

Long-Term Financial Plan

Fiscal Year 2015/16
Through
Fiscal Year 2019/20

August 2015

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Executive Summary

Introduction

The Long-Term Financial Plan Fiscal Year 2015/16 Through Fiscal Year 2019/20 covers the City's General Fund revenues and expenditures over a five-year planning period and is intended to inform the City's financial and operational decision making.

Economic Scenarios, and Status Quo and "Preferred" Service Levels

The Long-Term Financial Plan (LTFP) uses the ongoing revenues and expenditures in the fiscal year (FY) 2015/16 adopted budget as the status quo baseline from which future revenues and expenditures are forecasted for three different economic scenarios: moderate/most likely, optimistic, and pessimistic. Were the City to fund only status quo service levels and experience moderate/most likely economic conditions, due to improving revenues, careful expenditure management, and some debt retirement, the City is expected to experience growing General Fund budget surpluses in each of the next four years, as shown in Table 1 below.

Table 1: Status Quo Service Level Moderate/Most Likely Scenario Forecast

| General Fund — Moderate Scenario (\$) thousands | FY 2016/17 Forecast | FY 2017/18 Forecast | FY 2018/19 Forecast | FY 2019/20 Forecast |
|--|------------------------|------------------------|------------------------|------------------------|
| Total Revenues | 23,052 | 24,279 | 25,075 | 25,671 |
| Total Expenditures and Uses | 22,973 | 23,376 | 22,948 | 23,645 |
| Surplus/(Deficit) On-Going | 79 | 903 | 2,127 | 2,026 |

In addition to the status quo ongoing service levels and expenditures, the FY 2015/16 budget also included some expenditures that were considered one-time (limited-term) in nature, such as funding to support additional hours at the Pleasant Hill Library (43 hours total weekly) and funding to increase the City's investment in street maintenance. The Budget Committee directed staff to include some additional expenditures beyond status quo in a "preferred" service level model, including expenditures for additional library hours in FY 2016/17 through FY 2019/20, additional street maintenance, and investment to address deferred maintenance of storm drains. Funding the preferred expenditures, under moderate/most likely economic conditions, is expected to result in a balanced budget during the planning period, as shown in Table 2 following.

Table 2: Preferred Service Level Moderate/Most Likely Scenario Forecast

| Expenditures and Uses (\$ thousands) | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| On-Going Revenues | 23,052 | 24,279 | 25,075 | 25,671 |
| On-Going Expenditures | 22,973 | 23,376 | 22,948 | 23,645 |
| Surplus/(Deficit) On-Going | 79 | 903 | 2,127 | 2,026 |
| Surplus/(Deficit) Special One-Time Revenues/Expenditures | (1,821) | (1,824) | (2,127) | (2,026) |
| Total Surplus/(Deficit) | (1,742) | (921) | — | — |

In planning to fund the preferred service level, the City is foregoing expenditures on other projects, which are discussed in the plan. In addition, should the City find itself in a position of needing to adjust revenues and/or expenditures to maintain a balanced budget in the future, the LTFP includes a discussion of some possible options

Summary and Next Steps

The City is on solid budgetary footing that is expected to continue throughout this economic cycle. The LTFP will be used as a guide when preparing the next biennial budget, preparing other planning documents, and making operational and financial decisions. City staff intends to update the LTFP on a periodic basis going forward.

Introduction

Background

When the City Council created its Goals for Fiscal Years 2013/14, 2014/15, and 2015/16 (see Appendix A) in September 2013, it adopted the objective to “establish a long term financial plan” as part of the goal of “a city that is financially sound.” City staff began working on the development of a long-term financial plan (LTFP) in fall 2014, after adoption of the FY 2014/15 and FY 2015/16 biennial budget in June 2014.

Purpose

The purpose of the LTFP is to inform the City’s financial and operational decision making. Such a plan is particularly valuable to the City at this time given the upcoming challenges and opportunities that the City is facing. The LTFP can be used as a guide to many planning and decision-making processes, such as the development of future budgets (particularly the upcoming FY 2016/17 and 2017/18 budget) and Capital Improvement Plans (CIP).

Scope

The City of Pleasant Hill Long-Term Financial Plan Fiscal Year 2015/16 Through Fiscal Year 2019/20 will address the City’s General Fund revenues and expenditures over a five-year planning period.

Development Process

As noted, City staff began developing the LTFP in fall 2014. The LTFP was created using public finance best practices. City staff consulted numerous resources and experts to determine how to approach the project and create sound analysis. Best practices are well summarized in the key publication on municipal long-term financial planning, the Government Finance Officers Association’s (GFOA) *Financing the Future: Long-Term Financial Planning for Local Government*. GFOA, one of the leading professional associations in the public finance field, defines financial forecasting and long-term financial planning as follows:

- Financial forecasting is the process of projecting revenues and expenditures over a long term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.
- Long-term financial planning is the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government’s service objectives and financial challenges.

The main tasks required to create the LTFP were the following:

- Identify the major financial and operational challenges and opportunities that the City will face over the next five years;

- Forecast revenues and expenditures under different economic scenarios (moderate/most likely, optimistic, and pessimistic) that include key assumptions about possible changes in the City's operating environment;
- Identify policy alternatives, including changes to revenue sources and expenditures, that the City can use to balance its budget if needed; and
- Gather feedback on a draft LTFP and gain Council approval of the final LTFP.

City staff has completed the necessary tasks using best practices. This has resulted in a LTFP that is consistent with GFOA's Long-Term Financial Planning best practice, which requires that a long-term financial plan:

- Use a planning horizon of at least five years;
- Include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms; and
- Be visible.

The LTFP development process was structured to support participation from a variety of stakeholders. Staff shared information and received input from Councilmembers and the public at numerous Budget Committee and City Council meetings in 2014 and 2015. Staff also gathered input from interested stakeholders through an online survey that specifically focused on identifying the most important challenges and opportunities that the City will face over the five-year planning period. The participatory development process has resulted in a LTFP that reflects the interests of the City Council and community.

Status Quo Service Level Revenue and Expenditure Forecast

Forecast Methodology

As noted above, City staff followed public finance best practices when creating the LTFP, including designing the forecast methodology. Staff reviewed the City's past forecasting work, the work of peer jurisdictions and other leading municipalities, and academic and professional materials on the topic. Staff began the forecasting process by conducting an extensive environmental scan to identify all of the major financial changes that the City might face over the planning horizon.

FY 2015/16 Base Year

Staff used the FY 2015/16 adopted budget (adopted as part of the FY 2014/15 and FY 2015/16 biennial budget in June 2014) as the first year of the five year forecast. Staff assumed that future City service levels would remain at the status quo levels of FY 2015/16. Staff then forecasted revenues and expenditures for the four succeeding years (FY 2016/17 through FY 2019/20) by applying to the base year service levels assumptions about possible future changes in economic conditions that impact revenues and expenditures.

Three Economic Scenario Forecasts

Staff created revenue and expenditure forecasts for three different possible economic scenarios, one each for moderate/most likely, optimistic, and pessimistic scenarios. The main characteristics of the moderate/most likely, optimistic, and pessimistic scenarios are the following:

Moderate/Most Likely

- Significant increase in revenues, particularly in sales tax and other taxes
- Moderate inflation, reductions in debt service, and stabilization of benefit costs, particularly medical

Optimistic

- More significant revenue increases
- Relatively low inflation, reductions in debt service, and stabilization of benefit costs, particularly medical

Pessimistic

- Still modest increases in revenues
- Higher inflation and less containment of benefit costs, particularly medical

Revenues and expenditures are impacted by cyclical and irregular changes in the City's economy, operations, and demography. Future revenues and expenditures can be estimated using a number of

techniques including qualitative/judgmental analysis; quantitative analysis such as time series and regression analysis; and hybrid techniques. Qualitative forecasting uses non-statistical techniques that rely on human judgment to arrive at projections. Quantitative analysis usually involves statistical techniques to create projections.

City staff used both qualitative and quantitative analysis as part of this forecast, as described below. Much of the forecast draws on information provided by outside experts, such as expected future inflation rates and expected medical insurance premium growth rates.

Major Economic and Demographic Trends

Regarding the general financial environment, the region, State, and nation are enjoying a recovery from the recession. The State of California's Legislative Analyst's Office (LAO) expressed optimistic expectations in its recent publication "The 2015-16 Budget: California's Fiscal Outlook." In the report, the LAO noted its expectation that real gross domestic product (GDP) will grow in the United States by 2.8 percent per year on average from 2016 through 2020. In addition, the LAO expects personal income in California to grow by 5.7 percent per year on average over the same period. These forecasts are consistent with those of many other research organizations, including two firms that supply the City with economic and financial information, HdL Companies and Beacon Economics, LLC. The regional economy has experienced a recession approximately every eight years. City staff did not include a specific anticipated recession in the forecast, although the pessimistic revenue forecast does include reduced economic growth commensurate with an economic slowdown. The City has planned for the possibility of a future recession by establishing a General Fund reserve policy that sets aside \$2 million for "economic uncertainty" specifically to offset potential City revenue losses due to a recession.

Regarding demographic trends, for the purpose of the LTFP, City staff has assumed that Pleasant Hill's population size and composition will remain constant over the forecast period. As such, staff has assumed that basic service needs will remain constant. This is consistent with historic trends. The California Department of Finance estimated that Pleasant Hill's population stood at 33,152 in 2010 and grew to 34,162 in 2015, a growth rate of approximately 0.6% per year.

Status Quo Service Level Moderate/Most Likely Revenue Forecast

As noted above, staff used the FY 2015/16 budget (and the status quo service levels it supports) as the baseline for its revenue and expenditure forecasts. Staff then applied moderate/most likely, optimistic, and pessimistic economic assumptions to the baseline to create three different forecasts. The main purpose of the optimistic and pessimistic assumptions and forecasts is to provide a sense of the full range of possibilities, even though staff does not consider the optimistic and pessimistic outcomes to be the most likely. As such, most of the LTFP addresses the moderate/most likely forecast.

Revenue History

As background, Table 3 below illustrates the ten-year history of the City's General Fund revenues by source.

Table 3: Ten-Year General Fund Revenue History, By Source

| Revenues (\$ thousands) | FY 05/06 | FY 06/05 | FY 07/08 | FY 08/09 | FY 09/10 | FY 10/11 | FY 11/12 | FY 12/13 | FY 13/14 | FY 14/15* |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Property Tax | 4,143 | 4,983 | 5,033 | 5,116 | 4,882 | 4,843 | 4,754 | 4,967 | 5,267 | 5,336 |
| Sales Tax | 6,829 | 7,352 | 7,403 | 6,749 | 6,406 | 6,024 | 6,454 | 7,061 | 7,508 | 7,684 |
| Other Taxes and Assessments | 3,287 | 3,308 | 3,649 | 3,332 | 3,175 | 3,312 | 3,386 | 3,714 | 3,789 | 4,047 |
| Licenses and Permits | 2,576 | 2,667 | 2,843 | 2,518 | 2,350 | 2,476 | 2,624 | 2,732 | 2,829 | 2,989 |
| Fines and Forfeitures | 102 | 127 | 97 | 71 | 80 | 77 | 59 | 51 | 40 | 53 |
| Use of Money and Property | 425 | 572 | 533 | 290 | 79 | 107 | 65 | 15 | (39) | 40 |
| Rental | 2 | 2 | 1 | — | — | — | — | — | — | — |
| Intergovernmental | 973 | 603 | 210 | 182 | 223 | 195 | 60 | 311 | 307 | 79 |
| Other-Revenue | 18 | 306 | 1,084 | 345 | 441 | 556 | 488 | 204 | 68 | 122 |
| Charges for Services | 430 | 489 | 445 | 449 | 573 | 493 | 496 | 740 | 624 | 475 |
| Transfer-In | — | 25 | — | 601 | 1,456 | 4,168 | 129 | 993 | 486 | 100 |
| Total Revenues | 18,785 | 20,434 | 21,298 | 19,653 | 19,665 | 22,251 | 18,515 | 20,788 | 20,879 | 20,925 |

*Projected for FY 14/15

Forecast of Revenue by Source

Table 4 below summarizes the major assumptions of the moderate/most likely revenue scenario by source. The next table (Table 5) illustrates the five-year revenue forecast under the moderate/most likely scenario. These assumptions and the resulting revenue forecast are explained in detail in the narrative below.

Table 4: Moderate/Most Likely Scenario Revenue Assumptions for Major Sources

| Revenue Source | Moderate/Most Likely Assumption |
|---------------------------------------|---|
| Revenue Generally | Assume 2.5% annual increase. |
| Property Tax and Property Tax In-Lieu | Property tax consultant HdL Coren & Cone projected 2.75% increase annually due to anticipated increases in assessed valuations. |
| Sales Tax | Sales tax projections provided by HdL Companies, City's sales tax consultants, which range from 2.3%-3.5% annually. Assume additional revenue of \$750,000 annually beginning in January 2017 for the development of Diablo Valley College (DVC) Plaza. |
| Transient Occupancy Tax (TOT) | Assume a 2.5% annual increase in TOT generally. Assume Ellinwood hotel opens in January 2017, generating additional \$380,000 TOT annually. |

Table 5: Moderate/Most Likely Scenario Revenue Forecast

| Revenues (\$) thousands | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---------------------------------|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-going Revenues: | | | | | | |
| Property Tax | 5,171 | 5,602 | 5,756 | 5,914 | 6,076 | 6,243 |
| Sales Tax | 8,021 | 8,243 | 8,804 | 9,473 | 9,774 | 10,091 |
| Other- Taxes and Assessments | 4,065 | 4,149 | 4,442 | 4,743 | 4,862 | 4,984 |
| Licenses and Permits | 2,934 | 3,065 | 3,141 | 3,220 | 3,300 | 3,383 |
| Fines and Forfeitures | 57 | 54 | 56 | 57 | 59 | 60 |
| Use of Money and Property | 55 | 41 | 42 | 43 | 44 | 45 |
| Intergovernmental | 34 | 81 | 84 | 86 | 88 | 90 |
| Other-Revenue | 122 | 124 | 128 | 132 | 135 | 138 |
| Charges for Services | 607 | 486 | 499 | 511 | 524 | 537 |
| Transfers from Other Funds | 100 | 100 | 100 | 100 | 213 | 100 |
| Total Revenues | 21,166 | 21,945 | 23,052 | 24,279 | 25,075 | 25,671 |

Property Tax and Property Tax In-Lieu

Property Tax

Property tax revenues are forecasted to increase each year due to higher assessed valuations on residential properties that have changed ownership and the recapture of Proposition 8 valuation reductions. HdL Coren & Cone, the City's property tax consultant, is projecting that property taxes will increase to \$2.8 million in FY 2016/17; \$2.9 million in FY 2017/18; \$2.9 million in FY 2018/19; and \$3.0 million in FY 2019/20.

Property Tax in Lieu of VLF

The motor vehicle license fee (VLF) is an annual tax on the ownership of registered vehicles collected by the State Department of Motor Vehicles and then distributed to cities and counties. In 2004, the State Legislature permanently reduced the VLF tax from 2% to 0.65% of a vehicle's current market value. The reduction in VLF revenue to cities and counties was offset by an increased transfer of property tax from the State to cities and counties. This transfer is called the "Property Tax In Lieu of VLF". The City is forecasting ongoing increases to this revenue such that it will total \$3.0 million in FY 2016/17; \$3.1 million in FY 2017/18; \$3.2 million in FY 2018/19; and \$3.2 million in FY 2019/20.

Sales Tax

Based on increased consumer spending and additional sales tax from new businesses, HdL Companies is projecting that sales tax will increase to \$8.8 million in FY 2016/17; \$9.5 million in FY 2017/18; \$9.8 million in FY 2018/19; and \$10.1 million in FY 2019/20. These projections include a significant increase in sales tax beginning in January 2017 for the development of DVC Plaza, which is estimated to contribute additional revenue of \$750,000 annually.

Other Taxes and Assessments

Transient Occupancy Tax (TOT)

The City has six hotels (Hyatt House; Courtyard by Marriott; Residence Inn by Marriott; Extended Stay America; Sun Valley Inn; and Pleasant Hill Inn) that collect and remit a 10% transient occupancy tax (TOT) to the City. The City is projecting that revenues will increase due to the opening of a new hotel in Ellinwood generating approximately \$380,000 annually in TOT effective January 2017. Transient Occupancy Tax revenue is expected to increase to \$2.2 million in FY 2016/17; \$2.4 million in FY 2017/18; \$2.5 million in FY 2018/19; and \$2.5 million in FY 2019/20.

Franchise Fees

Franchise fees are rents paid by utilities or other businesses for the privilege of using the City's right of ways (streets, alleys, sidewalks, etc.) to locate utility lines or operate vehicles. The City collects a 1% franchise fee from Pacific Gas & Electric and a 5% franchise fee from cable operators. The City also collects a 12% franchise fee from Allied Waste Management. Franchise fee revenue has remained fairly consistent during the past several years and is expected to increase slightly to \$1.9 million in FY 2016/17; \$1.9 million in FY 2017/18; \$2.0 million in FY 2018/19; and \$2.0 million in FY 2019/20.

Other Taxes and Assessments

Other taxes and assessments include utility user's tax (UUT) and property transfer tax. Utility user's tax is a 1% tax levied on telephone service. Property transfer tax is collected on the sale of property at the rate of \$0.275 per \$500 of sales price or portion thereof. The revenue for these categories is projected to remain fairly consistent during the term of the long-term forecast ranging from \$388,000 in FY 2015/16 to \$428,000 in FY 2019/20.

Licenses and Permits

Business License Tax

The City processed over 3,600 business license renewals this past year. Business license tax is projected to increase at approximately 2.5% annually to \$2.5 million in FY 2016/17; \$2.6 million in FY 2017/18; \$2.6 million in FY 2018/19; and \$2.7 million in FY 2019/20.

Other Licenses and Permits

The licenses and permits category also includes revenues for building-related permits and fees. Revenue in this category is projected to increase slightly to \$681,000 in FY 2019/20.

Charges for Services

Revenues from charges for services are mainly comprised of external reimbursements and fee-based payments for services. The external reimbursement portion includes charges for administrative services provided to the Transportation Demand Agency (TDA). The fee-based portion primarily includes planning and engineering-related fees for work performed on projects. Revenues in this category are forecasted to increase by the expected growth rate of the consumer price index (CPI), 2.5% annually, to \$537,000 in FY 2019/20.

Other Revenue

This category includes numerous “other” smaller revenues that do not fall within the other categories. Revenues in this category are forecasted to remain fairly consistent, ranging from \$125,000 to \$138,000 during FY 2015/16 to FY 2019/20.

Transfer From Other Funds

The transfer from other funds category primarily consists of a \$100,000 contribution each year from the Supplemental Law Enforcement Services Fund (SLESF) Grant to offset police computer technology software and maintenance agreement costs.

Use of Money and Property

The use of money and property category includes interest and dividend income. The City is projecting that interest rates will not increase significantly during the term of the LTFP. Revenues in this category are projected to range from \$41,000 to \$45,000 during the term of the forecast.

Fines and Forfeitures

The fines and forfeitures category primarily consists of public-safety related fines and forfeitures for traffic violations. The revenue in this category remains fairly consistent. The City is projecting that revenues will range from \$54,000 in FY 2015/16 to \$60,000 in FY 2019/20.

Intergovernmental

The intergovernmental category consists of revenue from other governmental agencies such as mandated cost reimbursements and reimbursements for Police Officer Standards Training (POST) from the State of California. Revenue in this category is projected to range from \$81,000 in FY 2015/16 to \$90,000 in FY 2019/20.

Status Quo Service Level Optimistic and Pessimistic Revenue Forecasts

As noted above, the main purpose of the optimistic and pessimistic forecasts is to provide a sense of the full range of budget situations that the City could face, even though staff does not consider the optimistic and pessimistic outcomes to be likely. Table 6 below summarizes the major assumptions of the optimistic and pessimistic revenue scenarios by source. In addition, Tables 7 and 8 illustrate the five-year revenue forecast under the optimistic and pessimistic scenarios.

Table 6: Optimistic and Pessimistic Scenario Revenue Assumptions for Major Sources

| Revenue Source | Optimistic Assumption | Pessimistic Assumption |
|---------------------------------------|---|---|
| Revenue Generally | Assume 3.0% annual increase. | Assume 2.0% annual increase. |
| Property Tax and Property Tax In-Lieu | Property tax consultant HdL Coren & Cone projected 2.75% increase annually due to anticipated increases in assessed valuations (same as moderate scenario). | Property tax consultant HdL Coren & Cone projected 2.75% increase annually due to anticipated increases in assessed valuations (same as moderate scenario). |
| Sales Tax | Assume an additional 1% annual increase on moderate scenario (HdL Companies' projected sales tax). Same as moderate scenario regarding sales tax related to the development of DVC Plaza. | Assume a reduction of 1% annually on moderate scenario (HdL Companies' projected sales tax). Same as moderate scenario regarding sales tax related to the development of DVC Plaza. |
| Transient Occupancy Tax (TOT) | Assume a 3.5% annual increase in TOT generally. Same assumption as moderate scenario regarding Ellinwood hotel TOT. | Assume a 1.0% annual increase in TOT generally. Same assumption as moderate scenario regarding Ellinwood hotel TOT. |

Table 7: Status Quo Service Level Optimistic Scenario Revenue Forecast

| Revenues (\$) thousands | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|------------------------------|--------------------------|--------------------------|--------------------|--------------------|--------------------|--------------------|
| On-going Revenues: | | | | | | |
| Property Tax | 5,171 | 5,602 | 5,756 | 5,915 | 6,078 | 6,245 |
| Sales Tax | 8,021 | 8,243 | 8,892 | 9,568 | 9,872 | 10,192 |
| Other- Taxes and Assessments | 4,065 | 4,186 | 4,512 | 4,848 | 5,006 | 5,169 |
| Licenses and Permits | 2,934 | 3,090 | 3,183 | 3,279 | 3,377 | 3,478 |
| Fines and Forfeitures | 57 | 55 | 56 | 58 | 60 | 62 |
| Use of Money and Property | 55 | 41 | 42 | 44 | 45 | 46 |
| Intergovernmental | 34 | 82 | 84 | 87 | 90 | 92 |
| Other-Revenue | 122 | 126 | 129 | 132 | 136 | 142 |
| Charges for Services | 607 | 489 | 505 | 519 | 534 | 550 |
| Transfers from Other Funds | 100 | 100 | 100 | 100 | 213 | 100 |
| Total Revenues | 21,166 | 22,014 | 23,259 | 24,550 | 25,411 | 26,076 |

Table 8: Status Quo Service Level Pessimistic Scenario Revenue Forecast

| Revenues (\$) thousands | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|--------------------------------|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-going Revenues: | | | | | | |
| Property Tax | 5,171 | 5,602 | 5,755 | 5,913 | 6,075 | 6,241 |
| Sales Tax | 8,021 | 8,243 | 8,716 | 9,379 | 9,676 | 9,990 |
| Other—Taxes and Assessments | 4,065 | 4,115 | 4,368 | 4,624 | 4,694 | 4,764 |
| Licenses and Permits | 2,934 | 3,054 | 3,112 | 3,174 | 3,238 | 3,302 |
| Fines and Forfeitures | 57 | 54 | 55 | 56 | 58 | 59 |
| Use of Money and Property | 55 | 41 | 42 | 42 | 43 | 44 |
| Intergovernmental | 34 | 81 | 83 | 84 | 86 | 88 |
| Other-Revenue | 122 | 124 | 127 | 129 | 132 | 135 |
| Charges for Services | 607 | 486 | 494 | 504 | 514 | 524 |
| Transfers from Other Funds | 100 | 100 | 100 | 100 | 213 | 100 |
| Total Revenues | 21,166 | 21,900 | 22,852 | 24,005 | 24,729 | 25,247 |

Status Quo Service Level Moderate/Most Likely Expenditure Forecast

As noted above, staff used the FY 2015/16 budget (and the status quo service levels it supports) as the baseline for its forecasts. Staff then applied moderate/most likely, optimistic, and pessimistic assumptions to create three different forecast scenarios. Most of the LTFP addresses the moderate/most likely forecast.

Expenditure History

As background, Table 9 below illustrates the ten-year history of the City's General Fund expenditures by type.

Table 9: Ten-Year General Fund Expenditure History, by Type

| Expenditures and Uses (\$ thousands) | FY 05/06 | FY 06/05 | FY 07/08 | FY 08/09 | FY 09/10 | FY 10/11 | FY 11/12 | FY 12/13 | FY 13/14 | FY 14/15* |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Salaries | 8,265 | 8,853 | 9,214 | 9,327 | 9,456 | 9,234 | 9,432 | 9,396 | 8,857 | 9,626 |
| Benefits | 4,639 | 5,157 | 4,996 | 5,308 | 5,480 | 5,500 | 5,295 | 4,759 | 4,072 | 4,288 |
| Non-Departmental | 146 | 280 | 203 | 301 | 171 | 265 | 140 | 453 | 520 | 591 |
| General Expenses | 797 | 942 | 764 | 577 | 497 | 582 | 516 | 866 | 611 | 825 |
| Professional and Contract Services | 546 | 605 | 642 | 713 | 666 | 654 | 600 | 953 | 1,380 | 1,236 |
| Conferences and Training | 134 | 160 | 187 | 168 | 124 | 107 | 127 | 95 | 115 | 183 |
| Maintenance and Repair | 280 | 265 | 294 | 255 | 192 | 190 | 176 | 183 | 187 | 292 |
| Supplies and Materials | 202 | 313 | 273 | 196 | 214 | 197 | 199 | 171 | 169 | 251 |
| Utilities | 335 | 330 | 354 | 360 | 356 | 358 | 379 | 351 | 377 | 444 |
| Insurance | 435 | 431 | 510 | 384 | 497 | 347 | 423 | 528 | 401 | 435 |
| Promotions and Contributions | 60 | 92 | 67 | 61 | 100 | 68 | 78 | 87 | 133 | 394 |
| Fixed Asset | 197 | 149 | 63 | 134 | 45 | 9 | 2 | 30 | — | 32 |
| Debt Service | — | — | — | — | — | — | — | — | 890 | 890 |
| Transfer-Out | 3,167 | 2,682 | 3,218 | 2,463 | 2,019 | 1,167 | 4,296 | 1,736 | 1,768 | 2,392 |
| Total Expenditures and Uses | 19,203 | 20,259 | 20,785 | 20,247 | 19,817 | 18,678 | 21,663 | 19,608 | 19,480 | 21,879 |

*Projected for FY 14/15

Forecast of Expenditure by Type

Table 10 below summarizes the major assumptions of the moderate/most likely expenditure scenario. The following tables (Tables 11 and 12) illustrate the five-year expenditure forecast by expenditure type and department under the moderate/most likely economic scenario. These assumptions and the resulting expenditure forecast are explained in detail in the narrative below.

Table 10: Moderate/Most Likely Expenditure Assumptions

| Expenditure Type | Moderate/Most Likely Assumption |
|---|--|
| General Expenditures | Assume 2.5% annual increase. |
| Pension Benefit Costs | Employee pension benefit costs are equivalent to those forecasted recently by the City based on the most recent actuarial information from the California Public Employees' Retirement System (CalPERS). |
| Medical Premiums and Affordable Care Act (ACA) Excise Tax | Assumes City reduces medical premiums to the ACA threshold level by January 2018 and assumes the City (therefore) does not pay ACA excise tax. (Note that medical benefits are subject to labor negotiations.) |
| Other Personnel Expenditures | Assume 2.5% annual increase. |
| Funding for Street Resurfacing | \$200,000 annually as regularly budgeted. |
| Library Hours | Fund 35 hours weekly (\$140,000 annually). |

Table 11: Status Quo Service Level Moderate/Most Likely Expenditure Scenario Forecast

| Expenditures and Uses (\$ thousands) | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-Going Expenditures: | | | | | | |
| Salaries | 10,131 | 10,131 | 10,380 | 10,632 | 10,900 | 11,135 |
| Benefits | 5,102 | 5,102 | 5,710 | 5,767 | 6,121 | 6,475 |
| Benefit Buybacks and Contributions to RHS | 598 | 598 | 427 | 423 | 208 | 211 |
| General Expenses | 747 | 747 | 830 | 844 | 867 | 884 |
| Professional and Contract Services | 1,242 | 1,242 | 1,367 | 1,376 | 1,330 | 1,339 |
| Conferences and Training | 114 | 184 | 191 | 196 | 201 | 206 |
| Maintenance and Repair | 303 | 303 | 310 | 318 | 326 | 334 |
| Supplies and Materials | 261 | 261 | 260 | 266 | 273 | 280 |
| Utilities | 452 | 452 | 467 | 479 | 491 | 503 |
| Insurance | 448 | 448 | 484 | 496 | 508 | 521 |
| Promotions and Contributions | 257 | 257 | 261 | 264 | 267 | 270 |
| Fixed Assets | 33 | 33 | 34 | 34 | 35 | 36 |
| Transfer Out: | | | | | | |
| Transfers to Other Funds (Technology, Vehicles) | 953 | 953 | 1,162 | 1,191 | 1,221 | 1,251 |
| Transfers to Other Funds (Street Resurfacing) | 200 | 200 | 200 | 200 | 200 | 200 |
| Transfer for Debt Service | 764 | 764 | — | — | — | — |
| Lease Revenue Refunding Bonds | | | | | | |
| Debt Service (P&I) PERS Side fund Loan-Umpqua Bank | 890 | 890 | 890 | 890 | - | — |
| Subtotal On-Going Expenditures | 22,495 | 22,565 | 22,973 | 23,376 | 22,948 | 23,645 |
| Special One-Time Expenditures: | | | | | | |
| Gateway Project | 200 | 200 | — | — | — | — |
| Economic Development Grants and Loans | 100 | 534 | — | — | — | — |
| Add'l Transfer for Street Resurfacing Program | 500 | 500 | — | — | — | — |
| Funding Of Library Additional Hours (43hrs weekly) | 165 | 165 | — | — | — | — |
| FY15/16 Budget Revisions | | 285 | — | — | — | — |
| Subtotal Special One-Time Expenditures | 965 | 1,684 | — | — | — | — |
| Total Expenditures and Uses | 23,460 | 24,249 | 22,973 | 23,376 | 22,948 | 23,645 |

**Table 12: Status Quo Service Level Moderate/
Most Likely Departmental Expenditure Scenario Forecast**

| Expenditures and Uses (\$ thousands) | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|--|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-Going Expenditures: | | | | | | |
| City Council | 155 | 155 | 143 | 146 | 149 | 151 |
| City Manager | 909 | 909 | 898 | 922 | 947 | 973 |
| Economic Development | 337 | 337 | 462 | 476 | 490 | 505 |
| Community Relations | 239 | 239 | 241 | 244 | 246 | 249 |
| City Attorney | 445 | 445 | 454 | 465 | 477 | 489 |
| City Clerk | 137 | 137 | 105 | 84 | 109 | 88 |
| City Treasurer | 9 | 9 | 15 | 15 | 15 | 15 |
| Administrative Services: | | | | | | |
| Finance | 940 | 940 | 976 | 1,001 | 1,035 | 1,060 |
| Computer Services | 236 | 236 | 330 | 340 | 345 | 355 |
| Human Resources | 530 | 530 | 653 | 668 | 686 | 705 |
| Risk Management | 446 | 446 | 488 | 500 | 513 | 526 |
| Municipal Buildings | 163 | 163 | 168 | 172 | 177 | 181 |
| Planning | 994 | 994 | 1,107 | 1,125 | 1,060 | 1,096 |
| Building Inspection | 587 | 587 | 544 | 539 | 558 | 581 |
| Public Safety | 10,229 | 10,299 | 10,788 | 10,996 | 11,388 | 11,787 |
| Engineering | 884 | 884 | 1,126 | 1,139 | 1,206 | 1,223 |
| Street Resurfacing Transfer | 200 | 200 | 200 | 200 | 200 | 200 |
| Maintenance | 2,318 | 2,318 | 2,561 | 2,616 | 2,711 | 2,802 |
| Transfer to AD 20 and 22 | 102 | 102 | 107 | 110 | 112 | 115 |
| Non Departmental | 781 | 781 | 496 | 496 | 281 | 289 |
| Lease Revenue Refunding Bonds Debt Payment | 764 | 764 | — | — | — | — |
| Public Safety PERS Side Fund Loan Debt | 890 | 890 | 890 | 890 | — | — |
| Transfer for Vehicle/ Equipment Replacement | 200 | 200 | 221 | 232 | 243 | 255 |
| Subtotal On-Going Expenditures | 22,495 | 22,565 | 22,973 | 23,376 | 22,948 | 23,645 |
| Special One-Time Expenditures: | | | | | | |
| Gateway Project | 200 | 200 | — | — | — | — |
| Economic Development Grants and Loans | 100 | 534 | — | — | — | — |
| Add'l Transfer for Street Resurfacing Program | 500 | 500 | — | — | — | — |
| Funding of Library Additional Hours (43 hrs weekly) | 165 | 165 | — | — | — | — |
| FY15/16 Budget Revisions | | 285 | — | — | — | — |
| Subtotal Special One-Time Expenditures | 965 | 1,684 | — | — | — | — |
| Total Expenditures and Uses | 23,460 | 24,249 | 22,973 | 23,376 | 22,948 | 23,645 |

Rate of Inflation

Based on historic trends and forecasts from a number of different sources, City staff has assumed a general rate of inflation of 2.5% per year for the moderate/most likely economic scenario.

Personnel — Salaries

Personnel costs account for the majority of General Fund expenditures. Salaries are forecasted to increase at the expected rate of inflation, 2.5%, unless another cost of living adjustment (COLA) factor has already been agreed to in an existing labor agreement. The LTFP assumes that staffing levels will remain status quo, at the level in the adopted FY 2015/16 budget. The LTFP also assumes that a portion of General Fund salaries and benefits will continue to be funded by Capital Improvement and other Special Revenue funds.

Personnel — Retirement Benefits

The LTFP assumes that employee pension benefit costs will be consistent with the most recent actuarial information provided by the California Public Employees' Retirement System (CalPERS). The City has contracted with Bartel Associates, LLC to analyze the City's options for reducing the lifecycle net cost and volatility of required pension contributions. That analysis is expected to be completed in July 2015.

Personnel — Medical and Other Miscellaneous Benefits

Medical Insurance

The LTFP assumes that medical insurance premiums increase by 10% annually through 2017, then the City reduces medical premiums to the Affordable Care Act (ACA) excise tax threshold (\$10,200 for individual coverage and \$27,500 for family coverage in 2018) during FY 2017/18, avoiding any ACA excise tax. This change is subject to the labor negotiation process.

Other Miscellaneous Benefits

The LTFP assumes that other miscellaneous benefits, including workers' compensation insurance, dental insurance, vision insurance, life insurance, and long term disability insurance, increase by the projected rate of inflation.

Benefit Buybacks and Contributions to Retiree Health Savings Plan

This category includes payments to former retirees for reimbursement of medical premiums from a sick leave bank. Prior to the establishment of a Retiree Health Savings Plan several years ago, the City contributed the monetary value of unused sick leave to a sick leave bank for qualifying bargaining groups. This benefit has been either modified or eliminated during recent negotiations. This category also includes the "cash out" of employees' vacation and sick leave.

General Expenses

This category includes expenditures for postage, printing, memberships, publications, and subscriptions, as well as other miscellaneous expenditures. This category also includes the funding for economic development projects and programs that have been identified by the Economic Development Committee to enlarge the City's revenue base. In the past, all economic development projects and programs were funded solely by the Redevelopment Agency. The expenditures for this category, excluding the investment in economic development grants and loans, are expected to range from \$747,000 in FY 2015/16 to \$884,000 in FY 2019/20. These expenditures are generally forecasted to increase by the projected rate of inflation.

Economic Grants and Loans

Special one-time expenditures for the Gateway Project and Economic Development grants and loans program are projected to be \$200,000 and \$534,000 respectively for FY 2015/16. These estimates include the amount originally budgeted in the adopted FY 2015/16 budget and the carryover of deferred expenditures from FY 2014/15.

Professional and Contract Services

This category includes expenditures for contractual specialized services such as litigation, auditing, and contracted animal control services. The expenditures in this category are expected to range from approximately \$1.2 million in FY 2015/16 to \$1.3 million in FY 2019/20.

Other — Conferences and Training

This category includes expenditures for conferences and training, which are expected to range from \$184,000 in FY 2015/16 to \$206,000 in FY 2019/20. Conferences and training include customer service training and technical training such as the Planners Institute and the California Public Employers Labor Relations Association.

Other — Maintenance and Repairs

This category includes expenditures for building maintenance and repairs, which are expected to range from \$303,000 in FY 2015/16 to \$334,000 in FY 2019/20. This category excludes major repairs but includes costs for the basic upkeep of City Hall, the Police building, and the Public Services Center.

Other — Supplies and Materials

This category includes expenditures for supplies and materials and is projected to range from \$260,000 in FY 2015/16 to \$280,000 in FY 2019/20. Supplies include office supplies, landscape supplies, graffiti removal supplies, and expenditures for small tools.

Other — Utilities

This category includes expenditures for utilities for City Hall, the Police building, and the Public Services Center. Utilities are expected to range from \$452,000 in FY 2015/16 to \$503,000 in FY 2019/20.

Other — Insurance/Risk Management

The City is provided with insurance coverage through the Municipal Pooling Authority (MPA), a joint powers authority that is governed by a board of member municipalities. The City is projecting that insurance costs will increase to \$521,000 in FY 2019/20 for property, vehicle, and unemployment insurance. Insurance for workers' compensation is included in the Personnel - Medical and Other Miscellaneous Benefits category for the purpose of the LTFP.

Other — Promotions and Contributions

This category includes funding of City Council annual grants for programs such as Meals on Wheels, the Senior Nutrition Program at the Pleasant Hill Recreation and Park District, and other programs. The City is forecasting that these expenditures will be approximately \$130,000 each year. This category also includes the funding of additional library hours. The adopted FY 2015/16 budget authorized funding of the Pleasant Hill library for 43 open hours weekly (including Monday hours) opposed to 35 hours weekly. The status quo service level expenditure forecast includes funding for 35 hours weekly.

Other — Fixed Assets

This category includes projected expenditures for furniture and equipment, approximately \$35,000 annually.

Other — Debt Service

Debt service includes the payment of debt for the City's Lease Revenue Refunding Bonds (for the construction of City Hall and the Police building) of \$764,000 during FY 2015/16. This debt will be fully paid off during FY 2016/17. The final debt service payment will be made from reserve funds held by a fiscal agent.

This category also includes the debt service on the CalPERS public safety side fund loan that the City took from Umpqua Bank. In June 2013, the City Council approved the payoff of the CalPERS public safety side fund debt obligation. The projected debt service payments are \$890,000 for FY 2015/16 to FY 2017/18.

Other — Transfers

This category includes transfers from the City’s General Fund to other funds that specifically support information technology, vehicle replacement, Assessment District 20 and Assessment District 22, larger repair projects for City Buildings, and the Street Resurfacing Program. The most significant transfers are the following:

- Transfers to fund information technology ranging from \$594,000 in FY 2015/16 to \$865,000 in FY 2019/20;
- Transfers to fund City vehicles ranging from \$210,000 in FY 2015/16 to \$255,000 in FY 2019/20;
- Required transfers to Assessment District 20 and Assessment District 22 ranging from \$101,000 in FY 2015/16 to \$115,000 during FY 2019/20; and
- Historical status quo level transfer of \$200,000 annually to fund the Street Resurfacing Program.

Optimistic and Pessimistic Scenarios

Table 13 below illustrates the major assumptions of the optimistic and pessimistic expenditure scenarios. The following tables (Table 14 and 15) illustrate the five-year expenditure forecast under the optimistic and pessimistic scenarios.

Table 13: Optimistic and Pessimistic Expenditure Assumptions

| Expenditure Type | Optimistic Scenario | Pessimistic Scenario |
|---|---|--|
| General Expenditures | Assume 2.0% annual increase. | Assume 3.0% annual increase. |
| Pension Benefit Costs | Employee pension benefit costs are equivalent to those forecasted recently by the City based on the most recent actuarial information from the California Public Employees’ Retirement System (CalPERS). | Employee pension benefit costs are equivalent to those forecasted recently by the City based on the most recent actuarial information from the California Public Employees’ Retirement System (CalPERS). |
| Medical Premiums and Affordable Care Act (ACA) Excise Tax | Assumes City reduces medical premiums to the ACA threshold level by January 2018 and assume the City (therefore) does not pay ACA excise tax. (Note that medical benefits are subject to labor negotiations.) | Medical premiums increase by 10% annually and the City bears the full cost of the ACA excise tax on “Cadillac plans.” |
| Other Personnel Expenditures | Assume 2.0% annual increase. | Assume 3.0% annual increase. |

Table 14: Status Quo Service Level Optimistic Expenditure Scenario Forecast

| Expenditures and Uses (\$ thousands) | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-Going Expenditures: | | | | | | |
| Salaries | 10,131 | 10,131 | 10,316 | 10,516 | 10,734 | 10,917 |
| Benefits | 5,102 | 5,102 | 5,701 | 5,751 | 6,097 | 6,442 |
| Benefit Buybacks and Contributions to RHS | 598 | 598 | 427 | 423 | 208 | 211 |
| General Expenses | 747 | 747 | 826 | 837 | 855 | 869 |
| Professional and Contract Services | 1,242 | 1,242 | 1,358 | 1,361 | 1,309 | 1,312 |
| Conferences and Training | 114 | 184 | 190 | 194 | 198 | 202 |
| Maintenance and Repair | 303 | 303 | 307 | 313 | 320 | 326 |
| Supplies and Materials | 261 | 261 | 258 | 263 | 268 | 274 |
| Utilities | 452 | 452 | 464 | 473 | 482 | 492 |
| Insurance | 448 | 448 | 481 | 491 | 501 | 511 |
| Promotions and Contributions | 257 | 257 | 261 | 263 | 266 | 268 |
| Fixed Assets | 33 | 33 | 33 | 34 | 35 | 35 |
| Transfer Out: | | | | | | |
| Transfers to Other Funds (Technology, Vehicles) | 953 | 953 | 1,061 | 1,090 | 1,119 | 1,148 |
| Transfers to Other Funds (Street Resurfacing) | 200 | 200 | 200 | 200 | 200 | 200 |
| Transfer for Debt Service | 764 | 764 | — | — | — | — |
| Lease Revenue Refunding Bonds | | | | | | |
| Debt Service (P&I) PERS Side fund Loan-Umpqua Bank | 890 | 890 | 890 | 890 | — | — |
| Subtotal On-Going Expenditures | 22,495 | 22,565 | 22,773 | 23,099 | 22,592 | 23,207 |
| Special One-Time Expenditures: | | | | | | |
| Gateway Project | 200 | 200 | — | — | — | — |
| Economic Development Grants and Loans | 100 | 534 | — | — | — | — |
| Transfer for Street Resurfacing Program | 500 | 500 | — | — | — | — |
| Funding of Library Additional Hours (43hrs weekly) | 165 | 165 | — | — | — | — |
| FY15/16 Budget Revisions | — | 285 | — | — | — | — |
| Subtotal Special One-Time Expenditures | 965 | 1,684 | — | — | — | — |
| Total Expenditures and Uses | 23,460 | 24,249 | 22,773 | 23,099 | 22,592 | 23,207 |

Table 15: Status Quo Service Level Pessimistic Expenditure Scenario Forecast

| Expenditures and Uses (\$ thousands) | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---|--------------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| On-Going Expenditures: | | | | | | |
| Salaries | 10,131 | 10,131 | 10,424 | 10,726 | 11,043 | 11,331 |
| Benefits | 5,102 | 5,102 | 5,721 | 6,288 | 6,963 | 7,561 |
| Benefit Buybacks and Contributions to RHS | 598 | 598 | 427 | 423 | 208 | 211 |
| General Expenses | 747 | 747 | 834 | 852 | 878 | 900 |
| Professional and Contract Services | 1,242 | 1,242 | 1,377 | 1,391 | 1,351 | 1,367 |
| Conferences and Training | 114 | 184 | 192 | 198 | 204 | 210 |
| Maintenance and Repair | 303 | 303 | 313 | 322 | 332 | 342 |
| Supplies and Materials | 261 | 261 | 262 | 270 | 278 | 286 |
| Utilities | 452 | 452 | 471 | 485 | 500 | 515 |
| Insurance | 448 | 448 | 486 | 501 | 516 | 531 |
| Promotions and Contributions | 257 | 257 | 261 | 265 | 269 | 273 |
| Fixed Assets | 33 | 33 | 34 | 35 | 36 | 37 |
| Transfer Out: | | | | | | |
| Transfers to Other Funds (Technology, Vehicles) | 953 | 953 | 1,164 | 1,193 | 1,224 | 1,255 |
| Transfers to Other Funds (Street Resurfacing) | 200 | 200 | 200 | 200 | 200 | 200 |
| Transfer for Debt Service | 764 | 764 | — | — | — | — |
| Lease Revenue Refunding Bonds | | | | | | |
| Debt Service (P&I) PERS Side fund Loan-Umpqua Bank | 890 | 890 | 890 | 890 | — | — |
| Subtotal On-Going Expenditures | 22,495 | 22,565 | 23,056 | 24,039 | 24,002 | 25,019 |
| Special One-Time Expenditures: | | | | | | |
| Gateway Project | 200 | 200 | — | — | — | — |
| Economic Development Grants and Loans | 100 | 534 | — | — | — | — |
| Transfer for Street Resurfacing Program | 500 | 500 | — | — | — | — |
| Funding Of Library Additional Hours (43hrs weekly) | 165 | 165 | — | — | — | — |
| FY15/16 Budget Revisions | — | 285 | — | — | — | — |
| Subtotal Special One-Time Expenditures | 965 | 1,684 | — | — | — | — |
| Total Expenditures and Uses | 23,460 | 24,249 | 23,056 | 24,039 | 24,002 | 25,019 |

Comparison/Balance of Status Quo Service Level Moderate/ Most Likely Scenario Revenues and Expenditures

The table below illustrates the surplus/deficit and ending fund balance that the City would experience were it to fund all of the expenditures in a moderate/most likely revenue and expenditure economic scenario.

Table 16: Status Quo Service Level Moderate/Most Likely Scenario Forecast

| General Fund — Moderate Scenario (\$) thousands | FY 2015/16 Adopted Budget | FY 2015/16 Revised Budget | FY 2016/17 Forecast | FY 2017/18 Forecast | FY 2018/19 Forecast | FY 2019/20 Forecast |
|---|---------------------------------|---------------------------------|------------------------|------------------------|------------------------|------------------------|
| Fund Balance, Beginning | 11,386 | 13,109 | 10,805 | 10,884 | 11,787 | 13,914 |
| On-Going Revenues | 21,166 | 21,945 | 23,052 | 24,279 | 25,075 | 25,671 |
| On-Going Expenditures | 22,495 | 22,565 | 22,973 | 23,376 | 22,948 | 23,645 |
| Surplus/(Deficit) On-Going | (1,329) | (620) | 79 | 903 | 2,127 | 2,026 |
| Surplus/(Deficit) Special One-Time Revenues/Expenditures | (965) | (1,684) | — | — | — | — |
| Total Surplus/(Deficit) | (2,294) | (2,304) | 79 | 903 | 2,127 | 2,026 |
| Fund Balance, Ending | 9,092 | 10,805 | 10,884 | 11,787 | 13,914 | 15,940 |

Preferred Service Levels/Expenditures

Identifying “Preferred” Service Levels/Expenditures

The expenditure forecasts prepared by City staff and presented above all assume that the City will maintain the status quo ongoing service levels (and associated expenditures) included in the FY 2015/16 adopted budget. (In addition to status quo expenditures for ongoing items, the FY 2015/16 budget also included some General Fund expenditures with broad support that were considered extra, one-time (limited-term) in nature, such as funding to support additional hours at the Pleasant Hill library (increase from 35 to 43 hours total weekly) and funding to increase the City’s investment in street maintenance (increase from \$200,000 to \$700,000 annually).

When developing the LTFP, staff gathered input from the Budget Committee and full City Council on whether any expenditures beyond the status quo ongoing expenditures of the FY 2015/16 budget should be included in a “preferred” service level/expenditure forecast and plan. After hearing discussion of the issue, the Budget Committee ultimately directed staff to create the following “preferred” service level expenditure forecast and plan:

- Additional funding of \$165,000 annually beyond the status quo ongoing level to the Pleasant Hill library to continue to provide 43 open hours weekly (including Monday hours) opposed to 35 hours weekly;
- Additional funding of \$1.35 million annually beyond the status quo ongoing level (\$200,000) to enable the City to increase the Pavement Condition Index (PCI) rating of City streets and to prevent an increase in the level of deferred maintenance of the streets;
- Investment of all remaining surplus General Fund resources (\$498,000 estimated total) to eliminate a portion of the deferred maintenance on the City’s most critical non-street capital asset, the storm drain system; and
- New ongoing expenditures approved by the City Council in June 2015 for inclusion in the revised FY 2015/16 budget.

Preferred Service Level Forecast

Table 17 illustrates the forecasted preferred service level expenditures, which includes status quo expenditures as well as additional preferred expenditures. The preferred additional expenditures are also explained in detail in the narrative below.

Table 17: Preferred Service Level Moderate/Likely Scenario Expenditure Forecast

| Expenditures and Uses (\$ thousands) | FY2015/16 Adopted Budget | FY2015/16 Revised Budget | FY2016/17 Forecast | FY2017/18 Forecast | FY2018/19 Forecast | FY2019/20 Forecast |
|---|--------------------------|--------------------------|--------------------|--------------------|--------------------|--------------------|
| On-Going Expenditures: | | | | | | |
| Salaries | 10,131 | 10,131 | 10,380 | 10,632 | 10,900 | 11,135 |
| Benefits | 5,102 | 5,102 | 5,710 | 5,767 | 6,121 | 6,475 |
| Benefit Buybacks and Contributions to RHS | 598 | 598 | 427 | 423 | 208 | 211 |
| General Expenses | 747 | 747 | 830 | 844 | 867 | 884 |
| Professional and Contract Services | 1,242 | 1,242 | 1,367 | 1,376 | 1,330 | 1,339 |
| Conferences and Training | 114 | 184 | 191 | 196 | 201 | 206 |
| Maintenance and Repair | 303 | 303 | 310 | 318 | 326 | 334 |
| Supplies and Materials | 261 | 261 | 260 | 266 | 273 | 280 |
| Utilities | 452 | 452 | 467 | 479 | 491 | 503 |
| Insurance | 448 | 448 | 484 | 496 | 508 | 521 |
| Promotions and Contributions | 257 | 257 | 261 | 264 | 267 | 270 |
| Fixed Assets | 33 | 33 | 34 | 34 | 35 | 36 |
| Transfer Out: | | | | | | |
| Transfers to Other Funds (Technology, Vehicles) | 953 | 953 | 1,162 | 1,191 | 1,221 | 1,251 |
| Transfers to Other Funds (Street Resurfacing) | 200 | 200 | 200 | 200 | 200 | 200 |
| Transfer for Debt Service | 764 | 764 | — | — | — | — |
| Lease Revenue Refunding Bonds | | | | | | |
| Debt Service (P&I) PERS Side fund Loan-Umpqua Bank | 890 | 890 | 890 | 890 | — | — |
| Subtotal On-Going Expenditures | 22,495 | 22,565 | 22,973 | 23,376 | 22,948 | 23,645 |
| Special One-Time Expenditures: | | | | | | |
| Gateway Project | 200 | 200 | — | — | — | — |
| Economic Development Grants and Loans | 100 | 534 | — | — | — | — |
| Transfer for Street Resurfacing Program | 500 | 500 | 1,350 | 1,350 | 1,350 | 1,350 |
| Funding Of Library Additional Hours (43 hrs weekly) | 165 | 165 | 165 | 165 | 165 | 165 |
| Transfer for Storm Drains | — | — | — | — | 301 | 197 |
| FY15/16 Budget Revisions | — | 285 | 306 | 309 | 311 | 314 |
| Subtotal Special One-Time Expenditures | 965 | 1,684 | 1,821 | 1,824 | 2,127 | 2,026 |
| Total Expenditures and Uses | 23,460 | 24,249 | 24,794 | 25,200 | 25,075 | 25,671 |

Increased Library Hours

Prior to the recession in FY 2008/09, the Pleasant Hill Library was normally open 48 hours per week. As a result of the recession and budget reductions for the County library system, the County communicated to the City that beginning in FY 2009/10, the County could only provide funding adequate to operate the library 28 hours per week. At that time, the City allocated funding to the library to enable it to remain open 35 hours per week. As part of the FY 2014/15 and 2015/16 budget, the City allocated additional resources to enable the library to be open 43 hours per week. The Budget Committee has directed staff to include funding to maintain 43 open hours per week (\$140,000 to attain 35 hours and an additional \$165,000 to attain 43 hours) in the preferred service level expenditures throughout the planning period of the LTFP.

Additional Street Maintenance

The preferred scenario includes additional funding for street resurfacing of \$1.35 million per year to maintain the current level of deferred maintenance of \$15.0 million and increase the PCI index from 66 to 67.

Investment in Storm Drain Deferred Maintenance

The Budget Committee provided staff with direction to invest surplus revenue toward storm drain deferred maintenance. The preferred service level expenditures assumes a contribution of \$301,000 will be made toward storm drains during FY 2018/19 and \$197,000 during FY 2019/20.

New Ongoing Expenditures in the Revised FY 2015/16 Budget

The City operates on a two-year budget. The City Council normally makes minor revisions to the second year of the budget at the conclusion of the first year, when the City has updated information on likely revenues and necessary expenditures. The City Council approved the following revisions to the FY 2015/16 budget in June 2015, which are included as ongoing expenditures in the preferred service level expenditure forecast:

- Funding for the City's \$50,000 deductible for legal costs in the event of a lawsuit and an increased appropriation of \$35,000 for contractual services for special Human Resources projects such as an administrative policies update.
- Transfer of \$200,000 to the Capital Projects Fund to provide funding for periodic large maintenance projects for City buildings, such as reroofing and other minor renovation. These expenditures are distinct from those already budgeted for minor building maintenance. The City does not currently have a fund to support the replacement of the City's buildings once they pass their useful lives, an issue discussed below.
- Funding of \$70,000 for a Permit Technician position due to increased workload in the Community Development and Public Works department. This position was previously filled but was frozen during the recession. The upcoming General Plan Update process will involve a substantial commitment of Planning division staff time and this position will allow the department to improve responsiveness to public inquiries at the counter and in code enforcement. The increase in the General Plan update fee that the City Council recently

approved as part of the FY 2015/16 Master Fee Schedule will help to offset the cost of this position.

- Reduction of \$70,000 in transfers from the General Fund to the Computer Technology Fund. Staff has identified Information Technology projects that can be funded by the Public, Educational, and Governmental programming fund.

Comparison/Balance of Preferred Service Level Moderate/ Most Likely Scenario Revenues and Expenditures

Table 18 below illustrates the surplus/deficit and ending fund balance that the City would experience were it to fund all of the preferred expenditures in a moderate/most likely revenue and expenditure economic scenario. Note that because the Budget Committee directed staff to appropriate any residual available funds to storm drain maintenance, the budget is completely balanced (\$0 surplus/(deficit)) in the final years of the forecast.

Table 18: Preferred Service Level Moderate/Most Likely Economic Scenario Forecast

| General Fund – Preferred Scenario (\$) thousands | FY 2015/16 Adopted Budget | FY 2015/16 Revised Budget | FY 2016/17 Forecast | FY 2017/18 Forecast | FY 2018/19 Forecast | FY 2019/20 Forecast |
|--|---------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| Fund Balance, Beginning | 11,386 | 13,109 | 10,805 | 9,063 | 8,142 | 8,142 |
| On-Going Revenues | 21,166 | 21,945 | 23,052 | 24,279 | 25,075 | 25,671 |
| On-Going Expenditures | 22,495 | 22,565 | 22,973 | 23,376 | 22,948 | 23,645 |
| Surplus/(Deficit) On-Going | (1,329) | (620) | 79 | 903 | 2,127 | 2,026 |
| Surplus/(Deficit) Special One-Time Revenues/Expenditures | (965) | (1,684) | (1,821) | (1,824) | (2,127) | (2,026) |
| Total Surplus/(Deficit) | (2,294) | (2,304) | (1,742) | (921) | - | - |
| Fund Balance, Ending | 9,092 | 10,805 | 9,063 | 8,142 | 8,142 | 8,142* |

*The ending fund balance is consistent with the General Fund reserve policy adopted per Resolution #31-14

Additional Discretionary Expenditure Options

As illustrated in the table above, were the City to fund the preferred service level expenditures, under moderate/most likely economic conditions, it would experience a balanced budget over the five-year planning period. Because the City has limited budgetary resources, by selecting the preferred additional service levels, the City is necessarily also selecting to forego other expenditures. The key additional expenditures that were considered during the long-term financial planning process but ultimately not selected as part of the preferred service levels are discussed below.

Operational Expenditures

The Budget Committee considered including among its preferred service level, but ultimately excluded, a number of different potential operational expenditures, including paying down unfunded pension liabilities; paying down unfunded accrued leave liability; increased General Fund reserves; and filling authorized but unfunded positions. These options are discussed below.

Paying Down Unfunded Pension Liabilities

The City provides its employees with a defined benefit retirement program through the California Public Employees' Retirement System (CalPERS). Depending on the demographic characteristics of the City's employees, the amount of City and employee contributions to the retirement program, and the program's return on its investments, the City's retirement program assets and liabilities fluctuate over time. Per the most recent actuarial valuation available, as of June 30, 2013 the City had a total unfunded pension liability with CalPERS of \$25 million. A few years ago, the City chose to take advantage of low borrowing costs to refinance a portion of its CalPERS unfunded liability and realized significant savings. Since then, CalPERS has made many changes to the way that it accounts for its assets and liabilities, which have changed the likelihood that the City would benefit from refinancing a portion or all of the remaining unfunded liability. The City has contracted with experts in this area, Bartel Associates, to analyze the City's options for reducing the lifecycle net cost and volatility of required pension contributions. That analysis is expected to be completed in August 2015. It is not clear at this point whether there are likely to be any prudent alternatives to the status quo, which is continuing to make payments to CalPERS as currently required. Even if there are alternatives that reduce net costs or volatility, they might not necessarily have any near-term budgetary impact over the next five years, and therefore would not necessarily impact the LTFP.

Paying Down Unfunded Accrued Leave Liability

As of the end of FY 2013/14, the City had approximately \$2.5 million in unfunded liability for vested accrued paid vacation and sick leave for employees. The City traditionally pays for this liability out of its normal operating budget as the liability becomes due, referred to as "pay-as-you-go." The City could choose to set aside funds to eliminate this unfunded liability. However, as the liability does not present any significant financial risk, there is not a compelling reason to dedicate resources for this purpose.

Increased General Fund Reserves

The City's formal General Fund reserves and other uncommitted General Fund fund balance have fluctuated over the years. The larger these reserves and balances, the better the City is able to address

unplanned revenue reductions or expenditure increases. The possibility of increasing the level of General Fund reserves was raised during the development of the LTFP. The City has relatively robust General Fund reserve levels in comparison to public finance best practices. As such, it was the position of the Budget Committee that the reserve levels included in the recently-revised General Fund Reserve Policy (see Appendix B) were appropriate, and that additional reserve funds should not be included among the preferred expenditures in the LTFP.

Filling Authorized but Unfunded Positions

The number of full-time equivalent (FTE) City employees has decreased over the last decade. Although in some cases that has been offset by efficiencies and productivity improvements, in other cases it has resulted in higher workloads for some staff, which might not be sustainable. The City has a number of positions that were authorized by the City Council at one time but that are not currently funded. Apart from funding the Permit Technician in the revised FY 2015/16 budget and continuing that funding in the LTFP, the Budget Committee did not think that funding and filling other unfunded positions was a priority for inclusion in the LTFP preferred service level at this time.

Capital Expenditures

The Budget Committee considered including among its preferred service level expenditures, but ultimately excluded, a number of different potential capital expenditures, including eliminating all deferred street maintenance; creating a reserve for City building replacement; and eliminating other deferred maintenance and making other desirable capital improvements. These options are discussed below.

Eliminating All Deferred Street Maintenance

The Budget Committee directed that the LTFP include among preferred expenditures additional street maintenance funding to increase the PCI rating and hold the level of deferred street maintenance steady at its current level, \$15.0 million. The magnitude of the expenditure and likely complexity of the funding mechanism needed to completely eliminate deferred street maintenance placed the issue beyond the scope of the current LTFP. The Budget Committee has directed staff to develop, either as part of a future LTFP, CIP, or other planning document, a plan to fund all capital needs, including streets, buildings, and other assets, over the next 20 years.

Creating a Reserve for City Building Replacement

The City owns four buildings. The year each was constructed and the estimated current replacement costs are as follows:

- Police building (built 1980) — \$13.6 million
- Public Services Center (built 1985) — \$7.2 million
- City Hall (built 1990) — \$18.2 million
- Downtown parking structure (built 1999) — \$23 million

The average useful life of these types of buildings is approximately 50 years. As such, they all have a fair amount of useful life remaining. However, at some point, the City will need to begin to plan when and how to replace these buildings. City staff has not included any specific provisions regarding replacement of these buildings in the LTFP because the need to replace them is not imminent and the magnitude and complexity of the expenditure is beyond the scope of this LTFP. The replacement of these buildings will, however, be addressed in the planning document that the Budget Committee has directed staff to develop to fund all capital needs over the next 20 years.

Eliminating Other Deferred Maintenance and Making Other Desirable Capital Improvements

Roadway-related deferred maintenance costs are the following: storm drain upgrades of \$4.5 million, accessibility improvements of \$1.8 million, trail and mid-block crosswalks of \$1.5 million, and bridge improvements (cost survey is underway). The cost of other desirable improvements to City infrastructure include new sidewalk installation of \$3.2 million, storm drain improvements of \$6.7 million, and Pedestrian and Bike Plan forecasted needs of \$6.0 million. The Budget Committee directed staff to include some funding to address deferred maintenance of storm drains in the preferred service level expenditures. Deferred maintenance of other City capital assets will be addressed in the planning document requested by the Budget Committee.

Revenue and Expenditure Balancing Options

As described above, the City is forecasting a balanced budget over the five-year planning period if it experiences moderate/most likely economic conditions and funds its preferred service level. Should the City find itself in a position of needing to adjust revenues and/or expenditures to maintain a balanced budget in the future, below are some examples of options for consideration.

Revenue

The preferred service level includes the use of significant General Fund resources to fund capital projects. An alternative to using General Fund resources to support capital efforts is to cultivate new non-General Fund sources. A number of options are discussed below.

Continue to Aggressively Seek Regional, State, and Federal Funding

The City has been successful in obtaining regional, State, and federal funding for capital projects, particularly related to transportation. The City should continue to seek additional funding from these sources, and consider opportunities to be more aggressive in pursuing new funding types. The City staff is currently participating in discussions regarding the design of a potential future regional sales tax for transportation, which might include some return-to-source funding for City streets. Additionally, there might be new revenue if Senate Bill (SB) 16 (Beall), a bill to create a five-year temporary funding source for local roadways, passes. If the bill passes at a statewide funding level of \$1.33 billion annually, the City would receive approximately \$687,000 annually in new funding. If the bill passes at a statewide funding level of \$1.71 billion annually, the City would receive approximately \$880,000 annually in new funding.

Local Sales Tax or Other New Revenue Measure

As local economies recover from the recession, many jurisdictions are asking voters for additional funds to address backlogs in infrastructure investment, particularly regarding streets. As noted above, the Budget Committee has directed staff to develop, either as part of a future LTFP, CIP, or other planning document, a plan to fund all capital needs, including streets, buildings, and other assets, over the next 20 years. As that plan is prepared, the City will develop a complete picture of its capital needs, upon which it can develop a funding plan. New service levels, such as those related to public safety or the library, can also be funded through voter measures.

Enhanced Infrastructure Financing District

Enhanced Infrastructure Financing Districts (EIFDs) are a new financing tool for infrastructure that provides some of the benefits previously provided by Redevelopment. They are one possible revenue source that could be used as part of a financing package for future capital improvements.

Expenditure

The City closely managed expenditures to maintain budgetary stability during the recession. As such, it has significant experience in cost containment. Should the City be in a position of needing to reduce expenditures in the future, a number of options are available, some of which are described below.

Insource and Outsource Opportunities

The City has periodically analyzed whether costs or quality could be improved by insourcing or outsourcing different operations. City staff believes that the current insourcing and outsourcing arrangements provide the best combination of value and quality. Were the criteria for evaluating insourcing and outsourcing to change in the future, the City could revisit the current arrangement.

Shared Service Models

Many organizations began to look for opportunities, particularly during the recession, to reduce operational costs by spreading fixed costs among multiple parties. Many municipalities explored possible partnerships with other municipalities to provide services through “shared service models.” A shared service model is similar in some respects to insourcing or outsourcing work. As such, the City could consider creating shared service models with peer jurisdictions for some operations.

Update Financial Policies

Financial policies can address a broad range of topics. Depending upon the topic on which they focus, procurement/purchasing as an example, they can be used as a tool to help manage expenditures. The City could consider reviewing the breadth and depth of its financial policies to determine if there is a need to address more cost containment topics.

Summary and Next Steps

The City is on solid budgetary footing that is expected to continue throughout this economic cycle. Based on the analysis above, it seems likely that the City will find it affordable to continue to provide its status quo service levels and even make some additional investments in priority items, such as library hours and street maintenance. The City will need to create a new strategy, however, and likely new revenue, if it would like to completely address deferred maintenance and replacement of its capital assets. The LTFP will be used as a guide when preparing the next biennial budget, preparing other planning documents, and making operational and financial decisions. City staff intends to monitor the accuracy of the LTFP and update it on a periodic basis going forward.

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Appendix A



CITY COUNCIL GOALS

For Fiscal Years

2013/2014, 2014/2015, and 2015/2016



Adopted February 3, 2014

■ GOAL #1: A CITY THAT IS SAFE

OBJECTIVE #1: ENSURE THERE IS ADEQUATE PUBLIC SAFETY

- A. Develop strategies and programs to reduce crime.
- B. Monitor the interoperability system that allows first responders to better communicate.
- C. Continue the Neighborhood Watch and notification program.
- D. Continue School Resource Officer program.
- E. Continue to fund Crossing Guard services for various locations in Pleasant Hill.
- F. Continue to utilize volunteers to assist with safety efforts.
- G. Monitor Fire Department response time.

OBJECTIVE #2: PRESERVE AN INFRASTRUCTURE THAT IS FUNCTIONAL AND EFFECTIVE

- A. Maintain arterials and collector systems within a Pavement Condition Index (PCI) of 60 or better.
- B. Maximize efficiency of funding dollars through the use of innovative technologies that save in annual standard pavement costs.
- C. Continue to repair potholes within 48 hours
- D. Identify and prioritize smaller-scale projects to reduce flooding impacts depending on funding opportunities.
- E. Prioritize Capital Improvement Plan (CIP) projects on an annual basis to identify areas where failures or deterioration could create health and safety issues.

OBJECTIVE #3: MAINTAIN A DISASTER PREPAREDNESS PROGRAM THAT IS EFFECTIVE THROUGHOUT THE CITY

- A. Support and enhance the Community Emergency Response Team (CERT) Program.
- B. Utilize the Outlook newsletter to promote disaster preparedness education.
- C. Continue emergency management and disaster preparedness training for City staff.

■ GOAL #2: A CITY THAT IS FINANCIALLY SOUND

OBJECTIVE #1: ENSURE OPERATING EXPENDITURES DO NOT EXCEED REVENUES

- A. Set and maintain a balanced budget.
- B. Continuously monitor and adjust expenditures to conform to funds available, including personnel costs.
- C. Enlarge the City's revenue base to sustain and support the community.
- D. Maintain reserves for specified purposes (including unassigned) and amounts to ensure they are adequate to meet the needs outlined in the City's financial policies.

OBJECTIVE #2: FOSTER ACTIVE AND EFFECTIVE BUSINESS SUPPORT SYSTEMS

- A. Strengthen the attractiveness of commercial areas and work with businesses to identify and promote the unique features of each business area.
- B. Coordinate infrastructure projects with economic development efforts to efficiently leverage City resources and enhance vitality of commercial areas while recognizing and balancing needs of individual neighborhoods.
- C. Increase pedestrian activity in Downtown Pleasant Hill.
- D. Promote "Dine, Shop, Enjoy Pleasant Hill" campaign to ensure coordination between hotels, restaurants and commercial establishments; develop opportunities for cross marketing and promotions.

OBJECTIVE #3: ESTABLISH A LONG TERM FINANCIAL PLAN

■ GOAL #3: A CITY THAT IS ATTRACTIVE, WELL PLANNED AND MAINTAINS A SMALL TOWN ATMOSPHERE

OBJECTIVE #1: IMPLEMENT A CAPITAL IMPROVEMENTS PLAN (CIP) THAT REFLECTS AND MEETS THE CITY'S NEEDS

- A. Provide ongoing review of existing infrastructure to ensure adequate funding resources are directed toward facilities at levels that will minimize long-term maintenance costs And ensure that they do not deteriorate below levels that create health and safety concerns.
- B. Continue to aggressively pursue all grant and other funding sources to use for roadway, pedestrian walkway and bicycle lane improvements, as well as flood control projects.

OBJECTIVE #2: UPDATE THE CITY'S PLANNING DOCUMENTS

- A. Update the City's General Plan.
- B. Clearly communicate information and initiate a collaborative community-based process with a focus on maintaining and enhancing quality of life, strengthening neighborhoods, incorporating sustainable land use and development principles, and encouraging high-quality economic development, addressing regional planning issues and ensuring compliance with applicable laws.
- C. Maintain ongoing review and Status Update of other planning-related documents, including the Zoning Ordinance and Citywide Design Guidelines.

OBJECTIVE #3: PROMOTE A SUSTAINABLE, COMPREHENSIVE AND FORWARD-LOOKING "GREEN PLEASANT HILL" COMMUNITY

- A. Maintain Green Pleasant Hill web site citing partnerships and program resources for residents, businesses and schools.
- B. Continue education and outreach focused on Waste Reduction, Reuse, Recycling, Home Composting and proper disposal of Household Hazardous Waste.
- C. Continue to work with Contra Costa 511 to promote alternative transportation options, such as Electric Vehicle usage and charging stations, walking, biking, buses, BART and carpooling.
- D. Continue Environmental Best Practices Policies, such as purchasing recycled-content supplies and materials, reuse of City surplus or out-dated resources, use of non-toxic products, on-site mulching and composting, and urban greening (reduced tree removal and increased tree planting).
- E. Continue to promote and support the Green Business Program by encouraging new businesses to participate in waste prevention, reuse and recycling programs, and to become a certified Green Business.
- F. Continue to promote Green Building by using LEED Standards in design and construction of City building projects as required by the State of California green building code.
- G. Develop a comprehensive Climate Action Plan focusing on Transportation and Land Use, Energy Efficiency, Renewable Energy and Solid Waste Management.

■ GOAL #4: A CITY THAT PROVIDES A HIGH QUALITY OF LIFE FOR ITS RESIDENTS

OBJECTIVE #1: PROVIDE AND PROMOTE COMMUNITY EVENTS

- A. Continue to organize and sponsor activities and events that enhance the quality of life in Pleasant Hill, such as the Sunset by the Lake Summer Concert Series, Light up the Night Holiday Tree Lighting, and Community Service Day.
- B. Sponsor, support and promote events with other community partners, including the Art, Jazz and Wine Fest, Downtown Plaza Concerts, Downtown Farmers Market and 4th of July Festivities.
- C. Provide opportunities for children to interact with the City of Pleasant Hill through activities such as Mock City Council Meetings, acting as Mayor for a Day, Spelling Bee Contests, and the annual Holiday Tree Trimming and Caroling at City Hall.
- D. Foster opportunities for residents to come together through programs and events such as Neighborhood Watch, garage sales and other community gatherings.
- E. Enhance cultural leisure activities and consider cultural and historic facilities.

OBJECTIVE #2: FOSTER COLLABORATIONS WITH OTHER COMMUNITY PARTNERS

- A. Cultivate cooperation and communication with the Mt. Diablo Unified School District and higher education institutions, including Diablo Valley College and JFK University, to promote quality education in Pleasant Hill.
- B. Work cooperatively with the Contra Costa County Library to enhance community awareness and improve library services and programs.
- C. During the budget year, establish a task force, working with other public agencies, organizations, and other stakeholders, to explore the need and feasibility for constructing a new library building serving the residents of the City of Pleasant Hill.
- D. Collaborate with the Recreation and Park District, other service providers and civic organizations (such as Rotary and Lions Clubs) to promote events and programs which enrich the quality of life for Pleasant Hill residents, such as enhancing bike paths, walking trails and open space.

■ GOAL #5: A CITY THAT HAS ENHANCED PUBLIC SERVICE

OBJECTIVE #1: PROVIDE RESOURCES TO ENSURE QUALITY PUBLIC SERVICE

- A. Provide staff training and educational opportunities related to quality public service.
- B. Create opportunities for teamwork that crosses departmental lines.
- C. Ensure that the City has the highest level of transparency by providing training and communications for City staff, Commissioners and City Council with regard to the Brown Act, Public Records Act, Political Reform Act and any other related State or Federal laws.
- D. Monitor community satisfaction with City government and City services.

Appendix B

RESOLUTION NO. 31-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLEASANT HILL ADOPTING A REVISED GENERAL FUND RESERVE POLICY

WHEREAS, the City Council directed, through Resolution #44-02 on June 17, 2002, that \$5.0 million (set to increase by 5.5% on July 1, 2003 and by 3.5% every July 1 thereafter) of unreserved General Fund balance be designated for contingencies associated with cash flow, revenue shortfalls, natural or manmade calamities, and unanticipated expenditures; and

WHEREAS, the City Council directed, through Resolution #54-03 on June 16, 2003, that the designation for contingencies be increased to \$8.0 million on July 1, 2003 and shall increase by 2% every July 1 thereafter; and

WHEREAS, the designation for contingencies has been held constant in the budget at \$8,323,200 since July 1, 2005; and

WHEREAS, Resolution #35-06 of June 19, 2006 specified that \$6.0 million of the designation for contingencies was intended for cash flow (working capital), and \$2.3 million for unforeseen emergencies; and

WHEREAS, the Budget Committee of the City Council directed City staff in summer 2013 to review the City's existing General Fund reserve policy and recommend updates; and

WHEREAS, the Budget Committee determined at its February 26, 2014 meeting that best practices and analysis indicate that the City should have the following General Fund reserves:

- Reserve for Working Capital (\$5,000,000),
- Reserve for Economic Uncertainty (\$2,000,000),
- Reserve for Catastrophic Event (\$1,000,000), and
- Reserve for Umpqua Bank Loan (\$890,000);

NOW THEREFORE BE IT RESOLVED, that the City Council hereby establishes a General Fund reserve policy that requires that the City shall create as part of the fiscal year (FY) 2014/2016 adopted biennial budget General Fund reserves of the four types and amounts noted above; and

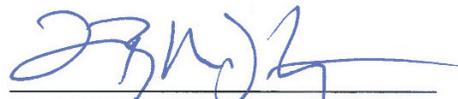
BE IT FURTHER RESOLVED, that the funds held in reserves can only be taken out of reserve and appropriated by a majority vote of the Council; and

BE IT FURTHER RESOLVED, that the reserve funds can only be appropriated by the Council to address exceptional circumstances specifically related to the domain of each of the four individual reserves; and

BE IT FURTHER RESOLVED, that if the reserve funds are appropriated and expended, the City Council will endeavor to replenish them to the full amounts noted above as part of the adoption of the subsequent biennial budget, if not sooner.

ADOPTED by the City Council of the City of Pleasant Hill at a regular meeting of the Council held on the 12th day of May, 2014, by the following vote:

| | |
|----------|---|
| AYES: | Carlson, Durant, Harris, Weir, Flaherty |
| NOES: | None |
| ABSENT: | None |
| ABSTAIN: | None |


TIMOTHY M. FLAHERTY, Mayor

ATTEST:


KIMBERLY LEHMKUHL, City Clerk

APPROVED AS TO FORM:


JANET E. COLESON, City Attorney