FINANCIAL FORECAST

Introduction

"A good forecaster is not smarter than everyone else, he merely has his ignorance better organized"

> --Anonymous

Predicting future budgets is challenging because of the wide number of economic, demographic and policy variables involved. Many factors which drive the forecast are beyond the control of the City, such as inflation, employer pension rates, federal and state spending cuts, state-wide initiatives, short-term economic cycles, and emergencies. The City Council does influence salary and benefit costs through the labor negotiation process, and by the staffing levels set through the budget process. Revenues are largely controlled by other levels of government, or require voter approval, but the City can set fee levels to not exceed related costs, and can approve new development through the planning process. All of these factors cannot be known with certainty in advance, but one can make reasonable assumptions

The City has a history of forecasting, which is a best practice of the Government Finance Officers Association. In last year's budget, the City incorporated a Financial Forecast generated by a new budget forecasting model prepared for the City by Management Partners. This model can readily reflect a wide range of assumptions and forecast scenarios, and display an extensive dashboard of charts that update automatically as changes are made. Following the recommendation of the Finance and Budget Commission, the City uses it to produce a 20-year forecast. This longer time frame captures long-term changes in pension costs and is in line with the 20-30 year time frame of recent infrastructure studies. The model was also used to provide an empirical basis for the renewal of the Park Tax and a proposed new parcel tax to pay for street and bikeway improvements, which go before the voters this June.
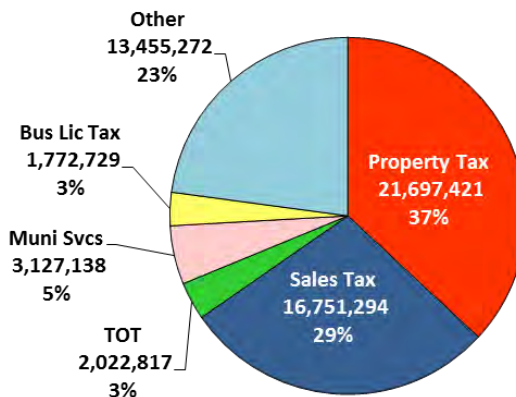
The 20-year budget model and Financial Forecast serves as an important fiscal strategic planning tool. It provides a macro level view of General Fund revenues and expenditures to assist in evaluating the impact of policy choices made today on the long-term fiscal health of the City. By identifying developing trends and potential issues that may arise in the future, it will help ensure long-term stability for the organization by giving policy-makers improved information with which to craft prudent and timely budget solutions. The fact that there are restrictions imposed by the State that limit local governments in their discretion to raise revenues adds weight to the importance of longer term financial forecasting.

Forecasting is all about assumptions. This Financial Forecast focuses on what is likely to happen to the General Fund based on past experience and a realistic assessment of what might happen in the future. This forecast is a snapshot in time, but the beauty of the budget model is that it is constantly being updated with new information and can be adjusted as circumstances and trends begin to change. By being transparent about the assumptions that go into the forecast, and what is funded versus spending needs that are not funded, the City will promote better understanding of its financial condition and improve the credibility of its forecasting efforts.

General Fund Revenues

The amount of money available to fund services and programs through the General Fund is determined by the dollars generated by the City's economic base and the City's revenue structure. The General Fund provides the only discretionary revenue available to the Council and citizens to directly support local priorities. The General Fund provides most of the funding for services such as police and fire protection, parks, recreation, community development, as well as most of the administrative and support functions of City government. There are five revenue sources that comprise 77% of total General Fund revenue: property tax (including the motor vehicle in-lieu amount), sales tax (including the Measure O local 1% tax), transient occupancy tax (TOT), municipal services tax, and business license tax.

FY 18/19 General Fund Revenues by Type

- Other 13,455,272 — 23%
- Bus Lic Tax 1,772,729 — 3%
- Muni Svcs 3,127,138 — 5%
- TOT 2,022,817 — 3%
- Property Tax 21,697,421 — 37%
- Sales Tax 16,751,294 — 29%

The City's ability to maintain General Fund revenue consistent with inflation and other increasing pressures on spending has been severely limited by various voter initiatives over the last 20 years. This trend began in 1979 with Proposition 13, and continued with Proposition 218. The effects these voter initiatives have had on the City's General Fund have been further compounded by the State's shift of local property tax revenues away from cities to school districts (Educational Revenue Augmentation Fund, or ERAF) and the State General Fund.

The projection of revenues into the future is based on past performance and analysis of actual current private and public sector activity. This includes such private sector activities as housing trends, property turnover and business growth; and public sector developments such as policy shifts at the local, state and federal levels. Revenue projections are inherently dependent on a number of assumptions, which vary by revenue source. The major assumptions used to project the General Fund revenues in the Financial Forecast are described below.

Tax Rates – All tax rates are assumed to be maintained at current levels, although for the park tax (Measure H on upcoming ballot) and the transactions and use tax (Measure O from 2014) this will require voter approval. A local sales tax rate of 0.5% originally approved in 2004 was renewed by voters in June of 2010 and was set to expire in June 2016. In June 2014 voters approved Measure O, which increased the local rate to 1.0%. This tax expires on December 31, 2020, unless renewed prior to that time. The impact of retaining versus losing this tax will be shown at the end of this section. The park tax expires in 2019 and is proposed to be renewed for 20 years at its current $49 rate and with a 2% annual inflator to maintain purchasing power over time. The park tax is not part of the General Fund, nor is the proposed new $99 parcel tax for street and bikeway improvements; both are discussed below under the Infrastructure Funding section.

Recessions – Modest recessions have occurred on average every seven years (the average since the Great Depression) starting in FY 19/20. By that measure we are overdue for the next recession, although Chris Thornberg of Beacon Economics said in April that

"the length of an expansion doesn't determine when it will end." He allowed that a mild recession in 2020 was possible if the Fed over-corrected on interest rate hikes. The UCLA Anderson School of Management in December 2017 predicted "a sunny 2018 with clouds coming in 2019" and the USC Lusk Center "advises to be prepared for a gloomier picture in 2019." The City forecast assumes a mild recession every seven years, starting in the first half of 2020, with a loss of 2% in property tax growth and a 5% reduction in sales tax growth that would have otherwise occurred, with a recovery spread over the ensuing three fiscal years. This level of reduction is much less than under the recent Great Recession, so a more pronounced economic downturn would result in lower revenues. The budget model allows staff to simulate a range of economic outcomes in terms of timing and magnitude, to test the sustainability of any given forecast.

Property Tax – The State Constitution sets the base property tax rate at 1% of assessed value. Property values are limited to 2% growth except when property is transferred or newly constructed. The City receives approximately 18% of the property tax generated in Davis. Property tax growth is determined by the Proposition 13 inflator, changes in ownership, and new construction. It is assumed that 96% of existing parcels will grow at the 2% inflator, that 4% of parcels will change ownership and increase an average of 40%, and that new construction will occur as projected by the Community Development Department. A total of 1,151 new housing units, 65% of them multi-family, are projected to be issued building permits from FY 17/18 through FY 20/21, plus $76 million in non-residential new construction, most of which involves three new hotels. Future growth assumes 40 housing units and $10 million non-residential growth annually. The compound annual growth rate (CAGR) of the property tax from FY 17/18 through FY 36/37, including recessions, is 3.84%.

Sales Tax – Revenues from the 1% Bradley-Burns sales tax rate are derived from the tax imposed on sales of goods and services transacted within the City. Sales tax growth is based on a projection by MuniServices, the City's sales tax auditor, by economic sector through FY 19/20, and with growth thereafter at the average annual rates (pre-recession) shown to the right. The CAGR from FY 17/18 through FY 36/37, including recessions, is 2.47%. With 41% of its sales tax from the transportation sector, compared to 28% statewide, Davis will always be subject to greater volatility in the sales tax during economic cycles. The continuing shift from taxable commodities to non-taxable services, and increasing internet purchases,

**Average Annual Growth Rates
by Economic Sector**

General Retail	1.0%
Food Products	2.0%
Transportation	2.5%
Construction	1.5%
Business to Business	2.5%
Miscellaneous	2.0%
County/State Pool	4.0%

are suppressing the rate of sales tax growth. The Measure O transactions and use tax of 1% is based on the location of the transaction, which for motor vehicles and many business-to-business transactions, occurs outside of the city and are thus not covered by the tax. An example is that a Davis resident who buys a car either in Davis or Woodland will pay the 1% Measure O tax either way, because Davis is where the vehicle is registered, whereas a Woodland resident who buys a car in Davis does not pay the 1% Measure O tax because the car is registered in Woodland and not in Davis.

Transient Occupancy Tax – The TOT, or hotel tax, applies to rentals of less than 30 days at hotels, or at vacation rentals such as arranged through VRBO or Airbnb. The tax rate was increased from 10% to 12% by Measure B at the June 2016 election. The average annual growth rate pre-recession is 3.0% before the addition of three new hotels that have secured planning approvals from the City. These hotels are projected to add a net of 327 rooms during fiscal years 19/20 and 20/21. Assuming nationwide average room rates for these chains, a 70% occupancy rate and a 10% substitution effect (loss of business from current hotels), these three establishments would add $1.4 million in annual TOT revenue. Market forces may affect the timing and revenue generation from these new hotels.

Municipal Services Tax – This tax was adopted by local voters in 1986. The tax paid by residential property owners is charged primarily per dwelling unit, and by commercial

property owners primarily on building square footage. Average annual revenue growth is projected at 3%.

Business License Tax – This tax is imposed on gross receipts of businesses licensed to operate in the City. The tax rate varies depending on the business enterprise. Average annual revenue growth (pre-recession) is projected at 2%.

Other Revenue – Other revenue sources include user fees, permits, fines, rentals, the property transfer tax, franchise payments, interest income and grants. Interest income assumes a 1.5% return on fund balance. Grants are volatile and not within the City's ability to control. The property transfer tax varies with the strength of the housing market. Other revenues as a group are generally projected to grow at the Consumer Price Index (CPI), which is projected to be 2%.

The following chart shows the historical and forecasted levels of the property tax, sales tax, other taxes (including the TOT) and fees/other revenue. The CAGR for all revenues from FY 16/17 to FY 36/37 is 2.62%, including recession impacts.
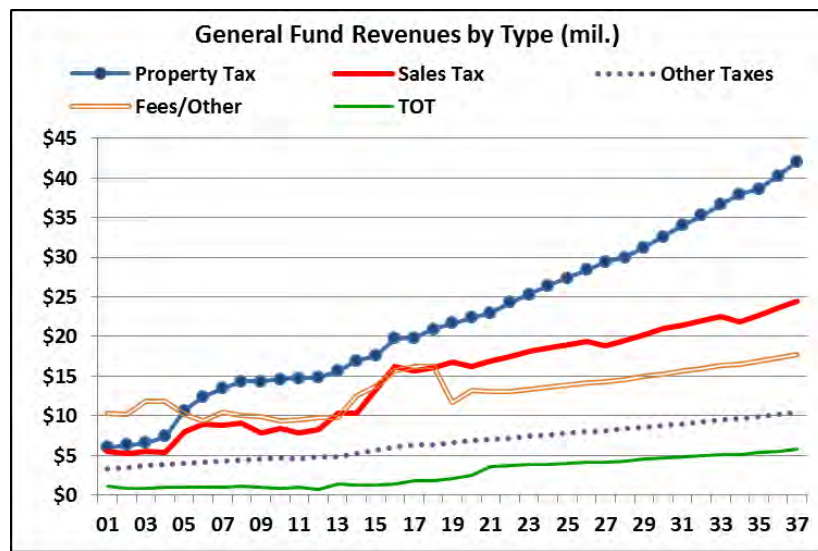
General Fund Expenditures

The expenditure baseline for the Financial Forecast is the FY 18/19 Proposed Budget. The following chart shows budgeted expenditures by type. Most services are provided by City employees, and personnel costs comprise 61% of gross General Fund expenditures (before transfer/reimbursements from other funds).

FY 2018/19 General Fund Expenditures by Type

Other
11,195,734
18%

Internal Svcs
7,559,063
12%

Contract Svcs
5,985,444
9%

Personnel
39,325,101
61%
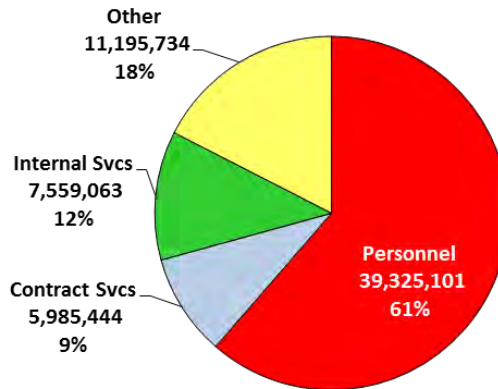
Before Transfer/Reimbursements

The key assumptions used to project expenditures in future years are as follows:

Inflation - The Bay Area index for All Urban Consumers has averaged 2.44% over the last 10 years, while a broader composite of US Cities, Western Urban and Bay Area inflation indices has averaged 1.77%. The Federal Reserve maintains 2% as their inflation goal, and this is the inflation assumed in the forecast.

Staffing Levels - The prior and forecasted level of staffing is shown in the following chart. After a slow increase through 2008, staffing cuts required by the Great Recession reduced permanent staffing levels by 119 FTE, or 24%. The forecast includes an allowance for the addition of one full time equivalent (FTE) position annually assuming an average cost total cost of $143,000. The gradual increase in FTE envisioned in the forecast will only restore one-sixth of that post-recession staffing reduction. It would take the addition of 1.4 FTE annually just to maintain a constant level of staffing (5.2 FTE) per 1000 population.

**Staffing Trends
(Permanent Employees Only)**
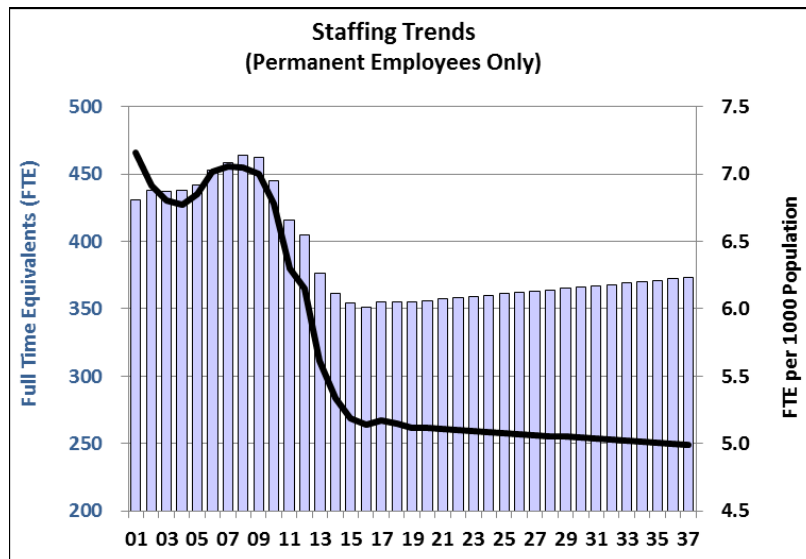
Wage Scale Increases – The baseline forecast starts with the staffing levels contained in the FY 18/19 Proposed Budget, using the current employees for filled positions and estimated costs of vacant positions. The FY 18/19 Proposed Budget incorporates a 2% cost of living adjustment into its personnel estimates. The forecast assumes a 2% annual growth in wages for future years (which could be in the form of across-the-board increases, or the equivalent in targeted increases based on recruiting, retention or equity

considerations). Such wage changes are the result of the meet and confer process between the City and its labor groups, so the actual outcome of any given year may vary. It is prudent, however, to build such wage inflation into a forecast that includes anticipated growth in all other revenues and expenses.

Movement Within Wage Scale – The forecast assumes a 0.25% average net annual increase which represents the combination of 5% step increases for eligible employees, and an assumed 8% rate of employee turnover, with a resulting average savings of 15% from new employees hired at a lower pay range. This is an average: depending on the combination of employees leaving and those receiving step increases, the annual impact of movement within the wage scale, based on running 40 different scenarios, ranges from a high of 1.16% to a low of -1.02%. The 0.25% is somewhat above the average, but leaves some allowance for reclassification among positions, and accrual of higher benefit levels as new hire gain in seniority over time.

Vacancy Savings – Both the forecast and City budget incorporate a 3% vacancy savings factor to account for the estimated level of savings that will result from position left unfilled for a portion of the year. Such vacancies are a natural outgrowth of employee turnover. The vacancy savings is computed on full-time salaries and benefits, excluding overtime, the PERS unfunded liability payments (which no longer relate to size of payroll), and retiree medical payments.

Salary and Incentive Costs – The following chart shows the prior and forecasted level of salary and incentive payments. Note the accelerated rate of growth pre-recession (5.26% compound annual growth rate form FY 00/01 to FY 08/09), compared to the prolonged post-recession slide (-1.76% CAGR from FY 08/09 to FY 15/16. The forecasted CAGR in salaries and incentives from FY 15-16 to FY 36/37 is 3.25%, which includes adding 1.00 FTE per year. Without the FTE growth the CAGR over the same period would be 2.83%. By comparison, CalPERS assumes 3.0% overall payroll growth in its actuarial calculations.

Total Salary and Incentive Costs (mil.)

FY18 is estimated actual; FYs thereafter include
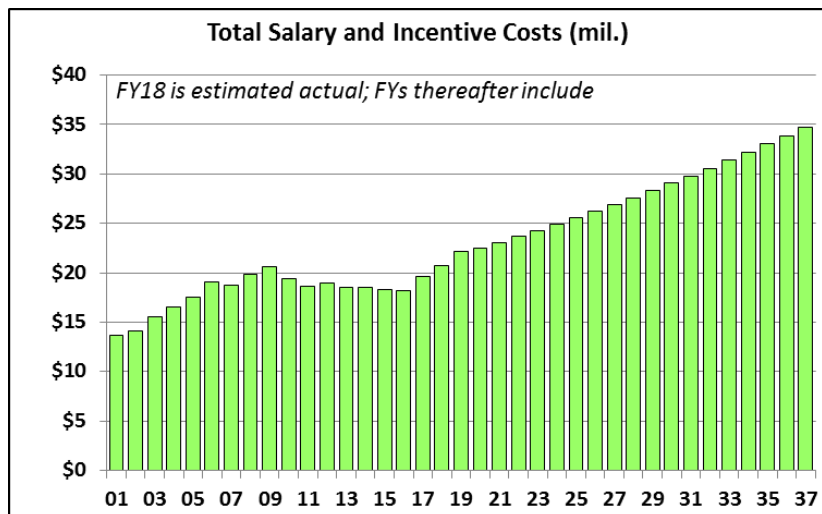
Temporary Wages – The growth rate of wages for temporary employees is based on an estimated impact of the minimum wage law which raises the minimum wage from the current $10.50 to $15 in annual increments through January 2022, and CPI growth of 2% thereafter.

Overtime – Only overtime that is anticipated to be required at the authorized staffing level is budgeted, because if overtime for police and fire jumps due to higher vacancy levels than budgeted, the City will experience additional savings from those vacancies that will typically offset the added overtime expense. Overtime resulting from fire strike teams (and the reimbursement for such costs) is not budgeted due to the volatility of such activities, and the fact that the added expense and revenue will offset each other in any event. Thus, past actual overtimes amounts will seem higher compared to the current budget.

Pension Costs – Retirement rates are set annually by the California Public Employees' Retirement System (CalPERS). Normal costs to pay for current accrued liability are recovered through a percent of payroll. Unfunded actuarial liability (UAL) is recovered through a fixed-dollar payment. These are allocated proportionately by the City to the funds to which employees are charged. Pension costs are a major component of the forecast and are deserving of the extended treatment that follows.

Pension costs are a major consideration in the budget planning for all government agencies. First, CalPERS is in the midst of a planned multi-year escalation in employer rates due to changes it has made in rate-smoothing calculations, amortization of unfunded actuarial liability (UAL) over fixed terms, and mortality improvements for beneficiaries. Arguably these changes should have been made years ago, but despite the adverse impact on local agency budgets, they are prudent actions needed to increase the funded status of the pension system so it can make good on future benefit payments to retirees. Second, CalPERS has approved a reduction in its discount rate (the assumed annual investment return) from 7.5% to 7.0%. In order to reduce volatility in returns and thus create more stability in employer rates, CalPERS is reducing the risk factor of its investments, and lower risk means lower return. The impact on normal cost rates is phased in over three years, and the impact on UAL over seven years, starting in FY 18/19. Since CalPERS receives 65% of its income through investments, and what it fails to make through investments must be made up by employers, reducing the discount rate results in significant cost increases to employers. Last year's budget relied on general guidance from CalPERS on what the impact of the discount rate cuts would be. This year, we have the 2016 valuation report from CalPERS, issued last July, which provides a projected impact for each individual agency, so the information is much more accurate than in last year's budget. That does not mean these projected costs will never change: the reality is that they change every year, sometimes significantly.

The next annual valuation report is due in July 2018, and will include the initial impact from an 11.2% investment return for FY 16/17, which will help offset some of the planned increases. Every year's valuation will bring new actuarial investment gains or losses, as well as demographic or other assumption changes, which modify prior projected cost factors. Although CalPERS chose not to further alter the discount rate at its February 2018 meeting, such action remains an option for the future, given that CalPERS investment advisors have projected a 6.2% average return over the next decade, which is below the 7% discount rate its board has adopted. The City contracts with John Bartel Associates to prepare an independent evaluation of employer rates, and the Bartel projections assume a continued slow reduction in the discount rate over time, to 6.5% by 2027 and 6.0% by 2040. An ultimate decline to that level may involve multiple actions by CalPERS over many years, and may also occur over a shorter period of time. The City forecast assumes a 0.5% discount rate reduction every three years, ending in a 6.0% discount rate by 2027; this is a conservative assumption, but provides a means of "insulating" the forecast from more unexpected bad news on pension costs.

While not acting further on discount rates, in February CalPERS did act to change its amortization policy starting with the 2019 valuation, after which time they will amortize actuarial gains or losses over 20 years rather than 30 years, and will no longer phase in rate changes over a five-year period. This move was made to pay off unfunded liability sooner. It is a mixed bag for employers: any actuarial gains will be realized sooner, which will reduce annual costs, but the reverse is true also, in that any actuarial losses will have to be paid off sooner, thus requiring higher annual contributions. (This is like a 20-year home mortgage loan with annual payments that are higher than a 30-year loan, which hurts in the short run, although the total paid in interest is much less over time.) With an expected average investment return of 6.2%, the future net losses may outnumber the net gains. CalPERS staff believes that this will be a net <u>gain</u> to local agencies after several years, but this remains to be seen.

At this point in time the City's projected total pension costs double over the next seven years, as shown in the following table:

| Plan	($ in millions)	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Police	Normal Cost	18.40%	20.60%	20.89%	22.13%	22.54%	22.88%	23.92%	24.08%
Fire	Normal Cost	16.44%	18.34%	18.74%	19.90%	20.27%	20.58%	21.48%	21.64%
Misc	Normal Cost	8.77%	9.27%	9.66%	10.30%	10.64%	10.94%	11.70%	11.92%
Police	UAL Cost	$1.47	$1.80	$2.05	$2.33	$2.61	$2.87	$3.14	$3.40
Fire	UAL Cost	$1.07	$1.31	$1.59	$1.80	$2.03	$2.26	$2.47	$2.68
Misc	UAL Cost	$4.24	$4.88	$5.66	$6.28	$7.03	$7.78	$8.44	$9.14
Totals	UAL Cost	$6.78	$7.98	$9.30	$10.42	$11.68	$12.91	$14.05	$15.22
Police	Total Est. Cost	$2.38	$2.83	$3.23	$3.61	$3.97	$4.32	$4.71	$5.05
Fire	Total Est. Cost	$1.69	$2.02	$2.35	$2.62	$2.90	$3.16	$3.44	$3.69
Misc	Total Est. Cost	$5.79	$6.56	$7.47	$8.27	$9.15	$10.02	$10.91	$11.72
Totals	Total Est. Cost	$9.86	$11.42	$13.04	$14.50	$16.01	$17.50	$19.06	$20.46
Totals	Cumulative Cost Increase		16%	32%	47%	62%	78%	93%	108%

These projections include the projected continuing impact of positions transitioning from the higher benefits received by "classic" employees, versus those new hires who receive lower benefit levels under PEPRA. This will help reduce costs over time. The following chart shows the projected rates for the City's safety, fire and miscellaneous employee plans as a percent of employee payroll. For this comparison the unfunded liability amounts, which are now billed to the City as a fixed-dollar amount, have been converted to a percent of payroll and added to the normal cost rate. OPEB rates for retiree medical benefits are included on this chart as well.
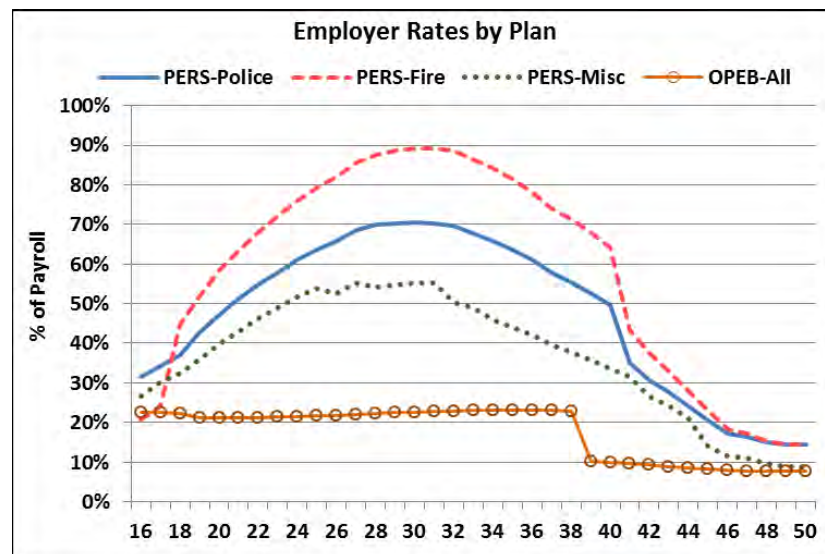
Based on these rates, the following chart shows the evolution of the General Fund's share of pension costs. Costs were under $500,000 in FY 00/01 (back when CalPERS cut employer rates to near zero because of a "surplus" of funds) and have increased 12-fold since then. (Cost-sharing agreements reached with certain bargaining groups to date save the General Fund around $250,000 annually, which reduce costs to the level shown.) In 20 years payments will peak at $18 million, triple what they are today. The rapid growth in these costs will begin to abate as the various UAL amortization bases (the annual net actuarial gains or losses) are paid off. This will provide some budget relief, but not before the 2030's. Pension costs are projected to top out 23% of total General Fund expenditures.

Total Pension Costs (mil.)
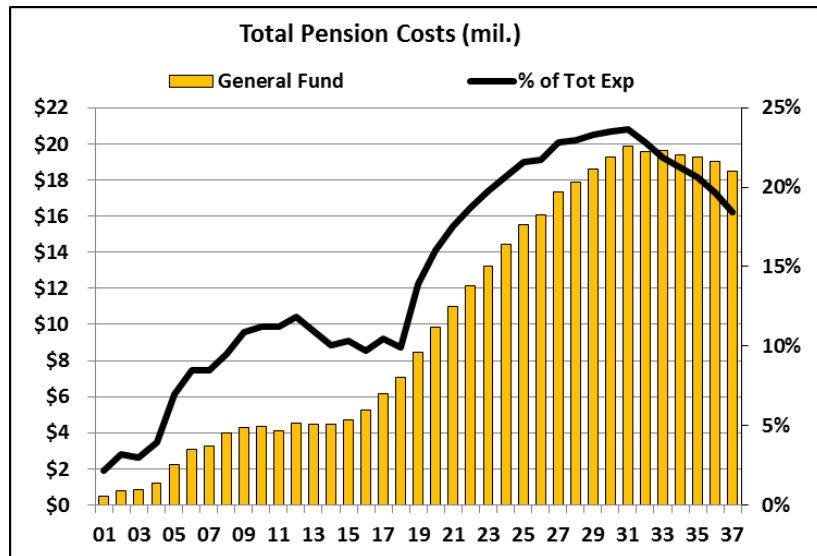
There are various reasons for the increase, as shown in the following chart. The chief culprit is the discount rate reductions (which are assumed to continue to drop from the current 7% by FY 20/21 to 6% by FY 26/27, but a share is attributable to the pre-existing planned escalation of employer rates, and the impact of higher pay levels over time. Any future decrease in the 7% discount rate must be approved by the CalPERS board.

Factors Causing PERS Cost Increases (mil.)
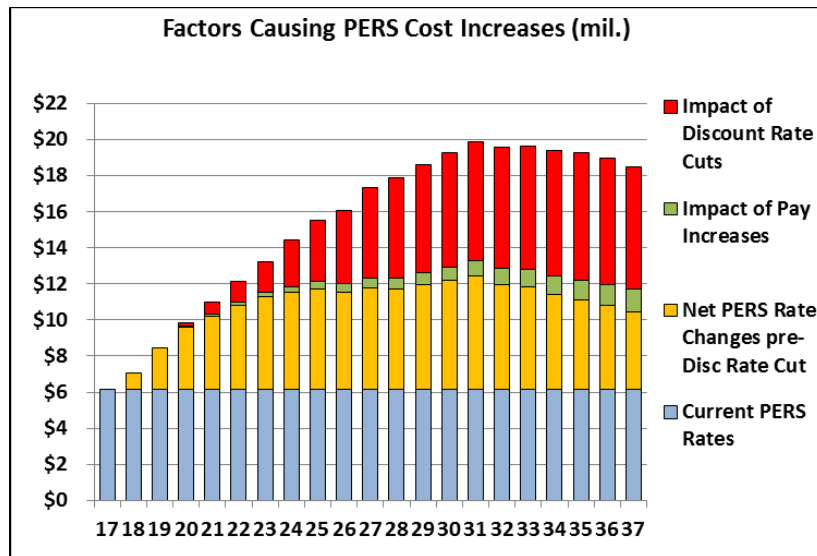
Suffice it to say that pension costs are very much on the City's budget radar, and will be closely watched on a continuous basis.

Health Benefits – Costs related to health, dental, and life insurance are assumed to grow at an annual rate of 2% throughout the forecast. With the implementation of the most recent MOU's, the City shares the cost of increases in medical insurance with the employee and the amount of cash that employee can take in lieu of benefits is decreased in January 2016 to a maximum of $500 per month. Health contribution levels are subject to the meet and confer labor negotiating process.

Other Post-Employment Benefits (OPEB) – Statement 45 of the Governmental Accounting Standards Board (GASB) requires public agencies to evaluate and report in their annual financial statements the fully-funded cost of any post-employment benefits such as retiree healthcare. While GASB 45 does not require full pre-funding of post-employment benefits, it effectively highlights the difference between the actual cost of

these benefits and the funds typically allocated on an annual pay-as-you-go basis. In this forecast OPEB costs are paid at the full annual required contribution (ARC), which is established in the actuarial reports by John Bartel Associates. This amount for all funds is $6.31 million for FY 18/19, of which the General Fund pays $4.53 million. The forecast assumes a continued slow reduction in the OPEB discount rate to 6.25% by FY 26/27.

Other Expenses – Non-personnel operation and maintenance costs generally grow at CPI (2%). Debt service costs are fixed at the 18/19 level. Capital contributions are discussed at length below.

Infrastructure Funding

The City has a major investment in its infrastructure – streets, bike paths, parks and public buildings – which is valued on the city's books at $388.5 million as of June 30, 2017. Although these public investments are depreciated for accounting purposes, the reality is that most of this infrastructure will never be replaced outright at the end of its theoretical "useful life", but rather will be continuously maintained, so that it will be around long after that useful life of 25 to 75 years, depending on the asset. The City has various revenues that are earmarked for infrastructure maintenance and improvements, such as the park tax, the construction tax, and the state gas tax (which was recently increased by SB 1). Development fees for streets, parks, and buildings are dedicated to infrastructure improvements needed to mitigate the effects of <u>new</u> development, but these can't be used to maintain <u>pre-existing</u> infrastructure.

These sources are inadequate to meet total annual infrastructure maintenance needs, so the General Fund contributes toward infrastructure maintenance as well. This was largely not possible before the passage of Measure O in 2014, which increased the City's local sales tax rate from 0.5% to 1.0%; this additional revenue has in part allowed the City to begin contributing to street, bike path, facility and street lighting projects in the past few years. However, the City still faces significant unfunded needs.

Since 2015, the City has focused on identifying these unmet needs and developing a comprehensive plan for funding them:

- **Streets**: NCE's 2015 Pavement Management Program Update projects resurfacing needs of $6-16 million annually over the next 20 years. The key measure is the Pavement Condition Index (PCI), a widespread tool for assessing street condition. The plan directs City efforts in a cost-effective way with the goal of slowly increasing the PCI, and hence overall quality, of the City's street surfaces. Funding addresses street resurfacing and associated curb, gutter and sidewalk costs.

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- **Bike Paths**: The same NCE study projected resurfacing needs of $100,000 to $1.9 million annually over the next 20 years, and identified a significant $9.4 million backlog in needed work. A PCI rating is applicable to bike paths as well.

- **Facilities**: Kitchell CEM prepared a maintenance plan for buildings. Smoothing these costs over 20 year results in an annual need of around $1.2 million.

- **Parks**: Kitchell also prepared a parks maintenance plan in 2016, which was recently updated by City staff in December 2017 to identify the following needs totaling an average of $3.33 million annually:
  - Maintenance under current park tax $1.400 million
  - Unmet maintenance needs $0.950 million
  - Urban Forestry program $0.570 million
  - Integrated Pest Mgmt program $0.410 million
 - Special park projects/grant match $0.250 million

- **Traffic Maintenance**: An analysis was prepared by the Public Works Department in December 2017 which identified the following needs totaling an average of $1.165 million annually:
  - Striping $0.390 million
  - Signals $0.550 million
  - ADA ramps $0.225 million
  - Street/Path Lights $0.210 million

- **Parking Lots**: Public Works identified resurfacing costs averaging $176,000/year; this does not expand parking, it just maintains what is there now.

These costs were used in developing a proposal to renew the existing park tax at its current $49 per parcel level (Measure H), and to seek voter approval of a new $99 parcel tax (Measure I), both which are on the June 2018 ballot. Measure I would be dedicated to street and bike path improvements, including "public streets, roads, sidewalks, bike lanes and on and off road bike paths and improvements ancillary to these improvements, including curbs, gutters, street and bike path drainage, signs, striping and pavement markings, traffic signals and street lighting." It will not supplement existing General Fund spending, as a maintenance of effort (MOE) provision requires General Fund spending on these items to be no less than $3 million annually (the FY 17/18 budgeted level). This MOE funding level is incorporated into the long-range forecast.

The City's budget model can project the funding level for these categories of infrastructure depending on which taxes are in effect, and the level of spending by the General Fund and other available sources such as the Gas Tax. The following matrix shows the overall funded status for infrastructure depending on the four outcomes of the election:

Total Funded Status	Measure H Park Tax Approved	Measure H Park Tax Fails
Measure I Street/Bike Tax Approved	71% funded ($255M) 29% unfunded ($106M)	61% funded ($221M) 33% unfunded ($140M)
Measure I Street/Bike Tax Fails	52% funded ($189M) 43% ($172M)	34% funded ($124M) 65% unfunded ($237M)

The following charts show the total funding versus need, and the cumulative shortfall if both taxes are <u>approved</u>. The cumulative unfunded need peaks in 2034, and declines thereafter. Funding increases in the mid to late 2030's as pension costs begin to fall with the pay down of unfunded liabilities, thus freeing up fiscal capacity in the general Fund to make higher contributions to infrastructure while still maintaining a 15% reserve level.

Total Annual Need vs. Funding (mil.)

Total Cumulative Infrastructure Funding Gap
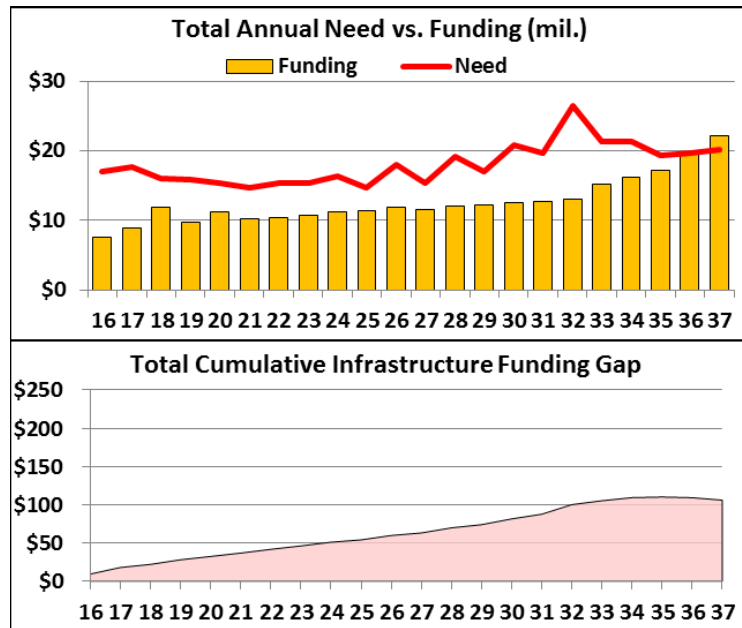
This compares to the following charts showing the outcome of both taxes <u>failing</u>, in which case there is no parcel tax income at all after FY18-19, and the unfunded need grows rapidly.

Total Annual Need vs. Funding (mil.)

Total Cumulative Infrastructure Funding Gap
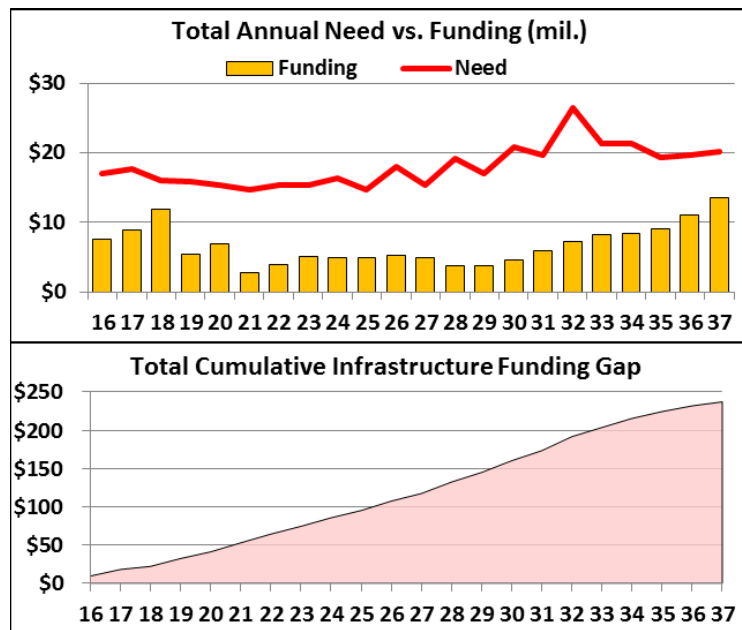
Depending on the election outcome, the parcel tax and General Fund spending on the eligible infrastructure categories be adjusted annually based on input from the various affected commission and direction from the City Council to attain a balance of funded status among the categories that reflects City policies and budget priorities. For example, if <u>both</u> taxes are approved, the forecast assumes the following overall outcome:

| ($ in Millions)	Infrastructure Needs Summary (FY 2015-16 through FY 2033-37)						
	Measure I - Transportation			Measure H	Relies on GF Support		
	(1) Streets	Bike Paths	(2) Other	Park Maint	Public Facilities	Parking Lots	Totals
Need	**$175.1**	**$25.0**	**$36.5**	**$94.7**	**$25.9**	**$4.0**	**$361.2**
Funded by:							
General Fund	53.7	3.5	9.5	14.7	10.8	-	92.2
Infra Parcel Tax	30.1	16.7	20.0	-	-	-	66.8
Park Tax	-	-	-	38.2	-	-	38.2
SB 1 Gas Tax	29.7	-	-	-	-	-	29.7
Constrct Tax/Impact Fee	20.7	-	-	-	-	-	20.7
Grants/Other	7.6	-	-	-	-	-	7.6
Total Funded	**141.8**	**20.2**	**29.5**	**52.9**	**10.8**	**-**	**255.2**
Net Funding Gap	**33.3**	**4.8**	**7.0**	**41.8**	**15.1**	**4.0**	**106.0**
% Funded	**81%**	**81%**	**81%**	**56%**	**42%**	**0%**	**71%**
Measure I Share	**45%**	**25%**	**30%**	**0%**	**0%**	**0%**	**0%**
(1) includes curb, gutter, sidewalks							
(2) includes related signs, striping, pavement marking, signals, street lighting							

Depending on how Measure I funds would be allocated among eligible transportation projects, along with the General Fund MOE, the average percent funded would be about 81%. Given the Park Tax and allocation of discretionary General Fund resources, park maintenance would be funded at 56% and facilities 42%. It is assumed that any parking lot resurfacing will be handled through other funds, or when the General Fund outperforms the forecast, in which case such one-time funds could be used to augment <u>any</u> of the infrastructure funding amounts shown above, and in the chart below.

Infrastructure Funding Gap Summary

	Street	Bike	Traffic	Parks	Facility	Pk Lot
☐ Gap	$33.3	$4.8	$7.0	$41.8	$15.1	$4.0
▣ Funded	$141.8	$20.2	$29.5	$52.9	$10.8	$0.0
Need	$175.1	$25.0	$36.5	$94.7	$25.9	$4.0
% Funded	81%	81%	81%	56%	42%	0%
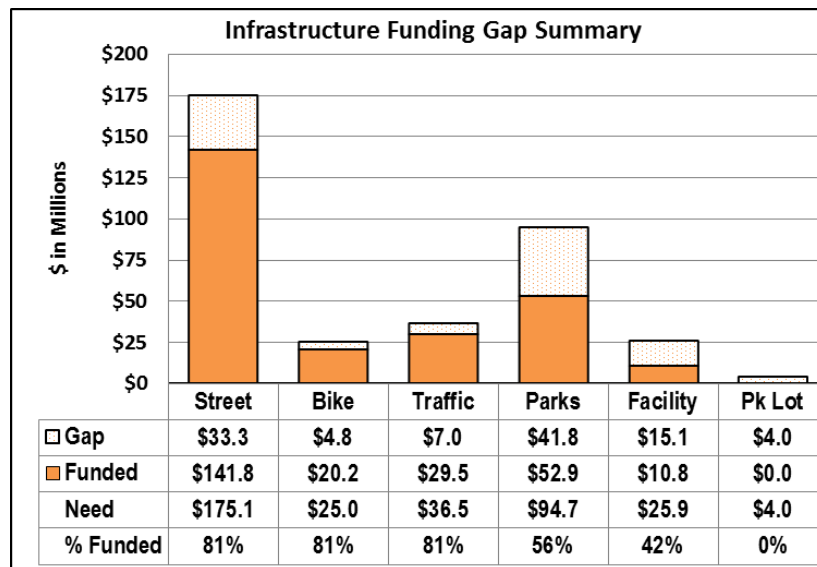
To put this in another perspective, the following chart shows the combined unmet need of infrastructure and other services, compared to projected budgeted expenses, and to projected revenues including a range of from optimistic to pessimistic levels of revenue growth.

Revenue Range vs. Expenses (mil.)
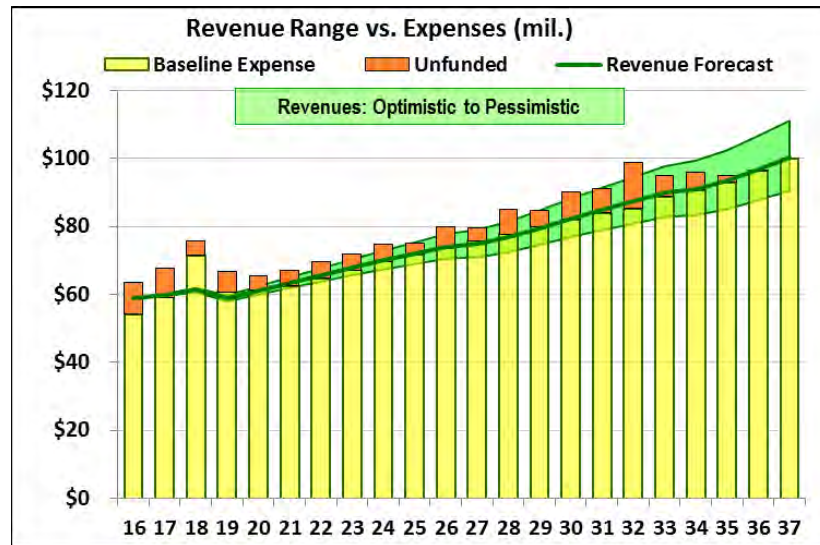
The first observation is that only under a sustained optimistic revenue scenario can a large portion of the unmet needs be funded. The revenue range widens over time with compounding, but in the near term little of the unmet needs would be funded. And if revenues are more in the pessimistic range, then not even the projected level of expenses can be sustained. It is not reasonable to assume that higher revenue growth on a sustained basis will be able to fund these unmet needs, although as previously noted, in any year the General Fund out-performs the forecast the City will have the option of using such added resources for one-time projects. Only if the General Fund begins consistently generating added resources would it be prudent to add staff or otherwise incur additional ongoing obligations.

The second observation is that the unfunded portion averages 7% of the General Fund budget. Cutting existing budgets by 7%, which is a significant amount, to redirect funding to unmet needs, presupposes that the unmet needs are a higher priority than what the City is already doing, which is unlikely. While costs can be evaluated over time to squeeze out some savings that could be redirected for this purpose, increased revenues remain the most feasible way of addressing the unmet needs while preserving current City service levels, which is where Measure H and Measure I come in. The budget model can be used to run various forecast scenarios and levels of unmet needs that could be funded under a given proposal, as was done for crafting these two ballot measures.

Other Unfunded Liabilities

The City has pension and retiree medical obligations. In both cases there is a normal cost component (to pay for currently accruing benefits) and an unfunded liability (due to inadequate past funding required to pay for prior accrued benefits). There is a plan, albeit a long-term one, to pay down these unfunded obligations. In the near-term unfunded liabilities will continue to grow, but then the pay down of various fixed term amortization bases will cause the cumulative liability to fall, as shown in the following chart. The City always has the option to prepay certain portions of these obligations, should it chose to dedicate resources to this purpose, instead of, for example, infrastructure maintenance. Such prepayment would reduce the amount ultimately paid, although the savings would be spread over 20 years or so. This will come at an opportunity cost to make improvements today which may significantly cut maintenance and repair costs in the future. Whether or not such a pre-payment is both financially cost-effective and a good policy trade-off would have to be considered on a case-by-case basis. The long-term forecast assumes payments are made in accordance with projected CalPERS rates.

Unfunded Liability (mil., all funds)
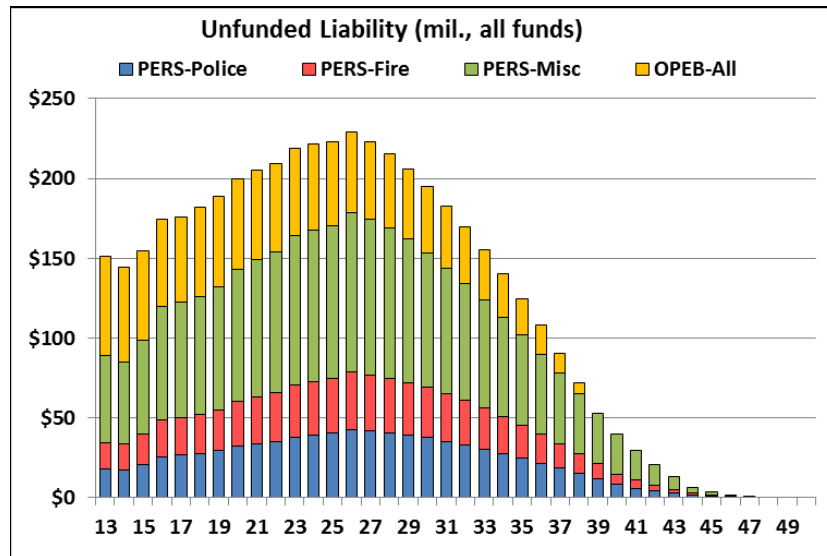
General Fund Balance

The essence of a budget forecast is the fund balance. Budgets cannot run fund balance deficits, so the financial assumptions selected must result in a sustainable balance over time. The City's reserve policy calls for a 15% reserve, which is close to the Government Finance Officers Association recommendation of a minimum of two month's operating revenues or expenditures (16.67%). Such a reserve will cover the normal ebb and flow of cash balances throughout the year, and help buy time for well-thought out budget recovery plans in the event an economic downturn is greater than projected, or an emergency or other unanticipated expenditure needs exceeds the current budget. The reserve level for FY 18/19 is projected at 12%.

The following chart is at the center of the budget model, and compares the unassigned balance (total balance less non-spendable assets) to 5%, 10% and 15% reserve levels. (By the time balance falls to 5% an agency needs to put a recovery plan in place to staunch the budgetary bleeding prior to actual deficits resulting.)

General Fund Assigned + Unassigned Balance (mil.)
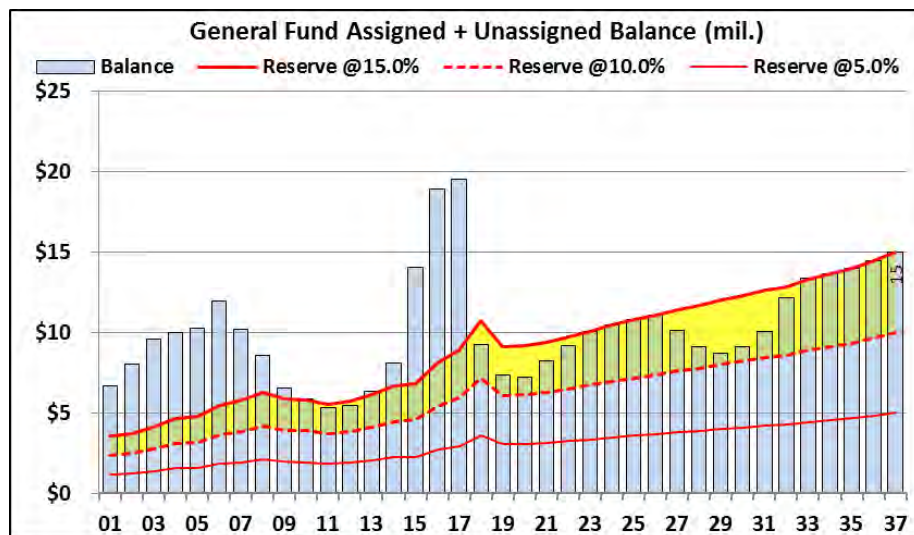
To recap, this forecast achieves the following key outcomes:

- Operating service levels are maintained and augmented through the addition of 1.0 FTE position per year.
- Measure I's $3 million maintenance of effort for General Fund infrastructure spending is met in every year of the forecast.
- Infrastructure funding attains an overall funding level of 71% over the life of the forecast.
- The City stays current with all of its pension and retiree medical obligations, achieving a projected 48% reduction in total unfunded liability by FY 36/37.
- The City's 15% reserve goal is met in 9 out of 20 fiscal years, with an average reserve level of 13.5%, even after weathering three modest recessions assumed to occur during the next 20 years.

This is a considerable accomplishment, and a testament to the careful budget and policy planning conducted by the staff and City Council. Maintaining an adequate reserve is the best defense against the uncertainty of pension and OPEB discount rate reductions, as well as other economic uncertainties. The City will continue to update the budget model as new information is received, and include the long-term forecast in the annual budget document, to further its goal of maintaining a successful and sustainable financial outlook.

Alternative Financial Outcomes

There are a number of alternative outcomes that could improve the Financial Forecast, such as:

- Higher employee vacancy rates (more vacant positions or vacancies for longer periods of time)
- Stronger revenue growth or delayed/lesser recession losses
- PERS investment gains above the discount rate
- Stronger economic development than already included in forecast

There are also a number of alternative outcomes that could worsen the Financial Forecast, including:

- PERS investment losses (or additional discount rate cuts)
- Weaker revenue growth or more severe recession losses
- Higher annual COLAs approved than the 2% in forecast
- Staffing levels increased beyond proposed levels
- Extreme events (fire, earthquake, weather)

There are many alternate scenarios that can be examined using the budget model. As examples, the following charts depict three such alternate scenarios. The first assumes no new hotel TOT revenues in the forecast. The result would be a negative balance by the late-2020's due to the loss of $1.4 million per year in TOT revenue.

General Fund Assigned + Unassigned Balance (mil.)
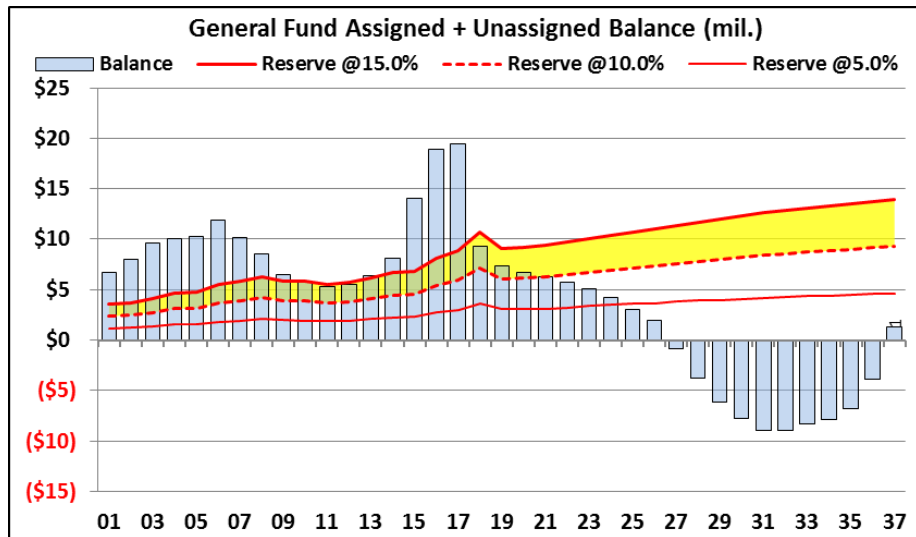
The next chart still assumes no new hotels, but that the CalPERS discount rate only falls to 6.5% rather than 6.0%. While resulting in a lower than desirable fund balance, this alternative illustrates that the negative impact of losing three hotels could be overcome to a large degree by a 0.5% difference in pension discount rate (and at a level that is still lower than what CalPERS has adopted to date).

General Fund Assigned + Unassigned Balance (mil.)
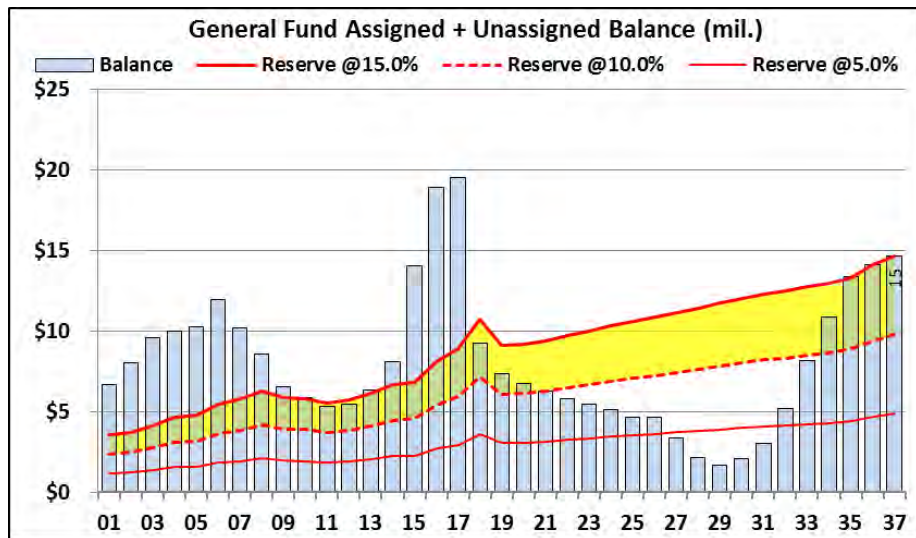
The most significant fiscal issue is the ability to renew the 1% Measure O sales tax by 2020. The following chart assumes the baseline forecast, including hotels and the 6% pension discount rate, but that the tax is not renewed: that would be a truly calamitous outcome.

General Fund Assigned + Unassigned Balance (mil.)
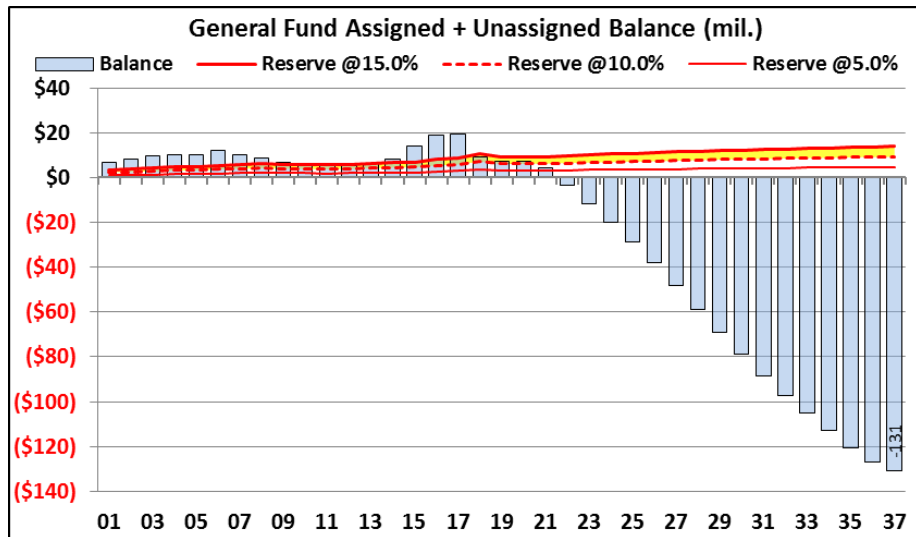
The following pages provide a summary of the 20-year Financial Forecast (back to the forecast depicted in the chart below).

General Fund Assigned + Unassigned Balance (mil.)
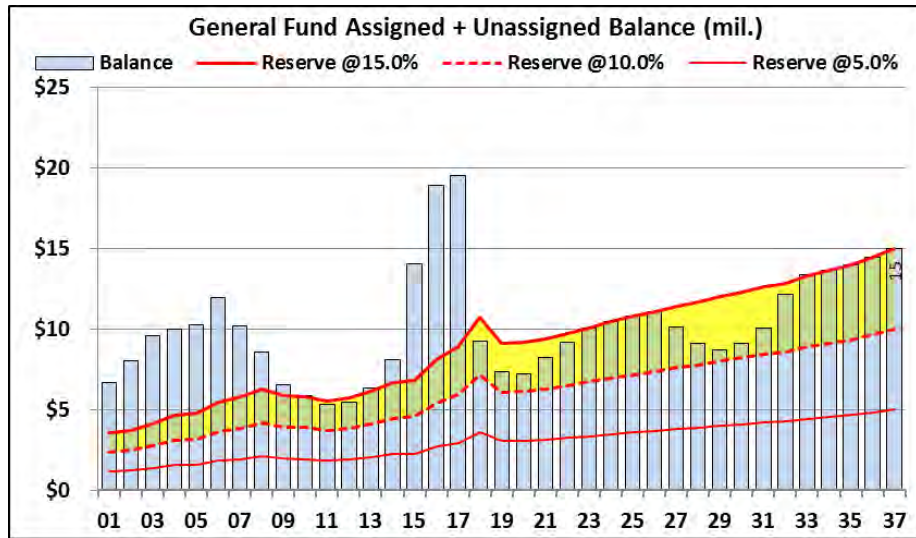
First Ten Years of Financial Forecast

($ in Thousands)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Property Tax	$20,940	$21,697	$22,344	$23,000	$24,249	$25,297	$26,391	$27,372	$28,391	$29,447
Sales Tax-Regular	8,062	8,494	8,270	8,590	8,922	9,269	9,490	9,717	9,950	9,692
Sales Tax-Measure O	8,053	8,257	8,001	8,281	8,571	8,871	9,050	9,233	9,420	9,141
Transient Occup Tax	1,752	2,023	2,524	3,545	3,678	3,816	3,931	4,048	4,170	4,191
Other Taxes/Franchises	6,359	6,657	6,844	7,029	7,220	7,415	7,599	7,787	7,980	8,116
Permits & Fees	6,399	6,176	7,299	7,035	6,852	7,033	7,174	7,317	7,463	7,454
Interest	151	150	110	108	124	137	151	157	162	166
Other Revenue	9,632	5,372	5,815	5,938	6,064	6,193	6,319	6,448	6,580	6,696
Total Revenues	**61,348**	**58,827**	**61,207**	**63,526**	**65,680**	**68,032**	**70,105**	**72,081**	**74,116**	**74,902**
Salaries/Wages	19,557	21,459	21,730	22,295	22,874	23,469	24,078	24,703	25,343	26,000
Part Time (total)	1,510	1,632	1,689	1,752	1,822	1,900	1,938	1,977	2,016	2,057
Overtime	2,495	1,554	1,600	1,648	1,698	1,749	1,801	1,855	1,911	1,968
Retirement	7,080	8,430	9,850	10,983	12,129	13,249	14,440	15,502	16,071	17,335
Health/Cafeteria Plan	4,548	4,929	5,095	5,267	5,445	5,628	5,818	6,014	6,217	6,426
Retiree Medical	4,530	4,532	4,516	4,630	4,768	4,921	5,082	5,248	5,418	5,593
Other Benefits	2,970	3,136	3,214	3,300	3,388	3,477	3,570	3,664	3,762	3,861
Expense Credits	(4,854)	(5,509)	(5,753)	(6,016)	(6,287)	(6,561)	(6,843)	(7,112)	(7,326)	(7,628)
Vacancy Savings	(351)	(837)	(875)	(904)	(929)	(955)	(984)	(1,010)	(1,038)	(1,069)
Subtotal Personnel	**37,484**	**39,325**	**41,066**	**42,956**	**44,907**	**46,877**	**48,900**	**50,840**	**52,373**	**54,543**
Internal Services	7,530	7,559	7,710	7,864	8,022	8,182	8,346	8,513	8,683	8,857
Contract Services	8,547	5,985	6,079	6,174	6,271	6,370	6,470	6,573	6,676	6,782
Other O&M Expenses	5,967	5,439	5,532	5,626	5,723	5,821	5,921	6,023	6,126	6,232
Debt Service	245	265	265	265	265	265	265	265	265	265
Infrastructure	13,965	4,390	3,980	3,000	3,000	3,102	3,387	3,211	3,408	3,000
Other Capital Outlay	1,839	1,102	102	104	106	108	110	113	115	117
Additions/(Reductions)	-	-	-	-	-	-	-	-	-	-
Transfers	(4,006)	(3,337)	(3,404)	(3,472)	(3,542)	(3,613)	(3,685)	(3,759)	(3,834)	(3,910)
Subtotal O&M	**34,086**	**21,403**	**20,264**	**19,562**	**19,845**	**20,236**	**20,815**	**20,939**	**21,440**	**21,343**
Total Expenditures	**71,570**	**60,728**	**61,330**	**62,518**	**64,753**	**67,113**	**69,715**	**71,779**	**73,813**	**75,885**
Net Annual	(10,223)	(1,901)	(123)	1,008	927	919	390	302	304	(983)
Beginning Balance	19,473	9,251	7,349	7,226	8,235	9,162	10,081	10,471	10,773	11,076
Ending Balance	**9,251**	**7,349**	**7,226**	**8,235**	**9,162**	**10,081**	**10,471**	**10,773**	**11,076**	**10,093**
Bal as % of Tot Exp	13%	12%	12%	13%	14%	15%	15%	15%	15%	13%
FTE (permanent staff)	355	355	356	357	358	359	360	361	362	363

Second Ten Years of Financial Forecast

($ in Thousands)	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Property Tax	$29,947	$31,245	$32,601	$34,015	$35,283	$36,600	$37,967	$38,615	$40,295	$42,048
Sales Tax-Regular	10,072	10,467	10,878	11,143	11,415	11,695	11,397	11,849	12,320	12,810
Sales Tax-Measure O	9,464	9,800	10,148	10,357	10,572	10,791	10,476	10,852	11,243	11,649
Transient Occup Tax	4,348	4,511	4,680	4,821	4,965	5,114	5,140	5,332	5,532	5,740
Other Taxes/Franchises	8,336	8,563	8,796	9,015	9,240	9,471	9,636	9,899	10,169	10,447
Permits & Fees	7,650	7,851	8,058	8,219	8,384	8,551	8,541	8,765	8,996	9,233
Interest	151	136	131	137	150	182	200	205	209	217
Other Revenue	6,838	6,985	7,134	7,281	7,431	7,584	7,719	7,885	8,054	8,228
Total Revenues	**76,807**	**79,558**	**82,426**	**84,987**	**87,440**	**89,988**	**91,076**	**93,403**	**96,819**	**100,370**
Salaries/Wages	26,674	27,365	28,074	28,800	29,545	30,309	31,093	31,896	32,720	33,565
Part Time (total)	2,098	2,140	2,182	2,226	2,271	2,316	2,362	2,410	2,458	2,507
Overtime	2,027	2,088	2,150	2,215	2,281	2,350	2,420	2,493	2,568	2,645
Retirement	17,887	18,611	19,272	19,868	19,558	19,615	19,377	19,260	19,002	18,481
Health/Cafeteria Plan	6,642	6,866	7,096	7,335	7,581	7,836	8,099	8,371	8,652	8,942
Retiree Medical	5,816	6,035	6,248	6,457	6,644	6,838	7,037	7,243	7,425	7,581
Other Benefits	3,963	4,068	4,176	4,286	4,400	4,516	4,635	4,757	4,882	5,011
Expense Credits	(7,853)	(8,102)	(8,347)	(8,587)	(8,719)	(8,899)	(9,050)	(9,219)	(9,373)	(9,497)
Vacancy Savings	(1,093)	(1,117)	(1,143)	(1,169)	(1,199)	(1,229)	(1,260)	(1,292)	(1,324)	(1,359)
Subtotal Personnel	**56,161**	**57,952**	**59,710**	**61,431**	**62,363**	**63,651**	**64,714**	**65,919**	**67,009**	**67,875**
Internal Services	9,034	9,214	9,399	9,587	9,778	9,974	10,174	10,377	10,585	10,796
Contract Services	6,890	6,999	7,110	7,223	7,339	7,456	7,575	7,696	7,820	7,945
Other O&M Expenses	6,340	6,449	6,561	6,674	6,790	6,908	7,028	7,150	7,274	7,401
Debt Service	265	265	265	265	265	265	265	265	265	265
Infrastructure	3,000	3,000	3,000	3,000	3,000	4,778	5,387	6,110	7,910	10,182
Other Capital Outlay	120	122	124	127	129	132	135	137	140	143
Additions/(Reductions)	-	-	-	-	-	-	-	-	-	-
Transfers	(3,989)	(4,068)	(4,150)	(4,233)	(4,317)	(4,404)	(4,492)	(4,582)	(4,673)	(4,767)
Subtotal O&M	**21,659**	**21,981**	**22,309**	**22,643**	**22,984**	**25,109**	**26,071**	**27,154**	**29,320**	**31,966**
Total Expenditures	**77,820**	**79,933**	**82,019**	**84,075**	**85,347**	**88,760**	**90,785**	**93,074**	**96,330**	**99,841**
Net Annual	(1,013)	(375)	406	913	2,093	1,228	291	329	489	529
Beginning Balance	10,093	9,081	8,706	9,112	10,025	12,118	13,345	13,636	13,965	14,454
Ending Balance	**9,081**	**8,706**	**9,112**	**10,025**	**12,118**	**13,345**	**13,636**	**13,965**	**14,454**	**14,983**
Bal as % of Tot Exp	12%	11%	11%	12%	14%	15%	15%	15%	15%	15%
FTE (permanent staff)	364	365	366	367	368	369	370	371	372	373

First Ten Years of Infrastructure Funding

($ in Thousands)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Street Needs (1)	$7,800	$7,500	$7,400	$6,800	$7,100	$7,300	$7,600	$5,900	$8,600	$6,400
Other Funding	3,841	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493
General Fund	3,835	2,623	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350
Infra Parcel Tax	-	1,267	1,298	1,329	1,361	1,393	1,427	1,461	1,496	1,532
Surplus(Shortfall)	(124)	(1,117)	(1,259)	(628)	(896)	(1,064)	(1,330)	404	(2,261)	(25)
Bike Path Needs (1)	1,900	1,800	1,200	800	1,000	500	900	600	800	100
General Fund	448	339	150	150	150	150	150	150	150	150
Infra Parcel Tax	-	704	721	738	756	774	793	812	831	851
Surplus(Shortfall)	(1,452)	(757)	(329)	88	(94)	424	43	362	181	901
Facilities Needs (2)	1,250	1,243	1,236	1,229	1,222	1,215	1,208	1,201	1,195	1,188
General Fund	1,716	23	360	-	-	37	142	78	150	-
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	466	(1,220)	(876)	(1,229)	(1,222)	(1,178)	(1,066)	(1,124)	(1,045)	(1,188)
Park Needs (3)	3,607	3,679	3,753	3,828	3,904	3,982	4,062	4,143	4,226	4,311
Other Funding	1,399	1,433	1,467	1,502	1,538	1,575	1,613	1,652	1,692	1,732
General Fund	214	146	620	-	-	64	245	134	258	-
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	(1,993)	(2,101)	(1,665)	(2,325)	(2,366)	(2,342)	(2,204)	(2,357)	(2,277)	(2,578)
Traffic Needs (4)	1,403	1,431	1,459	1,488	1,518	1,548	1,579	1,611	1,643	1,676
Other Funding	-	-	-	-	-	-	-	-	-	-
General Fund	456	-	500	500	500	500	500	500	500	500
Infra Parcel Tax	-	845	865	886	907	929	951	974	997	1,021
Surplus(Shortfall)	(946)	(586)	(94)	(103)	(111)	(120)	(128)	(137)	(146)	(155)
Parking Lot Needs	-	176	180	183	187	191	194	198	202	206
General Fund	-	-	-	-	-	-	-	-	-	-
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	0	(176)	(180)	(183)	(187)	(191)	(194)	(198)	(202)	(206)
Total Infrastructure	(4,049)	(5,957)	(4,404)	(4,380)	(4,876)	(4,470)	(4,881)	(3,051)	(5,750)	(3,252)

(1) Street and bike path needs as identified in 2016 NCE report. Funding is from General Fund as selected in budget model plus $130K/year Construction Tax, $800K/year Developer Fees and any grant/other funding as identified in the budget model for Measure I funding.

(2) Facility maintenance needs as identified in 2016 Kitchell report (see Table 3). Does not include replacement costs. Funding is General Fund contribution only as selected in budget model for Measure I funding.

(3) Park maintenance needs as identified by Parks staff (Dec 2015 staff report and updated Kitchell numbers). Funding is current $49 parks tax ($1.4M/year plus selected General Fund contribution).

(4) Traffic maintenance needs as identified in Dec 2015 staff report. Funding is existing General Fund support plus amount selected in budget model for Measure I funding.

Second Ten Years of Infrastructure Funding

($ in Thousands)	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Street Needs (1)	$9,800	$7,300	$10,700	$9,200	$15,600	$10,000	$9,500	$7,100	$7,100	$7,100
Other Funding	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493	2,493
General Fund	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350
Infra Parcel Tax	1,569	1,606	1,645	1,684	1,725	1,766	1,808	1,852	1,896	1,942
Surplus(Shortfall)	(3,388)	(851)	(4,212)	(2,673)	(9,032)	(3,391)	(2,849)	(405)	(361)	(315)
Bike Path Needs (1)	200	100	100	200	200	200	200	200	200	200
General Fund	150	150	150	150	150	150	150	150	150	150
Infra Parcel Tax	871	892	914	936	958	981	1,005	1,029	1,054	1,079
Surplus(Shortfall)	821	942	964	886	908	931	955	979	1,004	1,029
Facilities Needs (2)	1,181	1,174	1,168	1,161	1,155	1,148	1,142	1,135	1,129	1,122
General Fund	-	-	-	-	-	653	877	1,143	1,804	2,638
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	(1,181)	(1,174)	(1,168)	(1,161)	(1,155)	(495)	(265)	7	675	1,516
Park Needs (3)	4,397	4,485	4,574	4,666	4,759	4,854	4,951	5,050	5,151	5,254
Other Funding	1,774	1,816	1,860	1,905	1,950	1,997	2,045	2,094	2,144	2,196
General Fund	-	-	-	-	-	1,125	1,510	1,968	3,106	4,544
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	(2,623)	(2,668)	(2,714)	(2,761)	(2,809)	(1,732)	(1,396)	(989)	99	1,485
Traffic Needs (4)	1,710	1,744	1,779	1,814	1,851	1,888	1,925	1,964	2,003	2,043
Other Funding	-	-	-	-	-	-	-	-	-	-
General Fund	500	500	500	500	500	500	500	500	500	500
Infra Parcel Tax	1,046	1,071	1,097	1,123	1,150	1,177	1,206	1,235	1,264	1,295
Surplus(Shortfall)	(164)	(173)	(182)	(191)	(201)	(210)	(220)	(229)	(239)	(249)
Parking Lot Needs	210	215	219	223	228	232	237	242	246	251
General Fund	-	-	-	-	-	-	-	-	-	-
Infra Parcel Tax	-	-	-	-	-	-	-	-	-	-
Surplus(Shortfall)	(210)	(215)	(219)	(223)	(228)	(232)	(237)	(242)	(246)	(251)
Total Infrastructure	(6,745)	(4,139)	(7,532)	(6,124)	(12,516)	(5,130)	(4,012)	(879)	931	3,215

(1) Street and bike path needs as identified in 2016 NCE report. Funding is from General Fund as selected in budget model plus $130K/year Construction Tax, $800K/year Developer Fees and any grant/other funding as identified in the budget model for Measure I funding.

(2) Facility maintenance needs as identified in 2016 Kitchell report (see Table 3). Does not include replacement costs. Funding is General Fund contribution only as selected in budget model for Measure I funding.

(3) Park maintenance needs as identified by Parks staff (Dec 2015 staff report and updated Kitchell numbers). Funding is current $49 parks tax ($1.4M/year plus selected General Fund contribution).

(4) Traffic maintenance needs as identified in Dec 2015 staff report. Funding is existing General Fund support plus amount selected in budget model for Measure I funding.