

2021-2026 Preliminary General Fund Long Term Projections
ASSUMPTIONS – UPDATED March 2021.

General Assumptions

1. FY 2020 actuals and Covid 19 projections for FY 2021 form the baseline for projections.
2. Covid-19 ceases to be a significant threat after mid-2021.
3. No new positions beyond those already budgeted for in FY 2020; No COLA in FY 2021 and FY 2022 for all Management and Confidential City Staff.
4. Management & Confidential staff will continue to be furloughed for 26 days in FY 22.
5. If Council so directs, furloughs and COLA deferrals will need to be negotiated with appropriate bargaining units.
6. Overhead Cost allocations – Transfers in & out reflected in forecast with the historical support for other funds.
7. Moderate recession in FY2021-2022. Recovery begins in mid-2022.
8. City will meet all its debt obligations without default with an annual TRAN.
9. Restore pre 2016 credit ratings by FY 2023.
10. No double dip recession.
11. No government bailout.
12. No changes to service delivery.

Revenue Assumptions

1. Sales Tax
 - Projections based on 5 year HdL forecast.
 - FY 2021 – 2026 based on a moderate recession in FY 2021-2022
2. Property Tax
 - Projections based on 5 year HdL forecast.
3. Real Property transfer taxes \$2.6 million in FY2021, growing to \$3.0 million in FY 2022 and remaining flat thereafter.
4. Other Taxes reflect annual growth of 2.0% after FY 2021
5. 2.8% increase in FY 2021-22 total revenues over FY 2019-20 actual revenues.
6. Department Revenues – 3% increase in FY 2022+
7. No new taxes or significant new revenues.

Operating Expense Assumptions

Personnel Costs

1. Wages – FY 2022+ reflects current MOU changes, effective FY 2021 and assumes 3% wage growth based on Bay Area 10-Year Consumer Price Index (CPI) average
2. Retirement – Pension cost increases pursuant to CalPERS July 2019 actuarial analysis as projected by NHA Advisors.
3. FY2022+ Required pension contributions will increase from July 2019 projections due to CalPERS discount rate dropping to 6.7% from 7%.
4. Medical, Dental – 3% annual growth.

5. No pre-funding retirement or OPEB unfunded liability. Pay as you go.
6. All other Benefits – 3% growth based on Bay Area 10-Year CPI
7. The Fire department will be at full strength. As such, regular overtime not to exceed \$500k.
8. Reimbursable Fire Department OES overtime of minimum \$500k will be incurred every year with the onset of the fire season.
9. The Police Department will incur \$500k/yr. in overtime due to officer vacancies.
10. While furloughs and unfilled vacancies are not permanent cost reduction solutions, they nevertheless provide limited cost relief in the current fiscal year. COLA deferrals, position eliminations, increased employee contributions to pensions and health insurance and salary reductions on the other hand are considered permanent cost reductions, as their effect is cumulatively beneficial on future years.

Non-Personnel Costs

1. Generally, use Bay Area 10-Year CPI (3%)
 - o Expense growth Assumptions: Utilities 3%; Repairs and Maintenance 3%; Professional Services and Other 3%.
2. Infrastructure
 - o Capital Investment Program (CIP) \$165,000 effective FY 2022
3. Reserve targets are in compliance with existing Council policy:
 - o Operating Reserve – target 10% of Operating Expenses
 - o Emergency Reserve– \$6 million goal at \$500k per year.
4. TRAN interest rate/yield – assumes 3%. The yield can be lower if the TRAN is issued at a premium as in FY 21. Cost of public issuance \$120k.