital Outlay: NONE $0

Transfers: NONE $0

CITY OF CLOVIS

Transit - Financial Forecast

	Actual 2004/05	Actual 2005/06	Actual 2006/07	Est to Close 2007/08	Budget 2008/09	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
BEG WORKING CAPITAL	241,633	414,670	578,739	1,498,105	1,653,774	0	0	0	0
REVENUES									
MEASURE C FUNDS	352,000	320,000	330,000	1,200,000	1,200,000	1,241,000	1,283,000	1,327,000	1,372,000
LOCAL TRANSPORTATION FUNDS	1,760,497	1,895,015	2,314,275	1,999,000	810,226	2,518,000	2,575,000	2,634,000	2,696,000
STATE TRANSIT ASSISTANCE	119,437	261,137	767,779	958,300	900,000	931,000	963,000	996,000	1,030,000
OTHER(Fares, Advertising, Trolley Rents)	169,014	181,982	211,337	209,000	203,000	210,000	217,000	224,000	232,000
TOTAL REVENUES	2,400,948	2,658,134	3,623,391	4,366,300	3,113,226	4,900,000	5,038,000	5,181,000	5,330,000
EXPENDITURES									
SALARIES	629,915	654,674	750,560	814,898	925,000	941,000	973,000	1,006,000	1,040,000
EXTRA HELP	309,187	369,675	360,297	542,000	714,000	714,000	714,000	714,000	714,000
OVERTIME	22,640	18,657	26,210	30,152	30,000	30,000	30,000	30,000	30,000
BENEFITS									
RETIREMENT	56,568	79,071	114,536	124,621	133,000	134,000	138,000	143,000	148,000
HEALTH	86,702	108,709	119,504	137,142	168,000	185,000	204,000	224,000	246,000
OTHER	135,203	150,173	154,323	238,503	234,000	256,000	261,000	265,000	270,000
SERV, MAT & SUPP	957,740	1,114,438	1,140,747	1,341,204	1,314,000	1,359,000	1,405,000	1,453,000	1,502,000
DEBT SERVICE									
CAPITAL-OTHER	0	0	0	0	350,000	350,000	350,000	350,000	350,000
CAPITAL-BUSES	47,355	0	60,377	1,002,111	900,000	931,000	963,000	996,000	1,030,000
TOTAL EXPENDITURES	2,245,310	2,495,397	2,726,554	4,230,631	4,768,000	4,900,000	5,038,000	5,181,000	5,330,000
OTHER REVENUE AND EXPENSE									
INTEREST/GRANTS/MISC	399	1,332	15,529	20,000	1,000	0	0	0	0
SALE OF ASSETS	17,000		7,000						
	17,399	1,332	22,529	20,000	1,000	0	0	0	0
END WORKING CAPITAL	414,670	578,739	1,498,105	1,653,774	0	0	0	0	0

Transit- Revenue Assumptions

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

Interest: 3.50% OF PREVIOUS YEARS WORKING CAPITAL

Transit- Expense Assumptions

Salaries:		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
CUE	7/1	0.00%	0.00%	1.70%	3.40%	3.40%	3.40%
Additional Employees							

Extra Help:

Overtime: INCREASE BY PREVIOUS THREE YEAR CPI 3.40%

Retirement:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	14.658%	14.410%	14.200%	14.200%	14.200%	14.200%

Health: INCREASE PER YEAR 10.00%

Other Benefits:

-RETIREMENT	14.658%	OF EXTRA HELP	
-WORKERS COMP	9.340%	OF SALARIES	1.87% FOR ADMIN
-MEDICARE	1.450%	OF SALARIES and EXTRA HELP	
-DEFERRED COMP/SICK LEAVE INCENTIVE/OTHER	5.250%	OF SALARIES	

Other SMS: INCREASE BY AVERAGE PREVIOUS 3 YEAR CPI 3.40%

Capital Outlay: BASED ON BEST ESTIMATES FOR BUSES AND OTHER ADJUSTED BY 3 YEAR AVERAGE CPI 3.40%

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EXHIBIT B

PROJECTION ASSUMPTIONS

GENERAL FUND

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

	10-YR Average	Projected 2009/10	Projected 2010/11	Projected 2011/12	Projected 2012/13
Residential Units (Single Family plus Multi Family)	1,000	530	750	1,000	1,000
Assessed Valuation (in Millions)	$310	$164	$233	$310	$310
Population Increase	2,800	1,500	2,100	2,800	2,800

The 2008/09 estimates were derived directly from the "Council Approved Budget" therefore no modifications (projections) were necessary for the 2008/09 fiscal year.

The following are the assumptions used in the projections of revenue and expenditures for the five-year forecast for the General Fund for the years 2009/10-2012/13:

REVENUE ASSUMPTIONS

Property Taxes - will increase by 2% a year plus additional revenue generated by increases in assessed value resulting from new construction. In 2009/10 new construction is projected to offset the devaluation of existing properties and only the 2% regular growth is projected.

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

Community Facilities Fee - flat per unit fee based on new residential units falling within the community facilities district at $193 per unit increased annually by CPI.

Sales Tax - Sales taxes grows by the five-year CPI average annual increase plus a per capita amount for additional population. The sales taxes are adjusted for the shift of the County's share of the annual sales tax resulting from the tax sharing agreement with Fresno County. In 2009/10 no adjustment is being projected for additional population and in 2010/11 an additional amount has been added for the Clovis/Herndon Shopping Center (Wal-Mart).

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

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

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

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

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

Interest - Interest is calculated at 3.50% on the prior year's ending fund balance plus contingency reserve, with a minimum of $50,000 per year.

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

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

State Grants - State Grants are projected based on the past 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 new residential units 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/mileage projected in the enterprise funds.

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

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

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

EXPENDITURE ASSUMPTIONS

Staffing – For Safety is projected to be returned to the level of 1.20 safety personnel per 1,000 population for police and 0.76 safety personnel per 1,000 population for fire beginning in 2009/10. The projection includes additional staffing to maintain these levels through 2012/13. For non-safety personnel pre-2008 levels are returned beginning in 2010/11 with no new personnel added beyond the restoration of previous positions.

Salaries - Salaries increases for all groups are projected at ½ the three-year average annual CPI in 2009/10 and at the three-year average annual CPI thereafter.

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 10% per year.
- *Retirement* – Retirement costs are based on actual rates from PERS for 2008/09, estimated rates from PERS for 2009/10, and rates are projected to remain flat for the future years.
- *Worker's Compensation* – For 2008/09 workers' compensation is based on the budgeted rate. For 2009/10-2012/13 the rate has been projected to increase by 10% annually for each category of employees.
- *Medicare and Unemployment* - Medicare is projected at 1% of salaries and Unemployment is projected at 0% of salaries because the City is self-insured and has sufficient reserves for this limited expenditure.
- *Deferred Compensation and Sick Leave Incentive* - Deferred compensation is projected at 2% of non-safety salaries and sick leave incentive is projected at 1% of total salaries. An additional 1% of salaries have been added for other benefits.

Services, Materials, and Supplies - Services, materials, and supplies are projected to increase by one half of the three-year average annual CPI. Also, in 2008/09 significant cuts were made to fleet replacement charges and training for both safety and non-safety departments. In public safety one half of these charges are reinstated in 2009/10 and the full amount is reinstated in 2010/11. In non-safety one half is reinstated in 2010/11 and the full amount is reinstated in 2011/12.

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

TRANSFER ASSUMPTIONS

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

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

RESERVE ASSUMPTIONS

Contingency Reserve - The reserve established for emergencies. In 2008/09 this reserve is projected to be 5% of expenditures. Council established goal is from 5%-10% of expenditures. Throughout the forecast period the reserve is increasing 1% per year in 2009/10-2011/12 and 2% in 2012/13 to bring the reserve to 10%.

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