City of
Grover Beach

# General Fund
# Five-Year Fiscal Forecast: 2017-22

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**William C. Statler**

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

# General Fund Five Year Fiscal Forecast: 2017-22

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# INTRODUCTION

## OVERVIEW

### Background

This report is in response to the City of Grover Beach's interest in preparing a General Fund five-year fiscal forecast that assesses its ability to sustain current service levels on an ongoing basis and achieve major City goals. The City anticipates that it will begin the 2017-18 Budget process with Council goal-setting in linking the most important, highest priority things for the City to achieve in the near term with the resources needed to do so. The forecast will provide important context about the City's fiscal condition and outlook in conjunction with the goal-setting and budget process.

Like virtually all other local governments in California, the City has been faced with major fiscal challenges over the past several years in the wake of the worst recession since the Great Depression, compounded by the dissolution of redevelopment agencies, which was a key funding source for community investments.

Making good resource decisions in the short term as part of the budget process requires considering their impact on the City's fiscal condition down the road. Developing good solutions requires knowing the size of the problem the City is trying to solve: in short, the City cannot fix a problem it hasn't defined. And in this economic and fiscal environment, looking only one year ahead has the strong potential to misstate the size and nature of the fiscal challenges – and opportunities – ahead of the City.

For those local agencies that have prepared longer-term forecasts and follow-on financial plans, this did not magically make their fiscal problems disappear: they still had tough decisions to make. However, it allowed them to better assess their longer-term outlook, more closely define the size and duration of the fiscal challenges facing them, and then make better decisions accordingly for both the short and long run. This will be true for the City as well.

In December 2016, the City contracted with William C. Statler to prepare the General Fund Five-Year Fiscal Forecast for the General Fund. (An overview of consultant qualifications is provided in the Appendix.)

### Forecast Purpose and Approach

The purpose of the forecast is to identify the General Fund's ability over the next five years – on an "order of magnitude" basis – to continue current services in light of the worst recession since the Great Depression and the dissolution of redevelopment agencies, combined with other fiscal circumstances unique to the City.

The forecast does this by projecting ongoing revenues and subtracting from them likely operating, debt service and capital costs in continuing current service levels. If positive, the balance remaining is available to fund "new initiatives" such as implementing capital improvement plan (CIP) goals, addressing unfunded liabilities or improving service levels. On the other hand, if negative, it shows the likely "forecast gap" if the City continues current service levels without corrective action.

***It is important to stress that this forecast is not the budget*.**

It doesn't make expenditure decisions; it doesn't make revenue decisions. As noted above, its sole purpose is to provide an "order of magnitude" feel for the General Fund's ability to continue current service levels and achieve CIP goals.

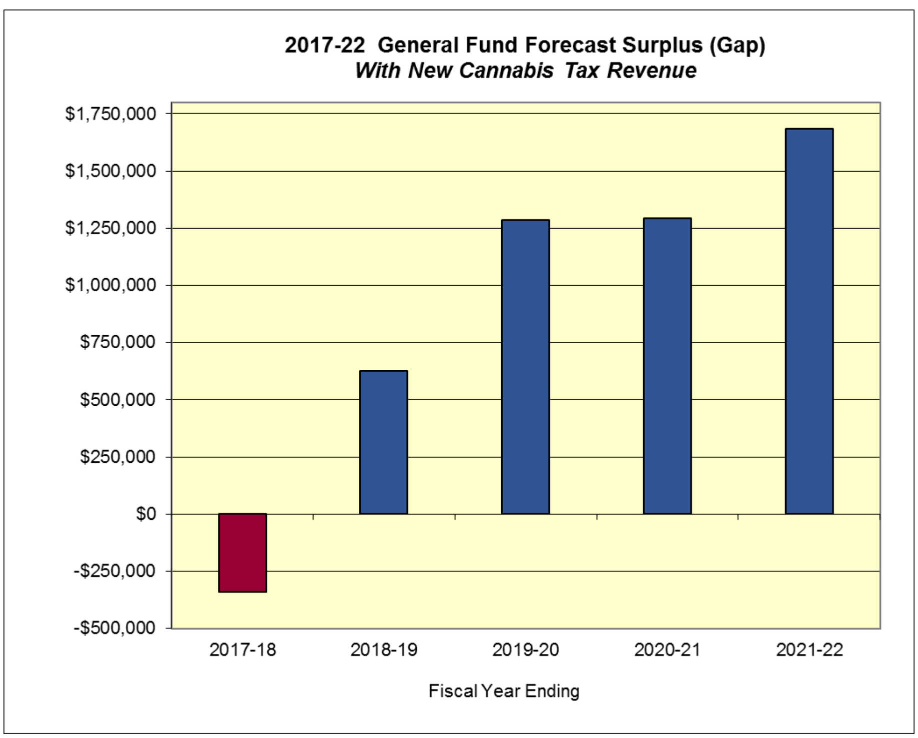
Ultimately, this forecast cannot answer the question: "Can the City afford new initiatives?" This is a basic question of priorities, not of financial capacity per se. However, making trade-offs is what the budget process is all about: determining the highest priority uses of the City's limited resources. And by identifying and analyzing key factors affecting the City's long-term fiscal heath, the forecast can help assess how difficult making these priority decisions will be.

Stated simply, the forecast is not the budget. Rather, it sets forth the challenges – and opportunities – ahead of the City in adopting a balanced budget, next year and beyond.

### SUMMARY OF FORECAST FINDINGS

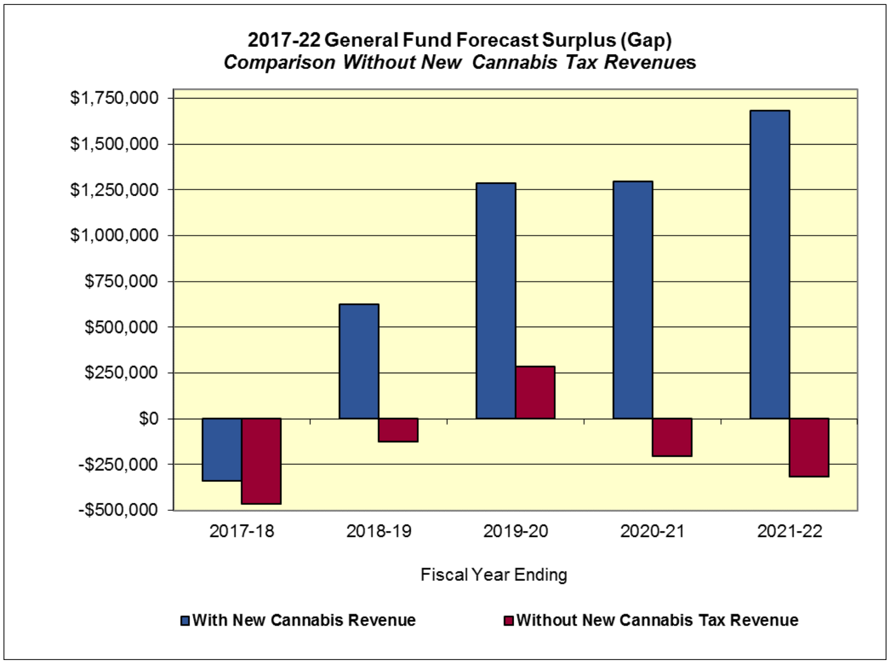
#### The Short Story

- With the cannabis tax at projected levels ($2 million by 2021-22), combined with the City's strong current fiscal condition, the General Fund is in very good shape.
- However, without this new revenue source, the General Fund will face challenges over the next five years.




**With New Cannabis Revenues: Favorable Fiscal Outlook.** As shown in the sidebar chart, except for 2017-18, forecast revenues exceed expenditures in every year, increasing to an anuual "surplus" of $1.7 million by 2021-22.

Even in 2017-18, where expenditues are greater than revenues by $338,000, the ending General Fund balance will be above policy targets: 32.7% of operating expenditures compared with the policy target of 20%.




**Without New Cannabis Revenues: Challenging.** The sidebar chart compares the forecast results with what happens if the new cannabis revenues do not materialize as projected.

Instead of projecting a "surplus" by 2021-22 of $1.7 million, the forecast shows a gap of about $300,000, which if uncorrected, will continue to grow.

**Caveat: The Forecast Reflects Cautious Optimism.** As discussed in more detail later in this report, the continued growth in the economy (and related growth in City revenues) is not a sure thing. At 90 months, the nation is now in its third longest period of economic expansion in over 80 years. And it is quickly closing in on the other two: 106 months of sustained economic growth (almost nine years) from 1961 to 1969; and 120 months (ten years) from 1991 to 2001. In short, avoiding a downturn over the next five years would mean setting a new post-Great Depression record for economic expansion.

Accordingly, with prospects of a favorable fiscal outlook, the City should strongly consider using those resources to address its unfunded pension and retiree health liabilities along with needed infrastructure and facility improvements, before expanding operating program costs.

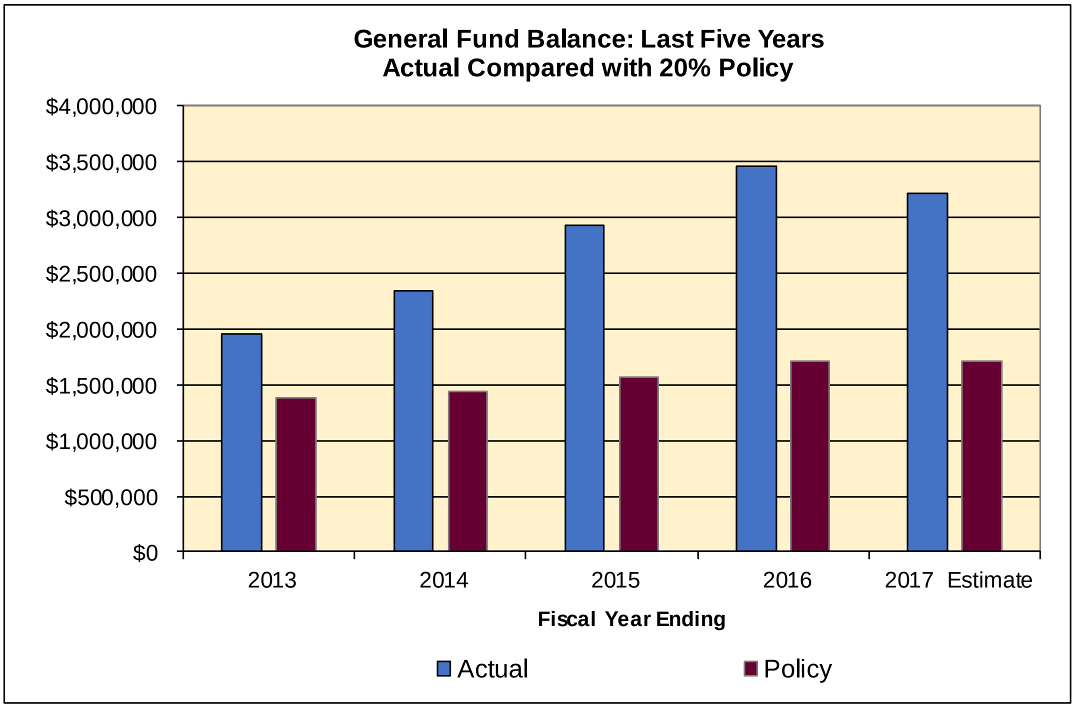
- In the case of unfunded pension and retiree health liabilities, using funds for this purpose will reduce future year costs and reflects an implied 7.0% return on funds compared with current yields of 0.75% from investments in the Local Agency Investment Fund.

- Allocating funds for one-time CIP project costs has the advantage of addressing infrastructure and facility needs, while positioning the City for the next downturn. Stated simply, it is much easier to reduce CIP expenditures than it is to cut operating programs and staff.

## Key Forecast Drivers

Assumptions drive the forecast results, which are detailed on pages 11 to 14. Stated simply, if the assumptions change, the results will change. The key drivers underlying the forecast results include:

***Current Strong Financial Condition.*** The following chart shows the City's General Fund balance for the past five years compared with the City's minimum fund balance policy of 20% of operating expenditures.




As reflected in this chart, the General Fund ending balance exceeds the target in all five years.

***State Budget Outlook.*** Over the past twenty-five years, the greatest fiscal threat to cities in California has not been economic downturns, dotcom meltdowns or corporate scandals, but rather, State takeaways. These included 20% reductions in property tax revenues in transferring revenues to schools via the Education Revenue Augmentation Fund (which in turn allowed the State to reduce its funding to schools by a commensurate amount), property tax administration fees, unfunded State mandates and most recently, dissolution of redevelopment agencies. These takeaways were on top of the fiscal challenges facing cities in light of their own revenue declines and cost pressures.

Fortunately, due to an improving economy combined with tax increases, constrained spending and more prudent fiscal policies (including required contributions to reserves), the State is in its best financial condition in many years. Accordingly, there are no further takeaways on the horizon – but neither are there any suggested restorations of past takeaways.

That said, while there are added constitutional protections in place since the last State raids on local finances, five years is a long time for the State to leave cities alone.

***Revenues.*** Based on trends for the past five years (detailed on pages 25 to 27, it is clear the City has recovered from the Great Recession. The forecast generally assumes continued growth in the City's top five revenues – property tax, sales tax, franchise fees, transient occupancy tax (TOT) and utility users tax. Together, these five sources account for 85% of General Fund revenues (excluding interfund transfers).

Additionally, the City's base for these revenues is projected to grow from three new projects during the next five years:

- New cannabis tax revenues (growing to $2.0 million annually by 2021-22).

- New TOT revenues from the 130-room Holiday Inn (starting at $300,000 in 2018-16 and growing to $422,000 by 2021-22.

- Net new revenues beginning in 2020-21 of $476,000 from the 150-unit Grover Beach Lodge: $430,000 from TOT; $60,000 from property tax; and $30,000 from sales tax. This is net of rent deferred payments from the tenant (Pacifica) that will not be received during the five-year forecast period but will be received in the future. However, as discussed below under debt service costs/repayments, there are significant offsetting obligations associated with this project.

***Expenditures.*** There are four key expenditure assumptions reflected in the forecast, which are described in greater detail on pages 11 and 12.

- The 2016-17 Budget is the "baseline" for the forecast. From this, operating costs are projected to increase by inflation (projected at 2% annually), excluding retirement costs.

- Significant increases in retirement costs are assumed based on projections provided by the California Public Employees Retirement System (CalPERS).

- CIP expenditures are based on the City's adopted five-year plan in the 2016-17 Budget. As noted below, this includes funding as follows for the Grover Beach Lodge project:

| Project Costs | |
|---|---|
| Conference Center | 5,000,000 |
| Public Improvements | 4,500,000 |
| Total Project Costs | 9,500,000 |

| Project Funding Sources | |
|---|---|
| State Contribution | 500,000 |
| General Fund | 700,000 |
| Water Fund | 600,000 |
| Utility Undergrounding Fund | 200,000 |
| Debt Financing | 7,000,000 |
| Other Funds | 500,000 |
| Total Project Funding Sources | 9,500,000 |

- The most significant debt service cost assumption is $864,000 in debt service costs for the $7 million debt financing related to the Grover Beach Lodge project, which begins in 2020-21. Other debt service costs/repayments include the current annual debt service obligations of $48,500 ($23,500 for repayment of State loan to fund energy saving projects and $25,000 for the lease-purchase of a fire engine). New debt service costs/repayments also include $25,000 for the lease-purchase of a second fire engine beginning in 2017-18; annual repayments of $95,900 for the advance from the Wastewater Fund for the Broadband project beginning in 2017-18; and annual payments of $44,000 for deferred development impact fees related to the Grover Beach Lodge beginning in 2020-21.

### Forecast Gap vs Budget Deficit

In those years where expenditures are greater than revenues, this forecast does not project a "budget deficit." A projected "forecast gap" is not the same as a "budget deficit." The City will have a budget deficit only if it does nothing to take corrective action. However, by looking ahead and making the tough choices necessary "*today*" to close any projected *future* gaps, the City will avoid incurring real deficits.

## GENERAL FISCAL OUTLOOK

### Economic Overview

***Where We Are Today***

We have seen consistent growth nationally and in the State for more than six years.

- National unemployment is 4.7%, down from peak of 10.0%.
- California unemployment is 5.2%, down from peak of 12.2%.
- The stock market has rebounded strongly: the Dow Jones Industrial Average has increased from a low in March 2009 of 6,500 to historic highs of more than 20,700; and at over 2,300, the S&P 500 is also at historically high levels.
- Corporate earnings are up, with record highs nationally.
- The banking system is healthier.
- Interest rates continue to be low by historic standards (although access to credit is tougher).
- Housing prices have recovered (although this has resulted in affordability challenges).

***Where We're Headed***

While there is uncertainty, many economists do not see significant economic storm clouds on horizon for the nation or the State.

- The Legislative Analyst's Office (LAO) – one of the most credible sources on State economic and fiscal issues – assumes modest growth nationally and strong economic performance in the State through 2018.

- Beacon Economics – also highly regarded for its State and regional economic forecasts – sees State unemployment staying below 5.5% though 2018, with continuing (albeit modest) growth in employment, personal income and taxable retail sales.

However, as noted above, at 90 months, we are now in the third longest period of economic expansion in over 80 years; and closing in on the other two. It's also worth noting that there have been ten recessions between 1948 and today.

Stated simply, we're due for a downturn. Based on long-term trends, there is reasonable likelihood that we will experience some level of economic downturn over the next five years. Avoiding this would mean setting a new post-Great Depression record for economic expansion.

**What this means for the City.** Property tax, sales tax and transient occupancy tax (TOT) revenues account for about 80% of General Fund revenues. These are driven by performance of the local economy, which in turn is driven by the interrelated performance of the regional, state and national economies. While no significant economic downturns that will impact key General Fund revenues are projected in the forecast, this is not a sure thing.

## BASIC FORECAST FRAMEWORK

### Background

There are two basic approaches that can be used in preparing and presenting forecasts: developing one forecast based on one set of assumptions about what is believed to be the most likely outcome; or preparing various "scenarios" based on a combination of possible assumptions for revenues and expenditures. This forecast uses the "one set of assumptions" approach as being the most useful for policy-making purposes. However, the financial model used in preparing this forecast can easily accommodate a broad range of "what if" scenarios. As noted earlier, this report does include "what if" the new cannabis tax revenues do not materialize.

### Demographic and Financial Trends

The past doesn't determine the future. However, if the future won't look like the past, we need to ask ourselves: why not? How will the future be different than the past, and how will that affect the City's fiscal outlook? Accordingly, one of the first steps in preparing the forecast is to take a detailed look at key demographic, economic and fiscal trends over the past ten years.

A summary of key indicators is provided in the *Trends* section of this report beginning on page 19. Areas of particular focus included:

- ***Demographic and Economic Trends.*** Economic trends, housing, population and inflation as measured by changes in the consumer price index (CPI).

- ***Revenues Trends.*** Focused on the City's top five General Fund revenues – property taxes, sales taxes, franchise fees, TOT and utility user taxes – which together account for about 85% of total General Fund revenues.

- ***Expenditure Trends.*** Overall trends in key expenditure areas, including police costs, insurance, pensions and debt service.

### Forecast Assumptions

As noted above, assumptions drive the forecast results. Sources used in developing forecast projections include:

- Long and short-term trends in key City revenues and expenditures.
- Economic trends as reported in the national media.
- Statewide and regional economic forecasts prepared by the University of California, Los Angeles, California Economic Forecast and Beacon Economics.
- Economic and fiscal information developed by the State Legislative Analyst (LAO), State Department of Finance and State Controller.
- Fiscal and legislative analysis by the League of California Cities.
- Analysis by the City's sales tax advisor (MuniServices).
- Five-year employer contribution rate projections prepared by CalPERS.

Ultimately, working closely with City staff, the forecast projections reflect our best judgment about performance of the local economy during the next five years, and how these will affect General Fund revenues and expenditures. A detailed discussion of the assumptions used in the forecast begins on page 11.

### What's Not in the Forecast

***Grant Revenues.*** The forecast does not reflect the receipt of any "competitive" grant revenues over the next five years. However, based on past experience, it is likely that the City will be successful in obtaining grants for either operating or capital purposes. However, these are typically for restricted purposes that meet the priorities of the granting agency, which are not necessarily the same as the City's. Moreover, experience shows given federal and state budget challenges, the amount of available grant funding is more likely to decline over the next five years than increase.

***Operating or CIP Needs Not Funded in the 2016-17 Budget***. It is likely that there are City needs that are not reflected in the 2016-17 Budget.

***Development Impact Fee Revenues.*** These can only be used to fund the cost of facilities in meeting the needs of new development.

### What's Most Likely to Change?

By necessity, the forecast is based on a number of assumptions. The following summarizes key areas where changes from forecast assumptions are most likely over the next five years:

***Top Revenue Projections.*** These are directly tied to the performance of the local economy, which in turn is driven by the interrelated performance of the regional, state and national economies. As noted above, no significant economic downturns that will impact key General Fund revenues are projected in the forecast. However, it bears repeating that this is not a sure thing.

***Revenue Projections from New Development.*** Stated simply, these may be less than projected. In the case of the Grover Beach Lodge, while the revenues are subject to the local market and performance of the overall economy, the obligations that City will incur for debt service for this project are not subject to changes in the economy.

***New Cannabis Tax Revenues.*** The favorable fiscal outlook reflected in the forecast is largely based on projected revenues from this voter-approved source. It may take longer to ramp-up than projected; and even when fully implemented, revenues may be less than estimated.

2/23/2017 Donald Trump plans to go after recreational marijuana use | The Sacramento Bee

NATIONAL FEBRUARY 23, 2017 3:24 PM

Trump administration plans crackdown on recreational marijuana

BOOKMARK FOR LATER MY BOOKMARKS

BY ANITA KUMAR AND ROB HOTAKAINEN
*McClatchy Washington Bureau*

WASHINGTON — President Donald Trump's administration said on Thursday for the first time that it will crack down on marijuana sales in states that have approved recreational pot use.

White House Press Secretary Sean Spicer said the Department of Justice will pursue enforcement of federal law against recreational use, but not medical use. The statement marked a major break with the Obama administration's hands-off approach to the growing marijuana legalization movement.

"I do believe that you'll see greater enforcement," Spicer told reporters at his daily briefing. "Because again there's a big difference between the medical use ... that's very different than the recreational use, which is something the Department of Justice will be further looking into."

The decision is certain to provoke a fight with the states that have legalized recreational marijuana. Those states are Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon and Washington and the District of Columbia.

Lastly, this revenue source depends on the continuation of the past Administration's policy of allowing the sale of marijuana in States that adopt reasonable regulatory measures. Based on the February 24, 2017 headline in the Sacramento Bee, there is a strong possibility that this policy may not be continued by the Trump Administration.

***Insurance Costs.*** Consistent with the general forecast assumption of using the 2016-17 Budget as the "baseline," the forecast assumes that general liability and workers' compensation and property insurance costs will grow by inflation (2% annually). However, in the past this has been a volatile cost for many cities in California (and the City's experience has shown the potential for wide swings as well). While loss experience plays a role, higher costs can also be incurred resulting from volatility in the financial markets. This can often have a far greater impact on insurance costs than actuarial loss experience.

***Retirement Costs.*** The forecast uses CalPERS' rate projections for the next five years. While this is a reasonable assumption, experience has shown the potential for unexpected steep increases in employer contribution costs.

***Unfunded Retiree Health Care Benefits.*** At this point, it appears that the City has modest retiree health care benefits, which it currently funds on a pay-as-you-go (cash) basis. However, staff plans to contract in the near future with an independent actuary to better assess its retiree health care obligations. After this assessment is completed, the City will have a better understanding of its long-term obligations and whether it makes sense to pre-fund these costs on an actuarial basis.

## CONCLUSION

The forecast shows that largely due to the new revenues generated from cannabis taxes, the City's fiscal outlook is favorable. This is the case even with increasing pension costs and funding obligations for the Grover Beach Lodge project. On the other hand, there are challenges ahead if this new revenue does not materialize as projected.

Accordingly, given the uncertainties ahead, it is recommended that the City strongly consider using those favorable resources for "one-time" purposes, such as addressing its unfunded pension and retiree health liabilities, and needed infrastructure and facility needs, before expanding operating program costs.

# KEY ASSUMPTIONS

**DEMOGRAPHIC TRENDS**

**Population.** Based on recent trends, no change in population (either up or down) is projected to materially affect revenues or expenditures over the next five years.

**Inflation.** Based on long-term trends and projections in recent statewide and regional forecasts, inflation – as measured by the consumer price index (CPI) – grows by 2% annually throughout the forecast period.

**ECONOMIC OUTLOOK**

At 90 months, the nation is now in its third longest period of economic expansion in over 80 years. And it is quickly closing in on the other two: 106 months of sustained economic growth (almost nine years) from 1961 to 1969; and 120 months (ten years) from 1991 to 2001. In short, avoiding a downturn over the next five years would mean setting new post-Great Depression record for economic expansion. Nonetheless, many economists do not see significant economic storm clouds on horizon for the nation or the State. Accordingly, no significant economic downturns that will impact key General Fund revenues are projected in the forecast. However, this is far from a sure thing.

**EXPENDITURES**

**Operating Costs.** The adopted 2016-17 Budget is the “baseline” for the forecast operating expenditures. From this, operating costs are projected to increase by inflation (projected at 2% annually), with the notable exception of retirement costs. Based on projections provided by the California Public Employees Retirement System (CalPERS), these costs are projected to rise significantly. Accordingly, detailed cost projections based on factors provided by CalPERS have been separately calculated.

The underlying factors driving the increases are described in the *Trends* section of this report beginning on page 29. Based on these factors, the detail calculations for projecting retirement costs are provided on page 17.

The forecast assumption of 2% for operating cost increases (aside from retirement costs) based on CPI is lower than past trends. This is based on the following factors:

- In preparing and reviewing expenditure trends, special attention was focused separately on key “external” drivers like insurance and CalPERS retirement costs. Based on past trends for general liability and workers’ compensation insurance costs (pages 28 and 29), these expenditures appeared to have stabilized and are not expected to exceed the CPI assumption.

- In the case of retirement costs, as noted above, these were prepared separately based on rate and cost information provided by CalPERS.

- After accounting for these two key external drivers, the remaining costs are largely within the control of the City. Staffing costs account for about two-thirds of operating expenditures. Setting aside retirement and insurance costs, which are accounted for separately as discussed above, other staffing costs rise (or fall) based on one of two factors: authorized staffing levels and compensation. Both are within the control of the City. Since this report is a forecast and not the Budget, CPI is a reasonable basis for projecting costs.

Accordingly, given the underlying assumptions of current service levels (and thus staffing), the forecast projects that core operating costs will increase from the 2016-17 baseline by projected increases in the CPI.

**Capital Improvement Plan (CIP) Expenditures.** CIP expenditures are based on the City's adopted five-year plan in the 2016-17 Budget. It also includes the two projects classified as "unfunded" in the CIP:

- $350,000 for the Ramona Square Parking Lot in 2017-18.

- Funding for the Grover Beach Lodge project as follows:

| Project Costs | |
|---|---|
| Conference Center | 5,000,000 |
| Public Improvements | 4,500,000 |
| Total Project Costs | 9,500,000 |

| Project Funding Sources | |
|---|---|
| State Contribution | 500,000 |
| General Fund | 700,000 |
| Water Fund | 600,000 |
| Utility Undergrounding Fund | 200,000 |
| Debt Financing | 7,000,000 |
| Other Funds | 500,000 |
| Total Project Funding Sources | 9,500,000 |

The $700,000 for the direct funding of the project is spread evenly between 2017-18 and 2018-19 ($350,000 each year). Costs for the debt financing portion are discussed below.

**Debt Service/Repayments.** Debt service costs/repayments cost assumptions include:

- $864,000 in debt service costs beginning in 2020-21 for the $7 million debt financing related to the Grover Beach Lodge project.

- Current annual debt service obligations of $48,500: $23,500 for repayment of State loan to fund energy saving projects and $25,000 for the lease-purchase of a fire engine.

- New debt service costs/repayments of $25,000 for the lease-purchase of a second fire engine beginning in 2017-18.

- Annual repayments of $95,900 for the advance from the Wastewater Fund for the Broadband project beginning in 2017-18.

- Annual payments of $44,000 for deferred development impact fees related to the Grover Beach Lodge beginning in 2020-21.

**INTERFUND TRANSFERS**

Transfers in and out are based on the 2016-17 Budget and increase annually based on changes in the CPI (2% per year).

# KEY ASSUMPTIONS

**STATE BUDGET ACTIONS**

The forecast assumes no added cuts nor restoration of past cuts to cities. governments.

**REVENUES**

Sources used in developing revenue projections for the forecast include:

- Long and short-term trends in key City revenues and expenditures.
- Economic trends as reported in the national media.
- State and regional economic forecasts prepared by the University of California, Los Angeles; California Economic Forecast; and Beacon Economics.
- Economic and fiscal information developed by the State Legislative Analyst (LAO), State Department of Finance and State Controller.
- Fiscal and legislative analysis by the League of California Cities.
- Analysis by the City's sales tax advisor (MuniServices).

Ultimately, however, in close consultation with City staff, the forecast projections reflect our best judgment about the State budget process and the performance of the local economy during the next five years and how these will affect General Fund revenues.

***Top Five Revenues***

The following describes the assumptions for the "Top Five" revenues in the forecast, which account for 85% of total projected General Fund revenues.

**Property Tax.** This revenue source is driven by changes in assessed value. Following strong growth for the last two years, the forecast assumes modest "baseline" growth throughout the forecast period as follows:

| | |
|---|---|
| 2017-18 | 4.0% |
| 2018-19 | 3.0% |
| 2019-20 | 3.0% |
| 2020-21 | 2.0% |
| 2021-22 | 2.0% |

In addition, the forecast assumes $60,000 in added property tax revenues starting in 2020-21 from the Grover Beach Lodge project.

**Sales Tax.** Following very strong growth in the "1%" general sales tax in 2015-16 (which is believed to be due to the phase-out of the "Triple Flip" and the return to "normal" collections; year-to-date collections in 2016-17 reinforce the belief that 2015-16 establishes the base for the future), "baseline" sales tax revenues are projected to increase modestly by inflation (2% annually) throughout the forecast period.

The sales tax base is adjusted downward by $15,000 in 2016-17 due to a business relocation and by $10,000 in 2017-18 to account for increased grocery store competition.

In addition, the forecast assumes $30,000 in added sales tax revenues starting in 2020-21 from the Grover Beach Lodge project.

**Franchise Fees.** Based on long-term trends, these are projected to increase modestly by inflation (2% annually) throughout the forecast period.

**Transient Occupancy Tax.** Transient occupancy taxes (TOT) showed strong growth in the last two years: 13% in 2014-15 and 16% in 2015-16. Solid growth continues into 2016-17 based on year-to-date results. Based on this, modest increases in the "baseline" revenues are projected for the next five years:

| | |
|---|---|
| 2017-18 | 4.0% |
| 2018-19 | 2.0% |
| 2019-20 | 2.0% |
| 2020-21 | 2.0% |
| 2021-22 | 2.0% |

In addition, the forecast assumes new growth in TOT revenues from two new hotel projects:

- TOT revenues from the 130-room Holiday Inn (starting at $300,000 in 2018-16 and growing to $422,000 by 2021-22).

- TOT revenues of $430,000 from the 150-room Grover Beach Lodge beginning in 2020-21. However, as discussed previously under debt service costs/repayments, there are significant offsetting obligations associated with this project.

**Utility User Taxes.** Based on long-term trends, these are projected to increase modestly by inflation (2% annually) throughout the forecast period.

***New Cannabis Tax Revenues***

Based on initial analyses, these are projected to generate new revenues as follows:

| | |
|---|---|
| 2017-18 | $125,000 |
| 2018-19 | $750,000 |
| 2019-20 | $1,000,000 |
| 2020-21 | $1,500,000 |
| 2021-22 | $2,000,000 |

***Other Revenues***

These are projected to remain flat or grow modestly by inflation (2%) during the forecast period, with one exception: a one-time payment of $190,000 is projected from the County for the PG&E Diablo Canyon settlement in 2017-18.

# GENERAL FUND FIVE YEAR FISCAL FORECAST: 2017-2022

| | 2014-15 | 2015-16 | 2016-17 | | FORECAST | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Actual | Actual | Budget | Revised | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| **REVENUES** | | | | | | | | | |
| Taxes and Franchise Fees | | | | | | | | | |
| Property Tax | 3,969,000 | 4,131,000 | 4,028,500 | 4,358,200 | 4,532,500 | 4,668,500 | 4,808,600 | 4,964,800 | 5,064,100 |
| Sales Tax | | | | | | | | | |
| General: 1% | 935,800 | 1,215,000 | 1,220,800 | 1,224,300 | 1,238,800 | 1,263,600 | 1,288,900 | 1,344,700 | 1,371,600 |
| Measure X: 1/2% | 695,100 | 747,000 | 687,800 | 761,900 | 777,100 | 792,600 | 895,500 | 913,400 | 931,700 |
| Franchise Fees | 509,600 | 523,300 | 530,000 | 533,800 | 544,500 | 555,400 | 566,500 | 577,800 | 589,400 |
| Transient Occupancy Tax | 314,300 | 363,400 | 346,500 | 381,600 | 396,900 | 704,800 | 805,900 | 1,252,000 | 1,277,000 |
| Utility Users Tax | 152,800 | 151,700 | 152,000 | 154,700 | 157,800 | 161,000 | 164,200 | 167,500 | 170,900 |
| Cannabis Tax | | | | | 125,000 | 750,000 | 1,000,000 | 1,500,000 | 2,000,000 |
| Other Taxes | 134,400 | 135,200 | 132,500 | 137,900 | 140,700 | 143,500 | 146,400 | 149,300 | 152,300 |
| From Other Governments | 185,100 | 65,800 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 |
| Licenses and Permits | 255,700 | 302,000 | 335,900 | 355,900 | 363,000 | 370,300 | 377,700 | 385,300 | 393,000 |
| Service Charges | 473,600 | 465,800 | 349,000 | 349,000 | 356,000 | 363,100 | 370,400 | 377,800 | 385,400 |
| Use of Money and Property | 243,400 | 296,000 | 262,100 | 262,100 | 262,100 | 262,100 | 262,100 | 262,100 | 262,100 |
| Other Revenues | 130,300 | 187,600 | 62,000 | 62,000 | 252,000 | 62,000 | 62,000 | 62,000 | 62,000 |
| **Total Revenues** | **7,999,100** | **8,583,800** | **8,140,100** | **8,614,400** | **9,179,400** | **10,129,900** | **10,781,200** | **11,989,700** | **12,692,500** |
| **EXPENDITURES** | | | | | | | | | |
| Operating Programs | 7,670,500 | 8,270,000 | 8,589,500 | 8,589,500 | 8,827,700 | 9,147,700 | 9,512,500 | 9,812,200 | 10,136,700 |
| Debt Service/Advance Repayment | 25,600 | 25,600 | 47,500 | 47,500 | 168,400 | 168,400 | 168,400 | 1,076,500 | 1,075,000 |
| Capital Improvement Plan | 143,500 | 245,000 | 1,066,400 | 1,066,400 | 930,000 | 605,000 | 240,000 | 240,000 | 240,000 |
| **Total Expenditures** | **7,839,600** | **8,540,600** | **9,703,400** | **9,703,400** | **9,926,100** | **9,921,100** | **9,920,900** | **11,128,700** | **11,451,700** |
| **OTHER SOURCES (USES)** | | | | | | | | | |
| Transfers In | | | | | | | | | |
| Cost Allocation Reimbursements | 422,200 | 430,600 | 431,700 | 431,700 | 440,300 | 449,100 | 458,100 | 467,300 | 476,600 |
| Broadband Project Wastewater Fund Advance | | | 452,000 | 452,000 | | | | | |
| Other Transfers In | 47,300 | 119,500 | 68,500 | 68,500 | 69,900 | 71,300 | 72,700 | 74,200 | 75,700 |
| Transfers Out | (38,600) | (65,000) | (100,000) | (100,000) | (102,000) | (104,000) | (106,100) | (108,200) | (110,400) |
| **Total Other Sources (Uses)** | **430,900** | **485,100** | **852,200** | **852,200** | **408,200** | **416,400** | **424,700** | **433,300** | **441,900** |
| **Sources Over (Under) Uses** | **590,400** | **528,300** | **(711,100)** | **(236,800)** | **(338,500)** | **625,200** | **1,285,000** | **1,294,300** | **1,682,700** |
| **FUND BALANCE, BEGINNING OF YEAR** | 2,339,800 | 2,930,200 | 3,280,600 | 3,458,500 | 3,221,700 | 2,883,200 | 3,508,400 | 4,793,400 | 6,087,700 |
| **FUND BALANCE, END OF YEAR** | **2,930,200** | **3,458,500** | **2,569,500** | **3,221,700** | **2,883,200** | **3,508,400** | **4,793,400** | **6,087,700** | **7,770,400** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Fund Balance as Percent of Operating Costs** | **38.2%** | **41.8%** | **29.9%** | **37.5%** | **32.7%** | **38.4%** | **50.4%** | **62.0%** | **76.7%** |

*Minimum Fund Balance Policy: 20% of Operating Costs*

## ASSUMPTIONS SUMMARY

| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|---|
| Population | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Inflation | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **REVENUES & OTHER SOURCES** | | | | | | | |
| Property Tax | Current Base | 5.5% | 4.0% | 3.0% | 3.0% | 2.0% | 2.0% |
| | Grover Beach Lodge Project | | | | | 60,000 | |
| Sales Tax | Current Base | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| | Adjustments | (15,000) | (10,000) | | | | |
| | Grover Beach Lodge Project | | | | | 30,000 | |
| Franchise Fees | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Transient Occupancy Tax | Current Base | 5.0% | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| | Grover Beach Lodge Project | | | | | 430,000 | |
| | Holiday Inn Project | | | 300,000 | 87,000 | 18,000 | 19,000 |
| Utility Users Tax | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Cannabis Tax | | | 125,000 | 750,000 | 1,000,000 | 1,500,000 | 2,000,000 |
| Other Taxes | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Licenses & Permits/Service Charges | | Budget | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Payment from County for PG&E Diablo Canyon Settlement (with Other Revenue) | | | 190,000 | | | | |
| All Other Revenues | | Budget | Flat | Flat | Flat | Flat | Flat |
| Transfers In (Excluding Wastewater Advance for Broadband Project) | | Budget | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |

## ASSUMPTIONS SUMMARY

| EXPENDITURES & OTHER USES | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|---|
| Operating Expenditures | | | | | | | |
| CalPERS Payroll Base: Grows by Inflation | Miscellaneous Classic Employees | 1,648,320 | 1,681,300 | 1,714,900 | 1,749,200 | 1,784,200 | 1,819,900 |
| *Payroll Base Excludes Special Funds* | Miscellaneous PEPRA Employees | 99,384 | 101,400 | 103,400 | 105,500 | 107,600 | 109,800 |
| | Police Safety Classic Employees | 1,591,356 | 1,623,200 | 1,655,700 | 1,688,800 | 1,722,600 | 1,757,100 |
| | Police Safety PEPRA Employees | 139,380 | 142,200 | 145,000 | 147,900 | 150,900 | 153,900 |
| | Total CalPERS Payroll Base | 3,478,440 | 3,548,100 | 3,619,000 | 3,691,400 | 3,765,300 | 3,840,700 |
| Normal Contribution Rate | Miscellaneous Classic Employees | 10.069% | 10.110% | 10.100% | 10.100% | 10.100% | 10.100% |
| | Miscellaneous PEPRA Employees | 6.555% | 6.533% | 6.500% | 6.500% | 6.500% | 6.500% |
| | Police Safety Classic Employees | 17.689% | 17.875% | 17.900% | 17.900% | 17.900% | 17.900% |
| | Police Safety PEPRA Employees | 11.153% | 12.082% | 12.000% | 12.000% | 12.000% | 12.000% |
| Adjusted for Assumption Changes | Miscellaneous Classic Employees | 10.069% | 10.110% | 10.850% | 11.600% | 13.100% | 13.100% |
| | Miscellaneous PEPRA Employees | 6.555% | 6.533% | 7.250% | 8.000% | 9.500% | 9.500% |
| | Police Safety Classic Employees | 17.689% | 17.875% | 19.150% | 20.400% | 22.900% | 22.900% |
| | Police Safety PEPRA Employees | 11.153% | 12.082% | 13.250% | 14.500% | 17.000% | 17.000% |
| Normal Contribution Costs | Miscellaneous Classic Employees | 165,969 | 169,979 | 186,067 | 202,907 | 233,730 | 238,407 |
| | Miscellaneous PEPRA Employees | 6,515 | 6,624 | 7,497 | 8,440 | 10,222 | 10,431 |
| | Police Safety Classic Employees | 281,495 | 290,147 | 317,067 | 344,515 | 394,475 | 402,376 |
| | Police Safety PEPRA Employees | 15,545 | 17,181 | 19,213 | 21,446 | 25,653 | 26,163 |
| | Total Normal Contribution | 469,524 | 483,931 | 529,842 | 577,308 | 664,081 | 677,377 |
| Unfunded Accrued Liability Costs | Miscellaneous Classic Employees | 194,701 | 224,387 | 266,648 | 311,243 | 287,195 | 337,869 |
| | Miscellaneous PEPRA Employees | 13 | 94 | 151 | 210 | 258 | 291 |
| | Police Safety Classic Employees | 210,230 | 247,150 | 299,798 | 355,383 | 390,941 | 428,986 |
| | Police Safety PEPRA Employees | 34 | 122 | 281 | 450 | 629 | 776 |
| | Legacy Fire Safety | 15,384 | 18,408 | 22,610 | 26,811 | 28,660 | 30,703 |
| | Total UAL Costs | 420,361 | 490,161 | 589,487 | 694,097 | 707,683 | 798,625 |
| Adjusted for Assumption Changes | Miscellaneous Classic Employees | 194,701 | 224,387 | 274,647 | 311,242 | 330,274 | 405,443 |
| | Miscellaneous PEPRA Employees | 13 | 94 | 155 | 223 | 257 | 349 |
| | Police Safety Classic Employees | 210,230 | 247,150 | 308,792 | 376,706 | 449,582 | 514,783 |
| | Police Safety PEPRA Employees | 34 | 122 | 289 | 47,700 | 723 | 931 |
| | Legacy Fire Safety | 15,384 | 18,408 | 23,288 | 28,420 | 32,959 | 36,844 |
| | Total Adjusted UAL Costs | 420,361 | 490,161 | 607,172 | 764,290 | 813,795 | 958,350 |
| | Total CalPERS Costs | 889,900 | 974,100 | 1,137,000 | 1,341,600 | 1,477,900 | 1,635,700 |
| All Other Operating Costs: Increase by Inflation | | 7,699,600 | 7,853,600 | 8,010,700 | 8,170,900 | 8,334,300 | 8,501,000 |

## ASSUMPTIONS SUMMARY

| EXPENDITURES & OTHER USES | | 2016-17 | - | - | - | - | - |
|---|---|---|---|---|---|---|---|
| Debt Service/Advance Repayment | Current Debt Service | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 | 47,500 |
| | Debt Service for New Fire Engine | | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| | Grover Beach Lodge Project | | | | | 864,100 | 862,600 |
| | Broadband Proj Advance Repayment | | 95,900 | 95,900 | 95,900 | 95,900 | 95,900 |
| | Development Fee Deferral Repayment | | | | | 44,000 | 44,000 |
| Capital Improvement Plan Projects | Budget/Five-Year CIP | 1,066,400 | 255,000 | 255,000 | 240,000 | 240,000 | 240,000 |
| | Grover Beach Lodge Project | | 350,000 | 350,000 | | | |
| | Ramona Square Parking Lot | | 325,000 | | | | |
| Transfers Out | | Budget | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |

# HISTORICAL TRENDS

## DEMOGRAPHIC AND ECONOMIC TRENDS

### General Economic Outlook

**Where We've Been.** The worst recession since the Great Depression officially began in December 2007 and ended in June 2009, which makes it the longest recession since World War II. Beyond its duration, the Great Recession was notably severe in several respects. Real gross domestic product (GDP) fell 4.3% from its peak in in the fourth quarter of 2007 to its trough in the second quarter of 2009, the largest decline in the postwar era.

The following highlights the key impacts of the "Great Recession" in the United States and California:

***Employment***

- The national civilian labor force plummeted: civilian employment dropped by 8.5 million jobs.

- The national unemployment rate doubled from 5.0%, where it was at or below this rate for 30 months before the start of the Great Recession, to 9.5% at its end (and peaking at 10.0% in October 2009).

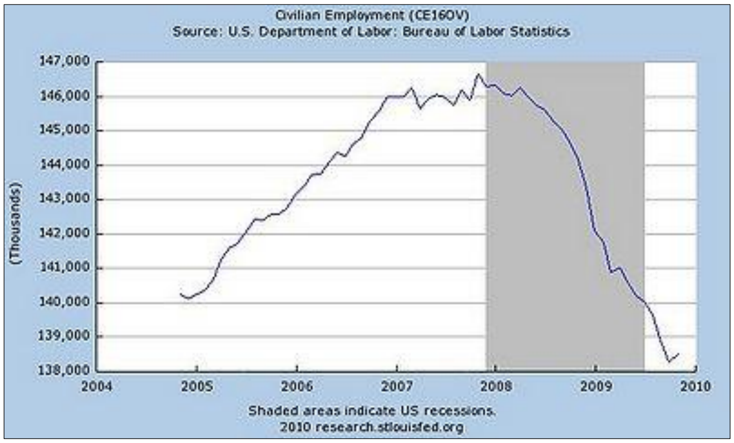
- In California, the impact on unemployment was even worse. The unemployment rate increased from 5.0% at the start of the Great Recession and peaked at 12.2% in October 2010.

***Stock Market***

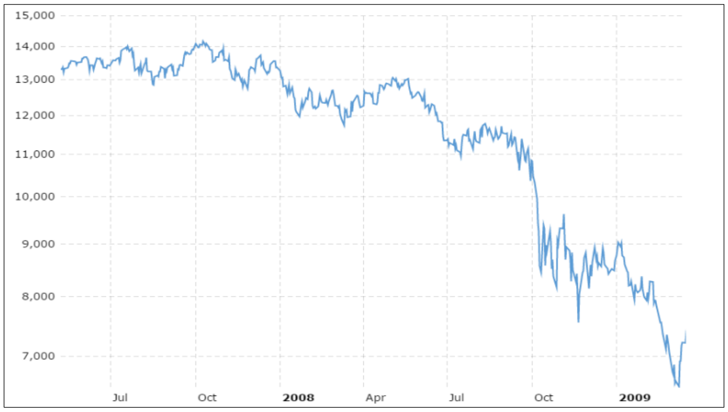
- The Dow Jones Industrial Average lost 46% of its value, falling from 14,100 in October 2007 to 6,500 in March 2009.

- The nation experienced its largest bank failure ever when Washington Mutual collapsed in September 2008.

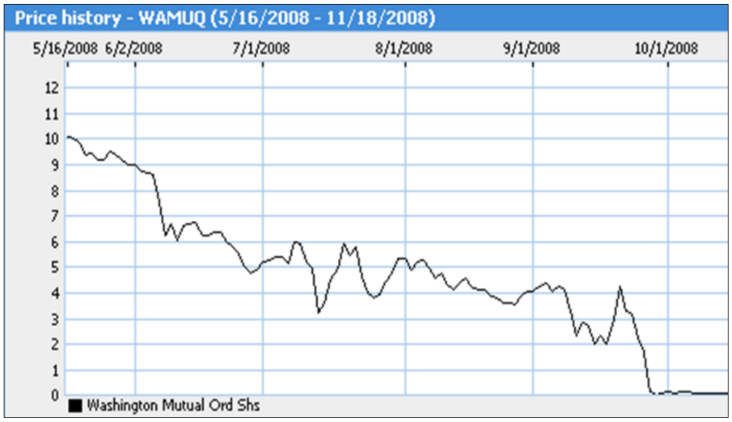
**Civilian Employment**




**Dow Jones Industrial Average**




**Washington Mutual Stock Price**



# HISTORICAL TRENDS

- The failure of Lehman Brothers in October 2008 was a major precursor to the subsequent meltdown in the nation's financial markets.

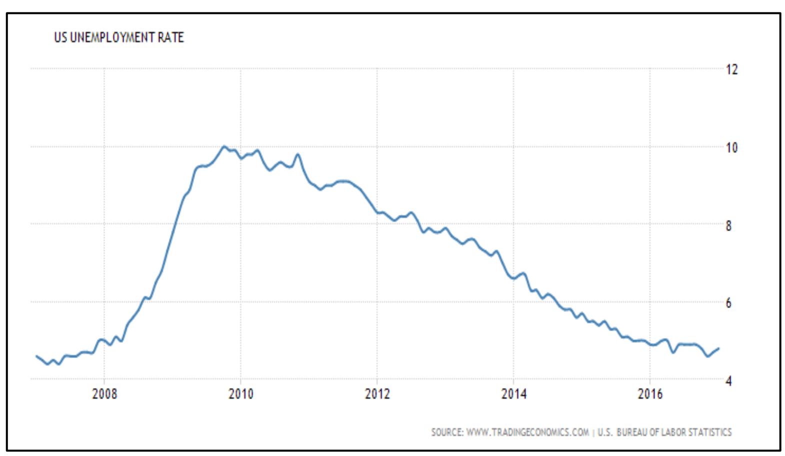
Lehman Brothers Stock Price


- The bankruptcy of AIG, the largest insurance company in the world, reflects financial markets spinning out of control as collateralized default swaps and their other insured financial obligations failed.

AIG Stock Price


**Where We Are Today.** While the recovery has been tepid, the reality is that the national and state economies have been consistently growing for over six years.

- Nationally, the unemployment rate is 4.7% compared with its peak of 10.0%.
- In California, the unemployment rate is 5.2%, down from its peak of 12.2%.
- The stock market has rebounded strongly, with the Dow Jones Industrial Average increasing from its low of 6,500 in March 2009 to historic highs of more than 20,700. And at over 2,300, the S&P 500 index is also at historically high levels.
- The banking system is healthier.




- Interest rates continue to be low by historic standards (although access to credit is tougher).
- And housing prices have recovered (although this has resulted in affordability challenges).

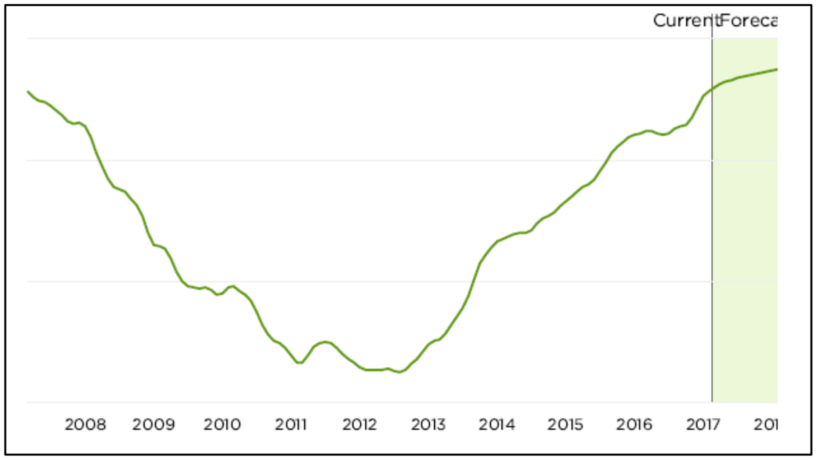
# HISTORICAL TRENDS

### Grover Beach Economic Indicators

The City's economic performance of deep downturns during the Great Recession, followed by recovery, mirrors the national and state experience.

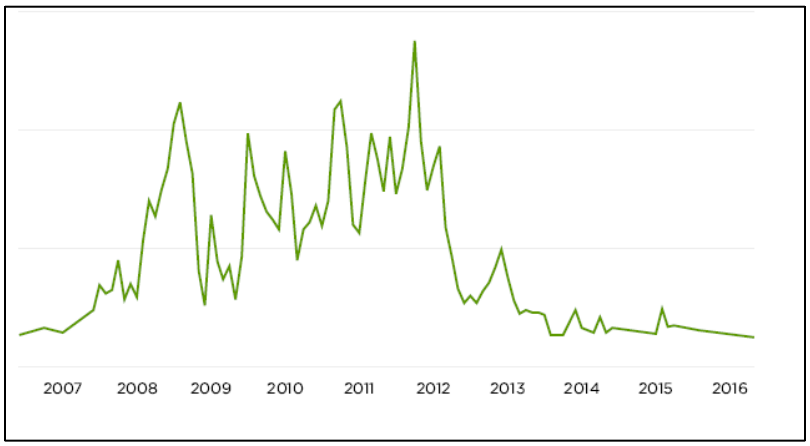
**Grover Beach Median Housing Prices.** This chart shows the impact of the Great Recession, with a huge drop in median housing prices in Grover Beach from $467,000 in February 2007 to a low of $311,000 in July 2012 – a decrease of 33%. However, solid recovery followed, with housing prices recovering by January 2017.

*Source: Zillow.Com*



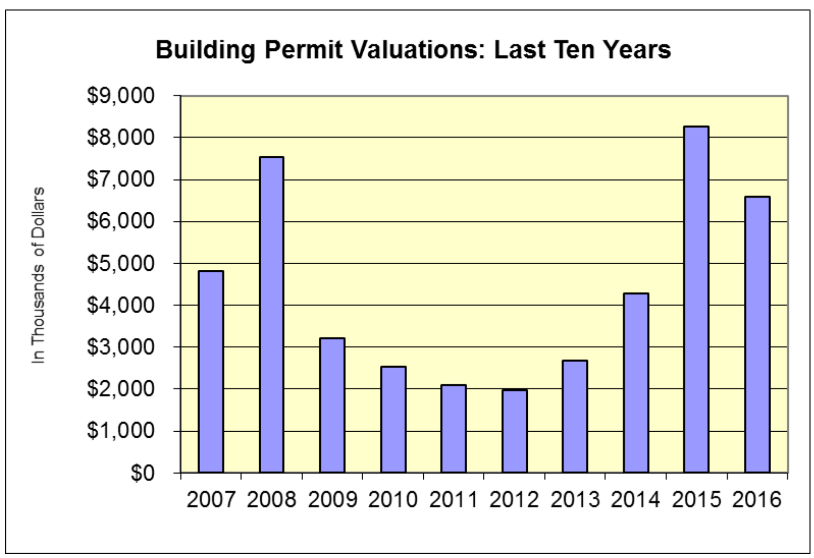

**Grover Beach Mortgage Foreclosures**. The Great Recession impact on housing is also reflected by the increase in monthly foreclosures, which peaked at 26 per month in September 2011. This has dropped to pre-recession levels of about one month.

*Source: Zillow.Com*




| Building Permit Valuations: Last Ten Years | | |
|---|---|---|
| Calendar Year | Value | % Change |
| 2007 | $4,823 | |
| 2008 | 7,526 | 56.0% |
| 2009 | 3,222 | -57.2% |
| 2010 | 2,535 | -21.3% |
| 2011 | 2,090 | -17.6% |
| 2012 | 1,985 | -5.0% |
| 2013 | 2,668 | 34.4% |
| 2014 | 4,283 | 60.5% |
| 2015 | 8,261 | 92.9% |
| 2016 | 6,585 | -20.3% |

*In Thousands of Dollars*




Building permits valuations in Grover Beach also reflect the impact of the Great Recession and recovery beginning in 2013. While valuations of $6.6 million were lower in 2016 compared with 2015, this nonetheless shows marked recovery from 2012, when permit valuations were less than $2.0 million.

*Source: City of Grover Beach, Community Development Department*

# HISTORICAL TRENDS

## Population and Inflation

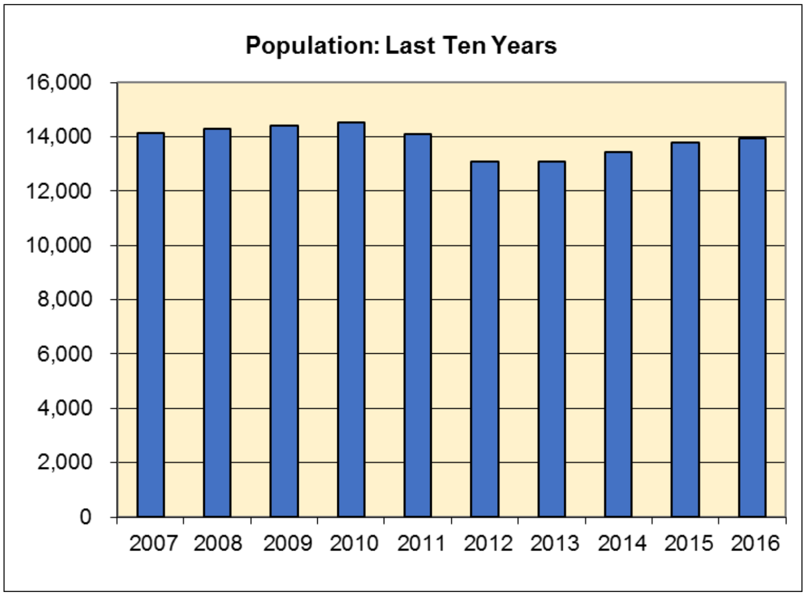
| Population | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2006 | 14,172 | |
| 2007 | 14,123 | -0.3% |
| 2008 | 14,271 | 1.0% |
| 2009 | 14,409 | 1.0% |
| 2010 | 14,528 | 0.8% |
| 2011 | 14,103 | -2.9% |
| 2012 | 13,076 | -7.3% |
| 2013 | 13,099 | 0.2% |
| 2014 | 13,442 | 2.6% |
| 2015 | 13,798 | 2.6% |
| 2016 | 13,928 | 0.9% |

*January 1 of Each Year*

| Average Annual % Change | |
|---|---|
| Last 2 Years | 1.8% |
| Last 5 Years | -0.2% |
| Last 10 Years | -0.1% |

The City's population has remained virtually unchanged for the past ten years.

*Source: State of California, Demographic Research Unit*



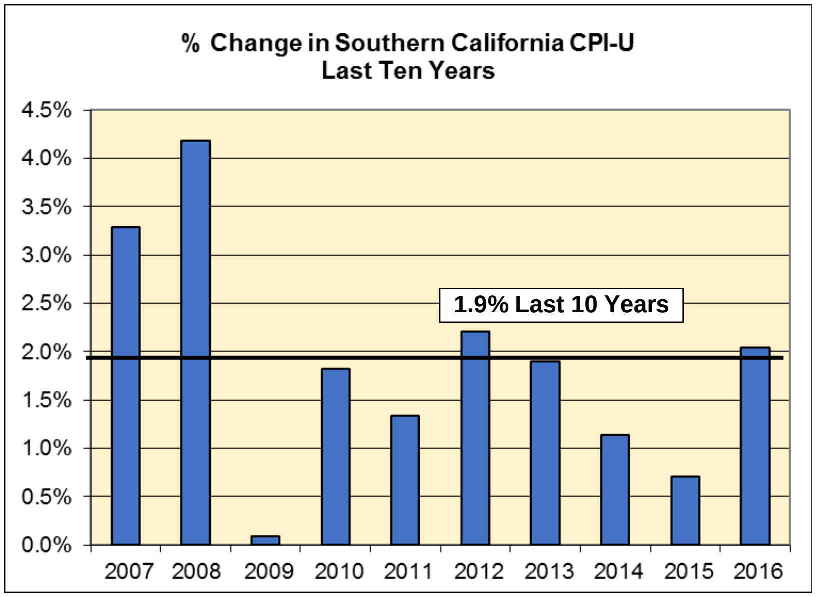

| Consumer Price Index: Southern California | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2006 | 203.9 | |
| 2007 | 210.6 | 3.3% |
| 2008 | 219.4 | 4.2% |
| 2009 | 219.6 | 0.1% |
| 2010 | 223.6 | 1.8% |
| 2011 | 226.6 | 1.3% |
| 2012 | 231.6 | 2.2% |
| 2013 | 236.0 | 1.9% |
| 2014 | 238.7 | 1.1% |
| 2015 | 240.4 | 0.7% |
| 2016 | 245.3 | 2.0% |

*Los Angeles-Riverside-Orange*
*All Urban Consumers, January 1 of Each Year*

| Average Annual % Change | |
|---|---|
| Last 2 Years | 1.4% |
| Last 5 Years | 1.6% |
| Last 10 Years | 1.9% |

**Consumer Price Index.** Changes in the Consumer Price Index for All Urban Consumers (CPI-U) for the Southern California area increased by 2.0% in 2016; and by a similar amount over the past 10 years (1.9%).

*Source: U.S. Bureau of Labor Statistics*



# HISTORICAL TRENDS

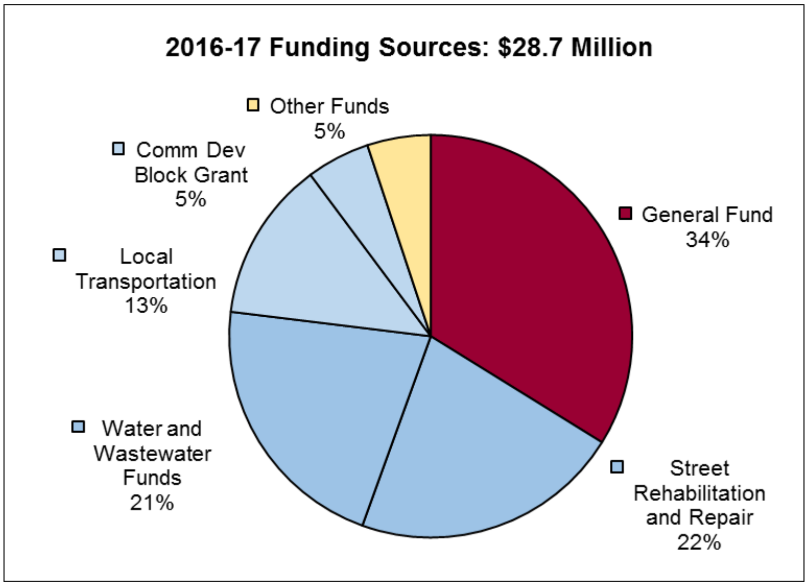
## EXPENDITURE AND REVENUE SUMMARIES: 2016-17 BUDGET

| Funding Sources: 2016-17 Budget | | |
|---|---|---|
| Source | Amount | % Total |
| General Fund | 9,703 | 34% |
| Street Rehabilitation and Repair | 6,220 | 22% |
| Water and Wastewater Funds | 6,146 | 21% |
| Local Transportation | 3,692 | 13% |
| Comm Dev Block Grant | 1,460 | 5% |
| Other Funds | 1,461 | 5% |
| **Total** | **$28,682** | **100%** |

*In Thousands of Dollars*

The General Fund – which is the focus of this forecast – accounts for about one-third of total City expenditures.

*Source: City of Grover Beach 2016-17 Adopted Budget*

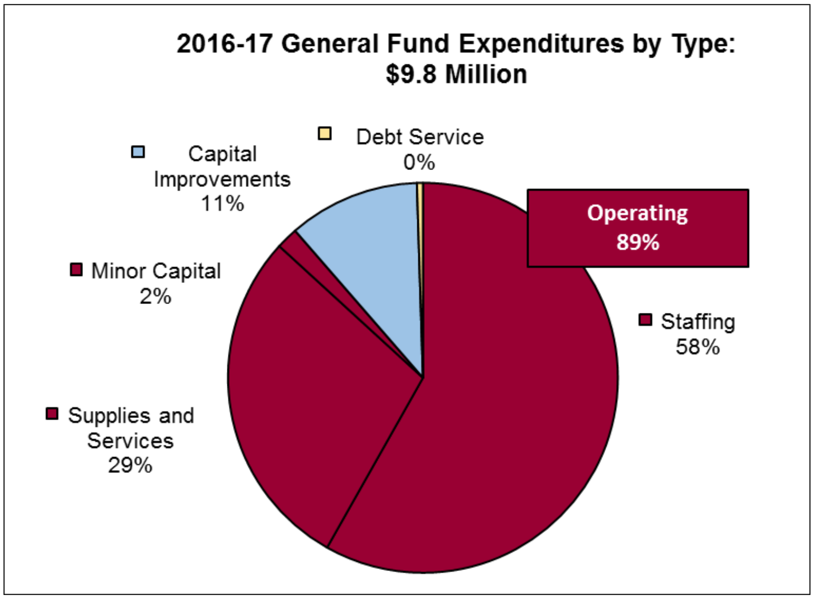



| General Fund Expenditures: 2016-17 Budget | | |
|---|---|---|
| Function | Amount | % Total |
| Operating | | |
| Staffing | 5,690 | 58% |
| Supplies and Services | 2,799 | 29% |
| Minor Capital | 176 | 2% |
| Total Operating | 8,665 | 89% |
| Capital Improvements | 1,066 | 11% |
| Debt Service | 48 | 0% |
| **Total** | **$9,779** | **100%** |

*In Thousands of Dollars*

Operating expenditures account for 89% of General Fund expenditures. At 0.4%, debt service is less than 1% of General Fund expenditures. Staffing accounts for 58% of total expenditures, which is not surprising given the significance of police costs.

*Source: City of Grover Beach 2016-17 Adopted Budget*



## HISTORICAL TRENDS

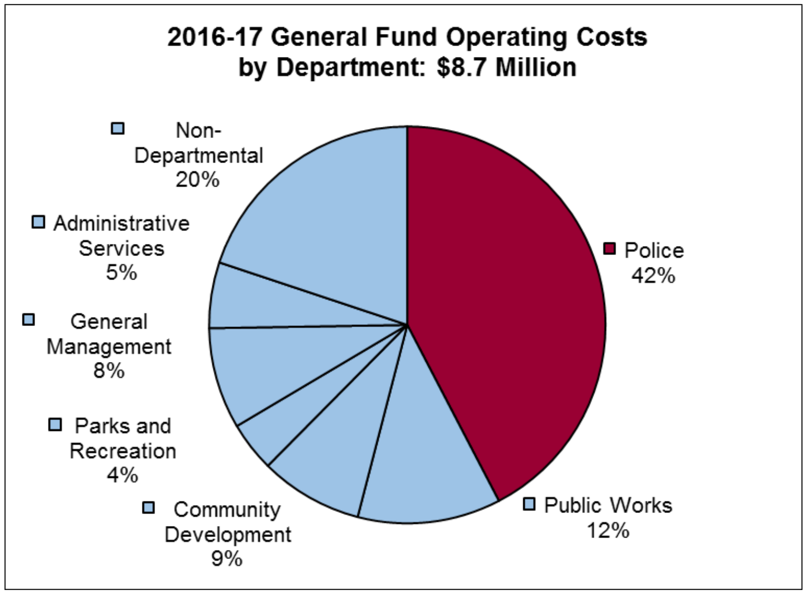
**General Fund Operating Costs: 2016-17 Budget**

| Department | Amount | % Total |
|---|---|---|
| Police | 3,670 | 42% |
| Public Works | 1,012 | 12% |
| Community Development | 728 | 8% |
| Parks and Recreation | 351 | 4% |
| General Management | 715 | 8% |
| Administrative Services | 465 | 5% |
| Non-Departmental | 1,724 | 20% |
| **Total** | **$8,665** | **100%** |

*In Thousands of Dollars*

Police costs are the largest General Fund operating expenditure, accounting for over 40% of total operating costs.

*Source: City of Grover Beach 2016-17 Adopted Budget*

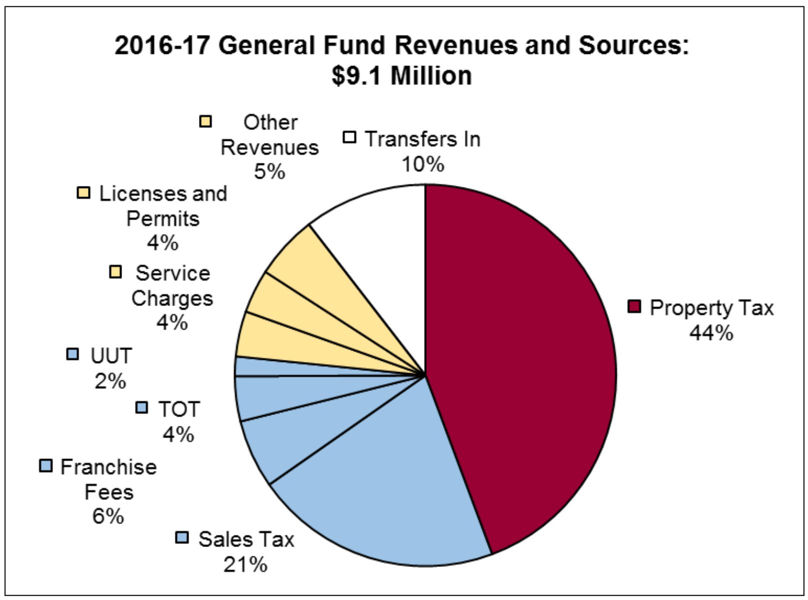



**General Fund Revenues & Sources: 2016-17 Budget**

| Source | Amount | % Total |
|---|---|---|
| Property Tax | 4,029 | 44% |
| Sales Tax | 1,908 | 21% |
| Franchise Fees | 530 | 6% |
| Transient Occupancy Tax (TOT) | 346 | 4% |
| Utility Users Tax (UUT) | 152 | 2% |
| Service Charges | 349 | 4% |
| Licenses and Permits | 336 | 4% |
| Other Revenues | 490 | 5% |
| Transfers In | 953 | 10% |
| **Total** | **$9,093** | **100%** |

*In Thousands of Dollars*

Five revenue sources account for over 75% of total General Fund sources: Property taxes are the top revenues (44%); sales tax (21%, including the general rate of 1% and the Measure X voter-approved rate of ½%); franchise fees (6%); TOT (4%); and utility users tax (2%).




Service charges and licenses and permits account for 8%; and all other revenues account for only 5% of total General Fund sources. Transfers in, primarily reimbursements for administrative services from the Water and Wastewater Funds ($432,000) and a one-time advance from the Wastewater Fund for the Broadband project ($452,000) account for 10% of General Fund sources

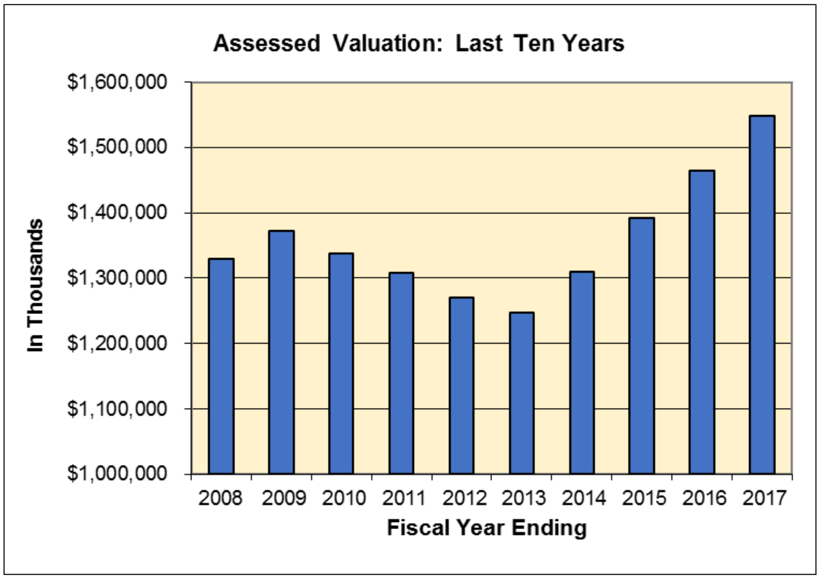
## GENERAL FUND REVENUE TRENDS

The following tables and charts show long and short term trends in General Fund for the “Top Five” revenue sources, which account for 85% of total General Fund revenues (excluding transfers in).

# HISTORICAL TRENDS

| Assessed Valuation Trends | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | 1,227,880 | |
| 2008 | 1,330,305 | 8.3% |
| 2009 | 1,371,849 | 3.1% |
| 2010 | 1,337,662 | -2.5% |
| 2011 | 1,308,132 | -2.2% |
| 2012 | 1,269,692 | -2.9% |
| 2013 | 1,247,859 | -1.7% |
| 2014 | 1,309,746 | 5.0% |
| 2015 | 1,392,728 | 6.3% |
| 2016 | 1,465,324 | 5.2% |
| 2017 | 1,548,746 | 5.7% |
| Average Annual % Change | | |
| Last 2 Years | | 5.5% |
| Last 5 Years | | 4.1% |
| Last 10 Years | | 2.4% |

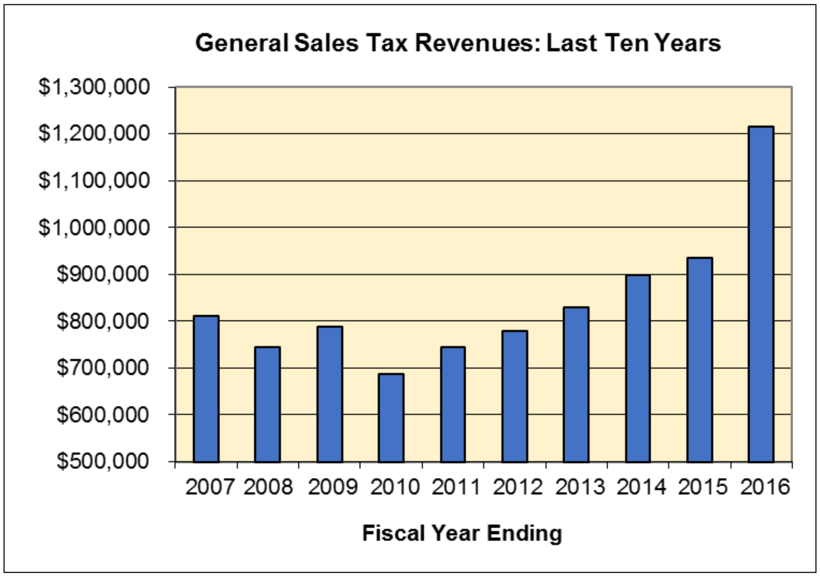
*In Thousands*




Property tax revenues, which are the top General Fund revenue source (accounting for over 50% of total General Fund revenues, excluding transfers in), are driven by changes in assessed value as determined by the San Luis Obispo County Assessor's office. Assessed value began dropping in 2008-09, albeit modestly compared with other cities in California, through 2012-13. Recovery has been strong since then, with recent increases of 5.2% in 2015-16 and 5.7% in 2016-17.

*Source: San Luis Obispo County Assessor's Office*

| General Sales Tax Trends | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2006 | | |
| 2007 | 812,100 | |
| 2008 | 743,500 | -8.4% |
| 2009 | 787,200 | 5.9% |
| 2010 | 687,100 | -12.7% |
| 2011 | 743,600 | 8.2% |
| 2012 | 779,100 | 4.8% |
| 2013 | 829,900 | 6.5% |
| 2014 | 897,700 | 8.2% |
| 2015 | 935,800 | 4.2% |
| 2016 | 1,215,000 | 29.8% |
| Average Annual % Change | | |
| Last 2 Years | | 17.0% |
| Last 5 Years | | 10.7% |
| Last 10 Years | | 5.2% |

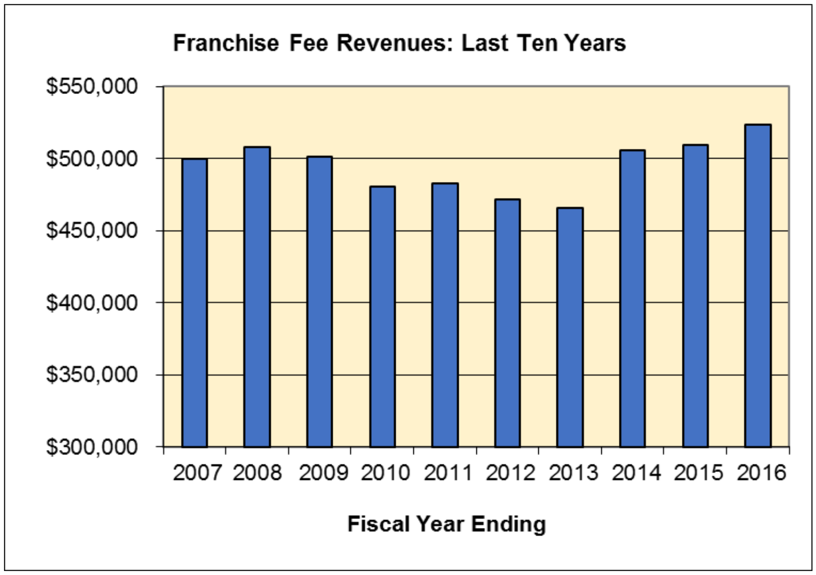



General sales tax revenues – the statewide 1% revenue source – were relatively stable during the Great Recession, and began recovering in 2010-11. The very strong increase in 2015-16 is believed to be due to the phase-out of the "Triple Flip" and the return to "normal" collections. Year-to-date collections in 2016-17 reinforce the belief that 2015-16 establishes the base for the future.

# HISTORICAL TRENDS

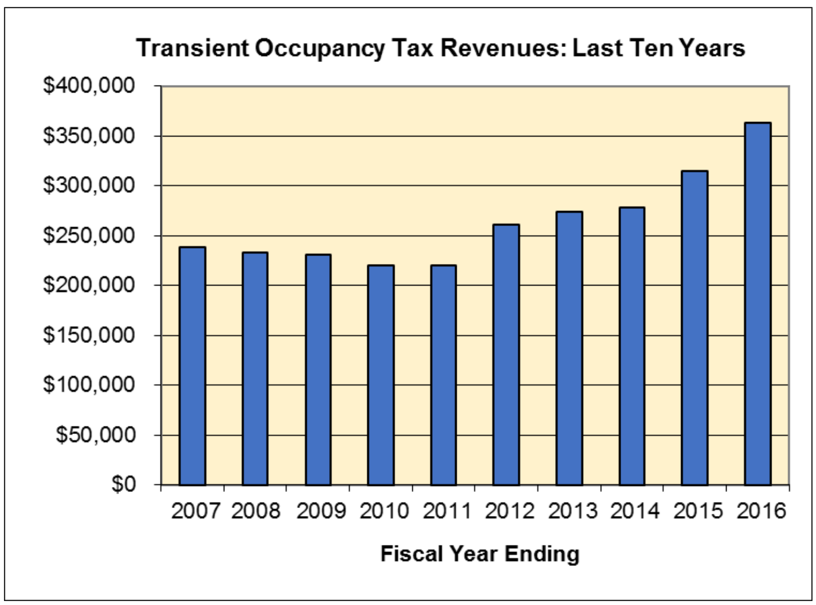
| Franchise Fees | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2006 | $495,200 | |
| 2007 | 500,100 | 1.0% |
| 2008 | 507,800 | 1.5% |
| 2009 | 501,200 | -1.3% |
| 2010 | 480,900 | -4.1% |
| 2011 | 483,000 | 0.4% |
| 2012 | 471,400 | -2.4% |
| 2013 | 466,200 | -1.1% |
| 2014 | 506,200 | 8.6% |
| 2015 | 509,600 | 0.7% |
| 2016 | 523,300 | 2.7% |
| Average Annual % Change | | |
| Last 2 Years | | 1.7% |
| Last 5 Years | | 1.7% |
| Last 10 Years | | 0.6% |

Franchise fees have been relatively stable over the past ten years, averaging about 2% over the last two and five-year periods.




| Transient Occupancy Tax Revenues | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | 238,500 | |
| 2008 | 232,900 | -2.3% |
| 2009 | 230,800 | -0.9% |
| 2010 | 220,400 | -4.5% |
| 2011 | 220,300 | 0.0% |
| 2012 | 260,800 | 18.4% |
| 2013 | 273,400 | 4.8% |
| 2014 | 278,500 | 1.9% |
| 2015 | 314,300 | 12.9% |
| 2016 | 363,400 | 15.6% |
| Average Annual % Change | | |
| Last 2 Years | | 14.2% |
| Last 5 Years | | 10.7% |
| Last 10 Years | | 5.1% |

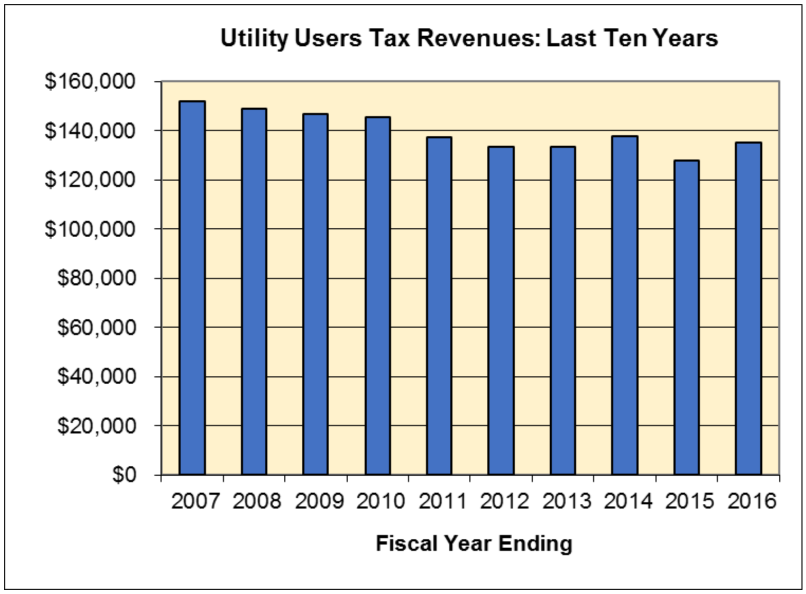
Transient occupancy taxes (TOT) were largely stable during the Great Recession, with growth beginning 2011-12. There was especially strong growth in 2014-15 (13%) and 2015-16 (16%). Solid growth continues into 2016-17 based on year-to-date results.



# HISTORICAL TRENDS

| Utility Users Tax Revenues | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | 151,900 | |
| 2008 | 149,200 | -1.8% |
| 2009 | 146,900 | -1.5% |
| 2010 | 145,600 | -0.9% |
| 2011 | 137,600 | -5.5% |
| 2012 | 133,500 | -3.0% |
| 2013 | 133,600 | 0.1% |
| 2014 | 137,700 | 3.1% |
| 2015 | 127,900 | -7.1% |
| 2016 | 135,200 | 5.7% |
| Average Annual % Change | | |
| Last 2 Years | | -0.7% |
| Last 5 Years | | -0.2% |
| Last 10 Years | | -1.2% |

Utility user taxes have been relatively stable over the past ten years.



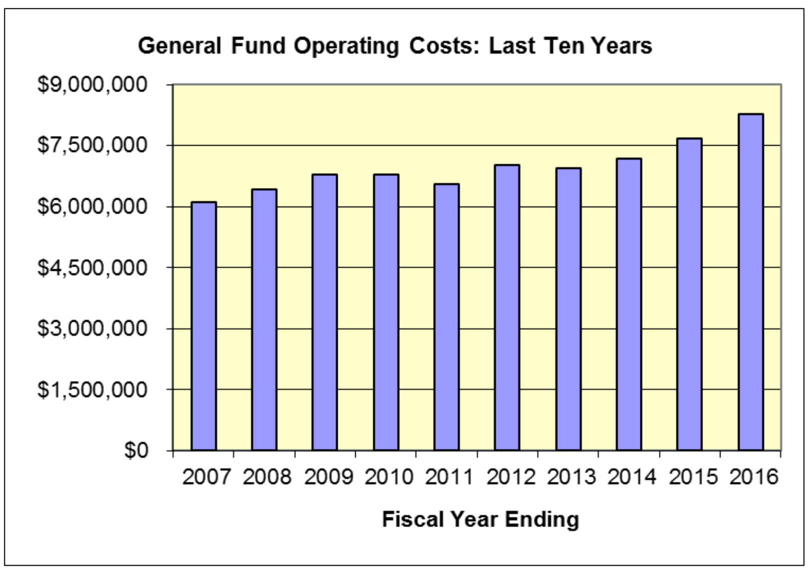

## GENERAL FUND EXPENDITURE TRENDS

The following tables and charts show long term trends in the General Fund operating expenditures, as well as for three key operating expenditure areas that have been significant cost drivers in other California communities:

- Public safety costs
- Insurance: general liability and workers' compensation
- Employer retirement contribution rates to the California Public Employees Retirement System (CalPERS) as well as projected rates for the next five years

Debt service ratios compared with revenues are also shown for the last four years.

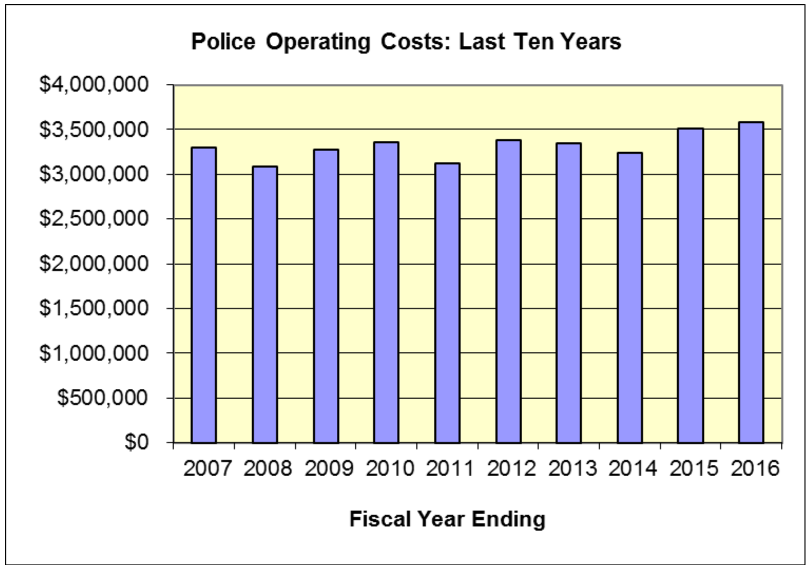
| Operating Expenditures | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | $6,112,500 | |
| 2008 | 6,421,600 | 5.1% |
| 2009 | 6,776,100 | 5.5% |
| 2010 | 6,794,200 | 0.3% |
| 2011 | 6,552,900 | -3.6% |
| 2012 | 7,026,400 | 7.2% |
| 2013 | 6,929,700 | -1.4% |
| 2014 | 7,170,300 | 3.5% |
| 2015 | 7,670,500 | 7.0% |
| 2016 | 8,270,000 | 7.8% |
| Average Annual % Change | | |
| Last 2 Years | | 7.4% |
| Last 5 Years | | 4.8% |
| Last 10 Years | | 3.5% |



# HISTORICAL TRENDS

| Police Operating Costs | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | 3,304,700 | |
| 2008 | 3,086,400 | -6.6% |
| 2009 | 3,270,100 | 6.0% |
| 2010 | 3,360,900 | 2.8% |
| 2011 | 3,118,600 | -7.2% |
| 2012 | 3,379,600 | 8.4% |
| 2013 | 3,348,600 | -0.9% |
| 2014 | 3,240,900 | -3.2% |
| 2015 | 3,514,000 | 8.4% |
| 2016 | 3,576,600 | 1.8% |
| Average Annual % Change | | |
| Last 2 Years | | 5.1% |
| Last 5 Years | | 2.9% |
| Last 10 Years | | 1.0% |

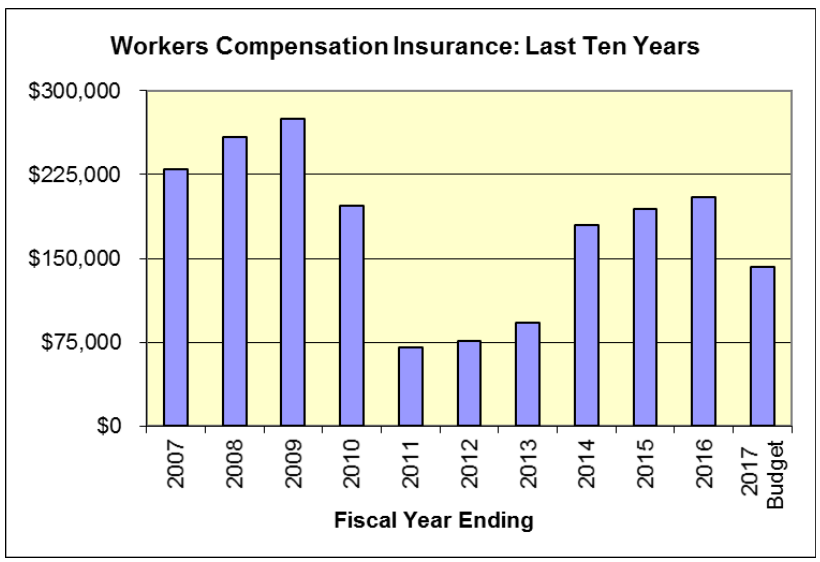
Police operating costs have remained relatively stable over the past ten years.




**Insurance Costs.** Insurance costs have been a major concern for many agencies throughout the State. As reflected in the following charts for workers' compensation and general liability costs, the City has been on a roller coaster ride over the last ten years. However, insurance costs appear to have stabilized and are not projected to be a significant factor in the forecast. (Insurance costs are city-wide for all funds).

| Workers Compensation Costs | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | $229,800 | |
| 2008 | 258,900 | 12.7% |
| 2009 | 274,400 | 6.0% |
| 2010 | 196,700 | -28.3% |
| 2011 | 70,600 | -64.1% |
| 2012 | 76,300 | 8.1% |
| 2013 | 92,500 | 21.2% |
| 2014 | 179,800 | 94.4% |
| 2015 | 194,200 | 8.0% |
| 2016 | 204,400 | 5.3% |
| 2017 Budget | 142,700 | -30.2% |
| Average Annual % Change | | |
| Last 2 Years | | 6.6% |
| Last 5 Years | | 27.4% |
| Last 10 Years | | 7.0% |

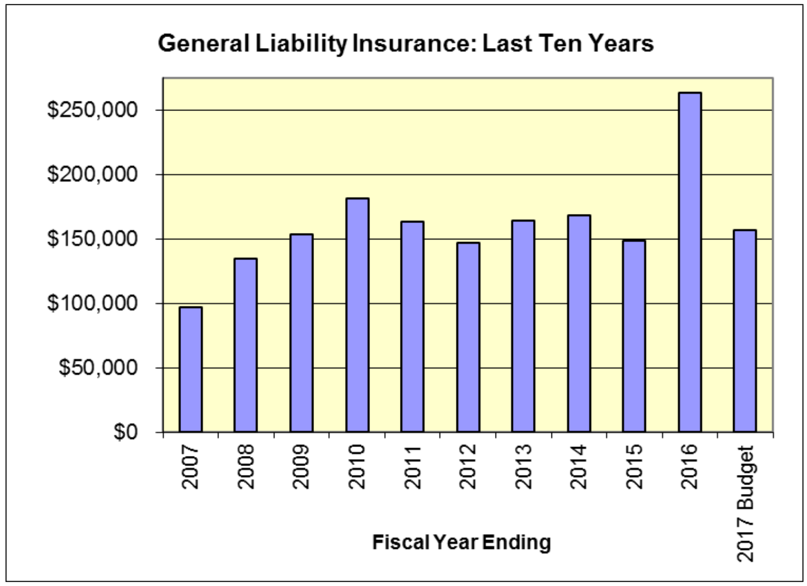
*All Funds*



# HISTORICAL TRENDS

| General Liability Costs | | |
|---|---|---|
| Fiscal Year Ending | Amount | % Change |
| 2007 | $96,400 | |
| 2008 | 134,200 | 39.2% |
| 2009 | 153,600 | 14.5% |
| 2010 | 181,100 | 17.9% |
| 2011 | 163,500 | -9.7% |
| 2012 | 146,600 | -10.3% |
| 2013 | 164,300 | 12.1% |
| 2014 | 167,900 | 2.2% |
| 2015 | 148,200 | -11.7% |
| 2016 | 263,100 | 77.5% |
| 2017 Budget | 157,000 | -40.3% |
| Average Annual % Change | | |
| Last 2 Years | | 32.9% |
| Last 5 Years | | 13.9% |
| Last 10 Years | | 14.6% |

*All Funds*




### CalPERS Pension Costs

The City currently provides defined pension benefits to its regular employees through its contract with the California Public Employees Retirement System (CalPERS).

***About CalPERS.*** While cities, counties, and special districts are free to create their own retirement systems, 460 of California's 482 cities are members of CalPERS. Dating back eighty years, CalPERS is now the largest pension fund in the United States, serving over 1.8 million members and managing $300 billion in assets. Members include state, city, county and special district employees.

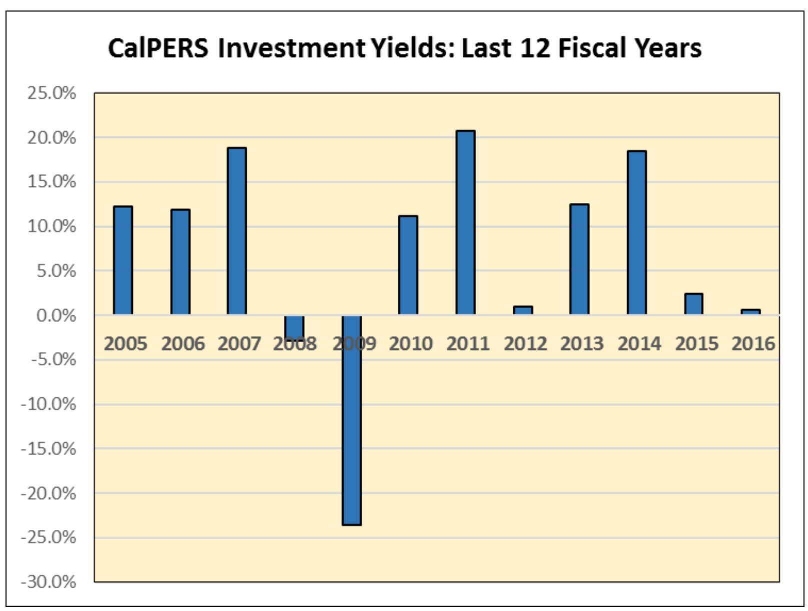
***Funding Pension Benefits.*** There are many actuarial factors that determine contribution rates, including inflation, employee earnings and life expectancy assumptions. However, the assumption for the "discount rate" - the projected long-term yield on investments – is one of the most important. For example, only about one-third of CalPERS retirement benefits are funded by employee and employer contributions: the other two-thirds are funded from investment yields.

CalPERS current discount rate is 7.5%. Even small changes in this rate – up or down – can significantly affect funding. By comparison, over the past 20 years (through June 30, 2015), CalPERS net yield on returns has averaged 7.8%. However, there have been significant swings from year-to-year, with net returns averaging 6.2% for the ten years ending June 30, 2015.

In December 2016, the CalPERS Board approved reducing the discount rate to 7.0% by 2020-21, phased as follows by fiscal year:

- 2018-19: 7.375%
- 2019-20: 7.250%
- 2020-21: 7.000%

The impact of the reduced discount rates will be phased-in over five years.



# HISTORICAL TRENDS

## City Pension Plans

The City currently has five separate retirement plans with CalPERS:

**Sworn Police Employees**

As discussed in the sidebar, there are two separate plans for sworn police employees:

- ***Classic Sworn Police Employees.*** For Classic employees, the City has a "3% at 55" plan for its sworn employees: under this plan, sworn police employees retiring at age 55 will receive 3% of their single highest year of regular pay for each year of service. ("Regular" pay includes ongoing compensation as part of an employee's normal duties; as such, it does not include earnings like overtime.) For example, a Police Officer with 25 years of service and "base" earnings of $73,000 (the top of the salary range) retiring at age 55 would receive a pension of $54,750 annually.

- ***PEPRA Sworn Police Employees.*** For PEPRA employees, the City has a "2.7% at 55" plan for its sworn employees: under this plan, sworn police employees retiring at age 57 will receive 2.7% of the average of their three highest years of regular pay for each year of service.

**Non-Sworn ("Miscellaneous") Employees**

- ***Classic Miscellaneous Employees.*** For Classic employees, the City has a "2.5% at 55" plan for its non-sworn employees: under this plan, non-sworn employees retiring at age 55 will receive 2.5% of their single highest year of "regular" pay for each year of service. (Like sworn employees, regular pay does not include earnings like overtime.) For example, a Maintenance Worker III with 25 years and "base" earnings of $61,000 (top of the salary range) retiring at age 55 would receive a pension of $38,125 annually.

- ***PEPRA* Miscellaneous Employees.** For PEPRA non-sworn employees, the City has a "2% at 62" plan for its sworn employees: under this plan, miscellaneous employees retiring at age 62 will receive 2.0% of the average of their three highest years of regular pay for each year of service.

**Public Employees' Pension Reform Act**

Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) created a "two-tier" retirement system under which benefits for "new" employees hired on or after January 1, 2013 are lower than those employees who were in the system before then.

**"PEPRA" Employees.** With the goal of reducing costs and future liabilities for state and local agency system members, major changes for "new" system (PEPRA) members include lower-cost pension formulas, increased retirement age requirements, use of "three years of highest average compensation" (rather than single highest year) in calculating pensionable pay and caps on maximum annual benefits.

**"Classic" Employees.** Retirement benefits for local agency employees hired before January 1, 2013 (Classic employees) are not affected by these "rollbacks": they only affect PEPRA employees hired after this date. "Classic employees" include those who established CalPERS membership before January 1, 2013 and were hired by a different CalPERS agency with a break in service of six months or less. These employees will be eligible for the new agency's benefit level that was in place as of December 31, 2012.

**Legacy Fire Sworn Plan**

While there are no active employees, the City has pension obligations for former sworn fire members.

## Funding CalPERS Benefits

Along with investment earnings, CalPERS pension benefits are funded by contributions from both employees and employers. The most significant of these is the employer share, which is determined actuarially and can vary significantly – both up and down – based on changes in actuarial assets and liabilities.

The employer share has two components:

- **Normal cost:** The rate needed to meet current actuarial obligations.
- **Unfunded liability**: Funding needed to amortize any outstanding unfunded liabilities (typically over 30 years).

# HISTORICAL TRENDS

Because it is the employer contribution that is subject to variation, it is the best indicator of retirement cost drivers. The following charts show employer rates for "classic employees" for the past ten years as well as projected rates for the next five years.

*Note: Beginning in 2015-16, CalPERS discontinued including the amortization of unfunded actuarial liabilities (UAL) as part of the employer contribution rate: only the "normal" contribution rate is stated this way, with the UAL stated separately as a fixed amount. For comparison purposes, the fixed UAL amount is converted to a percent based on projected payrolls in the tables below.*

**Projected Rates.** The projected rates below are based on two factors:

- Projections provided by CalPERS in their most recent actuarial report (August 2016), which were developed before the discount rate reduction.

- Adjustment factors provided by CalPERS to account for the discount rate decreases. Stated simply, these adjustments for lower investment yields increase projected pension costs beyond the estimates provided in the August actuarial report.

***August 2016 Rate and UAL Projections***

| Police Sworn Classic Employees | Normal Rate | UAL Cost |
|---|---|---|
| 2016-17 (Current) | 17.689% | $210,300 |
| 2017-18 | 17.875% | 218,100 |
| 2018-19 | 17.900% | 225,500 |
| 2019-20 | 17.900% | 282,600 |
| 2020-21 | 17.900% | 316,400 |
| 2021-22 | 17.900% | 355,000 |

| Miscellaneous Classic Employees | Normal Rate | UAL Cost |
|---|---|---|
| 2016-17 (Current) | 10.069% | $194,700 |
| 2017-18 | 10.110% | 224,400 |
| 2018-19 | 10.100% | 266,600 |
| 2019-20 | 10.100% | 311,200 |
| 2020-21 | 10.100% | 287,200 |
| 2021-22 | 10.100% | 337,900 |

| Legacy Fire Sworn | Normal Rate | UAL Cost |
|---|---|---|
| 2016-17 (Current) | 0.0% | $15,400 |
| 2017-18 | 0.0% | 18,400 |
| 2018-19 | 0.0% | 23,200 |
| 2019-20 | 0.0% | 28,400 |
| 2020-21 | 0.0% | 33,000 |
| 2021-22 | 0.0% | 36,800 |

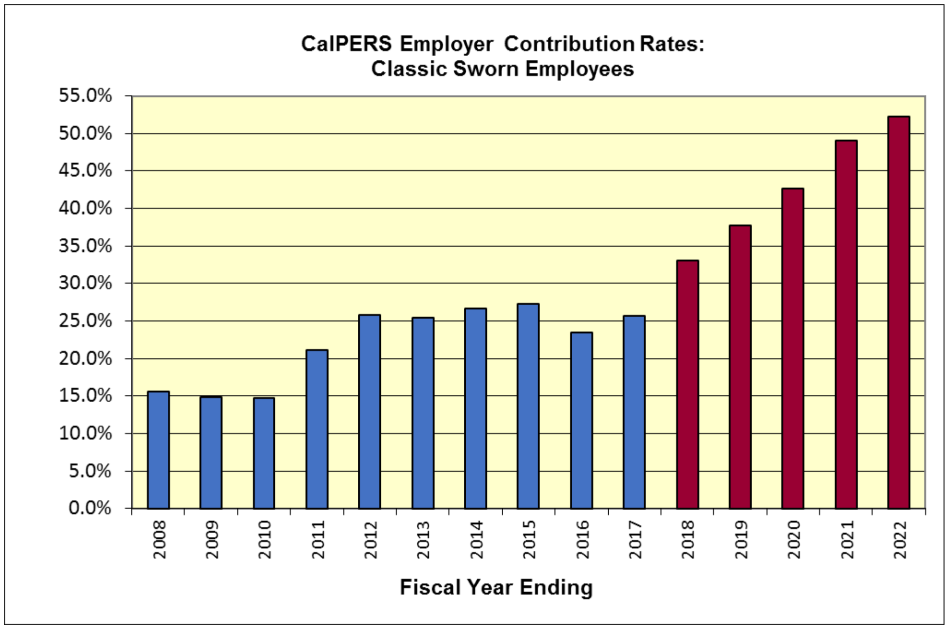
***Adjustments to these Rates and UAL Contributions Due to Discount Rate Reduction***

| | | Normal Cost | | UAL Payments | |
|---|---|---|---|---|---|
| Valuation Date | Fiscal Year Impact | Misc. Plans | Safety Plans | Misc. Plans | Safety Plans |
| 6/30/2016 | 2018-19 | 0.25% - 0.75% | 0.5% - 1.25% | 2% - 3% | 2% - 3% |
| 6/30/2017 | 2019-20 | 0.5% - 1.5% | 1.0% - 2.5% | 4% - 6% | 4% - 6% |
| 6/30/2018 | 2020-21 | 1.0% - 3.0% | 2.0% - 5.0% | 10% - 15% | 10% - 15% |
| 6/30/2019 | 2021-22 | 1.0% - 3.0% | 2.0% - 5.0% | 15% - 20% | 15% - 20% |
| 6/30/2020 | 2022-23 | 1.0% - 3.0% | 2.0% - 5.0% | 20% - 25% | 20% - 25% |
| 6/30/2021 | 2023-24 | 1.0% - 3.0% | 2.0% - 5.0% | 25% - 30% | 25% - 30% |
| 6/30/2022 | 2024-25 | 1.0% - 3.0% | 2.0% - 5.0% | 30% - 40% | 30% - 40% |

## HISTORICAL TRENDS

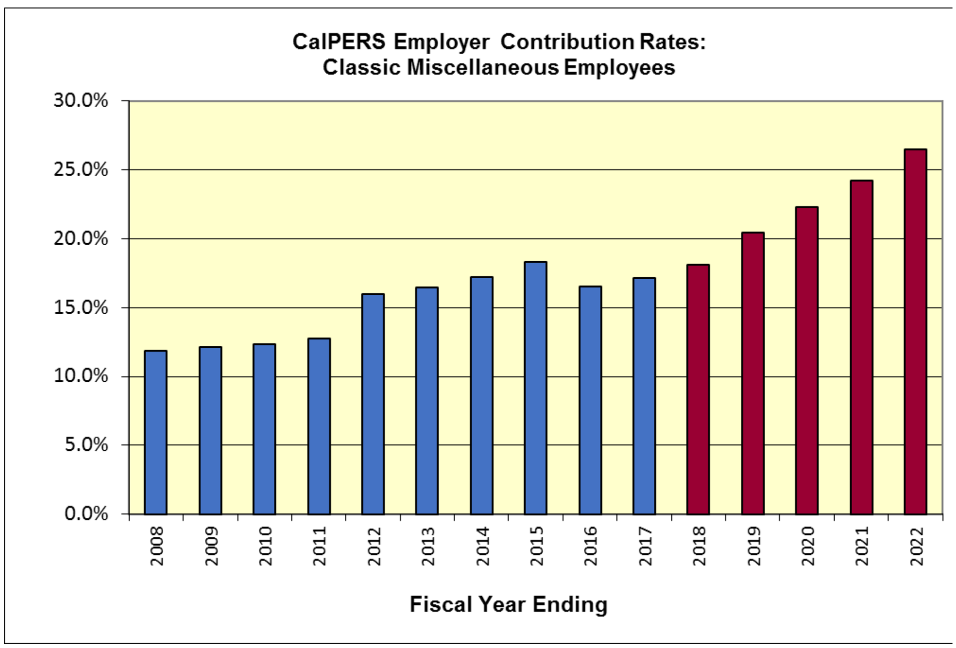
**Classic Sworn Police Employees**

After stabilizing from 2012-13 through 2016-17, employer rates are expected to rise significantly based on several actuarial assumption changes: from about 26% of payroll to 52%.




**Classic Miscellaneous Employees**

While not as significant as classic sworn employees, rates will rise for classic miscellaneous employees, from about 17% in 2016-17 to 26% by 2021-22.



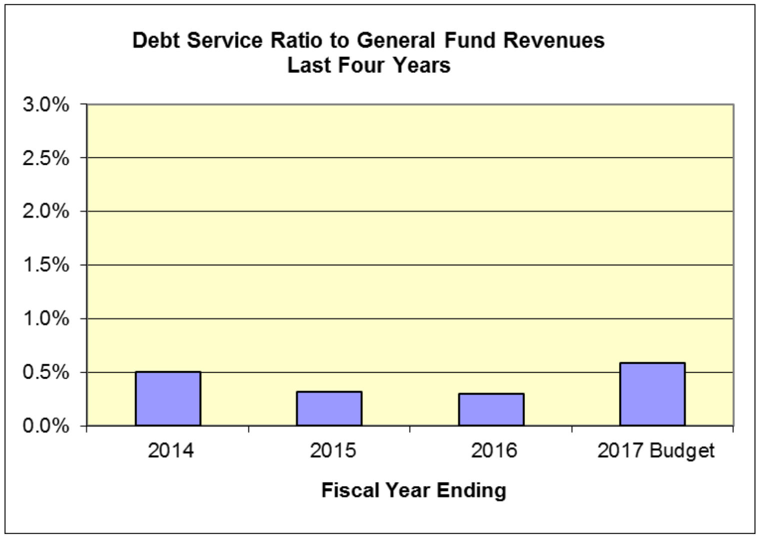
# HISTORICAL TRENDS

## Debt Service Costs

| Debt Service Ratio to General Fund Revenues | | |
|---|---|---|
| Fiscal Year Ending | Debt Service | Gen Fund Rev Ratio |
| 2014 | $36,900 | 0.5% |
| 2015 | 25,600 | 0.3% |
| 2016 | 25,600 | 0.3% |
| 2017 Budget | 47,500 | 0.6% |

| General Fund Revenues | |
|---|---|
| 2014 | $7,275,800 |
| 2015 | 7,999,100 |
| 2016 | 8,583,800 |
| 2017 Budget | 8,140,100 |

The City has very low General Fund debt service obligations: less than 1% of revenues. For context, major rating agencies do not get concerned unless this ratio exceeds 10%.



# CONSULTANT QUALIFICATIONS

**SENIOR FINANCIAL MANAGEMENT**

Bill Statler has over 30 years of senior municipal financial management experience, which included serving as the Director of Finance & Information Technology/City Treasurer for the City of San Luis Obispo for 22 years and as the Finance Officer for the City of Simi Valley for 10 years before that.

Under his leadership, the City of San Luis Obispo received national recognition for its financial planning and reporting systems, including:

- Award for Distinguished Budget Presentation from the Government Finance Officers Association of the United States and Canada (GFOA), with special recognition as an outstanding policy document, financial plan and communications device. ***San Luis Obispo is one of only a handful of cities in the nation to receive this special recognition.***
- Awards for excellence in budgeting from the California Society of Municipal Finance Officers (CSMFO) in all four of its award budget categories: innovation, public communications, operating budgeting and capital budgeting. Again, ***San Luis Obispo is among a handful of cities in the State to earn recognition in all four of these categories.***
- Awards for excellence in financial reporting from both the GFOA and CSMFO for the City's comprehensive annual financial reports.
- Recognition of the City's financial management policies as "best practices" by the National Advisory Council on State and Local Budgeting.

The financial strategies, policies and programs he developed and implemented resulted in strengthened community services and an aggressive program of infrastructure and facility improvements, while at the same time preserving the City's long-term fiscal health.

**CONSULTING AND INTERIM ASSIGNMENTS**

***Fiscal Forecasts and Long-Term Financial Plans***

- City of Bell
- City of Salinas
- City of Camarillo
- City of Pismo Beach
- Bear Valley Community Services District

***Strategic Plans and Council Goal-Setting***
*In collaboration with HSM Team*

- Strategic Planning: City of Monrovia
- Strategic Planning: City of Sanger
- Council Goal-Setting: City of Pismo Beach
- Council Goal-Setting: City of Willits

***Organizational Analysis and Policy Advice***

- Pro Bono Financial Management Transition Team and Policy Advice: City of Bell
- Preparation for Possible Revenue Ballot Measure: City of Monterey
- Fund Accounting Review: State Bar of California
- Financial Assessment: City of Guadalupe
- Financial Condition Assessment: City of Grover Beach

- General Fund Reserve Policy: City of Lompoc
- General Fund Reserve Policy: City of Willits
- Reserve Policy: State Bar of California
- Budget and Fiscal Policies: City of Santa Fe Springs
- Benchmark Analysis: City of Capitola
- Financial Management Improvements: City of Capitola
- Finance Organizational Review: Ventura Regional Sanitation District
- Organizational Review: City of Willits (in collaboration with the HSM Team)
- Finance Division Organizational Review: Sacramento Metropolitan Fire District
- Finance Department Organizational Review: City of Ceres (in collaboration with national consulting firm)

***Interim Finance Director***

- City of Monterey
- San Diego County Water Authority
- City of Capitola

***Other Financial Management Services***

- Revenue Options Study: City of Pismo Beach
- Cost Allocation Plan: City of Greenfield
- Cost Allocation Plan: City of Guadalupe
- Cost Allocation Plan: City of Port Hueneme
- Cost Allocation Plan: City of Grover Beach
- Cost Allocation Plan Review: State Bar of California
- Cost Allocation Plan Review: City of Ukiah
- Disciplinary Proceedings Cost Recovery Review: State Bar of California
- Water and Sewer Rate Reviews: Avila Beach Community Services District
- Water and Sewer Rate Reviews: City of Grover Beach
- Solid Waste Rate Review: County of San Luis Obispo, Los Osos Area
- Solid Waste Rate Review: County of San Luis Obispo, North County Area
- Joint Solid Waste Rate Review: Cities of Arroyo Grande, Grover Beach, Pismo Beach and Oceano Community Services District

**PROFESSIONAL LEADERSHIP**

- Board of Directors, League of California Cities (League): 2008 to 2010
- Member, California Committee on Municipal Accounting: 2007 to 2010
- President, League Fiscal Officers Department: 2002 and 2003
- President, CSMFO: 2001
- Board of Directors, CSMFO: 1997 to 2001
- Member, GFOA Budget and Fiscal Policy Committee: 2004 to 2009
- Chair, CSMFO Task Force on "GASB 34" Implementation
- Fiscal Officers Representative on League Policy Committees: Community Services, Administrative Services and Environmental Quality: 1992 to 1998
- Chair, Vice-Chair and Senior Advisor for CSMFO Committees: Technology, Debt, Career Development, Professional and Technical Standards and Annual Seminar Committees: 1995 to 2010
- Member, League Proposition 218 Implementation Guide Task Force
- Chair, CSMFO Central Coast Chapter Chair: 1994 to 1996

# CONSULTANT QUALIFICATIONS

**TRAINER**

Provided training for the following organizations:

- League of California Cities
- Institute for Local Government
- California Debt and Investment Advisory Commission
- Government Finance Officers Association of the United States and Canada
- California Society of Municipal Finance Officers
- Municipal Management Assistants of Southern California and Northern California
- National Federation of Municipal Analysts
- Probation Business Manager’s Association
- California Association of Local Agency Formation Commissions
- Humboldt County

Topics included:

- Long-Term Financial Planning
- The Power of Fiscal Policies
- Fiscal Health Contingency Planning
- Financial Analysis and Reporting
- Effective Project Management
- Providing Great Customer Service in Internal Service Organizations: The Strategic Edge
- Strategies for Downsizing Finance Departments in Tough Fiscal Times
- Top-Ten Skills for Finance Officers
- Telling Your Fiscal Story: Tips on Making Effective Presentations
- Transparency in Financial Management: Meaningful Community Engagement in the Budget Process
- What Happened in the City of Bell and What We Can Learn from It
- Debt Management
- Preparing for Successful Revenue Ballot Measures
- Multi-Year Budgeting
- Integrating Goal-Setting and the Budget Process
- 12-Step Program for Recovery from Fiscal Distress
- Strategies for Strengthening Organizational Effectiveness
- Financial Management for Elected Officials

**PUBLICATIONS**

- *Presenting the Budget to Your Constituents*, CSMFO Magazine, July 2016
- *Planning for Fiscal Recovery*, Government Finance Review, February 2014
- *Guide to Local Government Finance in California*, Solano Press, July 2012 (Co-Author)
- *Managing Debt Capacity: Taking a Policy-Based Approach to Protecting Long-Term Fiscal Health*, Government Finance Review, August 2011
- *Fees in a Post-Proposition 218 World, League of California Cites, City Attorney's Department Spring Conference, May 2010*
- *Municipal Fiscal Health Contingency Planning*, Western City Magazine, November 2009

- *Understanding the Basics of County and City Revenue,* Institute for Local Government, 2008 (Contributor)
- *Financial Management for Elected Officials,* Institute for Local Government, 2007 (Contributor)
- *Getting the Most Out of Your City's Current Revenues: Sound Fiscal Policies Ensure Higher Cost Recovery for Citie*s, Western City Magazine, November 2003
- *Local Government Revenue Diversification, Fiscal Balance/Fiscal Share and Sustainability*, Institute for Local Government, November 2002 (Co-Author)
- *Why Is GASB 34 Such a Big Deal?*, Western City Magazine, November 2000
- *Understanding Sales Tax Issues*, Western City Magazine, June 1997
- *Proposition 218 Implementation Guide,* League of California Cities, 1997 (Contributor)

**HONORS AND AWARDS**

- Cal-ICMA Ethical Hero Award (for service to the City of Bell)
- CSMFO Distinguished Service Award for Dedicated Service and Outstanding Contribution to the Municipal Finance Profession
- National Advisory Council on State and Local Government Budgeting: Recommended Best Practice (Fiscal Polices: User Fee Cost Recovery)
- GFOA Award for Distinguished Budget Presentation: Special Recognition as an Outstanding Policy Document, Financial Plan and Communications Device
- CSMFO Awards for Excellence in Operating Budget, Capital Improvement Plan, Budget Communication and Innovation in Budgeting
- GFOA Award of Achievement for Excellence in Financial Reporting
- CSMFO Certificate of Award for Outstanding Financial Reporting
- National Management Association Silver Knight Award for Leadership and Management Excellence
- American Institute of Planners Award for Innovation in Planning
- Graduated with Honors: University of California, Santa Barbara