THE CITY OF PLEASANTON

CITY COUNCIL
SPECIAL MEETING - WORKSHOP AGENDA

Thursday, February 20, 2025
3:00 PM

City Council Chamber
200 Old Bernal Avenue
Pleasanton, CA 94566

The meeting will be held in-person, broadcast live on Channel 29 and at https://www.tri-valleytv.org and streamed at https://www.youtube.com/user/TheCityofPleasanton.

Public participation: It is requested that members of the public wishing to address the City Council submit a speaker card. When public comment is opened on an agenda item, individuals may speak once per agenda item.

To submit written public comment regarding an open session item on this meeting agenda visit https://forms.cityofpleasantonca.gov/f/writtenpubliccomment. Comments will be accepted by the City Clerk's Office until 12:00 p.m. on the day of the Council meeting.

In Person at Council Chamber:

- Submit a physical speaker card to the City Clerk at the meeting. When your name is called, please provide comment at the podium.

CALL TO ORDER

- Roll Call

1. Public Comment - Speakers are limited to 3 minutes and to only those items listed on the agenda.

WORKSHOP

2. Accept the report on independent financial assessment commissioned by the City Council

3. Receive presentation on fiscal years 2025/26 and 2026/27 General Fund baseline budget and preliminary ten-year financial forecast

ADJOURNMENT

Notice

Under Government Code §54957.5, any writings/documents regarding an open session item on this agenda and items received by the City Clerk's Office by 12:00 p.m. on the day of the meeting provided to a majority of the City Council after distribution of the agenda packet will be available for public inspection on the City's website https://www.cityofpleasantonca.gov/ and also at the Pleasanton Library located

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at 400 Old Bernal Ave., Pleasanton, CA 94566.

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THE CITY OF PLEASANTON

Item #2

CITY COUNCIL AGENDA REPORT

February 20, 2025
City Manager

TITLE: ACCEPT THE REPORT ON INDEPENDENT FINANCIAL ASSESSMENT COMMISSIONED BY THE CITY COUNCIL

SUMMARY

At a February 20, 2025 workshop, staff will present the results of the independent financial assessment commissioned by the City Council. A representative from Eide Bailly, the firm selected to conduct the assessment, will discuss details of the assessment findings and recommendations. The independent assessment report concluded the City's financial forecast employs an appropriate and standard methodology common in California local governments. The report also noted the City's existing short-term property tax and sales tax forecasts are prepared by the most widely recognized consultants providing these services in California and, absent any additional information not previously considered by the consultants, Eide Bailly did not observe any reason to deviate from its recommendations relative to property tax and sales tax growth rates. Eide Bailly recommends incorporating the infrastructure funding plan and any other funding plans into the forecast as those are completed, to build a comprehensive financial forecast for the City. Eide Bailly notes that the additional work to be completed in the near-term will only further illustrate that the City's resources are constrained and that its long-term funding needs are significant.

RECOMMENDATION

Accept the report on independent financial assessment commissioned by the City Council.

BACKGROUND

At its January 9, 2025 meeting, the City Council directed staff to engage a consultant to assess the City's financial health and evaluate the financial forecast assumptions. The City issues a Request for Proposals (RFP) for an independent financial condition assessment and review of the City's forecast model assumptions. The RFP was sent directly to nine highly qualified firms and published on the City's website so other interested firms could submit. The City received proposals from five qualified firms, which were reviewed and ranked based on understanding the City's needs, experience providing similar services for comparable cities, resources available, references from similar engagements, and fees.

Based on these criteria, the selected firm was Eide Bailly, a full-service CPA firm providing traditional CPA firm services of attest (audits, reviews, compilations) and tax, as well as management advisory services for private sector and government clients. Eide Bailly is ranked as one of the nation's top 20 accounting and advisory services firms, serving over 1,200 government clients nationwide, including numerous cities in California. The Eide Bailly team that led the assessment was comprised of five members, including CPAs, former finance directors, and finance and accounting professionals with extensive experience serving California cities.

DISCUSSION

Work Scope

The scope of services with Eide Bailly included:

- Examine the revenue and expenditure assumptions employed in the City's financial forecast
- Assess the adequacy of the financial forecast in terms of complexity, scope, and content
- Request and read related documents to facilitate an understanding of the context and background for the City's financial forecast
- Interview key stakeholders, including the City Manager, Finance Director, and financial consultants previously utilized by the City, to gain an understanding of the history associated with the financial forecast and the City's financial condition
- Conduct a limited sensitivity analysis to assess key elements of the financial forecast at a high level and provide stakeholders with an understanding of the impact of changes in the forecast's assumptions on projected structural deficits in future years
- Prepare a written report and presentation summarizing our observations and recommendations.

The full assessment report prepared by Eide Bailly is provided as Attachment 1. Below are excerpted key takeaways from the report.

Overview

"It is apparent that the City has made significant positive changes to its financial management practices over the last several years, including the implementation of the financial forecast, to significantly improve upon historical practices that in our assessment were lacking in a number of areas relative to long-term financial planning. These changes align critical elements of the City's past financial management practices with industry best practices and will help to facilitate the City's long-term financial planning, health, and resiliency."

Assessment

"Our assessment of the City's financial forecast and related financial management practices included categorizing our observations into strengths, weaknesses, opportunities, and threats, commonly referred to as a SWOT analysis, in an effort to highlight the most notable of our observations. These key observations are highlighted in the graphic below and reflect both favorable and unfavorable internal and external influences on the City's long-term financial planning process."

[1] The City is actively in the process of assessing facility and equipment replacement costs, interfund subsidies, cost allocations, and other key issues that will further inform the forecast and improve its accuracy.

[2] Communication of information regarding the financial forecast, the City's financial condition, and related financial management practices will be key in ensuring success as the City resolves the structural deficit.

Findings

"In summary, based on the information examined and our related observations we conclude that the City's financial forecast employs an appropriate and standard methodology common in California local governments. The first step in forecasting is to develop a forecast model, and the City has taken that important step."

"Although the City's work is not yet complete to prepare a comprehensive financial forecast, based on the information available, we believe that the additional work to be completed in the near-term will only further illustrate that the City's resources are constrained and that its long-term funding needs are significant."

"Our assessment also indicates that adjustments can be made to the forecast to enhance its detail, particularly in the years beyond, for example, when existing consultant revenue forecasts or collective bargaining agreement information is available. This enhanced detail may or may not change the results of the forecast in those out years, but it will facilitate an additional understanding of how the assumptions in the forecast are determined and why the selected growth assumptions for individual categories of revenues and expenditures are utilized. It should also be noted that the City's existing short-term property tax and sales tax forecasts are prepared by the most widely recognized consultants providing these services in California, and absent any additional information not previously considered by the consultants we have not observed any reason to deviate from their recommendations relative to property tax and sales tax growth rates.

In the near-term, our assessment does not indicate that further adjustments to the forecast are likely to provide new information that would substantively change the course of the City's two-year budget process that is currently underway. However, we do propose that the recommendations contained in this report be considered once the budget is adopted, with the City's Finance Director refining and revising the forecast following the completion of related work such as the infrastructure funding plan. At that time, a refined and revised forecast can be presented to the City Council and the community for further discussion."

Recommendations

1. **The City's financial forecast should be updated to reflect, as appropriate, our observations.**

In the year ahead, focused attention on the observations included in this report relative to the forecast will help to facilitate an even more accurate and beneficial forecast that can continue to inform the City's discussion about future budgetary decisions. In particular, modeling additional scenarios in the financial forecast that reflect changes to the City's key revenues and flat or reduced expenditures would increase the understanding of these variables by stakeholders and provide additional context for future budgetary decision-making.

2. **The City should revise its approach to presenting complex financial information to employ compelling presentations, succinct staff reports, and appropriate supporting documentation to enhance the understandability and usability of information provided to the City Council and the public.**

Further, simplifying the presentation and highlighting key trends will make it easier for all stakeholders, including those without a financial background, to grasp the essential information and trust in the comprehensiveness and accuracy of the City's budget and financial forecast. We recommend that the City revise its communication approach to address these concerns and provide additional focused education to stakeholders to enhance their foundational knowledge.

3. **The City should develop a multi-year plan to prioritize and complete the remaining elements of its plan to catalog and eventually address its long-term funding needs.**

We recommend that the City develop a written multi-year financial management work plan to tackle these important issues so that an appropriate pace of progress is maintained within the bandwidth of the staff resources that are available.

4. **The City should develop a plan to draw down its pension and OPEB trust funds for pension and OPEB costs, as appropriate, and incorporate those drawdowns into the baseline scenario of the financial forecast.**

As a component of the City's broader long-term financial planning process, we recommend that the City evaluate an appropriate, measured approach to utilizing these funds to offset pension and OPEB costs as part of its baseline financial forecast. This approach should be informed by an analysis generating a long-term plan to draw the funds down in consultation with the City's actuarial consultants. It is worth noting that the period of time over which it is appropriate to gradually draw down on these funds will likely well exceed the ten-year period covered by the financial forecast. As these funds are currently and significantly exceeded by the City's unfunded liabilities, continued focus on utilizing these funds only for funding long-term pension and OPEB costs related to the City's unfunded liabilities is appropriate.

5. **Once the City's infrastructure funding plan, and any other funding plans, are complete the City should revise its reserve policy to reflect Internal Service Fund reserve minimum balances based on a cash flow analysis of future needs.**

It is recommended that the reserve policy relative to the Internal Service Funds be reassessed to incorporate a funding policy based on needs rather than minimum balances.

6. **Once the City's infrastructure funding plan, and any other funding plans, are complete the City should develop a presentation illustrating these needs across**

infrastructure, facilities, vehicles, and equipment.

We recommend that the City prepare a single analysis and presentation illustrating, at a high level, all of these needs so that the City Council and the public can effectively appreciate and evaluate the sizable long-term budgetary requirements associated with fully funding these needs.

Next Steps

The City is developing a Long-Term Financial Sustainability Plan, which will follow the adoption of the two-year budget and includes broader considerations as noted in the chart below.

Budget Strategy
Implement immediate program and expenditure reductions
Explore new revenue options
Identify resources and implement economic development strategy aimed at attracting new businesses
Conduct municipal service reviews/evaluate service delivery models
Develop a funding plan for infrastructure upon completion of the Citywide Asset Management Plan
Re-evaluate and develop a pension funding strategy
Update the Financial Sustainability Plan and implement new budget strategies where applicable

EQUITY AND SUSTAINABILITY

Financial forecasting is an important tool to facilitate the City’s financial planning, health, and resiliency. Ensuring long-term fiscal sustainability allows the City to continue to provide programs and services to benefit the entire community, including vulnerable and underserved populations.

OUTREACH

This independent assessment report was provided to the Budget Advisory Committee in an agenda packet that its publicly available on the City's website and included on the City's Budget Development webpage.

STRATEGIC PLAN ALIGNMENT

This agenda item aligns with the ONE Pleasanton Strategic Plan goal of *Funding our Future* to support fiscal sustainability through financial health and sound fiscal policies.

FISCAL IMPACT

There is no direct fiscal impact in accepting the independent assessment report.

Prepared by:	Submitted by:	Approved by:
Pamela Ott	Pamela Ott	
Pamela Ott, Assistant City Manager	Pamela Ott, Assistant City Manager	Gerry Beaudin, City Manager

Attachments:
1. Eide Bailly Independent Financial Assessment Report

Financial Forecast Peer Review

CITY OF PLEASANTON, CALIFORNIA

Eide Bailly LLP
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February 4, 2025

CITY OF PLEASANTON, CALIFORNIA

FINANCIAL FORECAST PEER REVIEW

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EideBailly
CPAs & BUSINESS ADVISORS

February 4, 2025

Mr. Gerry Beaudin
City Manager
City of Pleasanton
123 Main Street, PO Box 520
Pleasanton, CA 94566

Dear Mr. Beaudin:

Eide Bailly appreciates the opportunity to provide you with this report summarizing our observations regarding the City of Pleasanton's financial forecast, current financial condition, and related financial management practices. This report is broken into four parts – 1) our observations regarding the City's financial forecast, 2) our observations regarding related financial management practices of the City that were observed during the course of our analysis of the financial forecast, 3) a sensitivity analysis of certain key assumptions contained in the financial forecast, and 4) our recommendations for the City's consideration. These recommendations are based on our team's significant experience leading and consulting for numerous municipal finance departments in California and are grounded in best practices of the Government Finance Officers Association (GFOA) and strong financial management practices that build upon the GFOA's recommendations.

It is apparent that the City has made significant positive changes to its financial management practices over the last several years, including the implementation of the financial forecast, to significantly improve upon historical practices that in our assessment were lacking in a number of areas relative to long-term financial planning. These changes align critical elements of the City's past financial management practices with industry best practices and will help to facilitate the City's long-term financial planning, health, and resiliency. The City staff members with whom we interacted were knowledgeable and transparent in sharing information and their dedication and focus on providing the City Council and community with comprehensive financial information from which to make future budgetary decisions was notable. We appreciate the open and honest discussions with the stakeholders we interviewed and would welcome the opportunity to be of assistance to the City in the future as you work toward addressing the recommendations outlined in this report.

Sincerely,

Dr. Bradford Rockabrand, CPA, CIA, MBA
Partner, Government Advisory Services

Scott Catlett, MPA
Director, Government Advisory Services

EXECUTIVE SUMMARY

This report has been prepared at the request of the City of Pleasanton to provide an independent assessment of the quality and content of the City's financial forecast and related financial management practices. The work was predicated on the American Institute of Certified Public Accountants' Statement on Standards for Consulting Services framework and adapted to include the experience and perspectives of the engagement team. That experience includes serving as municipal Finance Directors and Budget Managers for multiple California cities, including in complex, full-service cities, experience as consultants to cities and other local governments in multiple states assessing financial condition and financial management practices, and experience teaching graduate courses and industry trainings in public financial management.

Our assessment of the City's financial forecast and related financial management practices included categorizing our observations into strengths, weaknesses, opportunities, and threats, commonly referred to as a SWOT analysis, in an effort to highlight the most notable of our observations. These key observations are highlighted in the graphic below and reflect both favorable and unfavorable internal and external influences on the City's long-term financial planning process. In the course of our assessment, we identified a number of additional observations and recommendations, but those listed here are in our view the most notable. Our full list of observations and recommendations are discussed in the subsequent sections of this report.

[1] The City is actively in the process of assessing facility and equipment replacement costs, interfund subsidies, cost allocations, and other key issues that will further inform the forecast and improve its accuracy.

[2] Communication of information regarding the financial forecast, the City's financial condition, and related financial management practices will be key in ensuring success as the City resolves the structural deficit.

In our assessment, the City's financial challenges are not attributable to any single recent or historical decision. They are the cumulative result of a variety of factors including the City's revenue mix, sales tax base, collective bargaining pressures for competitive salaries and benefits, long-term pension challenges at CalPERS, and other cost pressures that frequently outpace revenue growth such as utility rates, contractor wages, and materials pricing. These challenges are common to many California cities and similar conversations have been had or are underway in cities throughout the state. What is less common, is agencies taking the time and effort to catalog financial challenges and unfunded needs comprehensively and discussing these issues openly in the context of thoughtful long-term financial planning.

Conclusion. In summary, based on the information examined and our related observations we conclude that the City's financial forecast employs an appropriate and standard methodology common in California local governments. The first step in forecasting is to develop a forecast model and the City has taken that important step. The inputs are critical, and the City is to be commended for its recent efforts to refine the inputs to make the forecast more thoughtful, thorough, and accurate. These efforts include:

- Employing industry experts who are relied on by numerous California cities to accurately forecast property tax and sales tax trends in the short-term.
- Updating the City's cost allocation plan to provide data regarding appropriate levels of interfund cost recovery and highlighting existing interfund subsidies.
- Undertaking a comprehensive analysis of the resources that will be required to implement a program of regular infrastructure, facilities, vehicles, and equipment replacement.
- Highlighting deficit funding for the City's insurance reserves, pension trust, and OPEB trust.
- Conducting scenario analyses for the ultimate utilization of the City's pension and OPEB trust funds to present decisionmakers with alternatives.
- Modifying the City's reserve policy to clarify that restricted fund balance in the General Fund should not be included in budgetary reserves available for other purposes, which is consistent with industry best practices.

This information is critical to creating a financial forecast that incorporates all known information regarding revenues and expenditures and then proposes solutions to any identified gaps. Although the City's work is not yet complete to prepare a comprehensive financial forecast, based on the information available, we believe that the additional work to be completed in the near-term will only further illustrate that the City's resources are constrained and that its long-term funding needs are significant.

Our assessment also indicates that adjustments can be made to the forecast to enhance its detail, particularly in the years beyond, for example, when existing consultant revenue forecasts or collective bargaining agreement information is available. This enhanced detail may or may not change the results of the forecast in those outyears, but it will facilitate an additional understanding of how the assumptions in the forecast are determined and why the selected growth assumptions for individual categories of revenues and expenditures are utilized. It should also be noted that the City's existing short-term property tax and sales tax forecasts are prepared by the most widely recognized consultants providing these services in California, and absent any additional information not previously considered by the consultants we have not observed any reason to deviate from their recommendations relative to property tax and sales tax growth rates. At the same time, we also believe that the City can work toward a refined and targeted communication strategy regarding the forecast and related financial management activities that will improve clarity regarding the forecast and related assumptions and reduce confusion regarding its purpose, content, and limitations.

In the near-term, our assessment does not indicate that further adjustments to the forecast are likely to provide new information that would substantively change the course of the City's two-year budget process that is currently underway. However, we do propose that the recommendations contained in this report be considered once the budget is adopted, with the City's Finance Director refining and revising the forecast following the completion of related work such as the infrastructure funding plan. At that time, a refined and revised forecast can be presented to the City Council and the community for further discussion.

METHODOLOGY OVERVIEW AND SCOPE OF SERVICES

Effective financial management is one of the most critically important success factors for local governments. There are a number of components to effective financial management that relate to an agency's budget administration, internal controls, procurement practices, long-term financial planning, debt and investment administration, and other areas. Key among these is long-term financial forecasting, as well as financial planning, to identify solutions to any challenges identified in the forecast. In Eide Bailly's broader financial condition and organizational assessment engagements, we undertake a comprehensive review of financial management practices and employ a framework of document reviews, staff interviews, and analysis of key financial health indicators based on best practices and the latest standards, information, and trends in government financial management. In this case, the City's request for proposals was focused on a limited review of the City's financial forecast and related financial management practices, the completion of which was required within a timeframe of approximately two weeks. To address the scope of services and deliver this report in the time required, we modified our typical process to focus exclusively on the financial forecast and related financial management practices and accelerated the process with additional staff resources to achieve the desired timeline.

Scope of Services. The scope of services outlined in the City's request for proposals was further refined through initial conversations with the City's Finance Director and City Manager to arrive at the following key tasks:

- Examine the revenue and expenditure assumptions employed in the City's financial forecast.
- Assess the adequacy of the financial forecast in terms of complexity, scope, and content.
- Request and read related documents to facilitate an understanding of the context and background for the City's financial forecast (See Appendix A for a list of the requested documents).
- Interview key stakeholders, including the City Manager, Finance Director, and financial consultants previously utilized by the City, to gain an understanding of the history associated with the financial forecast and the City's financial condition.
- Conduct a limited sensitivity analysis to assess key elements of the financial forecast at a high level and provide stakeholders with an understanding of the impact of changes in the forecast's assumptions on projected structural deficits in future years.
- Prepare a written report and presentation summarizing our observations and recommendations.

Methodology. Eide Bailly deployed resources from our Government Advisory Services team with extensive background experience in the financial management of California cities and employed key elements of our organizational assessment process to focus on the City's financial forecast. This facilitated our comprehensive assessment in the limited timeframe. In addition to the requirements of the scope of services outlined above, Eide Bailly also broadened our approach to include watching videos of relevant City Council meetings and reading additional staff reports related to the forecast and financial management that have been provided to the City Council. This was done to gain a better understanding of the concerns expressed by the community and the City Council about the financial forecast and to enhance our understanding of the context for this engagement.

Given the expedited nature of the timeline, our assessment was necessarily broad, yet thorough. We began our engagement with an examination of the Excel financial forecast model and documents provided by the City, as well as additional documents included in our document request. Our analysis of these documents included both qualitative and quantitative components, tailored specifically to effectively work within the limitation of an expedited timeframe. We then engaged with City staff to gather their perspectives and insights and obtained an understanding of the City's historical financial trajectory and practices, as well as recent changes and current circumstances. Multiple meetings were conducted to discuss observations and refine our understanding. We also spoke with financial consultants utilized by the City to gain their perspectives regarding the City's financial management practices. Quantitatively, we examined supplemental resources from the City's revenue consultants, analyzed historical data and financial trends to test the assumptions included in the City's projections, and conducted a sensitivity analysis of the forecast.

Following the conclusion of our information gathering, the engagement team met internally to discuss our individual observations and gain a concurrence on those preliminary observations that were valid and to agree on those that are most notable. A summary of these observations was then prepared and circulated within the team for further review. The group reconvened to further refine the observations and began to develop the related recommendations contained in this report. Once consensus was reached on the final observations and recommendations, this report was prepared, reviewed by an additional Eide Bailly team member who had not participated in the engagement to date for a cold review to solicit questions and provoke clarifications, and then shared with City staff to address any comments or questions that they may have.

As highlighted above, our services in this engagement consisted of consulting services and do not constitute an audit, examination, review, or compilation of historical financial information conducted in accordance with generally accepted auditing standards or with other standards established by the American Institute of Certified Public Accountants (AICPA). Accordingly, we are unable to express an opinion or any other form of assurance with respect to any historical financial information. Our engagement was not designed and cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. Other matters of possible interest to the City might not be specifically addressed in this report.

ASSESSMENT OF FINANCIAL FORECAST

As discussed in the Executive Summary, the primary element of our scope of services was an analysis of the City's financial forecast. Based on that analysis, we have provided the following observations highlighting the financial forecast's strengths and weaknesses as identified during the course of our analysis.

NO.	OBSERVATION	DISCUSSION
1	**The City's short-term projections are based on sound data and assumptions.**	Based on our assessment of the City's revenue consultant's projections and the information provided by the City's staff, we believe the first two to three years of the City's financial forecast to be based on the best information available and City staff's best professional judgment.
2	**The City utilizes expert revenue consultants to forecast its two largest General Fund revenues.**	The City has retained the state's preeminent experts on the unique aspects of California property tax and sales tax to develop a forecast for the City's use. This is a best practice approach employed by all cities with strong financial management practices in place.
3	**Revenue consultants' forecasts only cover a limited period of time, and revenue growth in the outyears of the City's forecast may differ from the years covered by their forecast.**	The City's revenue consultants provide a detailed five-year property tax forecast and a detailed two-year sales tax forecast. Beyond these periods, reasonable assumptions must be employed to project future likely growth in these revenues. Staff's analysis can be informed by conversations with these consultants and trend analysis based on actual historical revenues. Although the short-term forecasts may reflect a softening of revenue growth, that trend may or may not continue in the outyears. More detailed analysis of whether more optimistic growth in the later years of the forecast is warranted may therefore be appropriate.
4	**The City is appropriately evaluating its infrastructure, facilities, vehicle, and equipment replacement needs.**	As a best practice, long-term funding plans should be developed for the regular maintenance and ultimate replacement of critical infrastructure, facilities, vehicles, and equipment. The City has, or is in the process of obtaining, the information required to put plans in place to fund these needs.
5	**The City's current baseline and recession scenarios in the financial forecast project salary increases and other spending continuing at or above the historical pace.**	Gaining control of or reducing expenditures is usually key in any recessionary period, as it is when facing a structural deficit. Modeling scenarios with flat or reduced expenditures may therefore be appropriate to better understand variables that can be controlled or adjusted.
6	**The City is appropriately evaluating interfund subsidies and cost allocations.**	The City recently obtained a comprehensive cost allocation plan and is in the process of evaluating interfund subsidies from the General Fund to certain other funds. Having an understanding of these issues is a critical component of sound long-term financial planning.

NO.	OBSERVATION	DISCUSSION
7	**The City has put in place a framework of regular forecast updates and public reviews of the forecast.**	A key element of successful long-term financial planning consistent with best practices is to make regular updates to the financial forecast and to present it on a regular basis to leadership and the governing body. The City has implemented these practices and continues to refine its process and practices relative to the financial forecast to enhance its utility and accuracy.
8	**The forecast would benefit from projecting revenues and expenditures that behave uniquely as individual line items in the detailed staff version of the forecast.**	As currently constructed, the forecast (in most cases) forecasts groupings of accounts at a higher level such as all salaries or all fees. As a best practice, and as a means of illustrating the thoroughness of the forecasting undertaken to stakeholders, an analysis should be undertaken to identify those revenues and expenditures that could benefit from further detailed projections. For example, salaries can be forecasted by bargaining unit to reflect current labor contracts and fees can be forecasted by category to account for unique growth trends. With this detail in the staff forecast, presentation of the information in its current form, in most settings, would still be appropriate to avoid too much detail.
9	**The City has acknowledged its non-General Fund infrastructure and operations needs and is focused on addressing them.**	Although the primary focus of this engagement was an assessment of the General Fund financial forecast, we did peripherally look at the City's other funds, in particular its enterprise funds. We noted that recent rate increases have improved the health of the City's water fund but that there are still additional needs in these funds that the City is in the process of cataloging to be discussed and addressed in the future.
10	**The financial forecast does not include illustrative charts and graphs or historical data.**	Typically, a forecast includes historical data for 2-5 years to illustrate trends and facilitate comparisons with the forecast data. Additionally, graphical depictions of data such as a line graph of historical and projected revenues by category can be useful in presentations and facilitate communication of complex information.
11	**The City has proactively set aside funds for Pension and OPEB liabilities in trust funds.**	Many California cities have and continue to contribute the minimum amount to CalPERS and are funding their OPEB obligations on a pay-as-you-go basis. The City has proactively set aside funds for these important needs that are earning interest and will decrease long-term costs for the City.

NO.	OBSERVATION	DISCUSSION
12	**The City does not include the exact projected growth percentages from its revenue consultants in the forecast and uses linear growth rates for most other line items.**	The City's current forecast utilizes growth rates that generally do not change from year to year and are linear over the entire forecast period. In reality, there are factors that influence these costs on an annual basis. As a best practice, the consultants' exact growth rates for each year should be utilized to tie back to the source of the assumption. Additionally, where growth rates differ by year in other areas, such as negotiated labor contracts, the exact growth rates should be utilized, again to tie back to the source of the assumption and minimize questions regarding these differences. Note: The variances between the consultants' revenue growth rates and those utilized in the forecast are relatively minor at this time.

ASSESSMENT OF RELATED FINANCIAL MANAGEMENT PRACTICES

Although the scope of services primarily focused on assessing the City's existing financial forecast, during the course of our assessment we identified related observations regarding financial management practices that merit mention. These observations are summarized in the table below.

NO.	OBSERVATION	DISCUSSION
1	**The level and type of information shared with the City Council and the community is very detailed, which can at times make it difficult to focus on key information.**	We observed that the staff reports and presentations provided to the City Council and community related to financial information often contain great detail in some areas and information without sufficient supporting detail in others. In our experience, effectively communicating complex financial information is one of the most difficult tasks for finance officers. To improve clarity, critical information should be distilled into key points and graphics, and more details supporting information should be provided in an appendix or upon request. Learning from the approach of peer jurisdictions and/or employing the assistance of GFOA or consultants to focus on this issue would be of great benefit to the City.
2	**The City's current Internal Service Fund Reserve Policies set reserves as a percentage of expenditures.**	The City's reserve policies for internal service funds for facility and infrastructure replacement are currently set as a percentage of expenditures. It is a best practice to use a cash flow analysis of future expenditures, such as what will be included in the City's infrastructure replacement plan, to identify the annual funding requirements and arrive at an annual contribution amount that will avoid a negative balance in each fund during the forecast period. The minimum reserve balance is then less important rather than that the analysis be undertaken to ensure that reserves are adequate in each year during the forecast period. This change will also facilitate illustrating why the full amount of funding included in these funds is necessary and not available for other purposes as the cash flow analysis will indicate that the funds are fully programmed in future years.
3	**The City is not currently utilizing funds in its Section 115 Trust for UAL-related pension payments.**	The City is not currently utilizing funds in the Section 115 Trust to make payments toward its unfunded accrued liability (UAL). Based on the analysis undertaken by the City's actuary and discussions with the City, we believe it is appropriate to begin drawing down on these funds on a limited basis during the forecast period as part of the baseline forecast rather than as a balancing measure. This is an appropriate use of the funds as the City's pension plan matures and will serve to reduce the structural deficit while illustrating to the community that these funds are being utilized as intended.

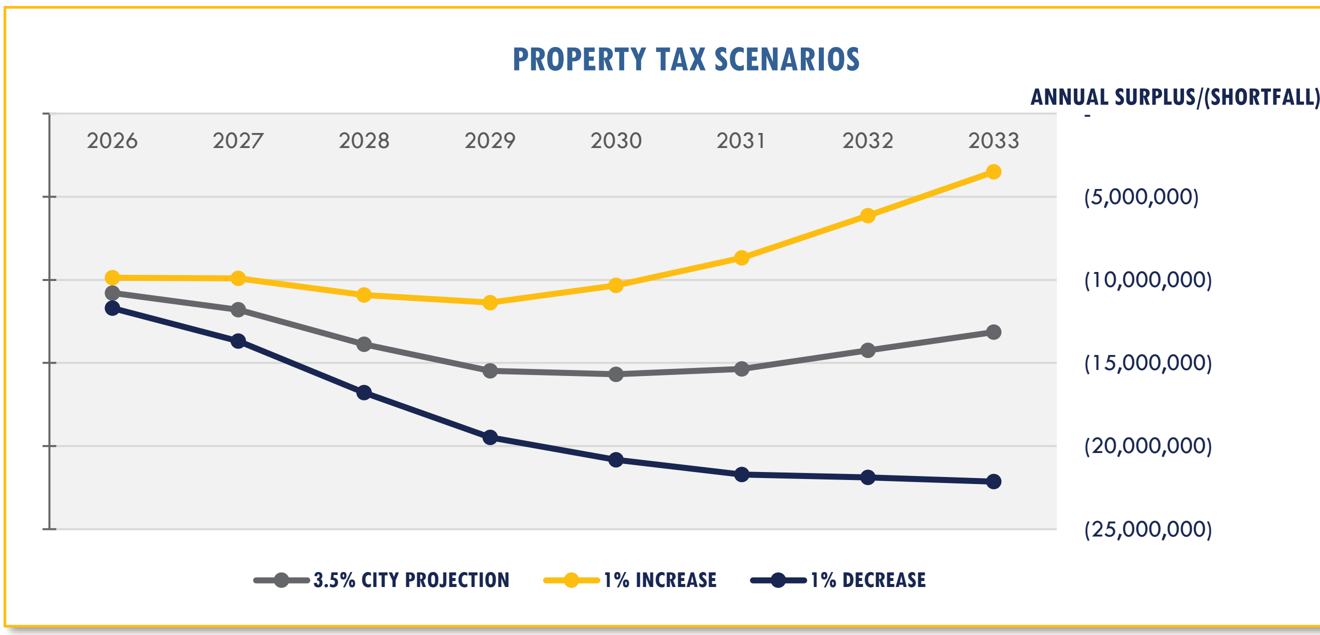
NO.	OBSERVATION	DISCUSSION
4	**The City previously budgeted new revenue with uncertain timing related to the recently opened Costco store.**	As a best practice, budgeting for revenues related to projects that are speculative or under construction should be avoided, as delays in the projects then require mid-year reductions to the revenue budget. If there are no delays and the revenue is realized as expected, then a positive mid-year adjustment to the revenue budget can be initiated. However, it is also prudent when preparing a financial forecast to include known, likely future revenue sources or revenue reductions in the revenue forecast. Ideally these should be included in a scenario analysis rather than in the baseline scenario, but awareness of the positive and negative impacts of these possible changes in revenues (or expenditures) is critical and appropriate.
5	**Funding needs for infrastructure, facilities, vehicles, and equipment are not currently presented to stakeholders with detail by fiscal year and by fund/funding source.**	Although the Draft Infrastructure Plan effectively reflects the total cost estimate for necessary improvements, it does not differentiate between the funding sources for the anticipated $900 million need. Additionally, illustrating the peaks and valleys in funding requirements by year can more effectively illustrate the variable funding needs in each year.

SENSITIVITY ANALYSIS

Per the City's request, we conducted a limited sensitivity analysis to highlight the impact of modifying certain key assumptions contained in the City's current financial forecast. This analysis is provided for illustrative purposes only and does not reflect alternative scenarios that we believe to be viable or appropriate based on the information examined. Where appropriate, we have provided observations regarding each data element presented below to assist in interpreting the information provided in each scenario.

Property Taxes. Property taxes are the City's largest General Fund revenue source, which in our view is a positive. Generally speaking, cities that have large percentages of their revenue derived from property taxes are better insulated from the impacts of economic downturns and revenue variability. Forecasting property tax growth, particularly in the short-term, is also more straightforward and can be significantly enhanced through the use of an expert consultant such as the consultant utilized by the City. In our experience, utilizing these consultants is a best practice and cities generally take the consultant's forecast at face value and utilize it without adjustment due to the time involved in the consultant's work and their significant expertise in the nuances of this revenue source.

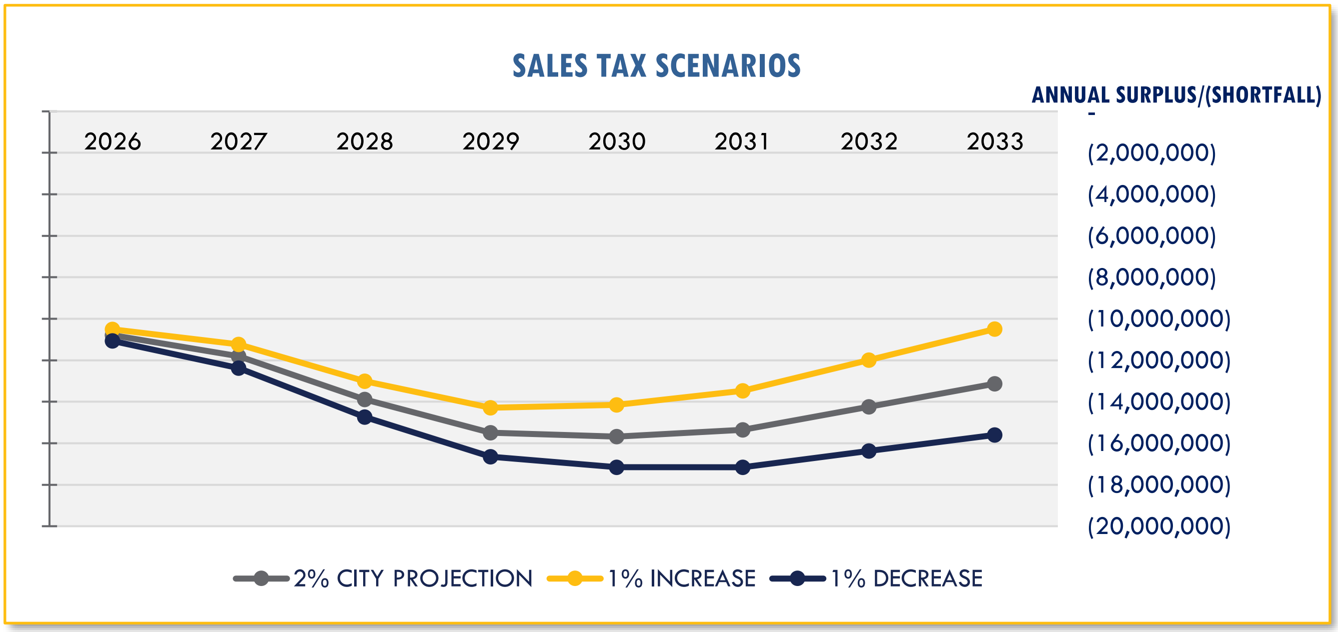
The table below highlights our sensitivity analysis for property tax revenue, reflecting the impact on the projected structural deficit that would result from a change in the projected 3.5% growth rate of plus or minus one percent.



As can be seen in the chart, and as is expected given the size of the City's property tax revenues, a 1% change in the property tax growth rate has an increasingly significant impact as the growth compounds over the period covered by the forecast. However, it is important to recognize that even in the best of the three scenarios shown above, a deficit persists, and one that does not yet include all of the known long-term costs that the City's General Fund is facing such as infrastructure replacement. Absent any additional information not previously considered by the City's property tax consultant, we have not observed any reason to deviate from the City's existing assumptions for property tax revenue other than to implement our recommendation of using the consultant's exact projection for each year rather than a rounded or averaged number for all years. Should any additional information be identified, we recommend that it be communicated to the City's property tax consultant so that they can evaluate its impact on their growth projection and revise their forecast, if appropriate.

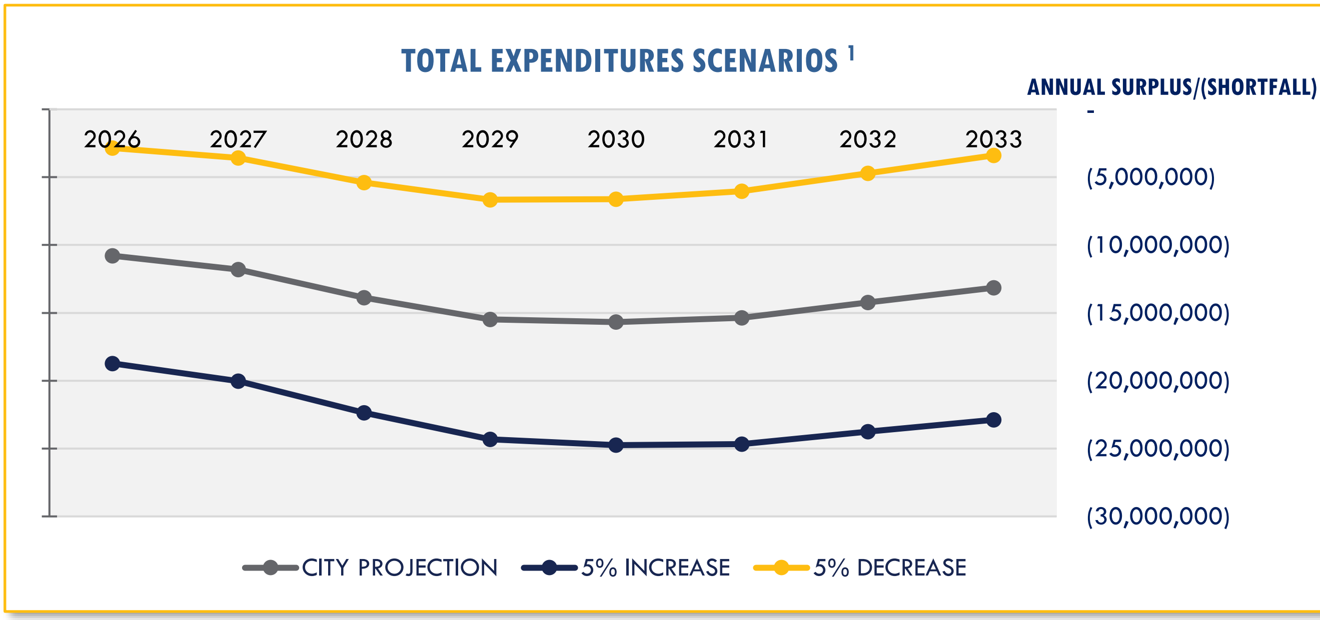
Sales Taxes. Sales taxes are the City's second largest General Fund revenue source. Sales tax revenues are generally more volatile than property tax revenues and are more challenging to accurately forecast in the long-term. However, forecasting sales tax, particularly in the short-term, can be significantly enhanced through the use of an expert consultant such as the consultant utilized by the City.

The table below highlights our sensitivity analysis for sales tax revenue, reflecting the impact on the projected structural deficit that would result from a change in the projected 2.0% growth rate of plus or minus one percent.



As can be seen in the chart, a 1% change in the sales tax growth rate does have an increasingly significant impact as the growth compounds over the period covered by the forecast. However, the impact is small in comparison to the overall size of the structural deficit. As we discussed earlier in the report, we recommend using the consultant's exact projection rather than a rounded or averaged number for all years, as well as using the consultant's statewide consensus growth factors for years beyond the City-specific forecast absent more agency-specific information. However, the City has discussed the projection for these years with the consultant and they have arrived at the 2% growth factor shown in the City's existing financial forecast. Absent any additional information not considered by the City's sales tax consultant, we have not observed any reason to deviate from the City's existing assumptions for sales tax revenue. Should any additional information be identified, we recommend that it be communicated to the City's sales tax consultant so that they can evaluate its impact on their growth projection and revise their forecast, if appropriate.

Total Expenditures. Forecasting expenditures is generally more difficult than forecasting revenues due to the complexity of the data involved and the significantly larger number of line items involved. Although the scope of our work and the time allotted did not allow for a detailed examination of the City's expenditure forecast, we observed no concerns in the short-term expenditure assumptions other than the opportunity to provide greater detail in the expenditure projections in the future. The table below highlights our sensitivity analysis on total General Fund expenditures, reflecting the impact on the projected structural deficit that would result from a change in the total projected expenditures of plus or minus five percent.



[1] The 5% adjustments to total expenditures illustrated are to the total amount of expenditures excluding transfers.

As can be seen in the chart, a 5% change in the total expenditures in future years' expenditure growth rate has an expected and consistent positive or negative impact on the forecast in future years. As has been discussed, the fundamental nature of a financial forecast is to utilize the information available to make the best estimates of future variables that can and will be influenced by factors beyond the City's control such as recessions, changes in external costs, and changes in labor costs. Absent any additional information not considered by the City's Finance Department to date that merits consideration now, the further refinement of the expenditure forecast in the year ahead can explore a greater level of detail and validate the trends shown in the current forecast or identify where adjustments may be required. During the course of our analysis, we observed no data or information that suggests that the City's current projection is not informed by the City staff's best professional judgment at this time given the information available and the level of detail contained in the current financial forecast.

RECOMMENDATIONS

Although our observations are split into two sections – the financial forecast observations and the financial management practices observations, our recommendations detailed in the table below are comprehensive and relate to both categories of observations. We acknowledge that City staff are actively addressing certain of our recommendations and that others require a phased approach to implementation given limited staff resources.

NO.	RECOMMENDATION	DISCUSSION
1	**The City's financial forecast should be updated to reflect, as appropriate, our observations.**	The City has taken critical steps toward comprehensive long-term financial planning and financial management. In the year ahead, focused attention on the observations included in this report relative to the forecast will help to facilitate an even more accurate and beneficial forecast that can continue to inform the City's discussion about future budgetary decisions. In particular, modeling additional scenarios in the financial forecast that reflect changes to the City's key revenues and flat or reduced expenditures would increase the understanding of these variables by stakeholders and provide additional context for future budgetary decision-making.
2	**The City should revise its approach to presenting complex financial information to employ compelling presentations, succinct staff reports, and appropriate supporting documentation to enhance the understandability and usability of information provided to the City Council and the public.**	For agencies that are projecting structural deficits, it can be challenging for stakeholders less intimately familiar with the figures to differentiate between the components of the City's budget that are controllable or fixed, recurring or one-time, and discretionary or mandatory. To improve budget communication, it is essential to present budget information concisely and to focus on key issues for consideration. Further, simplifying the presentation and highlighting key trends will make it easier for all stakeholders, including those without a financial background, to grasp the essential information and trust in the comprehensiveness and accuracy of the City's budget and financial forecast. We recommend that the City revise its communication approach to address these concerns and provide additional focused education to stakeholders to enhance their foundational knowledge.
3	**The City should develop a multi-year plan to prioritize and complete the remaining elements of its plan to catalog and eventually address its long-term funding needs.**	The City is concurrently working on a series of critical infrastructure assessments and funding plans. It is important to prioritize and address the most pressing issues first. Immediate concerns, such as evaluating and addressing any short-term deficit should be reviewed first. Other issues such as long-term pension and infrastructure funding, interfund subsidies, and enterprise funds rates and infrastructure funding should be regularly and incrementally addressed as staff resources permit. We recommend that the City develop a written multi-year financial management work plan to tackle these important issues so that an appropriate pace of progress is maintained within the bandwidth of the staff resources that are available.

NO.	RECOMMENDATION	DISCUSSION
4	**The City should develop a plan to draw down its pension and OPEB trust funds for pension and OPEB costs, as appropriate, and incorporate those drawdowns into the baseline scenario of the financial forecast.**	The ultimate purpose of the funds set aside in the City's pension and OPEB trusts is to fund long-term pension and OPEB costs. As the City's plans mature, drawing down these funds to offset pension and OPEB costs is appropriate. As a component of the City's broader long-term financial planning process, we recommend that the City evaluate an appropriate, measured approach to utilizing these funds to offset pension and OPEB costs as part of its baseline financial forecast. This approach should be informed by an analysis generating a long-term plan to draw the funds down in consultation with the City's actuarial consultants. It is worth noting that the period of time over which it is appropriate to gradually draw down on these funds will likely well exceed the ten-year period covered by the financial forecast. As these funds are currently and significantly exceeded by the City's unfunded liabilities, continued focus on utilizing these funds only for funding long-term pension and OPEB costs related to the City's unfunded liabilities is appropriate.
5	**Once the City's infrastructure funding plan, and any other funding plans, are complete the City should revise its reserve policy to reflect Internal Service Fund reserve minimum balances based on a cash flow analysis of future needs.**	It is recommended that the reserve policy relative to the Internal Service Funds be reassessed to incorporate a funding policy based on needs rather than minimum balances. Infrastructure, facility, vehicle, and equipment replacement needs are not linear in nature, and significant peaks and valleys to funding needs will occur over the lifecycle of these assets. It is therefore critical to assess the long-term funding needs across a multi-year period to ensure that funds on hand will be adequate in years where needs are greater. Note: We do not anticipate that this policy change will result in the availability of resources currently contained in these funds for other purposes.
6	**Once the City's infrastructure funding plan, and any other funding plans, are complete the City should develop a presentation illustrating these needs across infrastructure, facilities, vehicles, and equipment.**	As a best practice, funding plans for infrastructure, facilities, vehicles, and equipment should be comprehensive and regularly updated, presenting future needs by year to illustrate the seasonality of the related cash flows. We recommend that the City prepare a single analysis and presentation illustrating, at a high level, all of these needs so that the City Council and the public can effectively appreciate and evaluate the sizable long-term budgetary requirements associated with fully funding these needs.

APPENDIX A

The documents examined during this engagement are listed below.

NO.	DOCUMENT
1	Long Range Financial Forecast model and related assumptions
2	HdL forecasts for property tax and sales tax revenues
3	Adopted Budgets and Mid-Term Updates from fiscal years 2014-15 through 2024-25
4	Annual Comprehensive Financial Reports for the fiscal year ended June 30, 2022, through the year ended June 30, 2024
5	Capital Improvement Program for fiscal years 2023-24 to 2026-27
6	Supporting documentation related to Ballot Measure PP
7	State Auditor data regarding the financial health of California cites for 2016-17 through 2020-21
8	Draft 10-Year Infrastructure Plan
9	Actuarial reports for pension and retiree medical plans and related data for the City's trusts
10	March 19, 2024, mid-term reallocation and forecast presentation City Council meeting materials
11	May 21, 2024, Section 115 trust City Council meeting materials
12	September 17, 2024, budget update City Council meeting materials
13	January 9, 2025, budget update City Council workshop and meeting materials
14	City financial policies, including the reserve policy
15	2024 Cost Allocation Plan
16	Current memoranda of understanding for the City's bargaining units
17	Water System Management Plan

THE CITY OF PLEASANTON

Item #3

CITY COUNCIL AGENDA REPORT

February 20, 2025
Finance

TITLE: RECEIVE PRESENTATION ON FISCAL YEARS 2025/26 AND 2026/27 GENERAL FUND BASELINE BUDGET AND PRELIMINARY TEN-YEAR FINANCIAL FORECAST

SUMMARY

At this February 20, 2025 workshop, the General Fund Baseline Budget projection for framing budget development for Fiscal Years 2025/26 and 2026/27 and the Ten-Year Financial Forecast for Fiscal Years 2025/26 through 2034/35, will be presented to the City Council.

Notably, the General Fund Baseline Budget does not form the proposed City budget; rather, it represents the extension of the current year's service levels and budget. The Baseline Budget will be further refined, considering input from the City Council, the Budget Advisory Committee, the community, and the final proposals submitted by City departments, to develop a proposed FY 2025-2027 City budget which, along with an updated long-term forecast, will be presented to the City Council in May 2025.

RECOMMENDATION

Receive a presentation providing an overview of the Fiscal Years 2025/26 and 2026/27 General Fund Baseline Budget and Preliminary Ten-Year Financial Forecast.

BACKGROUND

Forecasting the City's expenditures involves analyzing future costs at the department level and by category. The expenditure forecast begins with the Baseline Budget that represents the cost of maintaining the current level of services while factoring in all unavoidable costs necessary to continue at that level. One example of unavoidable costs is negotiated memorandum of understanding (MOU) employee compensation costs.

The General Fund ten-year forecast is the mechanism by which the long-term health of the General Fund is monitored. By tracking and trending the current and anticipated revenues and expenses, the forecast is a tool for City staff and the City Council to understand the impact of decisions to the City's fiscal health. The forecast includes projections of current and future revenues and expenses.

DISCUSSION

Financial assumptions are used to develop the forecast model. The General Fund Baseline Budget and Preliminary 10-Year Financial Forecast rely significantly on the updated mid-year revenue and expenditure projections (presented to the City Council at its February 18, 2025 meeting). FY 2025/26 and FY 2026/27 revenues are projected based on current revenue trends and estimates provided by the City's property and sales tax consultant; expenditures are projected based on the FY 2024/25 mid-year budget update, and consider salary adjustments in labor agreements, anticipated unfunded pension liability payments, and estimated increase to general liability related insurance premium.

General Fund Baseline Budget
Beyond FY 2026/27, the key fiscal assumptions used to develop the City forecast include:

- Property Tax increase will range from 3.7% to 3.8% per year.
- Sales Tax will increase 2% per year (the increase for FY 2025-27 is higher with the opening of Costco).
- Other Taxes will increase 2% per year.
- Other Operating Revenues will increase 2% to 3% per year.
- Salaries and Benefits increase will range from 2% to 5% per year and the increase is higher in years with higher anticipated unfunded pension liability contributions; the overall increase reflects 3.7% in salary adjustment and expected step increase.
- Non-Personnel costs collectively will increase 3.2% per year (operating materials and supplies, contract services, utilities, insurance, software subscriptions, repair & maintenance, etc.).

Additional General Fund financial assumptions include:

- Capital Project Transfer from the General Fund will range from $3.5 million to $5.2 million, which includes a $250,000 increase every year. Except for the last two forecast years, the contribution for other forecast years is below the City's $5.0 million minimum goal. The contributions for FY 2025/26 and FY 2026/27 will be $3.0 million and $3.2 million.
- To address the City's deferred maintenance needs, additional contribution for deferred maintenance ranges from $5.6 million to $6.2 million. The contributions for FY 2025/26 and FY 2026/27 are $6.2 million and $6.1 million, respectively.
- The preliminary forecast does not include the use of pension/other reserves as drawdowns on reserves require further analysis from the City's actuary and direction from the City Council.
- The forecast does not reflect budget balancing strategies such as cost reductions currently being discussed with the community and the Budget Advisory Committee.

The General Fund baseline revenues, including $2.3 million transfer from other funds, are estimated at $162.1 million and $166.9 million for FY 2025/26 and FY 2026/27, respectively. Property tax revenues are projected to increase by 3.6% and 3.5%. Sales tax revenue is projected to increase by 5.1% in FY 2025/26 due to the recognition of a full year of revenue from Costco and 2.8% in FY 2026/27.

The General Fund baseline expenditures, including approximately $10.0 million for capital contributions and deferred maintenance, are estimated at $172.5 million and $178.9 million, respectively. The projected deficits for FY 2025/26 and FY 2026/27 are $10.4 million and $12.0 million. For more details, please refer to the General Fund Ten-Year Financial Forecast (Baseline Scenario) provided as Attachment 1.

10-Year Financial Forecast
For the 10-Year Financial Forecast, staff has prepared two forecast scenarios given the

current economic climate. The first scenario assumes the City's revenues will continue to grow at a measured pace, with the local economy experiencing no major downturn during the 10-year period; the second scenario assumes a recession in FY 2027/28, impacting the City's major revenue categories. For the recession scenario, sales tax revenue is projected to decrease by 5% in FY 2027/28 and 2% in FY 2028/29. Other taxes will decrease by 2% in both fiscal years.

The City's expenditures are expected to continue outpacing revenues for the next several years due to rising operating costs and revenue limitations. Based on the underlying assumptions, the baseline scenario forecast projects annual deficits of $10.4 million to $16.9 million. For more details, the Long-Term Financial Forecast Chart is provided as Attachment 2.

Next Steps
A budget workshop is planned for March 4, 2025, to discuss pension and retiree medical liabilities and the potential use of trust funds. Once staff has collected and evaluated the input from the community and the Budget Advisory Committee regarding cost reductions, the information will be presented to the City Council for consideration. Staff will present the proposed budget to the City Council in May 2025.

EQUITY AND SUSTAINABILITY
Financial forecasting is an important tool to facilitate the City's financial planning, health, and resiliency. Ensuring long-term fiscal sustainability allows the City to continue to provide programs and services to benefit the entire community, including vulnerable and underserved populations.

OUTREACH
This report is part of the City's overall comprehensive community engagement related to the current budget development process. The Budget Advisory Committee and the community have been informed of opportunities to provide input and further participate in shaping the City's upcoming two-year budget. City staff will similarly continue to be informed throughout the budget development process.

STRATEGIC PLAN ALIGNMENT
This item aligns with the ONE Pleasanton strategic plan goal of *Funding Our Future* that supports financial health and sound fiscal policies.

FISCAL IMPACT
This item is informational; direction and feedback received from the City Council at this meeting will be incorporated into the development process leading to the presentation of the City Manager's proposed budget.

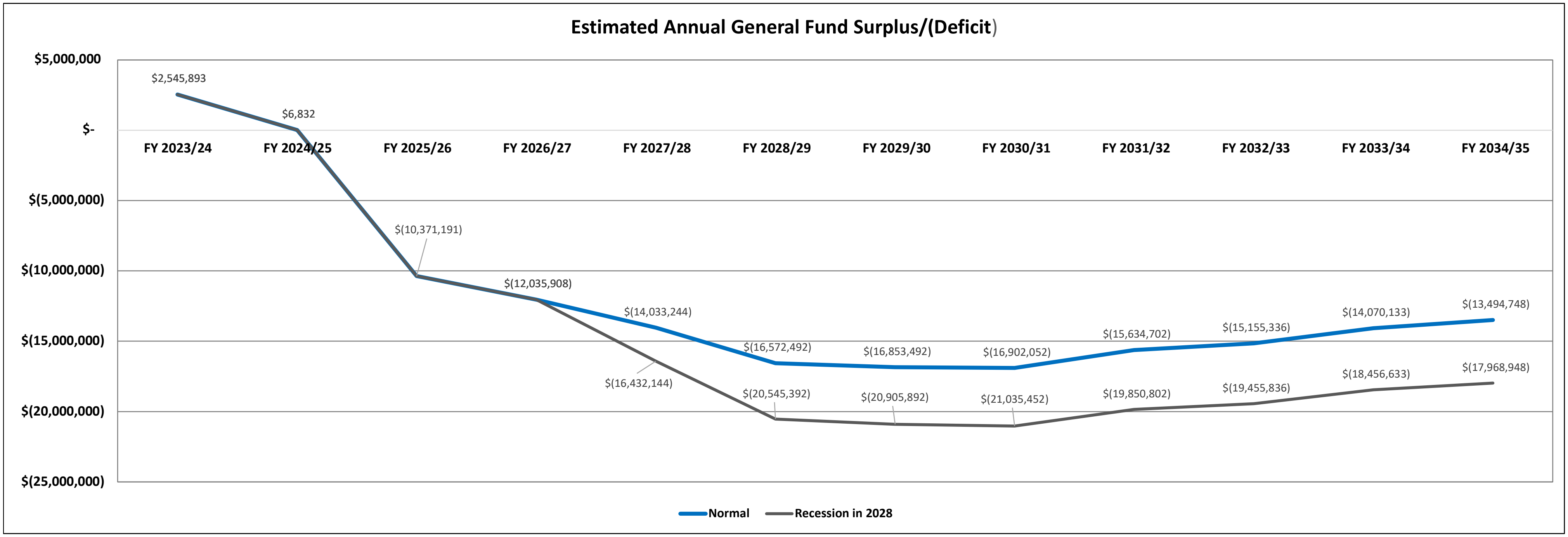
Prepared by:	Submitted by:	Approved by:
Susan Hsieh, Director of Finance	Susan Hsieh, Director of Finance	Gerry Beaudin, City Manager

Attachments:
1. General Fund Long-Term Financial Forecast (Baseline Scenario)
2. Long-Term Financial Forecast Chart

ATTACHMENT 1

City of Pleasanton
General Fund Ten-Year Financial Forecast
Summary Level - Baseline Scenario

	2024 Actual	2025 Budget	2026 Est.	2027 Est.	2028 Est.	2029 Est.	2030 Est.	2031 Est.	2032 Est.	2033 Est.	2034 Est.	2035 Est.
Revenues												
Property Taxes	90,241,390	93,920,500	97,344,000	100,710,000	104,394,000	108,218,000	112,186,000	116,449,100	120,874,200	125,467,400	130,235,200	135,184,100
Sales & Use Taxes	23,963,541	24,935,000	26,216,000	26,962,000	27,501,200	28,051,200	28,612,200	29,184,400	29,768,100	30,363,500	30,970,800	31,590,200
Other Taxes	12,607,377	12,554,000	12,671,000	12,792,000	13,047,800	13,308,800	13,575,000	13,846,500	14,123,400	14,405,900	14,694,000	14,987,900
Franchise Taxes	3,440,134	3,440,000	3,491,000	3,546,000	3,616,900	3,689,200	3,763,000	3,838,300	3,915,100	3,993,400	4,073,300	4,154,800
Permits	6,147,912	5,420,500	5,809,000	5,811,550	5,927,800	6,046,400	6,167,300	6,290,600	6,416,400	6,544,700	6,675,600	6,809,100
Recreation Revenues	4,663,652	5,027,934	4,987,934	4,992,934	5,142,700	5,297,000	5,455,900	5,619,600	5,788,200	5,961,800	6,140,700	6,324,900
Other Revenue	10,686,231	8,578,106	9,299,186	9,735,825	9,965,500	10,200,800	10,441,900	10,689,000	10,942,100	11,201,600	11,467,400	11,739,800
Subtotal Revenues	**151,750,238**	**153,876,040**	**159,818,120**	**164,550,309**	**169,595,900**	**174,811,400**	**180,201,300**	**185,917,500**	**191,827,500**	**197,938,300**	**204,257,000**	**210,790,800**
Transfers-In	3,751,843	4,853,145	2,325,000	2,351,250	1,391,800	1,433,600	1,476,600	1,520,900	1,566,500	1,613,500	1,661,900	1,711,800
Use of Reserves	900,572	310,000	-	-	-	-	-	-	-	-	-	-
Total Revenues	**$ 156,402,652**	**$ 159,039,185**	**$ 162,143,120**	**$ 166,901,559**	**$ 170,987,700**	**$ 176,245,000**	**$ 181,677,900**	**$ 187,438,400**	**$ 193,394,000**	**$ 199,551,800**	**$ 205,918,900**	**$ 212,502,600**
Expenditures												
Personnel Costs	**101,910,933**	**112,550,578**	**118,924,195**	**123,636,292**	**128,110,555**	**134,284,073**	**138,278,462**	**142,317,298**	**145,155,614**	**148,946,567**	**151,798,503**	**155,453,008**
Vacancy Factor @ 2.0%	-	(2,077,031)	(2,378,484)	(2,472,726)	(2,562,211)	(2,685,681)	(2,765,569)	(2,846,346)	(2,903,112)	(2,978,931)	(3,035,970)	(3,109,060)
Adjusted Total Personnel Costs	**101,910,933**	**110,473,547**	**116,545,711**	**121,163,567**	**125,548,344**	**131,598,392**	**135,512,892**	**139,470,952**	**142,252,502**	**145,967,636**	**148,762,533**	**152,343,948**
Non-Personnel Costs	**40,585,543**	**44,002,228**	**45,630,000**	**47,231,800**	**48,727,000**	**50,271,900**	**51,868,700**	**53,519,000**	**55,224,800**	**56,988,100**	**58,810,900**	**60,695,300**
Total Operating Expenditures	**142,496,475**	**154,475,775**	**162,175,711**	**168,395,367**	**174,275,344**	**181,870,292**	**187,381,592**	**192,989,952**	**197,477,302**	**202,955,736**	**207,573,433**	**213,039,248**
Operating Transfers	9,083,029	1,085,000	1,117,600	1,151,100	1,185,600	1,221,200	1,257,800	1,295,500	1,334,400	1,374,400	1,415,600	1,458,100
Capital Projects Transfers	2,277,255	3,471,578	3,000,000	3,250,000	3,500,000	3,750,000	4,000,000	4,250,000	4,500,000	4,750,000	5,000,000	5,250,000
Deferred Infrastructure	-	-	6,221,000	6,141,000	6,060,000	5,976,000	5,892,000	5,805,000	5,717,000	5,627,000	6,000,000	6,250,000
Total Expenditures	**$ 153,856,759**	**$ 159,032,353**	**$ 172,514,311**	**$ 178,937,467**	**$ 185,020,944**	**$ 192,817,492**	**$ 198,531,392**	**$ 204,340,452**	**$ 209,028,702**	**$ 214,707,136**	**$ 219,989,033**	**$ 225,997,348**
ANNUAL SURPLUS/(SHORTFALL)	***$ 2,545,893***	***$ 6,832***	***$ (10,371,191)***	***$ (12,035,908)***	***$ (14,033,244)***	***$ (16,572,492)***	***$ (16,853,492)***	***$ (16,902,052)***	***$ (15,634,702)***	***$ (15,155,336)***	***$ (14,070,133)***	***$ (13,494,748)***



Estimated Annual General Fund Surplus/(Deficit)
$5,000,000
$-
$(5,000,000)
$(10,000,000)
$(15,000,000)
$(20,000,000)
$(25,000,000)
FY 2023/24
FY 2024/25
FY 2025/26
FY 2026/27
FY 2027/28
FY 2028/29
FY 2029/30
FY 2030/31
FY 2031/32
FY 2032/33
FY 2033/34
FY 2034/35
$2,545,893
$6,832
$(10,371,191)
$(12,035,908)
$(14,033,244)
$(16,572,492)
$(16,853,492)
$(16,902,052)
$(15,634,702)
$(15,155,336)
$(14,070,133)
$(13,494,748)
$(16,432,144)
$(20,545,392)
$(20,905,892)
$(21,035,452)
$(19,850,802)
$(19,455,836)
$(18,456,633)
$(17,968,948)
Normal
Recession in 2028