



# **City of San Gabriel Long-Term Financial Plan**

**Fiscal Year 2019/20 Through  
Fiscal Year 2023/24**

**Prepared By  
City of San Gabriel  
Finance Department**

# Summary

## Introduction

The Long-Term Financial Plan Fiscal Year 2019/20 through Fiscal Year 2023/24 covers the City's revenues and expenditures over a five-year planning period and is intended to improve the City's financial and operational decision making.

## Economic Scenarios, and Status Quo Service Levels

The Long-Term Financial Plan (LTFP) uses the ongoing revenues and expenditures in the fiscal year (FY) 2018/19 adopted budget as the baseline from which future revenues and expenditures are forecasted for economic scenarios. It does not take the plan of building new Police Station into consideration in this forecasting period. Therefore, there is no debt service related to Police Station loan projected in this scenario. Maintaining the City's General Fund at the present status quo service levels by using the Status Quo Service Level Moderate/Most Likely Revenue Forecast, the City's General Fund is expected to experience growing surpluses in each of the next five years, as shown in Table 1 below. Due to the increasing pension cost, its Retirement Fund is expected to experience a deficit in each of the next five years as shown in Table 2 below. Viewing these two funds as a whole, as shown in Table 3, the City's financial position is facing challenges.

**Table 1: General Fund**

General Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund Revenue	35,645,380	36,543,523	38,016,077	39,442,889	41,972,720
General Fund Expenditure	32,452,425	33,458,240	34,719,710	36,126,969	37,736,183
Transfer to Playhouse Fund	760,712	758,875	756,114	752,363	747,554
Surplus	2,432,243	2,326,407	2,540,254	2,563,557	3,488,983

**Table 2: Retirement Fund**

Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Retirement Fund Revenue	7,615,475	8,305,963	8,842,170	9,395,652	10,101,230
Transfer to General & Risk Management Fund	9,469,290	10,421,256	11,250,037	11,575,220	12,141,443
Transfer to Playhouse Fund	210,125	228,527	245,307	247,804	256,619
Deficit	(2,063,940)	(2,343,820)	(2,653,174)	(2,427,372)	(2,296,833)

**Table 3: General Fund & Retirement Fund**

General & Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund	2,432,243	2,326,407	2,540,254	2,563,557	3,488,983
Retirement Fund	(2,063,940)	(2,343,820)	(2,653,174)	(2,427,372)	(2,296,833)
Surplus/Deficit	368,303	(17,413)	(112,920)	136,185	1,192,150

### Summary and Next Steps

The combined financial summary presented in table 4 provides a projected overview of the City's five year financial forecast if fiscal trends and forecast assumptions were to continue as projected. The fund balance is in the negative during these forecast period, as shown in table below.

**Table 4: Fund Balance of General Fund & Retirement Fund**

General & Retirement Fund	FY2018/19 Budget	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Fund Balance, Beginning	(690,195)	(2,065,361)	(1,697,058)	(1,714,470)	(1,827,390)	(1,691,205)
Revenues	41,542,011	43,260,855	44,849,486	46,858,247	48,838,541	52,073,949
Expenditures	42,917,177	42,892,552	44,866,899	46,971,167	48,702,355	50,881,799
Surplus/(Deficit)	(1,375,166)	368,303	(17,413)	(112,920)	136,185	1,192,150
Fund Balance, Ending	(2,065,361)	(1,697,058)	(1,714,470)	(1,827,390)	(1,691,205)	(499,054)

Based on the above Status Quo Service Level Revenue and Expenditure Forecast, City staff will need to look at options and to recommend actions to improve the City’s financial position. Staff is presenting two options and they are illustrated below in summary. City staff also intends to update the LTFP on a periodic basis going forward.

**Option #1: City Transaction and Use Tax Increase (TUT)**

A ballot measure for a City Transaction and Use Tax (Sales Tax) increase of ¾ percent is an option to improve the City’s financial position. If the City decides to put the measure in a special election which could be in the November 2019, we can anticipate receiving \$750,000 by June 30, 2020 in the fiscal year 2019/20. The tables showing below reflect this option.

**TUT Increase: Table 1- General Fund**

General Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund Revenue	35,645,380	36,543,523	38,016,077	39,442,889	41,972,720
General Fund Expenditure	32,752,425	33,458,240	34,719,710	36,126,969	37,736,183
Transfer to Playhouse Fund	760,712	758,875	756,114	752,363	747,554
TUT (Sales Tax) Increase	750,000	3,007,500	3,067,650	3,129,003	3,191,583
Surplus	2,882,244	5,333,908	5,607,904	5,692,560	6,680,566

**TUT Increase: Table 2- Retirement Fund (No change)**

Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Retirement Fund Revenue	7,615,475	8,305,963	8,842,170	9,395,652	10,101,230
Transfer to General & Risk Management Fund	9,469,290	10,421,256	11,250,037	11,575,220	12,141,443
Transfer to Playhouse Fund	210,125	228,527	245,307	247,804	256,619
(Deficit)	(2,063,940)	(2,343,820)	(2,653,174)	(2,427,372)	(2,296,833)

**TUT Increase: Table 3- General Fund & Retirement Fund**

General & Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund	2,882,244	5,333,908	5,607,904	5,692,560	6,680,566
Retirement Fund	(2,063,940)	(2,343,820)	(2,653,174)	(2,427,372)	(2,296,833)
Surplus	818,304	2,990,088	2,954,730	3,265,188	4,383,733

**TUT Increase: Table 4- Fund Balance of General Fund & Retirement Fund**

General & Retirement Fund	FY2018/19 Budget	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Fund Balance, Beginning	(690,195)	(2,065,361)	(1,247,057)	1,743,030	4,697,760	7,962,949
Revenues	41,542,011	44,010,855	47,856,986	49,925,897	51,967,544	55,265,532
Expenditures	42,917,177	43,192,551	44,866,898	46,971,167	48,702,355	50,881,799
Surplus/(Deficit)	(1,375,166)	818,304	2,990,088	2,954,730	3,265,188	4,383,733
Fund Balance, Ending	(2,065,361)	(1,247,057)	1,743,030	4,697,760	7,962,949	12,346,682

**Option #2: Annexation of Fire Services**

Annexation of the City’s Fire Service is another option to potentially improve the City’s financial position. The annexation process roughly will take about one year from the date of signing the agreement. City staff estimates the financial impact will take place in fiscal year 2020/21. City staff used the assumption of LA County Fire District’s proposal, Option A, \$6,835,199 compound 5.5% increase for the FY2019/20 and FY2020/21 and used starting payment of \$7,607,747 for the FY2020/21. City staff also used 100% Fire Inspection revenue credit back to the City, but, zero Ambulance Revenue into its consideration due to many unknown factors. Detailed cost analysis can be done when more information is available. The tables below present the rough estimation based on these assumptions. The annexation will also impact City’s Automotive Maintenance Fund, because, the Fire Department contributes 32 percent of Automotive Maintenance Fund’s operating revenue. Since this LTFP is focuses on City’s General Fund, the impact of Automotive Maintenance Fund is not factored in in the tables below, but it is displayed in the detailed cost and benefit analysis in the next section.

**Annexation Fire Services: Table 1- General Fund**

General Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund Revenue	35,645,380	36,543,523	38,016,077	39,442,889	41,972,719
General Fund Expenditure	32,452,425	33,458,240	34,719,709	36,126,970	37,736,183
Transfer to Playhouse Fund	760,712	758,875	756,114	752,363	747,554
Fire Annexation Cost Increase	-	1,606,417	1,839,306	2,079,076	2,324,305
Surplus	2,432,244	719,991	700,948	484,480	1,164,677

**Annexation Fire Services: Table 2- Retirement Fund**

Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Retirement Fund Revenue	7,615,475	8,305,963	8,842,170	9,395,652	10,101,230
Transfer to General & Risk Management Fund	9,469,290	10,421,256	11,250,037	11,575,220	12,141,443
Transfer to Playhouse Fund	210,125	228,527	245,307	247,804	256,619
Fire Annexation Saving	-	2,937,169	3,137,121	3,317,334	3,448,062
Surplus/(Deficit)	(2,063,940)	593,349	483,947	889,962	1,151,230

**Annexation Fire Services: Table 3- General Fund & Retirement Fund**

General & Retirement Fund	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
General Fund	2,432,244	2,326,408	2,540,254	2,563,556	3,488,982
Retirement Fund	(2,063,940)	(2,343,820)	(2,653,174)	(2,427,372)	(2,296,832)
Fire Annexation Net Saving	-	1,330,752	1,297,815	1,238,258	1,123,757
Surplus	368,304	1,313,339	1,184,895	1,374,442	2,315,907

**Annexation Fire Services: Table 4- Fund Balance of General Fund & Retirement Fund**

General & Retirement Fund	FY2018/19 Budget	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Fund Balance, Beginning	(690,195)	(2,065,361)	(1,697,057)	(383,718)	801,177	2,175,619
Revenues	41,542,011	43,260,855	43,653,897	45,550,955	47,409,109	50,510,966
Expenditures	42,917,177	42,892,551	42,340,558	44,366,060	46,034,667	48,195,059
Surplus/(Deficit)	(1,375,166)	368,304	1,313,339	1,184,895	1,374,442	2,315,907
Fund Balance, Ending	(2,065,361)	(1,697,057)	(383,718)	801,177	2,175,619	4,491,526

**Fire Department Cost Breakdown -w/o Annexation**

	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Budget	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast
<b>Revenue</b>										
<b>Expenditure</b>										
Fire Inspection	1,140,176	1,003,949	839,360	408,104	800,000	532,614	554,328	576,927	600,447	624,926
Ambulance Service	710,681	825,729	804,535	825,247	1,000,000	1,093,430	1,195,589	1,307,292	1,429,432	1,562,983
Salary	3,956,863	4,160,411	4,181,949	4,426,884	4,194,944	4,278,843	4,364,420	4,451,708	4,540,742	4,631,557
Non-Departmental -Insurance	-	-	795,345	636,226	687,135	738,022	856,106	993,083	1,151,976	1,336,292
Health Insurance	538,994	513,363	568,870	522,796	687,135	721,492	757,586	795,445	835,217	876,978
Benefits	61,172	64,118	64,077	66,451	59,212	60,692	62,210	63,765	65,359	66,993
General Expenses	830,459	749,447	799,813	319,417	255,224	262,625	270,242	278,079	286,143	294,441
Professional and Contract Services	238,308	236,610	323,583	347,931	229,765	236,428	243,285	250,340	257,600	265,070
Supplies and Materials	9,345	9,291	11,948	10,486	5,000	5,145	5,294	5,448	5,606	5,768
Maintenance and Repair	474,008	517,374	489,577	468,225	471,758	485,439	499,517	514,003	528,909	544,247
Utilities	75,709	88,297	87,305	86,499	92,918	95,613	98,385	101,239	104,174	107,196
Conferences and Training	25,366	21,021	18,525	22,730	37,678	38,771	39,895	41,052	42,242	43,468
Capital Imp Project	-	-	20,179	60,036	500,234	-	-	-	-	-
General Fund Total Cost	4,359,366	4,530,254	5,717,277	5,734,330	5,370,094	6,923,070	7,196,919	7,494,160	7,817,968	8,172,009
Retirement	1,197,144	1,519,060	1,590,913	1,744,186	2,118,738	2,351,066	2,539,834	2,697,261	2,828,757	2,909,672
Retiree Health Insurance	281,753	362,002	400,701	257,064	343,923	341,645	397,335	439,859	488,576	538,391
Retirement Fund Total Cost	1,478,897	1,881,062	1,991,615	2,001,250	2,462,661	2,692,712	2,937,169	3,137,121	3,317,333	3,448,062
Net Cost	5,838,263	6,411,316	7,708,891	7,735,580	7,832,755	7,989,738	8,384,171	8,747,061	9,105,423	9,432,163

**Fire Department Cost Breakdown -with Annexation**

	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Budget	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast
<b>Revenue</b>										
<b>Expenditure</b>										
Fire Inspection	1,140,176	1,003,949	839,360	408,104	800,000	532,614	554,328	576,927	600,447	624,926
Ambulance Service	710,681	825,729	804,535	825,247	1,000,000	1,093,430	-	-	-	-
Salary	3,956,863	4,160,411	4,181,949	4,426,884	4,194,944	4,278,843	-	-	-	-
Non-Departmental -Insurance	-	-	795,345	636,226	687,135	738,022	-	-	-	-
Health Insurance	538,994	513,363	568,870	522,796	687,135	721,492	-	-	-	-
Benefits	61,172	64,118	64,077	66,451	59,212	60,692	-	-	-	-
General Expenses	830,459	749,447	799,813	319,417	255,224	262,625	-	-	-	-
Professional and Contract Services	238,308	236,610	323,583	347,931	229,765	236,428	-	-	-	-
Supplies and Materials	9,345	9,291	11,948	10,486	5,000	5,145	-	-	-	-
Maintenance and Repair	474,008	517,374	489,577	468,225	471,758	485,439	-	-	-	-
Utilities	75,709	88,297	87,305	86,499	92,918	95,613	-	-	-	-
Conferences and Training	25,366	21,021	18,525	22,730	37,678	38,771	-	-	-	-
Capital Imp Project	-	-	20,179	60,036	500,234	-	-	-	-	-
General Fund Total Cost	4,359,366	4,530,254	5,717,277	5,734,330	5,370,094	5,297,026	(554,328)	(576,927)	(600,447)	(624,926)
Retirement	1,197,144	1,519,060	1,590,913	1,744,186	2,118,738	2,351,066	-	-	-	-
Retiree Health Insurance	281,753	362,002	400,701	257,064	343,923	341,645	-	-	-	-
Retirement Fund Total Cost	1,478,897	1,881,062	1,991,615	2,001,250	2,462,661	2,692,712	-	-	-	-
Payment to LA County Fire	-	-	-	-	-	-	7,607,747	8,026,173	8,467,613	8,933,332
Net Cost	5,838,263	6,411,316	7,708,891	7,735,580	7,832,755	7,989,738	7,053,419	7,449,247	7,867,166	8,308,406
<b>NET SAVINGS</b>							<b>1,330,752</b>	<b>1,297,815</b>	<b>1,238,256</b>	<b>1,123,757</b>
<b>Impact to Automotive Maintenance Fund</b>										
Operating Revenue	794,778	825,000	845,000	875,000	875,000	900,375	926,486	953,354	981,001	1,009,450
Operating Expenditure-Personnel	260,962	254,069	262,006	333,041	337,345	344,092	350,974	357,993	365,153	372,456
Operating Expenditure-Service & S	516,285	533,419	596,668	591,024	550,600	566,567	582,998	599,905	617,302	635,204
Fire Department Share- Net	281,000	285,000	285,000	285,000	285,000	293,265	301,770	310,521	319,526	328,792
Net Operating Gain/(Loss)	17,531	37,512	(13,674)	(49,064)	(12,945)	(10,284)	(122,697)	(123,095)	(123,443)	(123,737)

Note:

- 1) LA County's proposal of \$6,835,199 is for FY18/19, and it will increase 5.5% annually. Staff anticipate the Annexation takes effect on FY 20/21, therefore used \$7,607,747 as the amount.
- 2) LA County has .5 FTE conduct Fire Inspection. The fees collected for this service will be credited back to the City. Staff assume the same amount of revenue.
- 3) Revenues collected for the paramedic on board would be credit back to the City also. Further study need to be done to determine the future ambulance revenue. No amount of revenue forecast above.
- 4) Fire Department contributes 32% of Automotive Maintenance Fund's operating revenue. Staff estimate that 32% of services and supplies will be reduced by the Annexation and factored in the reduction. Staff left the personnel cost untouched in the analysis. Based on this assumption, the impact to Automotive Maintenance Fund is negative and the estimated loss is showing above.



# Introduction

## 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 and Capital Improvement Plans.

## Scope

The City of San Gabriel Long-Term Financial Plan Fiscal Year 2019/20 Through Fiscal Year 2023/24 will address the City's general revenues and expenditures over a five-year planning period.

## Development Process

The LTFP was created using public finance's best practices. City staff consulted numerous resources and experts to determine how to approach the project and provide 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 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.

## 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 2018/19 Base Year

Staff used the FY 2018/19 adopted budget as the base year of the five year forecast. Staff assumed that future City service levels would remain at the status quo levels of FY 2018/19. Staff then forecasted revenues and expenditures for the five succeeding years (FY 2019/20 through FY 2023/24) by applying to the base year service levels assumptions about possible future changes in economic conditions that impact revenues and expenditures.

### Economic Scenario Forecasts

#### Moderate/Most Likely

- Increase in revenues, particularly in Property Tax, Transient Occupancy Tax, and Sales Tax
- Moderate inflation, stabilization of benefit costs, particularly medical insurance premium

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

The overall economy appears to be growing at a steady pace, but there are potential threats that could affect the United States and California economic outlooks, according to the UCLA Anderson Forecast's second quarterly report for 2018. The forecast for 2018, 2019 and 2020 total employment growth is 1.7%, 1.8% and 0.8%, respectively. Payrolls are expected to grow at a 1.7%, 1.8% and 0.8% rate each respective year. Real personal income growth is forecast to be 2.5%, 3.6% and 2.9% in 2018, 2019 and 2020, respectively.

The Wall Street Journal Next Recession Poll shows 60% chance of recession in year 2020. These forecasts are consistent with those of many other research organizations. City staff forecast a reduced economic growth commensurate with an economic slowdown.

Regarding demographic trends, for the purpose of the LTFP, City staff has assumed that San Gabriel'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 San Gabriel's population stood at 39,718 in 2010 and grew to 40,920 in 2018, a growth rate of approximately 0.4% per year.

## Status Quo Service Level Moderate/Most Likely Revenue Forecast

As noted above, staff used the FY 2018/19 budget as the baseline for its revenue and expenditure forecasts. Staff then applied moderate/most likely, economic assumptions to the baseline to create forecast.

## Revenue History

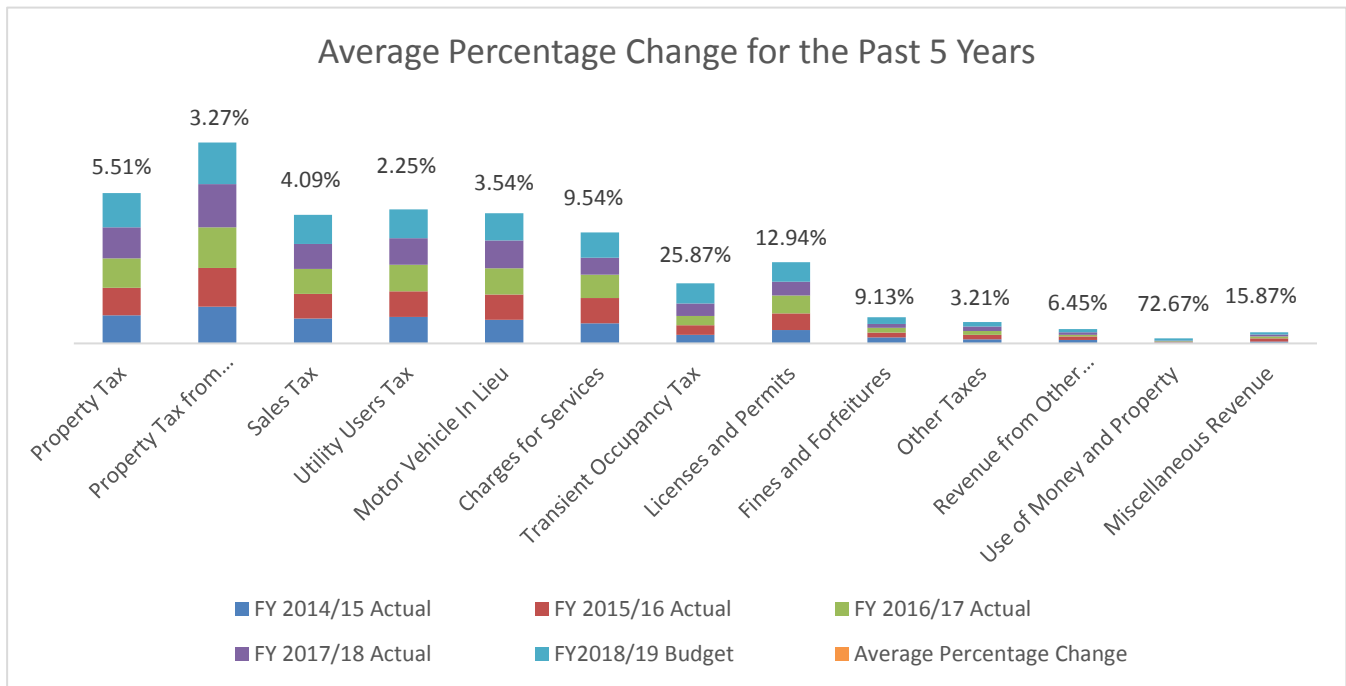
As background, Table 5 below illustrates the five-year history of the City's General Fund revenues by source and Table 5 shows the average percentage change in the past 5 years for each of the revenue source.

**Table 5: Five-Year General Fund and Retirement Fund Revenue History, By Source**

Revenues	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY2018/19 Budget
Property Tax	4,719,315	4,690,325	4,940,558	5,226,614	5,830,000
Property Tax from Retirement Fund	6,199,993	6,561,493	6,864,984	7,242,763	7,035,000
Sales Tax	4,205,561	4,149,964	4,217,723	4,228,585	4,896,000
Utility Users Tax	4,480,156	4,317,061	4,496,220	4,477,367	4,876,000
Motor Vehicle In Lieu	4,011,131	4,229,825	4,431,651	4,694,087	4,600,000
Charges for Services	3,411,615	4,275,903	3,925,787	2,877,438	4,251,067
Transient Occupancy Tax	1,453,521	1,592,425	1,601,695	2,077,757	3,400,000
Licenses and Permits	2,260,131	2,832,519	3,006,505	2,291,851	3,301,500
Fines and Forfeitures	994,034	838,920	798,782	643,799	1,135,000
Other Taxes	711,105	728,389	681,625	712,056	800,000
Revenue from Other Agencies	559,420	598,728	301,335	400,959	609,946
Use of Money and Property	142,988	128,671	81,514	103,379	424,400
Miscellaneous Revenue	8,999,686	557,272	1,176,952	297,910	383,098
<b>Total Revenues</b>	<b>42,148,656</b>	<b>35,501,495</b>	<b>36,525,331</b>	<b>35,274,565</b>	<b>41,542,011</b>

- ❖ The Miscellaneous Revenue in FY14/15 includes loan proceeds of \$7,800,000, Prop A exchange \$900,000 and FY16/17 includes Prop A exchange for \$864,000. No Prop A exchange is projected for future years.

**Table 6: Five-Year Revenue Average Percentage Change, By Source**



**Forecast of Revenue by Source**

Table 7 below summarizes the major assumptions of the moderate/most likely revenue scenario by source. The next table (Table 8) 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 7: Moderate/Most Likely Scenario Revenue Assumptions for Major Sources**

Revenue Source	Moderate/Most Likely Assumption
Revenue Generally	Assume average annual increase of past five years excluding outliers.
Property Tax	Projected 4.1% increase annually based on the average rate of increase for the past 10 years plus anticipated increases in assessed valuations.
Sales Tax	Sales tax projections provided by HDL Companies, City's sales tax consultants, which range from 2% - 1% annually.
Transient Occupancy Tax (TOT)	Assume the same revenue will receive from the current two hotels and adding new hotel's revenue in the later part of FY2019/20.
Property Tax for Retirement Fund	Projected 4.7% increase annually based on the average rate of increase for the past 10 years plus anticipated increases in assessed valuations.

**Table 8: Moderate/Most Likely Scenario Revenue Forecast**

Revenues	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Property Tax	6,258,187	6,766,569	7,154,410	7,552,150	8,061,661
Property Tax from Retirement Fund	7,615,475	8,305,963	8,842,170	9,395,652	10,101,230
Charges for Services	4,524,738	4,449,525	5,079,877	5,471,204	6,184,218
Sales Tax	4,399,420	4,443,415	4,532,283	4,622,928	4,715,387
Motor Vehicle In Lieu	4,762,623	4,930,996	5,105,321	5,285,808	5,472,677
Utility Users Tax	4,985,632	5,097,729	5,212,347	5,329,542	5,449,371
Licenses and Permits	3,887,850	3,643,651	3,554,198	3,607,997	4,306,200
Transient Occupancy Tax	3,400,000	3,700,000	3,774,000	3,868,350	3,965,059
Fines and Forfeitures	1,156,596	1,178,979	1,202,187	1,226,264	1,251,253
Other Taxes	824,452	849,753	875,935	903,033	931,084
Revenue from Other Agencies	627,531	645,672	664,389	683,704	703,636
Miscellaneous Revenue	387,698	400,051	417,121	440,766	473,577
Use of Money and Property	430,652	437,185	444,010	451,143	458,596
<b>Total Revenues</b>	<b>43,260,855</b>	<b>44,849,486</b>	<b>46,858,247</b>	<b>48,838,541</b>	<b>52,073,949</b>

## Property Tax

Property tax revenues are forecasted to increase each year due to higher assessed valuations. The table below shows Property Tax Revenue for the past 10 years for General Fund and Retirement Fund. It shows an average increase of 3.9% and 4.7% in the past 10 years. There are many development projects in the pipeline as you can see in Table 6. Staff used the average rate of increase plus the increase of assessed value from those projects that in the pipeline to forecast the amount of property tax revenue.

FY	GF Property Tax Amount	% change	RF Property Tax Amount	% change
2008/09	\$3,502,351.36	4%	\$4,691,413.26	7%
2009/10	3,774,089.14	8%	5,078,910.34	8%
2010/11	3,746,158.07	-1%	5,140,066.62	1%
2011/12	3,796,488.64	1%	5,193,568.78	1%
2012/13	3,871,026.73	2%	5,366,747.84	3%
2013/14	4,269,633.63	10%	5,405,368.74	1%
2014/15	4,585,698.27	7%	5,675,809.12	5%
2015/16	4,719,315.18	3%	6,169,419.39	9%
2016/17	4,690,325.22	-1%	6,529,019.55	6%
2017/18	4,940,558.24	5%	6,827,678.39	5%
2018/19	5,226,613.94	6%	7,217,215.24	6%
Average		4.1%		4.7%

Developments below are in the pipeline and the property tax they will generate expected to coming in in the forecasting period.

Development Project	Projected Completion	General Fund Tax	Retirement Fund Tax
Mission View Plaza	FY 2019/20	\$ 23,511.33	\$ 31,052.70
Global Eagle Medical Center	FY 2019/20	24,780.96	32,729.56
860 E Valley Mixed Use	FY 2019/20	34,932.38	46,137.10
Rubio Village	FY 2019/20	105,932.16	139,910.40
New Hotel	FY 2020/21	124,646.96	164,628.07
The Province	FY 2020/21	101,327.52	133,828.80
The One	FY 2020/21	25,821.60	34,104.00
San Gabriel Plaza	FY 2021/22	110,411.64	145,826.69
Senior Residential Care	FY 2022/23	104,410.00	137,900.00
Pacific Square San Gabriel	FY 2023/24	199,872.31	263,982.30

## Sales Tax

The California Dept. of Finance, forecasted an average of 3.5% sales tax increase for the FY2016/17 to the FY2021/22. HdL Companies is projecting that sales tax will increase at rate of 3% for FY 2018/19 and 1.5% for FY 2019/20 which factored in a probable recession.

For Restaurants and Hotels, HDL predict higher sales tax increase 2.5% FY2019/20. Restaurants generate over 1/3 of sales tax collected by the City. In addition the minimum wage increase has brought increases on restaurant menu price, which further increases the sales tax. Lastly, the newly opened hotel and future hotel will also contribute to the increases.

City staff concur with HDL's forecast and project 2% increase for FY2019/20, but, factored in a more conservative rate of increase of 1% for FY2020/21 and 2% for the later years because of the wildly anticipated economic slowdown theory. Finally, in the broadest economic context, the changing consumer shopping methods might have negative impact on sales tax for cities with mega shopping centers, but, it may have little or no negative impact on the City of San Gabriel.

## Transient Occupancy Tax (TOT)

The City has five Hotels and Motels and one under construction at this time. (Hilton; Sheraton; New Century; Budget Inn and Champion Motel) that collect and remit a 12% transient occupancy tax (TOT) to the City. Based on the past historical performance and projection from Keyser Marston Associates done in December 2016, The City estimated increase of \$1.3 million increase in FY 2018-19 because of the full year operation of the Sheraton. Transient Occupancy Tax revenue is expected to increase to \$3.50 million in FY 2019/20; \$3.88 million in FY 2020/21; \$3.96 million in FY 2021/22; \$4.06 million in FY 2022/23 and \$4.16 million in FY 2023/24 at an average increase rate of 2.5%.

## Utility Users Tax

The City levies 8% on utility billings for gas, electric, water, telephone, and wireless services. Revenues in this category are forecasted to increase by the expected growth rate of the average growth rate of previous five years 2.25% to \$5.4 million in FY 2023/24 from \$4.9 million budgeted in FY 2018/19.

## Licenses and Permits

The licenses and permits category includes Business Licenses; Overnight Parking Permits and all other building-related permits and fees. Due to the anticipated existing vacant lots development, and the increasing building of ADU (Accessory Dwelling Units,) the Building Permit revenue in this category is projected in FY2019/20 and FY2020/21 will have an increase of 7% which is the average rate of increase for the past 10 years. In addition, staff added additional amount from some major pending developments. However, the ADU might slowdown and go back to normal. Therefore, staff project negative increase of 2% for the later years. The total for this category will reach to \$4.3 million in FY 2023/24 from \$3.3 million budgeted in FY 2018/19 at an average increase rate of 5.5%.



## Charges for Services

Revenues from charges for services are mainly comprised fee-based payments for services and cost recovery. It includes planning and public works-related fees for work performed on projects and fire services inspection fee charged on commercial businesses and ambulance fees reimbursed from Medicare and insurance companies. Revenues in this category are forecasted to increase by the expected growth rate of the average growth rate of previous five years to \$6.1 million in FY 2023/24 from \$4.2 million budgeted in FY 2018/19 at an average increase rate of 8%.

## Miscellaneous 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 \$388,000 to \$473,000 during FY 2019/20 to FY 2023/24.

## Use of Money and Property

The use of money and property category includes interest and dividend income and rental 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 \$431,000 to \$459,000 during FY 2019/20 to FY 2023/24.

## Fines and Forfeitures

The fines and forfeitures category primarily consists of parking fines and other 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 \$1.1 million in FY 2019/20 to \$1.2 million in FY 2023/24.

## Revenue from Other Agencies

The revenue from other agencies category consists of revenue from other governmental agencies such as mandated cost reimbursements and reimbursements for fire services provided to other agencies from the State of California. Revenue in this category is projected to range from \$628,000 in FY 2019/20 to \$704,000 in FY 2023/24.

## Status Quo Service Level Moderate/Most Likely Expenditure Forecast

As noted above, staff used the FY 2018/19 budget (and the status quo service levels it supports) as the baseline for its forecasts. Staff then applied moderate/most likely, assumption to create the forecast.

### Expenditure History

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

**Table 9: Five-Year General/Retirement Fund Expenditure History, by Type**

General/Retirement Fund Expenditure	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY2018/19 Budget
Salary	14,470,628	15,769,452	16,134,229	17,478,878	17,895,988
Health Insurance	2,757,078	2,637,711	2,895,115	2,566,977	3,359,761
Benefits	323,778	489,418	248,576	258,388	252,119
General Expenses	1,742,096	1,808,435	1,827,553	1,224,925	1,138,289
Professional and Contract Services	2,676,186	2,942,468	3,358,052	2,842,396	2,641,592
Maintenance and Repair	1,271,793	1,400,391	1,500,093	1,629,816	1,668,168
Supplies and Materials	176,330	193,998	189,011	197,281	133,755
Utilities	751,461	760,153	783,853	854,408	832,219
Promotion and Contributions	93,534	215,383	253,607	280,168	211,679
Debt Service/Interest	52,330	123,159	118,612	114,397	122,000
Conferences and Training	295,875	329,695	359,734	358,898	400,625
Debt Service/Principle	108,333	260,000	260,000	260,000	260,000
Insurance	2,858,000	2,858,000	2,724,931	2,748,041	2,748,041
Retirement (Pension)	4,004,822	5,058,626	5,432,727	6,049,528	6,556,235
Retiree Health Insurance	1,341,682	1,723,817	1,908,102	1,224,115	1,518,767
Capital Improvements	4,193,475	6,681,103	1,006,110	1,272,959	2,297,292
Transfer to Playhouse Fund	516,219	696,708	1,141,405	1,041,134	880,647
<b>Total Expenditure</b>	<b>37,633,620</b>	<b>43,948,517</b>	<b>40,141,710</b>	<b>40,402,309</b>	<b>42,917,177</b>

## Forecast of Expenditure by Type

Table 10 below summarizes the major assumptions of the moderate/most likely expenditure scenario. The following tables (Tables 10 and 11) illustrate the five-year expenditure forecast by expenditure type 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 2.9% annual increase based on consumer price index (CPI) forecasted by U.S. Bureau of Labor Statistics.
Retirement (pension) Costs	Employee pension costs are equivalent to those forecasted recently by the City based on the most recent actuarial information from the California Public Employees' Retirement
Health Insurance	Assumes City maintain medical premiums to the same level for the forecast period.
Salary	Assume 2.0% annual increase, 1% from COLA, and 1% from step increases.
Retiree-Health Insurance (OPEB cost)	Based on the forecast of the most recent actuarial information from the City's actuary consultant. In addition, based on the City's CERBT trust funding policy, City is planning to contribute additional amount to amortize Net OPEB Liability over a period of 20 years on a level-dollar basis. 5% - 25% through the forecast years.

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

Expenditures	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Salary	18,253,908	18,618,986	18,991,366	19,371,193	19,758,617
Health Insurance	2,520,000	2,646,000	2,778,300	2,917,215	3,063,076
Benefits	258,422	264,883	271,505	278,292	285,250
General Expenses	1,171,299	1,205,267	1,240,220	1,276,186	1,313,196
Professional and Contract Services	2,766,174	2,704,335	2,810,947	2,964,473	3,307,603
Maintenance and Repair	1,716,545	1,766,325	1,817,548	1,870,257	1,924,494
Supplies and Materials	137,634	141,625	145,732	149,959	154,307
Utilities	856,353	881,188	906,742	933,038	960,096
Promotion and Contributions	217,818	224,134	230,634	237,323	244,205
Debt Service/Interest Expense	110,164	106,088	102,163	98,383	94,743
Conferences and Training	412,243	424,198	436,500	449,158	462,184
Debt Service/Principle	260,000	260,000	260,000	260,000	260,000
Non-Departmental -Insurance	3,671,864	4,115,211	4,628,053	5,221,493	5,908,413
Retirement (Pension)	7,842,407	8,529,186	9,155,469	9,248,665	9,577,678
Retiree Health Insurance	1,626,883	1,892,070	2,094,568	2,326,555	2,563,766
Capital Improvement Projects	100,000	100,000	100,000	100,000	-
Transfer to Playhouse Fund	970,837	987,402	1,001,421	1,000,167	1,004,173
<b>Total Expenditure</b>	<b>42,892,552</b>	<b>44,866,899</b>	<b>46,971,167</b>	<b>48,702,355</b>	<b>50,881,799</b>

## Rate of Inflation

Based on historic trends and forecasts from U.S. DOL, Bureau of Labor Statistics, the LTFP has assumed a general rate of inflation of 2.9% per year for the moderate/most likely economic scenario.

## Salaries

Personnel costs account for the majority of General Fund expenditures. Salaries are forecasted to increase 1% (COLA) at FY19/20 and some step increases for the total of estimated 2.0%. The LTFP assumes that staffing levels will remain status quo, at the level in the adopted FY 2018/19 budget.

## 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).

## Medical and Other Health Insurance

Effective December 1, 2017, the City limited the contribution to medical Insurance at flat rate of \$1,568 per month and no cash out for any remaining amount. In FY 2017/18, the budgeted insurance premium was \$3.3 million, the City actually paid \$2.56 million, a saving of over \$741,000 due to the change. However, over the forecast period, the LTFP anticipate 5% increase annually for the reason of employees' family structure change and insurance premium increases for single party and two parties.

## Retiree Health Insurance (OPEB)

Based on the forecast of the most recent actuarial information from the City's actuary consultant (Nyhart Actuary & Employee Benefits) and the City's CERBT trust funding policy of contribute additional amount to amortize over a period of 20 years on a level-dollar basis. 5% - 25% through the forecast years.

## Workers' Compensation Insurance

The LTFP assumes the Workers' Comp Insurance will increase at rate of 16% based on the average historical trend of last five years.

## Other Miscellaneous Insurance

The LTFP assumes that other miscellaneous insurance such as life insurance, liability insurance and long term disability insurance, increase 1% that is the average rate of the past five years.

## General Expenses

This category includes expenditures for specific department related expenditures. They are expected to range from \$1.2 million in FY 2019/20 to \$1.3 million in FY 2023/24. These expenditures are generally forecasted to increase by the projected rate of inflation.

## Professional and Contract Services

This category includes expenditures for contractual specialized services. The expenditures in this category are expected to range from approximately \$2.7 million in FY 2019/20 to \$3.0 million in FY 2023/24, increase by the projected rate of inflation.

## Conferences and Training

This category includes expenditures for conferences and training, which are expected to range from \$412,243 in FY 2019/20 to \$462,184 in FY 2023/24. These expenditures are forecasted based on the projected rate of inflation.

## Maintenance and Repairs

This category includes expenditures for building and vehicle maintenance and repairs, which are expected to range from \$1.7 million in FY 2019/20 to \$1.9 in FY 2023/24, increase by the projected rate of inflation.

## Utilities

This category includes expenditures for utilities for all City facilities, street lights and traffic signature lights. Utilities are expected to range from \$856,000 in FY 2019/20 to \$960,000 in FY 2023/24, increase by the projected rate of inflation.

## Debt Service (Interest and Principal)

Debt service includes the payment of debt for the Public Works Loan and no Loan for the construction of the Policy Facility is factored in. The Debt Service interest expense and principal payment are expected to be the same for the forecasted period.

## Mission Playhouse Fund Transfer

Mission Playhouse Fund is used to account for revenues generated from facility rentals, and expenditures related to the operation, maintenance and improvements to the Mission Playhouse. Since the revenue is not able to cover all the costs related to the operating, the General Fund and Retirement Fund annually need to subsidize its operation. The Table below shows the past 5 years' revenue and expenditure breakdown and demonstrate future 5 years' forecasting.

Revenue/ Expenditure	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY2018/19 Budget
Revenue	572,882	580,878	629,112	668,060	729,970
Salary	689,422	715,984	851,975	978,943	972,072
Retirement	91,255	112,627	156,485	157,858	216,920
Insurance	-	-	88,206	70,096	70,096
Health Insurance	99,463	73,382	79,106	68,103	114,466
Benefits	9,354	9,439	11,328	13,682	13,755
General Expenses	10,548	12,139	13,837	12,171	24,341
Professional and Contract Services	25,368	21,681	16,539	14,581	19,500
Promotion and contributions	17,296	67,199	91,153	106,248	72,817
Supplies and Materials	3,834	7,746	8,605	10,937	9,850
Maintenance and Repair	49,149	125,795	185,351	172,887	90,605
Utilities	90,807	93,224	95,376	95,994	99,908
Conferences and Training	1,145	6,187	7,669	7,695	4,244
Capital Improvement	1,460	32,183	164,887	-	-
Total Expenditures	1,089,101	1,277,586	1,770,517	1,709,195	1,708,574
General Fund Transfer	424,964	584,081	984,920	883,276	761,684
Retirement Fund Transfer	91,255	112,627	156,485	157,858	118,963
Total Subsidy	516,219	696,708	1,141,405	1,041,134	880,647

Revenue/ Expenditure	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Revenue	766,469	804,792	845,032	887,283	931,647
Salary	991,513	1,011,344	1,031,571	1,052,202	1,073,246
Retirement	210,125	228,527	245,307	247,804	256,619
Insurance	70,797	71,505	72,220	72,942	73,672
Health Insurance	120,189	126,199	132,509	139,134	146,091
Benefits	14,099	14,451	14,813	15,183	15,563
General Expenses	25,047	25,773	26,521	27,290	28,081
Professional and Contract Services	20,066	20,647	21,246	21,862	22,496
Promotion and contributions	74,929	77,102	79,338	81,638	84,006
Supplies and Materials	10,136	10,430	10,732	11,043	11,364
Maintenance and Repair	93,233	95,936	98,718	101,581	104,527
Utilities	102,805	105,787	108,855	112,011	115,260
Conferences and Training	4,367	4,494	4,624	4,758	4,896
Capital Improvement	-	-	-	-	-
Total Expenditures	1,737,306	1,792,194	1,846,452	1,887,450	1,935,820
General Fund Transfer	760,712	758,875	756,114	752,363	747,554
Retirement Fund Transfer	210,125	228,527	245,307	247,804	256,619
Total Transfer	970,837	987,402	1,001,421	1,000,167	1,004,173

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

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

General & Retirement Fund	FY2018/19 Budget	FY2019/20 Forecast	FY2020/21 Forecast	FY2021/22 Forecast	FY2022/23 Forecast	FY2023/24 Forecast
Fund Balance, Beginning	(690,195)	(2,065,361)	(1,697,058)	(1,714,470)	(1,827,390)	(1,691,205)
Revenues	41,542,011	43,260,855	44,849,486	46,858,247	48,838,541	52,073,949
Expenditures	42,917,177	42,892,552	44,866,899	46,971,167	48,702,355	50,881,799
Surplus/(Deficit)	(1,375,166)	368,303	(17,413)	(112,920)	136,185	1,192,150
Fund Balance, Ending	(2,065,361)	(1,697,058)	(1,714,470)	(1,827,390)	(1,691,205)	(499,054)

### Capital Expenditures

The LTFP includes capital expenditures of \$100,000 for each fiscal year except for FY2023/24. This capital expenditure is budgeted for development code and general plan update which were planned to fund by General Fund in the adopted Capital Improvement Program.