City of
Carpinteria

General Fund
Five-Year Financial Plan: 2022-27

June 2022

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General Fund Five Year Financial Plan: 2022-27

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OVERVIEW

Background

This report is in response to the City's interest in preparing an update to the 2017 long-term fiscal forecast and financial plan that assesses the General Fund's ability over the next five years – on an "order of magnitude" basis – to:

- Continue current services in the aftermath of global pandemic (as well as other recently surfaced economic challenges).
- Address long-term liabilities.
- Achieve capital improvement plan (CIP) goals.
- And if the forecast projects a negative gap between revenues and expenditures, identify realistic options for the City's consideration in closing the gap.

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.

Updating the Five-Year Financial Plan

The City last prepared a five-year long-term financial plan in May 2017 for the period 2017-22. Since then, the City has implemented two key Plan recommendations: establishment of a Pension Stabilization Fund in mitigating pension costs; and voter approval of a new general purpose revenue source: 1.25% local option sales tax (Measure X).

Accordingly, given the five years since the last Plan was prepared, it is timely to update the Plan as well as address new and continuing challenges, including:

- Continued increases in CalPERS pension costs, including impacts from reducing the discount (investment yield) assumption from 7.0% to 6.8%, which was "triggered" in accordance with its rate stabilization plan resulting from a significant investment yield of 21.3% in 2020-21 compared with actuarial assumptions.
- New allocation model for Sheriff contract costs and its potential for significant cost increases.
- Library services operating and capital costs.
- CIP projects.
- Other initiatives in the Annual Work Program and Budget.

For those local agencies that have prepared long-term forecasts and 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.

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 the aftermath of the global pandemic (as well as other recently surfaced economic challenges), address long-term liabilities and achieve CIP goals.

The forecast does this by projecting ongoing revenues and subtracting from them likely operating and CIP costs in continuing current service levels. If positive, the balance remaining is available to fund "new initiatives" such as implementing 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 or funds CIP projects without corrective action.

The forecast builds on the *General Fiscal Outlook* presented to the Council in January 2022, which prefaced this report by discussing the key economic, demographic and fiscal factors key factors that are likely to affect the City's fiscal future. These ultimately translate into key assumptions that drive forecast results.

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

Budgets are based on program review, priorities and affordability. The forecast on the other hand is based on assumptions. 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.

> ***Can the City Afford New Initiatives?***
>
> **This is a basic question of priorities, not of financial capacity. But the forecast assesses how difficult answering this question will be.**

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.

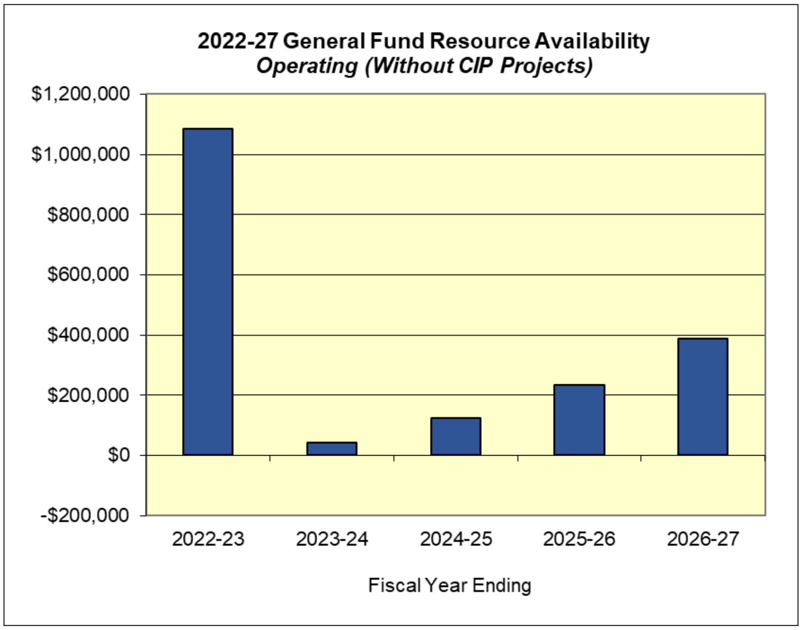
FORECAST FINDINGS

The Short Story

- The General Fund is in good shape in funding operating costs.
- However, there are significant challenges ahead in funding CIP projects (let alone improving service levels or addressing long-term liabilities).

INTRODUCTION

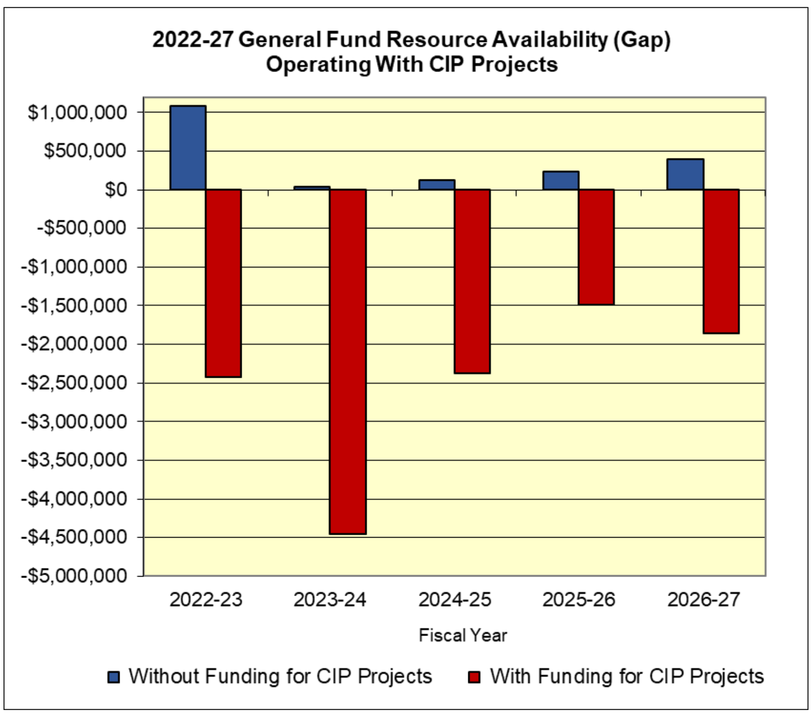
Table 1. General Fund Resource Availability: Operating Costs



Funding Operating Costs. As shown in Table, forecast revenues exceed *operating* costs in every year. The large favorable variance in 2022-23 is due to one-time "American Rescue Plan Act" (ARPA) revenues of $1.3 million. Excluding ARPA, the average "resource availability" is about $375,000 annually. The projected ending fund balance by the end of the forecast period (2026-27) would be about $6.8 million above policy minimum targets.

Put in perspective, with fund balance above policy targets, resources are available to fund CIP projects of about $1.4 million per year. This compares with the five-year average CIP in the forecast of $2.9 million.

Table 2. General Fund Resource Availability: Operating and CIP



Funding With CIP Projects. Table 2 compares the forecast results for operating costs with what happens if CIP projects (based on the five-year CIP) are included in the forecast.

Instead of projecting a "resource availability" of about $375,000 annually, the forecast shows an annual average "gap" of about $2.5 million when CIP projects are included. The resulting ending fund balance at the end of 2026-27 would be $1.6 million, which would be $7.6 million below minimum policy targets.

The Path Forward. As discussed below, there are several options available in closing the forecast gap and funding CIP projects (in full or part) that would result in a balanced budget and reserves at minimum policy levels, including:

- Scale back CIP projects.
- Identify alternative funding sources for General Fund subsidies.
- Reduce CalPERS unfunded actuarial liabilities (UAL).
- Consider focused revenue options.
- Combination of options.

Key Forecast Drivers

Assumptions drive the forecast results, which are detailed on pages 17 to 19. Stated simply, if the assumptions change, the results will change. As prefaced in the *General Fiscal Outlook* presented to the Council in January 2022, there are eight key drivers underlying the forecast results:

- General economic trends and outlook
- State budget situation
- Current financial condition
- Key revenues
- Operating cost drivers, including Sheriff contract renewal and unfunded liabilities for pensions and retiree health care
- General Fund subsidies
- Population growth and development
- Capital improvement plan

The Short Story. As discussed below, forecast results are driven by four key actors:

- Economic outlook/impact on key revenues
- Sheriff contract increases.
- Ambitious CIP compared with past levels.
- Increased subsidies to other funds.
- CalPERS cost increases in funding the UAL

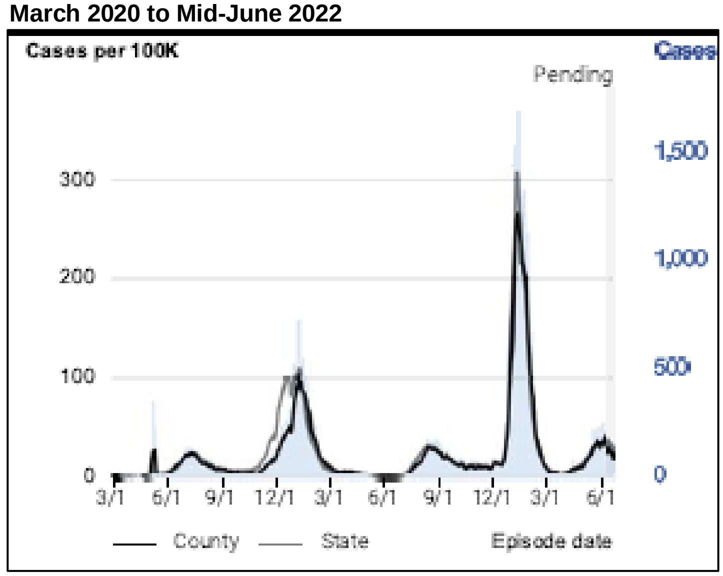
➊ *General Economic Trends and Outlook*

Last year, the public health crisis presented by Covid-19, and its adverse impact on the economy, was the major fiscal threat facing the cities throughout the nation. At this point, the public health crisis appears to be waning and revenue trends reflect continued recovery.

Table 3 shows trends in average daily Covid-19 cases since March 2020 through mid-June 2022. With the wide availability of vaccines, it appears that the public health crisis in California and Santa Barbara County is abating. (The trends for the County and the State track closely together.)

While cases have fluctuated significantly over the past two-plus years, as of mid-June 2022, cases are far below their peak in the Winters of 2020 and 2021.

Table 3
Average Daily Cases: Santa Barbara County and State
March 2020 to Mid-June 2022



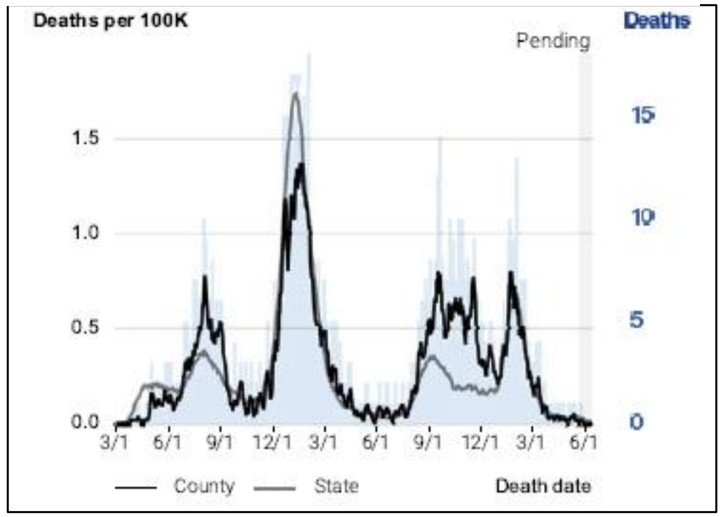
Moreover, as reflected Table 4, the severity of Covid-19 public health impacts has dropped significantly, where deaths per 100,000 population are effectively zero as of mid-June 2022.

In short, with these improving trends, public health restrictions have been curtailed, and economic activity is beginning to return to pre-crisis levels.

But New Economic Challenges Surface

While Covid-19 impacts may be behind us, new economic challenges have surfaced in its wake, with mixed economic signals.

Table 4
Deaths Per 100,000: Santa Barbara County and State March 2020 to June 2022



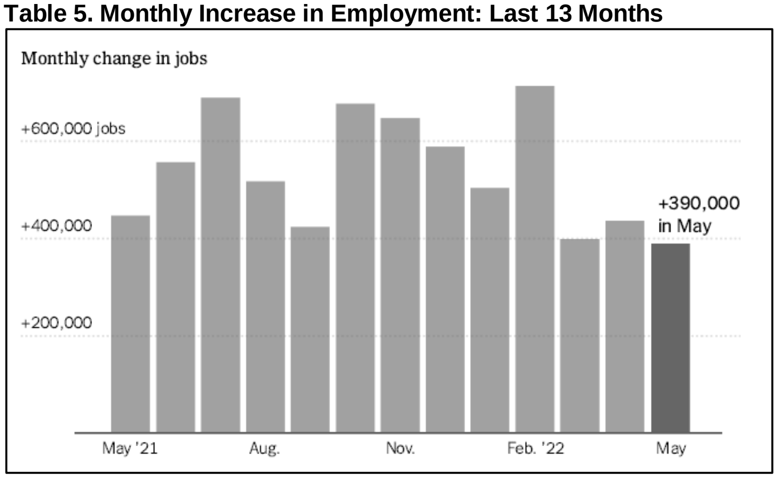
Source: State of California
https://covid19.ca.gov/state-dashboard

Rising inflation. Current trends are at the highest levels in forty years. As Covid-19 economic impacts lessen, there is now high demand for limited supplies: supply chain shortages persist; and gasoline prices have surged with limited supplies due to the war in Ukraine. This has resulted in increasing interest rates in responding to this. Initially believed to be short-term by many leading economists, it now appears to have longer-term impacts.

But there are notable strengths. While interest rates are rising, they are still low by historic standards. And the housing market remains strong.

Moreover, employment trends are also favorable. Nationally, the unemployment rate continues at 3.6% for the third straight month, with 500,000 jobs created in April 2022 and 390,000 in May 2022. This is the 17th straight monthly gain. The unemployment rate was 3.6% for the third straight month, a touch away from a half-century low.

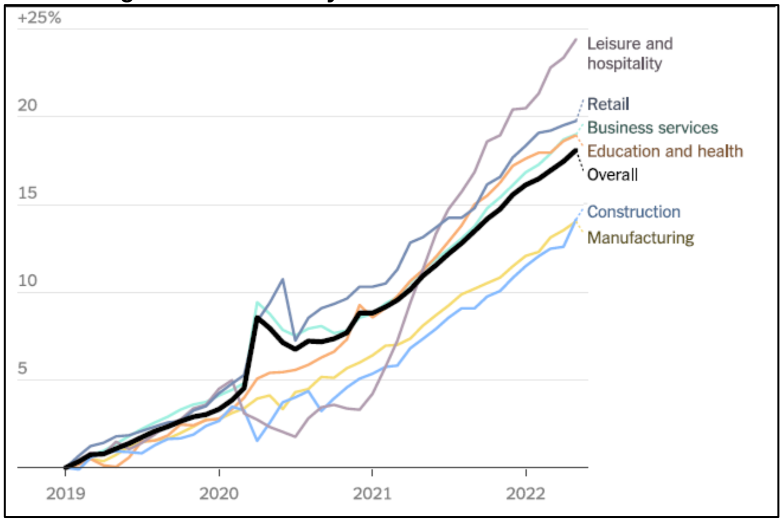
Table 5. Monthly Increase in Employment: Last 13 Months



Source: U.S. Bureau of Labor Statistics
Graphic by the New York Times

Average hourly earnings are also on the rise, increasing by 5.2% from a year ago, with gains in virtually all industries from 2019.

Table 6. Percent Change in Average Hourly Earnings for Non-managers Since January 2019



Source: U.S. Bureau of Labor Statistics
Graphic by the New York Times

What the experts say. In its recent California economic outlook (June 1, 2022), the highly regarded UCLA Anderson School of Management forecast concluded:

> "We expect the depth of this economic slowdown and the highest risk of recession to occur in the middle of 2023, although we still think a recession is unlikely at this time."

They also noted that supply chain disruptions are affecting consumers, business and agriculture; and that higher energy prices because of the Russian invasion of Ukraine add "additional headwinds to the state's economic growth."

Regarding future inflation and unemployment trends, the following summarizes the Federal Reserve's "consensus" outlook as of June 15, 2022:

Table 7. Federal Reserve Outlook

Key Indicators	2022	2023	2024	Longer Run
Unemployment Rate	3.7%	3.9%	4.1%	4.0%
Inflation	5.2%	2.6%	2.2%	2.0%

Source: U.S. Federal Reserve

General Fund revenue projections reflect this outlook of "cautious optimism."

What this means for the City. Property tax, sales tax and transient occupancy tax (TOT) revenues account for over 90% 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.

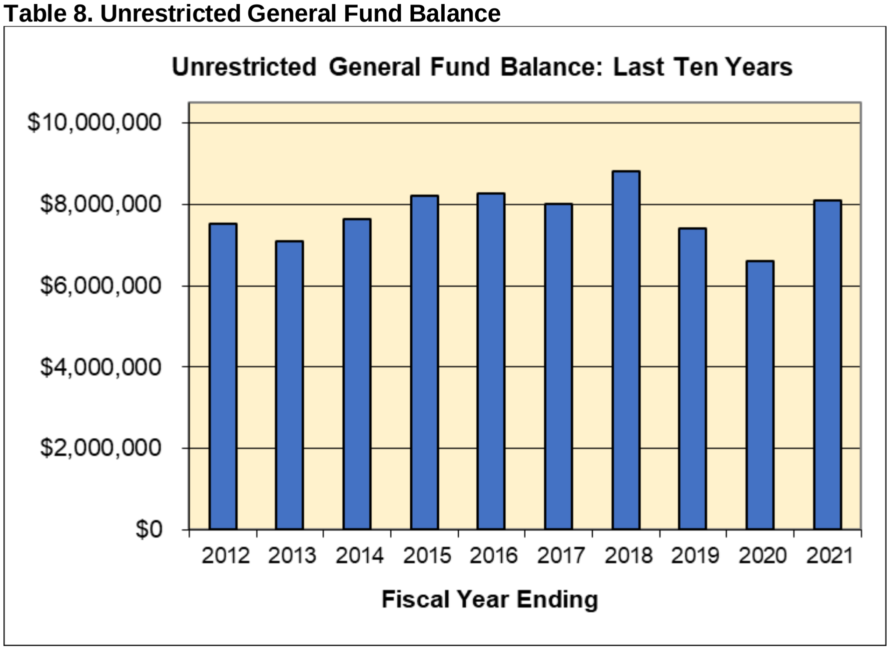
❷ *Current Strong Financial Condition*

As noted in the *General Fiscal Outlook*, while the City has not been immune from adverse economic forces resulting from the global pandemic, it has been more successful than many other communities in California in weathering these fiscal storms. The City has adopted balanced budgets and maintained strong General Fund reserves at policy levels. It currently has no General Fund debt; and compared with many California cities, modest pension and retiree health obligations.

The City has also adopted – and followed – prudent fiscal policies addressing issues such as reserves, user fee cost recovery, investments, use of generally accepted accounting principles (GAAP) in preparing financial statements and budgets, inventories and fixed assets. The City routinely receives "clean" audit opinions; and has received the prestigious Award for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) as well as the Award for Operating Budget Excellence from the California Society of Municipal Finance Officers (CSMFO).

The following chart shows the City's unrestricted General Fund balance for the past ten years. In each year, the City exceeds its minimum policy. It also shows that reserves have remained relatively constant, which means that the City has been able to respond to tough fiscal times without relying on significant drawdowns on its reserves.

Table 8. Unrestricted General Fund Balance



June 30, 2021 Ending General Fund Balance. As shown below, the City ended 2020-21 with General Fund balances that are $2.3 million higher than the policy minimum. This will serve the General Fund well in meeting the challenges ahead.

Table 9. Unrestricted General Fund Balance

Unrestricted General Fund Balance: June 30, 2021	Amount
Financial and economic uncertainty	4,052,200
Capital asset replacement	511,600
Special projects	1,193,600
Unassigned	2,351,200
Total Unrestricted Fund Balance: June 30, 2021	$8,108,600

2020-21 Audited Fund Balance

❸ *State Budget Outlook*

Over the past thirty 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.

❹ *Key Revenues*

Based on trends for the past ten years (detailed on pages 26 and 27), the City was experiencing a strong recovery from the Great Recession – and then Covid-19 hit with its adverse economic and fiscal impacts. The forecast assumes strong growth in 2021-22 in the City's top three revenues - property tax, sales tax and transient occupancy tax (TOT) - as economic activity returns to pre-pandemic levels, with modest growth thereafter Together, these three sources account for almost 90% of General Fund revenues.

❺ *Operating Costs Expenditures*

There are three key operating cost assumptions reflected in the forecast, which are described in greater detail on pages 17 and 18.

- **Operating cost "baseline."** The 2022-23 Preliminary Budget is the "baseline" for the forecast. From this, operating costs are projected to increase by inflation (projected at 4% to 2% annually), excluding retirement costs and Sheriff contract costs.

- **CalPERS retirement costs**. Significant increases in funding the City's "unfunded actuarial liability (UAL) are assumed based on projections provided by the California Public Employees Retirement System (CalPERS).

- **Sheriff contract costs.** These costs account for 40% of General Fund operating costs. As shown on page 27, increases in Sheriff contract costs have been modest over the past ten years through 2020-21. However, significant increases were experienced in 2021-22 and are expected in 2022-23.

❻ ***General Fund Subsidies***

As summarized below, General Fund and Measure X are proposed to provide significant operating subsidies to four funds in 2022-23:

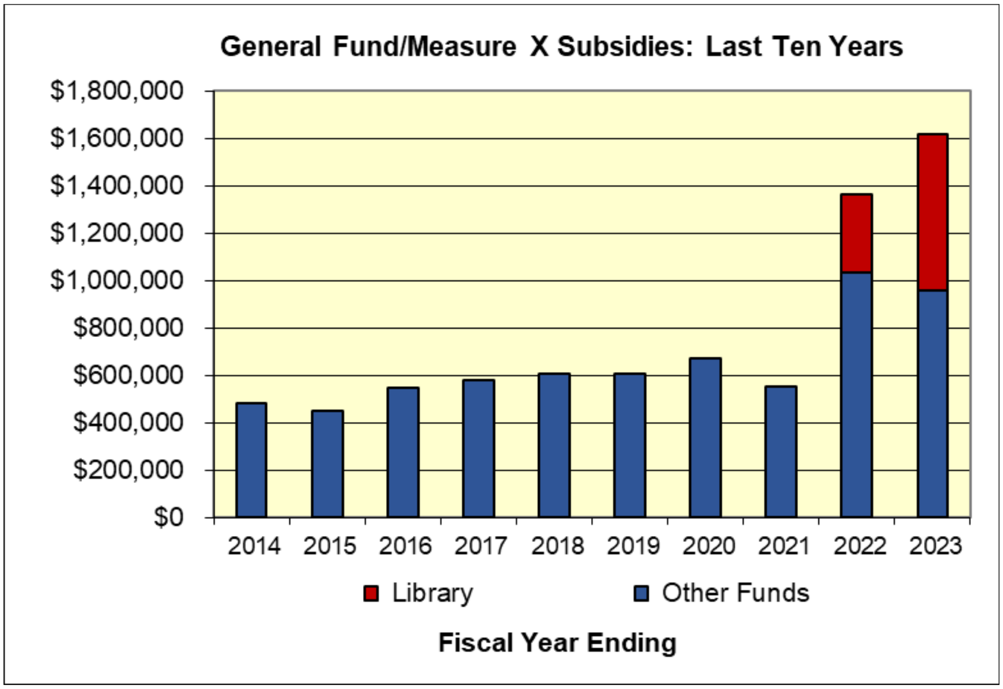
Table 10. General Fund Subsidies

2022-23 Proposed General Fund/Measure X Subsidies			
Fund	General Fund	Measure X	Total
Park Maintenance	218,100	120,000	338,100
ROW Assessment	17,700	50,000	67,700
Recreation Services	474,400	80,000	554,400
Library	30,000	630,700	660,700
Total	$740,200	$880,700	$1,620,900

These subsidies are largely due to structural imbalances between revenues – which in the case of assessments are fixed – and increased costs due to aging infrastructure and deferred maintenance. In the case of the Library Fund, significant General Fund/Measure X support was envisioned for this new service.

As reflected below, subsidies remained relatively constant until 2021-22, when they increased significantly. While the new Library service is certainly a factor, there were increases in the other three funds as well.

Table 11. General Fund Subsidies: Last Ten Years



Continued subsidies to these four funds at the 2022-23 level (adjusted for inflation) are projected through 2026-27.

❼ *Population Growth and Development*

The City's population of about 13,000 has remained virtually unchanged over the past ten years. While there are some new residential developments in the pipeline, they are not likely to cause either significant operating revenue or cost increases over the next five years.

On the other hand, there are two hotel projects (one on City property) that may come on-line in the next five years that could favorably affect General Fund revenues.

However, there are regulatory hurdles ahead for these projects. Moreover, even if these projects receive discretionary approvals, it is uncertain what the market for these projects will look like three to five years from now. Accordingly, no new revenues from new development are projected in the forecast.

However, the following summarizes the estimated fiscal impact if these two hotel projects become operational at some time in the next five years:

Table 12. Estimated Revenues from Two Possible Hotel Projects

		Revenue Estimate		
Project	Rooms	TOT	Other	Total
Via Real	72	442,000	-	442,000
Surfliner	40	385,000	236,000	621,000
Total	112	$827,000	$236,000	$1,063,000

❽ *Capital Improvement Projects*

The following summarizes the five-year General Fund/Measure X CIP prepared by staff based on current goals and objectives. The first year is based on the proposed 2022-23 Budget.

Table 13. Forecast CIP Projects

Project	2022-23	2023-24	2024-25	2025-26	2026-27
Parks					
Carpinteria Skate Park	1,096,000				
Concha Park	570,000				
Playground Replacement	250,000			810,000	810,000
Bluffs II Trail	149,800				
Community Farm Project		82,400			
Linden Ave Beach-End Beautification			31,200		
Carpinteria Creekside Parcel Acquisition			61,400		
Memorial Park Improvements				16,600	
Carpinteria Community Pool Improvements				8,200	
Facilities					
City Hall Storage	494,000				
City Hall Solar	36,900				
Library		1,125,000	375,000		
City Hall Campus Expansion/Improvements		1,500,000	700,000		
City Hall Solar Energy Generation & Storage			19,400		
Corporation Yard Maintenance Building			213,300		
Transit Facility Improvements			7,800		
Transportation					
Paving	910,000	888,500	989,300	890,100	767,400
Ninth Street Improvements		896,500			
Pedestrian Bridge Rehab			104,200		
Parking Lot #4					675,000
Total	3,506,700	4,492,400	2,501,600	1,724,900	2,252,400

Forecast Gap vs Budget Deficit

In those years where expenditures are greater than revenues due to CIP projects, this forecast does not project a “budget deficit.” Stated simply, 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 potential *future* gaps, the City will avoid incurring real deficits.

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 other "what if" scenarios.

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 23. Areas of particular focus included:

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

- ***Revenues Trends.*** Focused on the City's top three General Fund revenues – property taxes, TOT and sales – which together account for almost 90% of total General Fund revenues.

- ***Expenditure Trends.*** Overall trends in key expenditure areas, including sheriff contract, insurance, General Fund subsides and pension costs.

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, University of California, Santa Barbara, 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 (HdL Companies).

- 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 description of the assumptions used in the forecast and the resulting projections are provided on pages 17 to 19.

What's Not in the Forecast

Grant Revenues. For operations, 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 operating 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 Needs Not Funded in the Proposed 2022-23 Budget. It is likely that there are City needs that are not reflected in the proposed 2022-23 Budget.

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. While none are reflected in the forecast, it is possible that some of the hotel and other projects on the radar could move faster. If that's the case, then revenues – at least in the forecast out-years – may be better than the forecast.

Insurance Costs. The forecast assumes that general liability and workers' compensation and property insurance costs will grow by inflation. 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 even steeper increases in employer contribution costs.

THE PATH FORWARD

As discussed above, the City is in good fiscal shape in funding operating costs – which has been the focus of past City budgets – with projected revenues exceeding operating costs by about $375,000 annually.

However, the forecast also shows an annual average "gap" of about $2.5 million when CIP projects are included ($2.9 million average per year).

As discussed below, there are several options available in closing the forecast gap and funding CIP projects (in full or part) that would result in a balanced budget and reserves at minimum policy levels, including:

Scale Back CIP Projects. The forecast includes an average annual coat for CIP projects of $2.9 million. Scaling this back to $1.4 million would result in a fund balance that meets minimum fund balance targets at the end of 2026-27, while supporting CIP improvements at a higher level than in the past.

Identify Alternative Funding Sources for General Fund Subsidies. Until 2021-22, General Fund subsidies were relatively stable from year-to-year. However, as summarized by the following, General Fund subsidies increased significantly in 2021-22. While the contributions for the Library were expected, there were increases in the other three funds as well.

General Fund/Measure X Subsidies

Fund	2020-21	2021-22	2022-23
Park Maintenance	173,800	220,700	338,100
ROW Assessment	29,700	75,500	67,700
Recreation Services	351,700	411,400	554,400
Library	-	327,500	660,700
Total	$555,200	$1,035,100	$1,620,900

Reduce CalPERS Unfunded Actuarial Liabilities (UAL). The City's pension situation is described on pages 28 to 32. The short story: the City has seen significant increases in annual contributions in amortizing its unfunded actuarial liabilities. About 22 years remains on this amortization schedule. The City has wisely set aside $1.4 million in a "Section 115" trust fund to assist in addressing its UAL An option that CalPERS offers is a shortened amortization period of 10 or 15 years. While this requires higher annual payments, the long-term cost savings are significant. A high level analysis indicates that the City could select a shorter amortization period and draw down its Section 115 funds in offsetting the higher annual payments. This requires further analysis in consultation with the City's actuary to further asses the costs and benefits of this approach.

Consider Focused Revenue Options. There are two focused options the City could consider:

- ***Higher cost recovery.*** This is one of the few remaining areas where the Council has discretion in balancing funding for the cost of services between general purpose revenues and fees. The City plans to prepare a cost of services study in 2022-23 in evaluating current costs and user charges in alignment with adopted cost recovery policies. If fees are set lower than appropriate, this means fewer general purpose revenues are available for services that do not have user fee options, like police protection, street maintenance, parks and libraries. This study may present an opportunity for improved cost recovery that in turn can assist in meeting the City's CIP goals.

- ***Business license tax.*** Anyone doing business in the City is required to pay a business license tax, which is levied solely for general revenue purposes. While there are over 40 different categories, the maximum that most businesses pay if they have 21 or more employees is $100, based on the following schedule for retailers, professionals and manufacturers:

No. of Employees	Annual Tax
1 to 5	$25
6 to 10	$50
10 to 20	$75
21 or More	$100

Combined with application fees for new businesses, this results in very modest revenues of about $62,000 annually. Given this relatively low amount of revenue, it is likely that the cost of administering this program is higher that the revenue generated.

Most modern business tax ordinances use gross receipts as the tax base to better reflect ability to pay. There are many ways of structuring the business taxes; and as such, more detailed analysis is required in estimating revenues from an updated business tax ordinance. However, based on a review of ratios between business tax and sales tax revenues in other California cities, a conservative estimate of 15% of sales tax revenues (excluding Measure X) generates about $325,000 in revenues, for an increase of $263,000. Under Proposition 218, this would require voter approval.

Combination of Options. Rather than relying on only one option, the City could use a combination of them.

CONCLUSION

Favorable Outlook in Funding Operating Costs. The City is in good fiscal shape in funding operating costs – which has been the focus of past City budgets – with projected revenues exceeding operating costs by about $375,000 annually. Including available fund balance above policy targets, resources are available to fund CIP projects of about $1.4

million per year. While less than the five-year CIP average in the forecast of $2.9 million, it is more than the $500,000 it has allocated on average in the past.

Challenges in Funding CIP Projects. The forecast shows an annual average “gap” of about $2.5 million when CIP projects are included.

The Path Ahead. This report identifies four basic options for funding an expanded CIP. All with the exception of business license tax (which would require voter approval) can be approved by the Council.

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) – the following summarized inflation assumptions:

Estimate	
2021-22	4.0%
Forecast	
2022-23	4.0%
2023-24	3.0%
2024-25	2.0%
2025-26	2.0%
2026-27	2.0%

ECONOMIC OUTLOOK

The public health crisis and adverse economic impacts from Covid-19 appear to be waning and revenue trends reflect continued recovery. However, in its wake, new concerns have surfaced with inflation and possible recession. On the other hand, the housing market, employment and wages continue to be strong. The forecast assumes "cautious optimism" and modest growth. Accordingly, it does not project any significant economic downturns that would impact key General Fund revenues. However, this is far from a sure thing.

EXPENDITURES

Operating Costs. The proposed 2022-23 Budget is the "baseline" for the forecast operating expenditures. From this, operating costs are projected to increase by inflation, with the notable exception of pension and Sheriff contract costs.

CalPERS. These are based on projections provided by the California Public Employees Retirement System (CalPERS). The underlying factors driving the increases are described in the *Trends* section of this report beginning on page 28. Based on these factors, the detail calculations for projecting retirement costs are provided on page 21.

Sheriff Contract Costs. As discussed in the *Trends* section of this report beginning on page 27, increases in Sheriff contract costs have been modest over the past years until 2021-22, when costs increased by about 15%. The proposed costs for 2022-23 are also expected to increase by 15%. After that, annual costs are projected to rise by 3.5% annually, based on the prior five-year average increase.

Other Operating Costs. As noted by above, the forecast assumes increases based on inflation ranging from 4% to 2%, aside from pension and Sheriff contract costs. This is lower than past trends based on the following factors:

- In preparing and reviewing expenditure trends, special attention was focused separately on key "external" drivers like insurance, CalPERS pension and Sheriff contract costs.
- In the case of retirement costs, as noted above, these were prepared separately based on rate and cost information provided by CalPERS.
- And separate assumptions have been made for Sheriff contract costs.
- After accounting for these three external drivers, the remaining costs are largely within the control of the City. Staffing costs account for about one-third of operating expenditures. Setting aside the two costs that are accounted for separately, staffing costs rise (or fall) based on 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 these other costs.

Capital Improvement Plan (CIP) Projects. Expenditures are based on funding and phasing assessments prepared by City staff. These are presented on page 11.

INTERFUND TRANSFERS

Transfers in and out, including fund subsidies, are based on the proposed 2022-23 Budget and increase annually based on changes in the CPI.

STATE BUDGET ACTIONS

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

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; University of California, Santa Barbara; 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 (HdL Companies).

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 Three Revenues

The following describes the assumptions for the "Top Three" revenues in the forecast, which account for almost 90% of total projected General Fund revenues.

Sales Tax. The forecast assumptions were prepared by the City's sales tax advisor (HdL). With strong growth in 2021-22, revenues are essentially flat in 2022-23 and then grow modestly thereafter.

	General	Measure X
Estimate		
2021-22	20.2%	15.5%
Forecast		
2022-23	-.04%	-.08%
2023-24	3.6%	3.8%
2024-25	2.9%	2.9%
2025-26	2.9%	2.9%
2026-27	3.4%	3.4%

Property Tax. This revenue source is driven by changes in assessed value. The forecast assumes modest "baseline" growth throughout the forecast period as follows:

Estimate	
2021-22	4.6%
Forecast	
2022-23	4.3%
2023-24	5.0%
2024-25	5.0%
2025-26	5.0%
2026-27	5.0%

Transient Occupancy Tax. Transient occupancy taxes (TOT), which are based on hotels and short-term vacation rentals, are estimated to increase significantly in 2021-22, reflecting recovery from Covid-19 impacted revenues. Due to this, revenues are projected to remain flat in 2022-23, and then grow by CPI thereafter. No new hotels are assumed in the forecast.

Estimate	
2021-22	38.6%
Forecast	
2022-23	Flat
2023-24	3.0%
2024-25	2.0%
2025-26	2.0%
2026-27	2.0%

Other Revenues

For 2022-23, these are projected to remain flat or grow modestly by inflation. For the next four years (2023-27), during the forecast period, these are based on the prior five-year average, growing by inflation.

GENERAL FUND/MEASURE X FIVE YEAR FISCAL FORECAST: 2022-27

	2019-20 Actual	2020-21 Actual	2021-22 Estimated	FORECAST 2022-23	2023-24	2024-25	2025-26	2026-27
REVENUES								
Taxes and Franchise Fees								
Property Tax	$4,119,400	$4,372,200	$4,572,400	$4,769,600	$5,008,100	$5,258,500	$5,521,400	$5,797,500
Sales Tax	4,714,200	5,271,600	6,174,700	6,135,800	6,364,600	6,549,200	6,739,100	6,968,200
Transient Occupancy Tax	2,023,100	2,209,200	3,062,200	3,062,200	3,154,100	3,217,200	3,281,500	3,347,100
Franchise Fees	757,300	689,100	685,100	685,100	711,100	725,300	739,800	754,600
Business License Taxes	48,900	41,100	62,000	62,000	63,900	65,200	66,500	67,800
From Other Governments	452,200	399,300	304,000	552,000	337,300	337,300	337,300	337,300
Permits and Service Charges	594,300	566,300	703,000	502,500	629,100	641,700	654,500	667,600
Other Revenues								
Investment Earnings	377,200	68,200	54,200	27,800	145,600	145,600	145,600	145,600
Other Revenues	727,400	352,200	154,600	101,600	316,300	316,300	316,300	316,300
Total Revenues	**13,814,000**	**13,969,200**	**15,772,200**	**15,898,600**	**16,730,100**	**17,256,300**	**17,802,000**	**18,402,000**
EXPENDITURES								
Operating Programs	10,844,300	10,165,200	12,165,100	14,356,300	14,855,600	15,266,000	15,668,500	16,078,700
Capital Outlay	273,400	168,100	87,700	178,900	162,800	162,800	162,800	162,800
Total Operating Expenditures	11,117,700	10,333,300	12,252,800	14,535,200	15,018,400	15,428,800	15,831,300	16,241,500
CIP Projects	571,200	1,593,100	1,842,500	3,506,700	4,492,400	2,501,600	1,724,900	2,252,400
Total Expenditures	**11,688,900**	**11,926,400**	**14,095,300**	**18,041,900**	**19,510,800**	**17,930,400**	**17,556,200**	**18,493,900**
OTHER SOURCES (USES)								
Transfers In	241,800	-	1,345,000	1,342,000	-	-	-	-
Transfers Out								
Fund Subsidies	(673,300)	(555,100)	(1,035,200)	(1,620,900)	(1,669,500)	(1,702,900)	(1,737,000)	(1,771,700)
CIP Projects								
Other Funds	(29,000)	-	-	-	-	-	-	-
Total Other Sources (Uses)	**(460,500)**	**(555,100)**	**309,800**	**(278,900)**	**(1,669,500)**	**(1,702,900)**	**(1,737,000)**	**(1,771,700)**
Sources Over (Under) Uses	**1,664,600**	**1,487,700**	**1,986,700**	**(2,422,200)**	**(4,450,200)**	**(2,377,000)**	**(1,491,200)**	**(1,863,600)**
FUND BALANCE, BEGINNING OF YEAR	9,122,600	10,787,200	12,274,900	14,261,600	11,839,400	7,389,200	5,012,200	3,521,000
FUND BALANCE, END OF YEAR	**10,787,200**	**12,274,900**	**14,261,600**	**11,839,400**	**7,389,200**	**5,012,200**	**3,521,000**	**1,657,400**
GENERAL FUND BALANCE, END OF YEAR								
Unspendable		400	400	400	400	400	400	400
Restricted: Pension Stabilization	1,113,400	1,438,600	1,438,500	1,438,600	1,438,600	1,438,600	1,438,600	1,438,600
Committed								
Fiscal Stability, Cash Flow and Contingencies.	4,344,900	4,052,300	4,489,300	5,223,200	5,396,800	5,544,300	5,688,900	5,836,300
40% of Annual General Fund								
General Reserve Fund: $1,000,000 Minimum	1,189,200	1,193,600	1,005,700	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Major Asset Replacement and Repair								
$1,000,000 Minimum	540,500	511,600	432,900	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Assigned: Measure X Projects and Programs	3,055,000	3,645,100	4,093,400	2,587,200				
Unassigned	544,200	1,433,300	2,801,400	590,000	(1,446,600)	(3,971,100)	(5,606,900)	(7,617,900)
Total	**10,787,200**	**12,274,900**	**14,261,600**	**11,839,400**	**7,389,200**	**5,012,200**	**3,521,000**	**1,657,400**

ASSUMPTIONS SUMMARY

		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Population		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inflation		4.0%	4.0%	3.0%	2.0%	2.0%	2.0%
REVENUES & OTHER SOURCES							
Property Tax		4.6%	4.3%	5.0%	5.0%	5.0%	5.0%
Transient Occupancy Tax		38.6%	Flat	3.0%	2.0%	2.0%	2.0%
Sales Tax (Basis: HdL Projection)							
Percent Increase							
General Fund		20.2%	-0.4%	3.6%	2.9%	2.9%	3.4%
Measure X		15.5%	-0.8%	3.8%	2.9%	2.9%	3.4%
Revenue							
General Fund	1,817,700	2,185,700	2,176,800	2,255,200	2,320,600	2,387,900	2,469,100
Measure X	3,453,900	3,989,000	3,959,000	4,109,400	4,228,600	4,351,200	4,499,100
	5,271,600	6,174,700	6,135,800	6,364,600	6,549,200	6,739,100	6,968,200
Business License Tax		Estimated	Estimated	3.0%	2.0%	2.0%	2.0%
Average of Prior 5 Years: 2023-24 to 2026-27	Base						
Franchise Fees	690,400	Estimated	Estimated	3.0%	2.0%	2.0%	2.0%
From Other Governments	337,300	Estimated	Estimated	Flat	Flat	Flat	Flat
Permits & Service Charges	610,800	Estimated	Estimated	3.0%	2.0%	2.0%	2.0%
Investment Earnings	145,600	Estimated	Estimated	Flat	Flat	Flat	Flat
Other Revenues	316,300	Estimated	Estimated	Flat	Flat	Flat	Flat
EXPENDITURES							
Operating Expenditures							
Sheriff Contract			14.7%	3.5%	3.5%	3.5%	3.5%
Proposed contract for 2022-23		4,600,000	5,278,000	5,462,700	5,653,900	5,851,800	6,056,600
Average increase, last 5 years excluding 2020-21 and 2021-22)							
Unfunded Actuarial Liability (UAL)							
Classic (80% Allocated to General Fund)		312,600	362,700	391,200	421,600	440,800	459,200
PEPRA (80% Allocated to General Fund)		2,000	2,300	2,900	3,400	3,800	4,100
Safety (Reflects 3.3% prepayment discount		288,900	315,400	327,500	339,100	343,900	346,800
Total		603,500	680,400	721,600	764,100	788,500	810,100
Other Operating Expenditures		7,049,300	8,576,800	8,834,100	9,010,800	9,191,000	9,374,800
Total Operating Expenditures		12,165,100	14,356,300	14,855,600	15,266,000	15,668,500	16,078,700
Capital Outlay	Base						
Average of Prior 5 Years: 2023-24 to 2026-27	162,800	87,700	178,900	162,800	162,800	162,800	162,800
Total		12,252,800	14,535,200	15,018,400	15,428,800	15,831,300	16,241,500
CIP Projects							
General Fund			980,000	1,582,400	1,400,300	834,800	810,000
Measure X			2,526,700	2,910,000	1,101,300	890,100	1,442,400
Total			3,506,700	4,492,400	2,501,600	1,724,900	2,252,400

ASSUMPTIONS SUMMARY

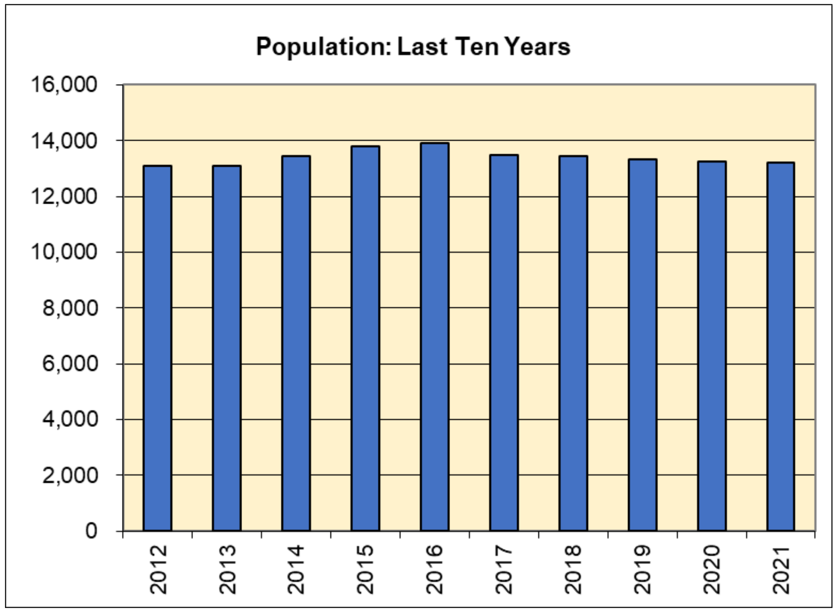
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
OTHER SOURCES (USES)						
Transfers In						
ARPA						
General Fund	1,269,000	1,267,000				
Measure X	76,000	75,000				
Total	1,345,000	1,342,000	-	-	-	-
Transfers Out						
Historic Fund Subsidies						
General Fund	(547,700)	(710,200)				
Measure X	(487,500)	(250,000)				
Total	(1,035,200)	(960,200)	-	-	-	-
Library Fund						
General Fund		(30,000)				
Measure X		(630,700)				
Total	-	(660,700)				-
Total Transfers Out	(1,035,200)	(1,620,900)	(1,669,500)	(1,702,900)	(1,737,000)	(1,771,700)
Grows by Inflation			3.0%	2.0%	2.0%	2.0%

HISTORICAL TRENDS

DEMOGRAPHIC AND ECONOMIC TRENDS

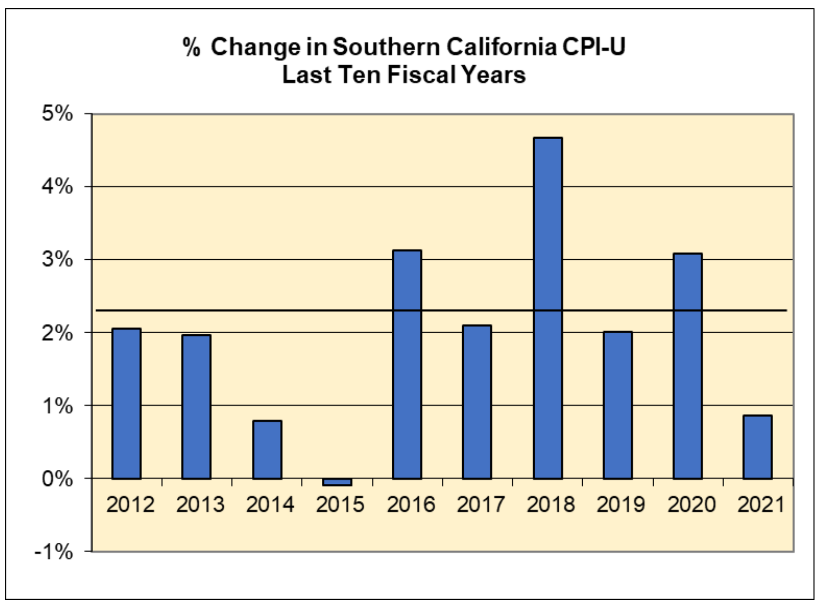
Population. The City's population has remained virtually unchanged for the past ten years.

Source: State of California, Demographic Research Unit



Consumer Price Index. Changes in the Consumer Price Index for All Urban Consumers (CPI-U) for the Southern California area increased by less than 1.0% in 2021; and an average of 2.1% over the past 10 years. However, we are now experiencing the steepest rise in costs in over 40 years.

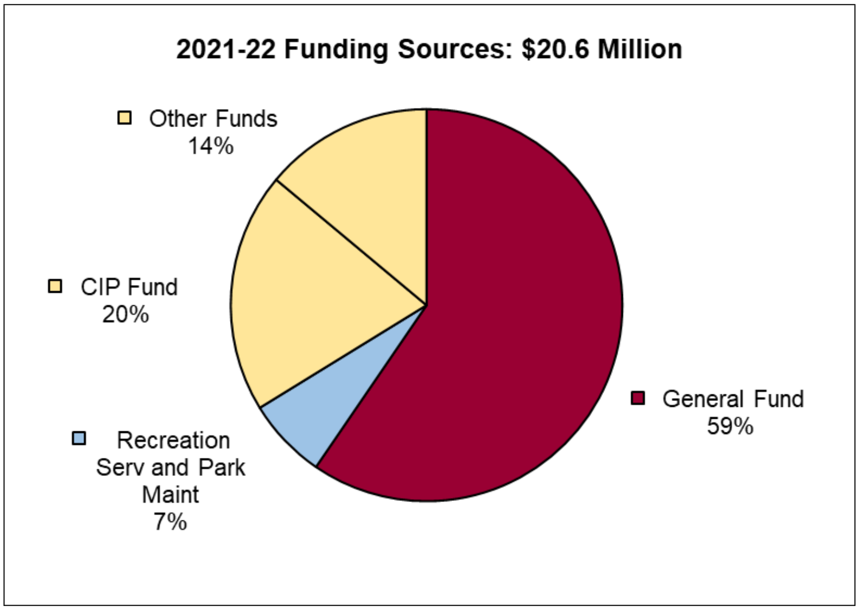
Source: U.S. Bureau of Labor Statistics



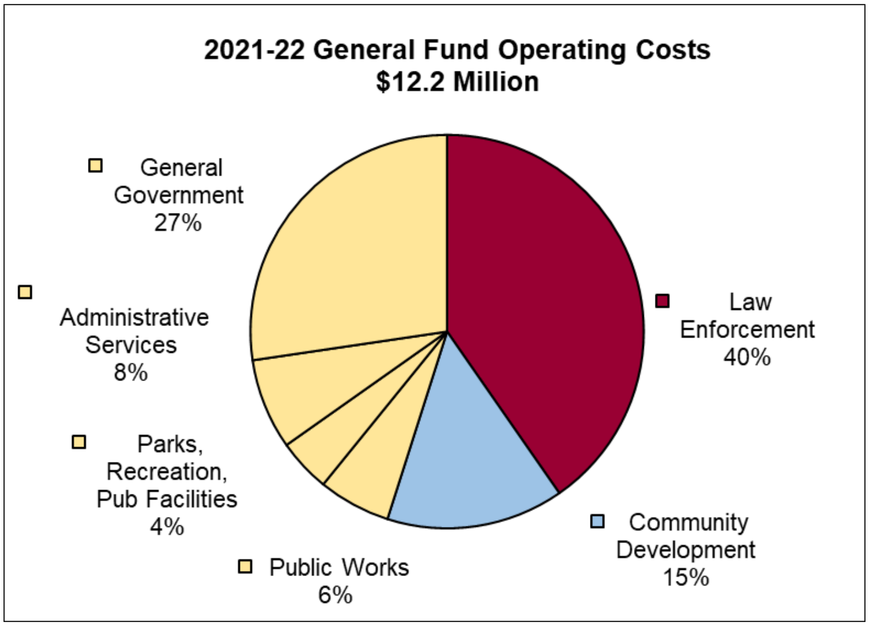
HISTORICAL TRENDS

2021-22 EXPENDITURE AND REVENUE SUMMARIES

The General Fund – which is the focus of this forecast – accounts for about 60% of total City expenditures.

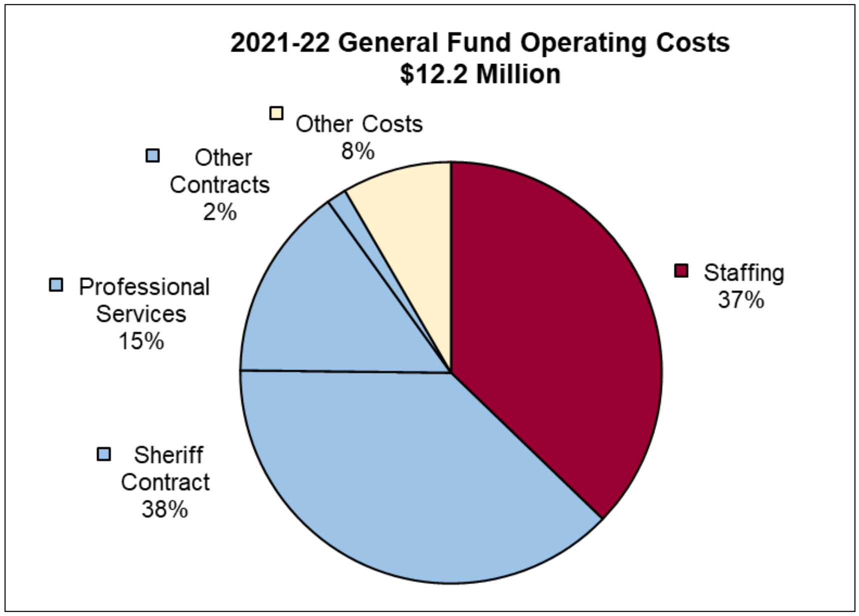


At 40%, law enforcement costs are the largest use of General Fund resources.

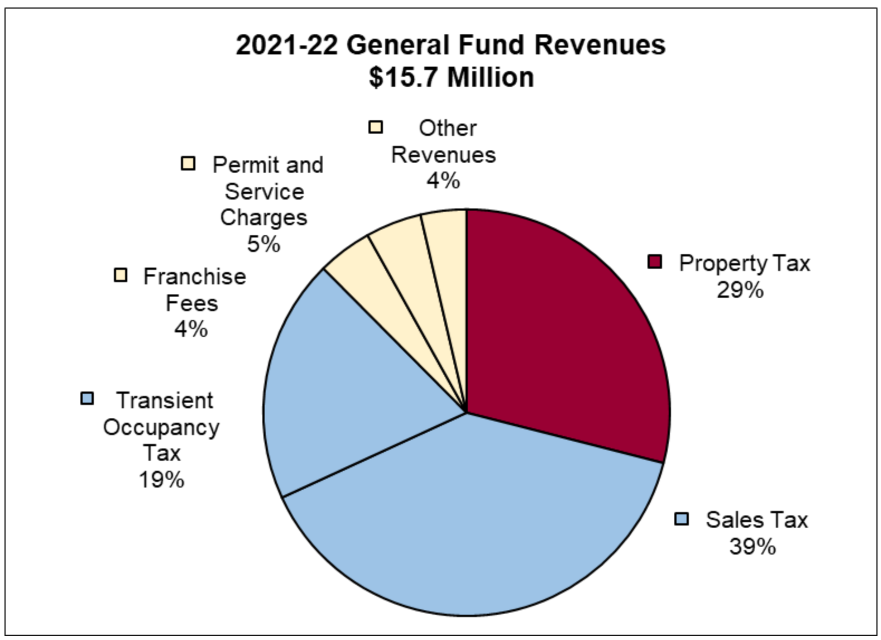


HISTORICAL TRENDS

Contracts for Sheriff (38%) and other services (17%) account for 55% of General Fund operating costs. Staffing costs are the next highest cost, accounting for almost 40% of General Fund operating costs.



Three revenue sources account for about 90% of total General Fund sources. Sales tax (including Measure X) is the top revenue (39%) followed by property tax (29%) and transient occupancy tax (25%) and sales tax 19%).



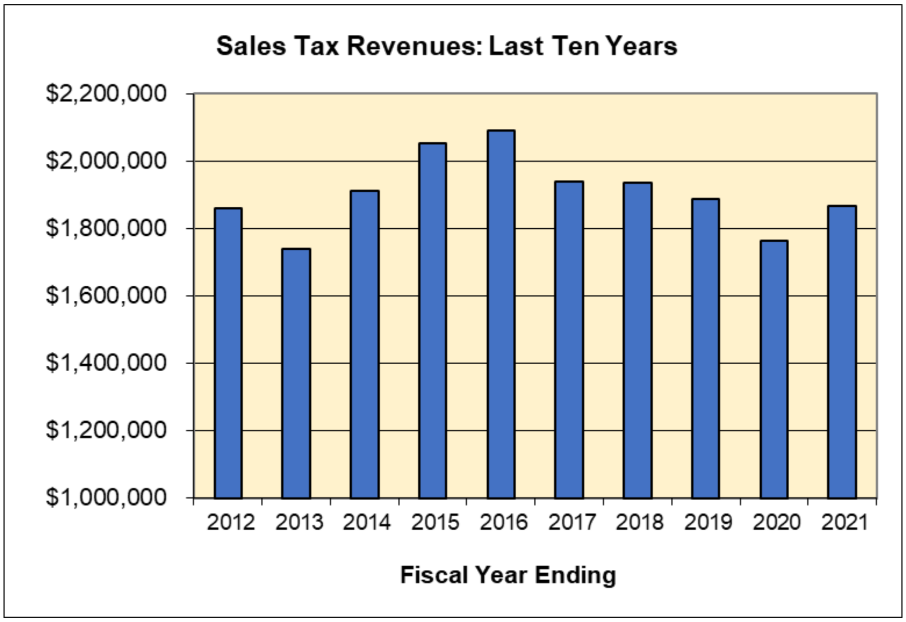
HISTORICAL TRENDS

GENERAL FUND REVENUE TRENDS

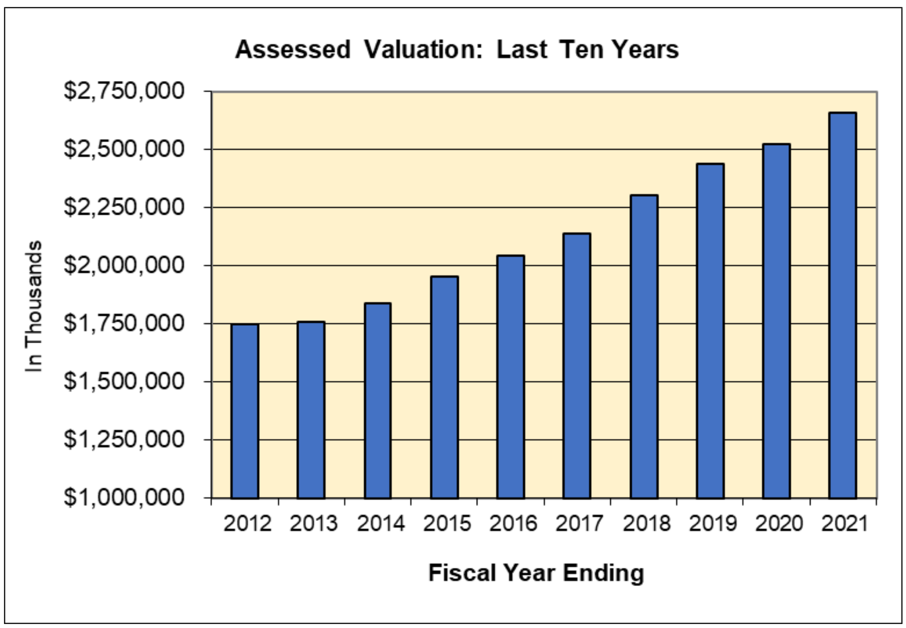
The following tables and charts show long and short term trends in General Fund for the "Top Three" revenue sources, which account for about 90% of total General Fund revenues.

Sales Tax. These revenues (including Measure X) are the City's top revenue source, accounting for almost 40% of total revenues. Because they only began to be received in 2018-19, the chart only covers General Fund sales tax revenues.

The last ten years show mixed results in this revenue source, with growth from 2012-13 through 2015-16, but modest declines of the next four years thereafter. However, sales tax revenues have strongly recovered in 2021-22.



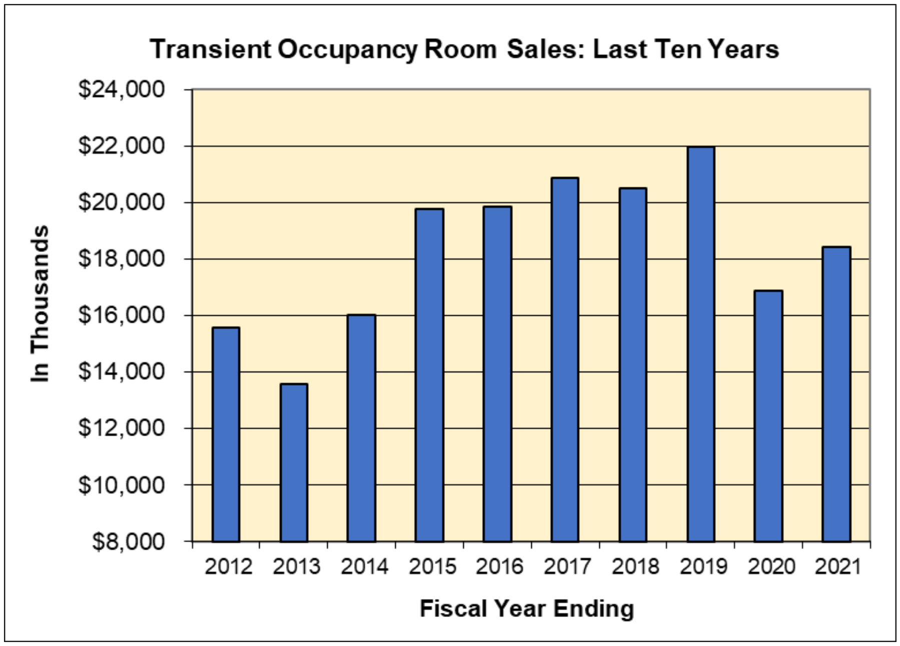
Property Tax. The second most important revenue (accounting for about 30% of total General Fund revenues,), these are driven by changes in assessed value as determined by the Santa Barbara County Assessor's office. (The apportionment of property taxes is determined by the State and subject to change; as such, assessed value is the underlying economic driver for property taxes.)



HISTORICAL TRENDS

TOT Revenues. These revenues include hotels and short-term vacation rentals. (Note: The tax rate increased from 10% to 12% in 2012-13, and thus room sales are the best economic measure). Room sales were relatively stable from 2014-15 to 2017-18, with an increase of 7% in 2018-19.

However, this is followed by a sharp decline in 2019-20 from Covid-19 impacts, with recovery beginning in 2020-21.



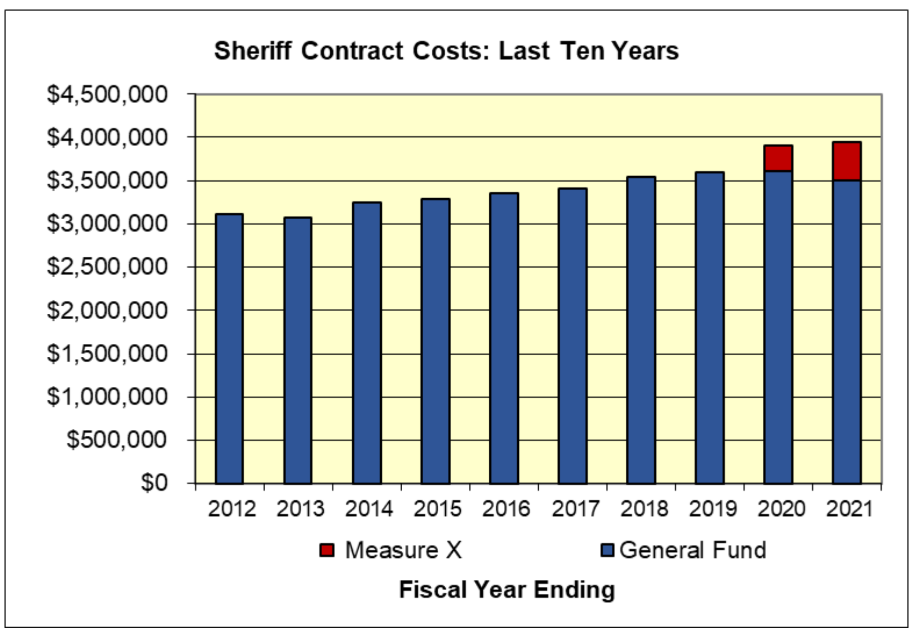
GENERAL FUND EXPENDITURE TRENDS

The following tables and charts show long term trends in four key General Fund expenditures/fund subsidies:

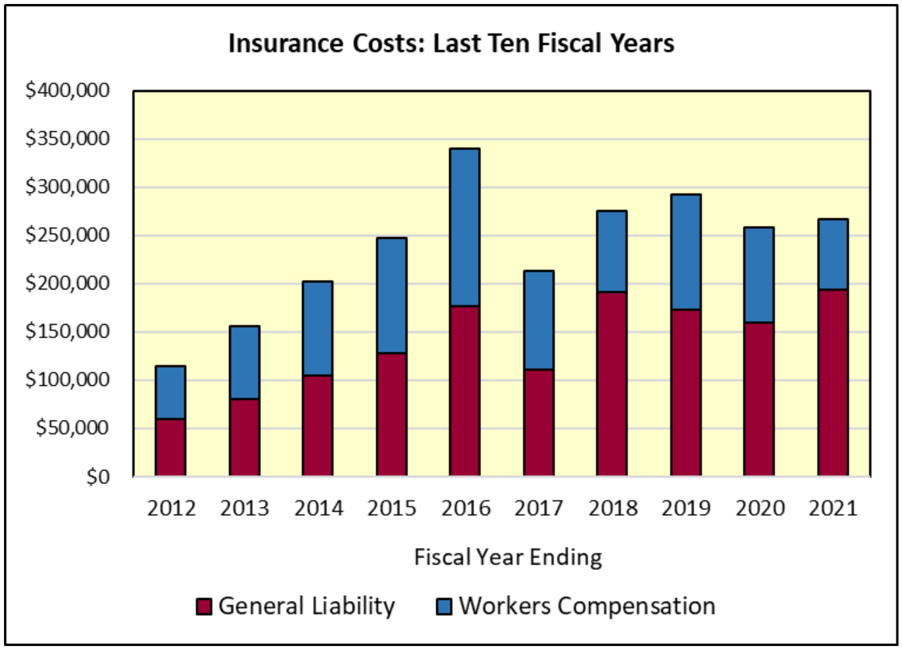
- Sheriff contract costs.
- Insurance: general liability and workers' compensation.
- General Fund subsidies.
- Employer retirement contribution rates to the California Public Employees Retirement System (CalPERS) as well as projected rates for the next five years.

Sheriff Contract Costs. The City contracts with the County of Santa Barbara for police services. This is the City largest operating cost, accounting for almost 40% of total operating costs.

The sidebar chart shows Sheriff contract costs for the last ten years, which have been funded by a combination of General Fund and Measure X sources beginning in 2019-20. Cost increases through 2018-19 have been relatively modest. However, while mitigated with Measure X funds, there have been significant increases since then, with 15% increases in 2021-22 and another increase of 15% proposed for 2022-23.

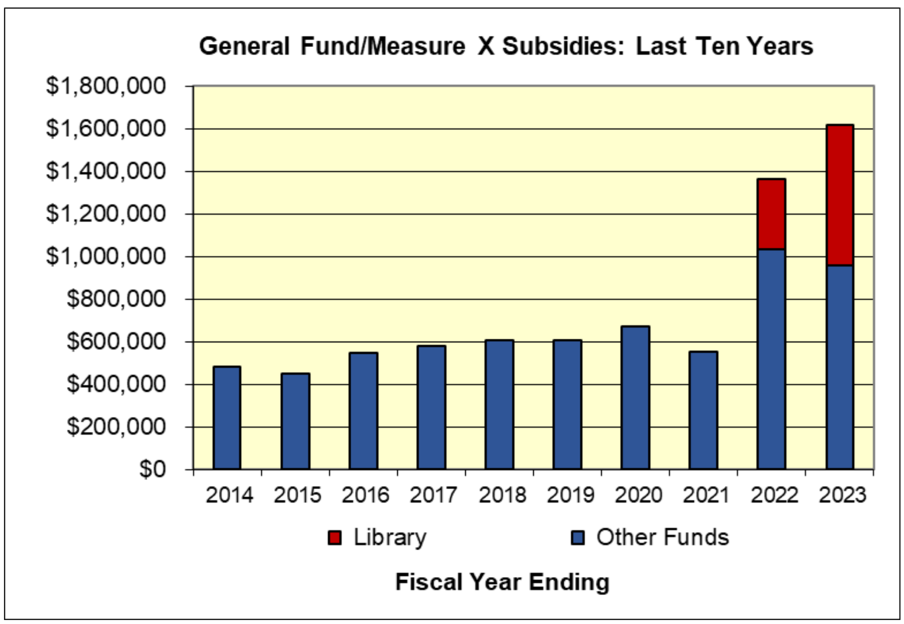


Insurance Costs. Insurance costs have been a major concern for many agencies throughout the State. As reflected in the sidebar chart for workers' compensation and general liability costs, the City has been on a roller coaster ride over the last ten years. However, insurance costs appear to have stabilized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



General Fund Subsidies. These subsidies are largely due to structural imbalances between revenues – which in the case of assessments are fixed – and increased costs due to aging infrastructure and deferred maintenance. In the case of the Library Fund, significant General Fund support was envisioned for this new service.

Subsidies remained relatively constant until 2021-22, when they increased significantly. While the new Library service is certainly a factor, there were increases in the other three funds as well.



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). Because the City has under 100 non-safety employees covered by its contract with CalPERS, it is pooled with other local agencies with under 100 non-safety employees that offer similar benefits.

The City has a two-tier retirement plan resulting from the Public Employees' Pension Reform Act of 2013 (PEPRA).

- **"New" (PEPRA) Employees: 2% at 62.** Under PEPRA, "new" system employees hired on January 1, 2013 or after are provided with the "2% at 62" plan. This means that retirees will receive 2% of their eligible compensation for each year worked if they retire at age 62. For example, an employee working for 30 years and retiring at 62 would receive 60% of their eligible compensation (in this case, the average earnings or their three highest years, excluding any overtime pay)

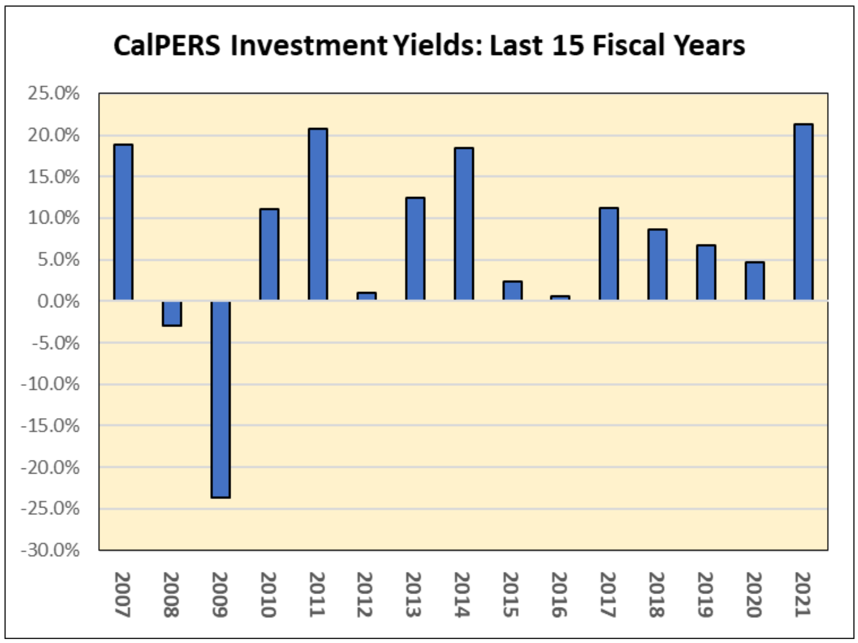
- **"Classic" Employees: 2% at 55.** Employees in the system before January 1, 2013 (which CalPERS calls "classic" employees) are provided with the "2% at 55" plan: they receive 2% of their eligible compensation for each year worked if they retire at age 55. Classic employees include those who worked for the City before January 1, 2013. It also includes new employees with the City who established CalPERS membership with another agency before January 1, 2013, with a break in service of six months or less.

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-five years, CalPERS is now the largest pension fund in the United States, providing services to about 2,900 state, city, county and special districts, with over 1.8 million members and managing $500 billion in assets.

Funding Pension Benefits. There are many actuarial factors that determine contribution rates, including inflation 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.

As of January 1, 2022, CalPERS current discount rate is 6.8%. Even small changes in this rate – up or down – can significantly affect funding.



Sources: https://www.calpers.ca.gov/page/newsroom/calpers-news/2021/calpers-strong-preliminary-fiscal-year-investment-return-trigger-discount-rate-reduction

https://www.calpers.ca.gov/docs/forms-publications/facts-investment-pension-funding.pdf

By comparison, CalPERS net yield on returns has averaged 10.3% for the last five years; 8.5% for the last 10 years; 6.9% for the last 20 years; and 8.4% over the past 30 years. As reflected in the chart above, these highly variable results are due to significant swings in investment earnings from year-to-year. (Source: https://www.calpers.ca.gov/page/newsroom/calpers-news/2021/calpers-strong-preliminary-fiscal-year-investment-return-trigger-discount-rate-reduction)

Member and City Contributions. Along with investment earnings, CalPERS pension benefits are funded by contributions from both employees and employers.

The employer share has two components:

- Normal cost: The rate needed to meet current actuarial obligations.
- Unfunded actuarial liability (UAL): Funding needed to amortize any outstanding unfunded liabilities (typically over 30 years). If there are adverse actuarial results, such as lower investment yields or changes in actuarial assumptions, this will be reflected in the UAL payment.

Recent Change in Investment Assumptions. CalPERS recently reduced its yield assumption from 7.0% to 6.8%, effective January 1, 2022. This was triggered by the risk mitigation policy adopted by CalPERS in 2015 and revised in 2017), which called for reductions in the yield assumptions as follows:

Excess Investment Return	Reduction in Discount Rate	Reduction in Expected Investment Return
If the actual investment returns exceed the discount rate by:	*Then the discount rate will be reduced by:*	*And the expected investment return will be reduced by:*
2.00%	0.05%	0.05%
7.00%	0.10%	0.10%
10.00%	0.15%	0.15%
13.00%	0.20%	0.20%
17.00%	0.25%	0.25%

Source: CalPERS Statement of Policy for Funding Risk Mitigation, Version 2, February 14, 2017

Compared with the prior assumption of 7.0%, the return in 2020-21 of 21.3% exceeded the yield assumption by 14.3% (between 13% and 17%), and accordingly, was reduced by 0.20% under this policy.

On one hand, it seems counter-intuitive that the yield assumption should drop when returns are strong. However, the long-term "strategic objective of the Policy is to reduce the volatility of investment returns, thereby increasing the long-term sustainability of CalPERS pension benefits for members" and contributions by employers. This policy is intended to do so by reducing the yield assumptions when returns are strong and the impact is lessened.

Based on initial models provided by CalPERS, this reduction in yield assumption appears to have a moderate (and perhaps beneficial) impact on employer contributions rates: while future yield assumptions are reduced, this appears to be offset by more fully funded liabilities due to the strong yield in 2020-21 (in short, the liability amortization base is smaller).

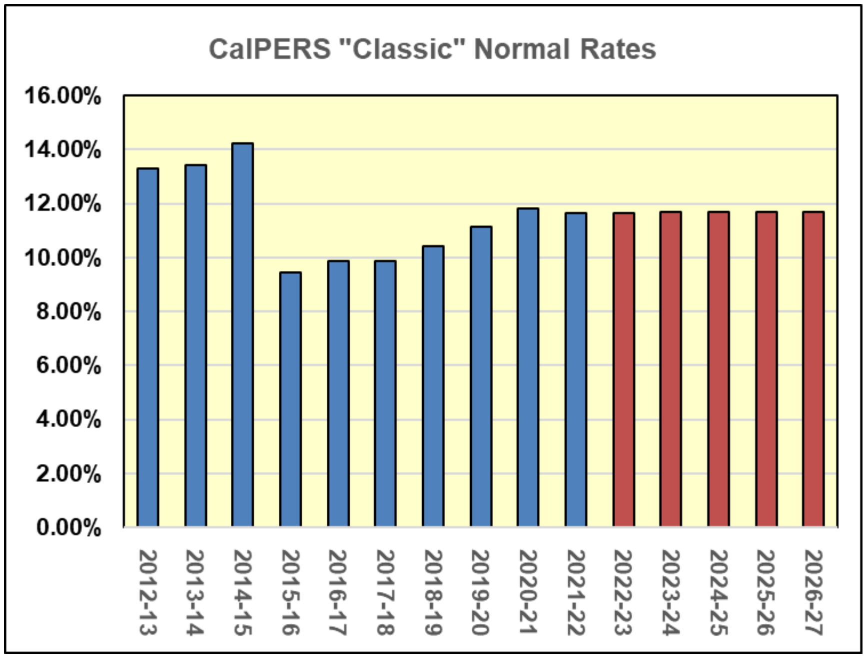
CalPERS Employer Contribution Rates. Over the past five years, CalPERS has phased-in increases in both the normal and UAL employer contribution rates due to actual assumption changes. As reflected in Tables 15 and 16, normal cost rates have stabilized but UAL payments continue to rise.

HISTORICAL TRENDS

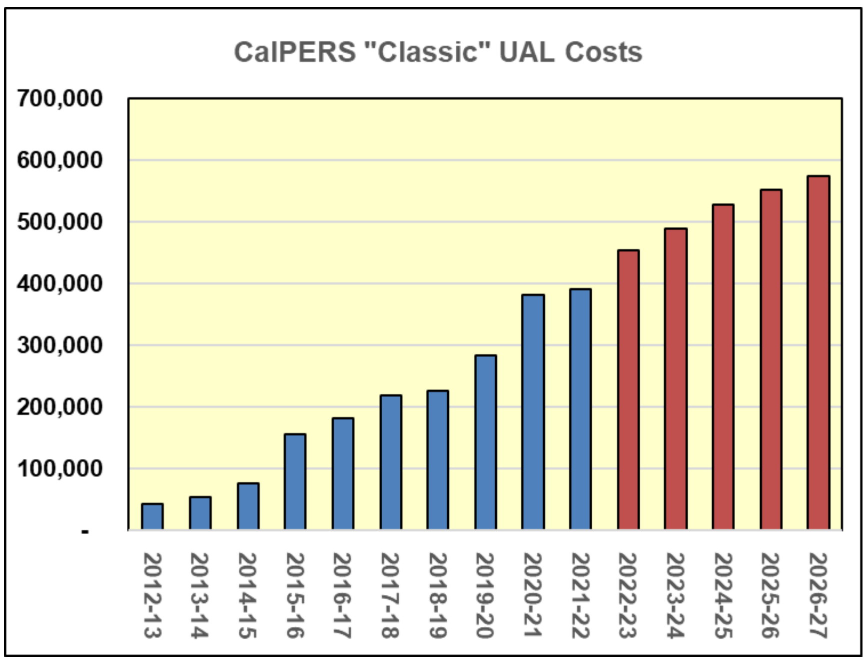
The sidebar table shows actual contribution rates for the past ten years (in blue) for the City's "classic" employees along with projected rates for next five years (in red). As discussed above, it shows how normal rates have stabilized.

(Note: Trends are provided for "classic" versus "new" (PEPRA) employees for "normal and UAL costs, since they are a much larger group and better reflect cost trends. However, over time, PEPRA employees will be a larger share of the City's employees, and accordingly, overall costs will come down.)

On the other hand, the following table shows how UAL costs for "classic" employees have risen significantly, with continued cost increases though 2024-25, where they begin to stabilize (last ten years in blue and projected costs for the next five years in red).



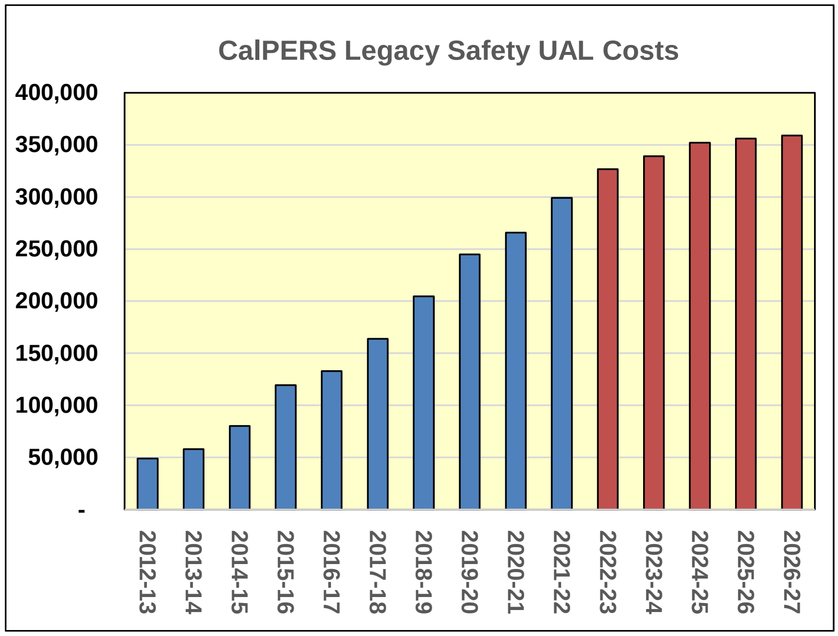
Source: July 2021, PERS Miscellaneous Plan of the City of Carpinteria, Annual Valuation Report as of June 30, 2020; City of Carpinteria



Source: July 2021 CalPERS Miscellaneous Plan of the City of Carpinteria, Annual Valuation Report as of June 30, 2020; City of Carpinteria

Law Enforcement Side-Pool. The City disbanded its own Police Department and began contracting for law enforcement services from the County in 1992.

At that time, CalPERS established a separate pool to account for the unfunded liabilities remaining for the previous safety employees. As in the sidebar chart, costs for this pool have increased significantly over the past ten years (in blue); and are projected to continue rising until 2024-25, when they stabilize.



Source: July 2021 CalPERS Safety Plan of the City of Carpinteria, Annual Valuation Report as of June 30, 2020; City of Carpinteria