City of Bakersfield

Five Year Budget Projections of Revenues and Expenses

Overview

- Councilmember Smith requested revenue and cost budget projections for the next five years
- Cal PERS retirement costs continue to escalate year after year
- Medical costs continue to rise as well
- Staff have gone without Cost of Living adjustments (COLA) for 2-3 years
- Major revenue streams (property & sales taxes) struggle to keep pace with these issues and normal City growth needs.
- Several assumptions need to be made in order to make multi-year projections of both revenues and expenses

Scenario #1 - Assumptions

- Revenues
  - Sales tax – increase by 3% each year
  - Property tax – increase by 5% each year
  - All other revenues – increase by 2% each year
  - Future years assume General Fund will have $15 million of savings each year
    - Revenues exceeding budget estimates / cost savings due to vacant positions, etc.
- Expenses
  - Additional Positions – No new positions for the next 5 years
  - Salary Increases – No Cost of Living increases for the next 5 years
  - PERS Costs – increases based on CalPERS actuarial estimates
  - Medical Costs – increase by 5% per year
  - Workers Compensation Costs – increase by 4% per year
  - All other expenses – increase by 2% per year

Scenario #1 – Results

Revenue / Expense Overview						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total Sources	$ 201,445,000	$ 203,853,000	$ 210,685,000	$ 217,795,000	$ 225,196,000	$ 232,900,000
Total Uses	$ 201,445,000	$ 208,885,000	$ 216,078,000	$ 223,185,000	$ 229,679,000	$ 235,700,000
Net Surplus/(Deficit)	$ 0	$ (5,032,000)	$ (5,393,000)	$ (5,390,000)	$ (4,483,000)	$ (2,800,000)

- Conclusions
  - Next Year's budget gap is estimated at $5 million.
    - Permanent cuts (staffing reduction) in FY 18-19 would reduce gap in year 2 down to about $400,000
    - PERS costs begin to flatten out in years 4 & 5; providing some budget relief.
    - Staff does not believe that "no growth" in staffing and no COLA adjustments over the past 3 years PLUS the next 5 years looking forward is an acceptable set of circumstances.

Scenario #2 - Assumptions

- Revenues – (same as before)
  - Sales tax – increase by 3% each year
  - Property tax – increase by 5% each year
  - All other revenues – increase by 2% each year
  - Future years assume General Fund will have $15 million of savings each year
    - Revenues exceeding budget estimates / cost savings due to vacant positions, etc.
- Expenses
  - Additional Positions – Add 1% staff per year = 13 positions per year
    - A mix of Safety and Miscellaneous staffing
  - Cost of Living Increase (COLA) – 1.5% per year for the next 5 years
  - Other cost assumptions same as prior scenario

Scenario #2 – Results

Revenue / Expense Overview						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total Sources	$ 201,445,000	$ 203,853,000	$ 210,685,000	$ 217,795,000	$ 225,196,000	$ 232,900,000
Total Uses	$ 201,445,000	$ 211,853,000	$ 221,685,000	$ 231,495,000	$ 240,696,000	$ 249,400,000
Net Surplus/(Deficit)	$ 0	$ (8,000,000)	$ (11,000,000)	$ (13,700,000)	$ (15,500,000)	$ (16,500,000)

- Conclusions
  - Next Year's budget gap grows to $8 million.
  - FY 19-20 (year 2) budget gap is an additional $3 million
  - Year 3 gap is an additional $2.7 million
  - Year 4 gap is an additional $1.8 million
  - Year 5 gap is an additional $1.0 million
- Each Year it will be harder and harder to achieve the $15 million fund balance assumption

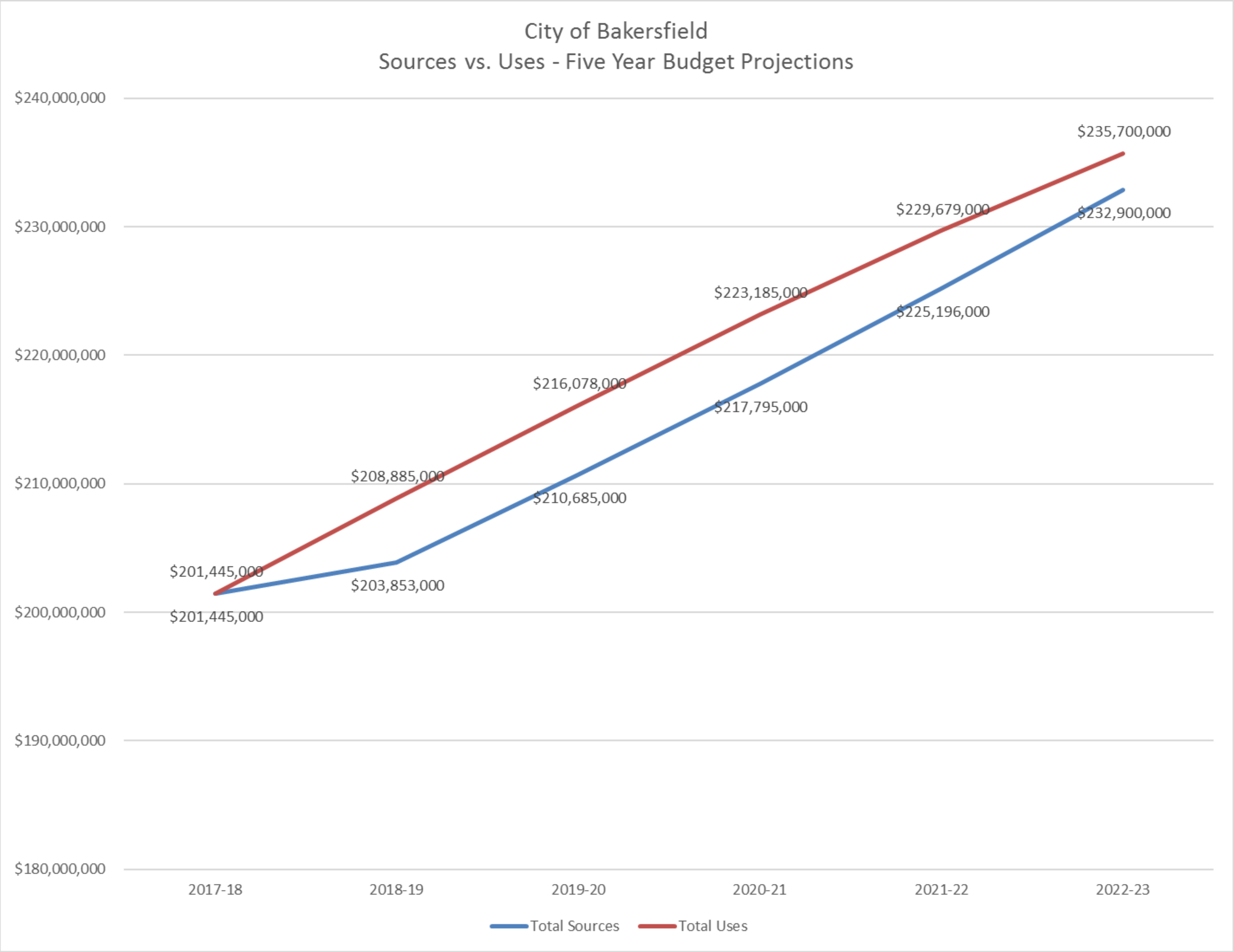
How do we solve the Gap?

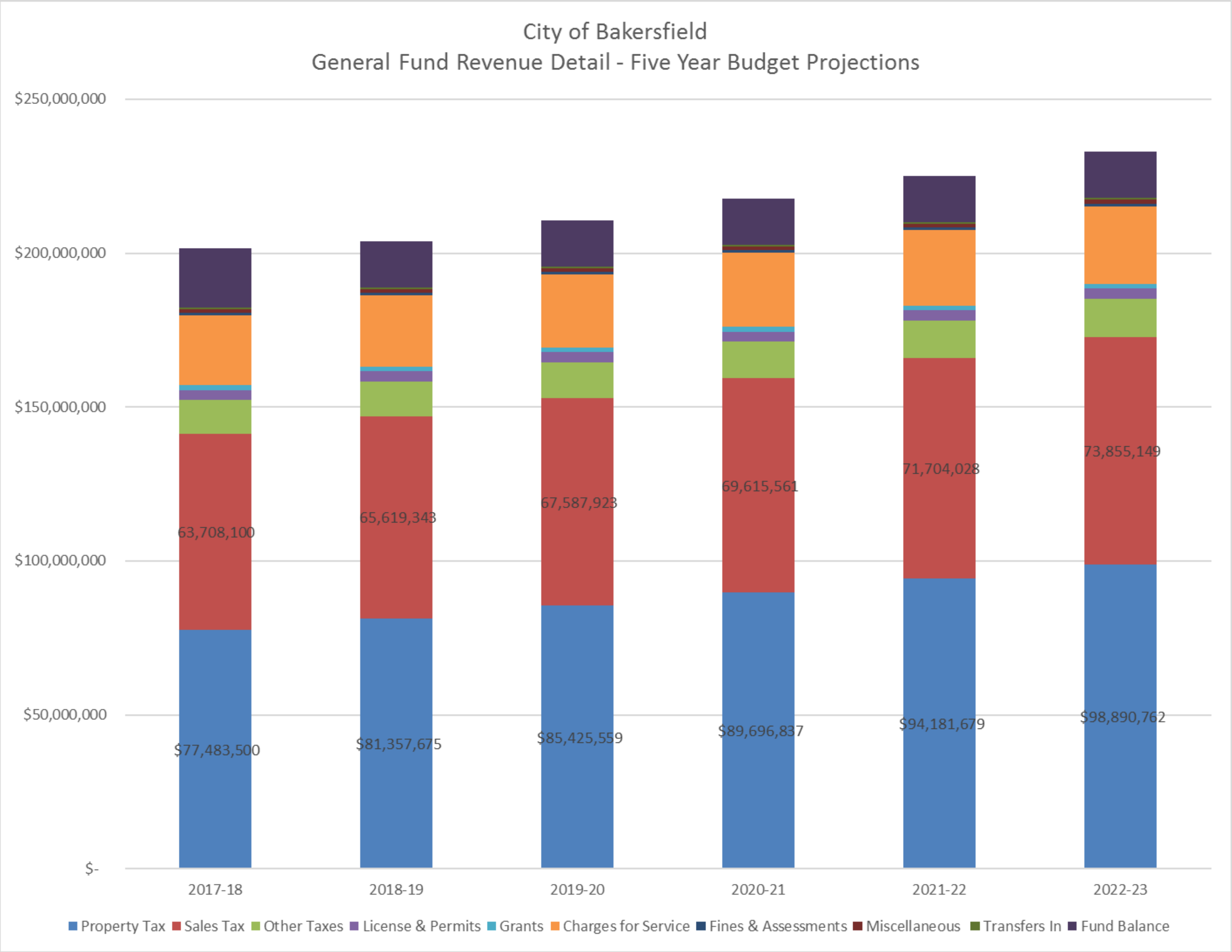
- Either
  - Cut Staffing Levels or
  - Increase General Revenues

Appendix
– Assumptions & Tables

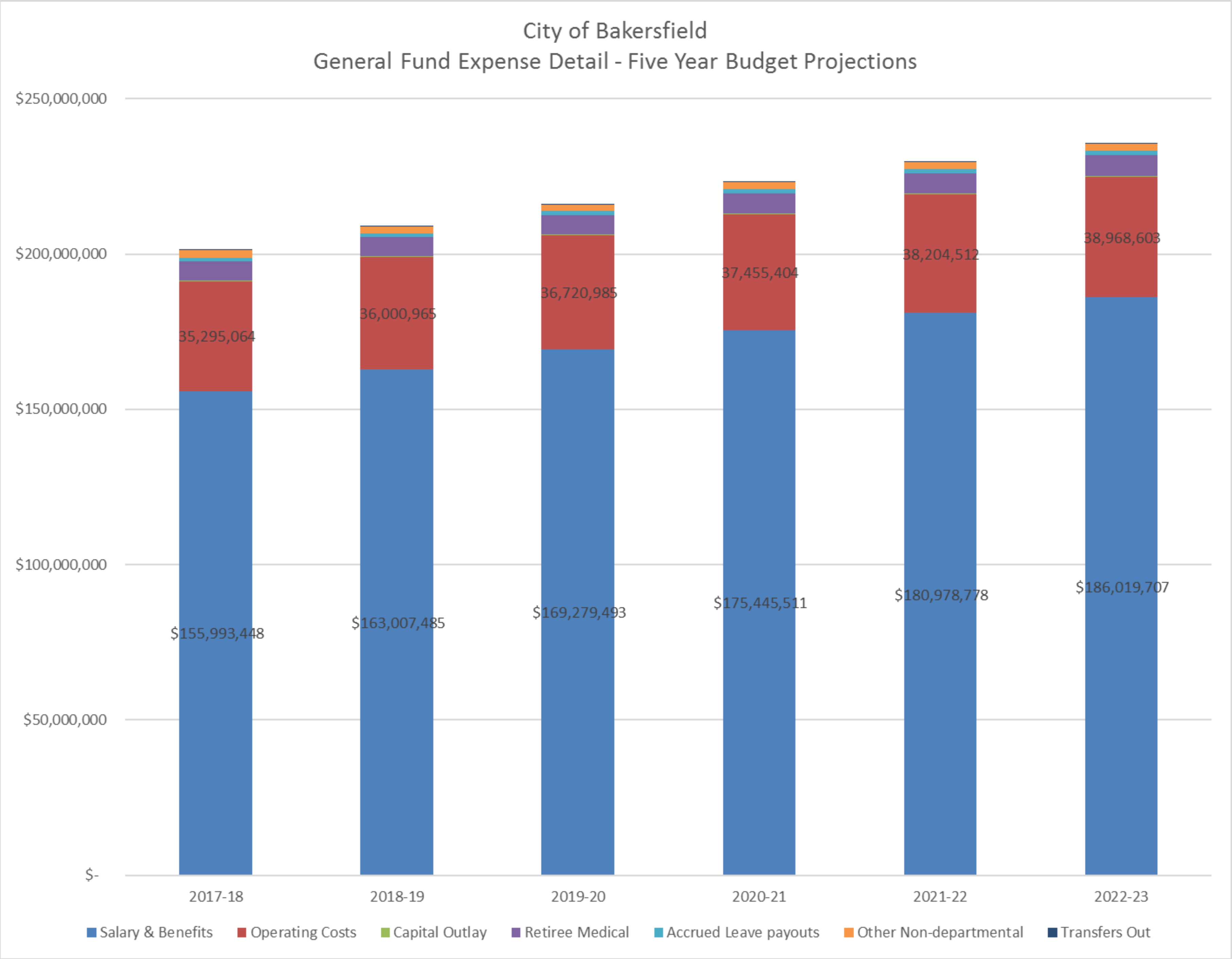
Assumptions – Scenario #1

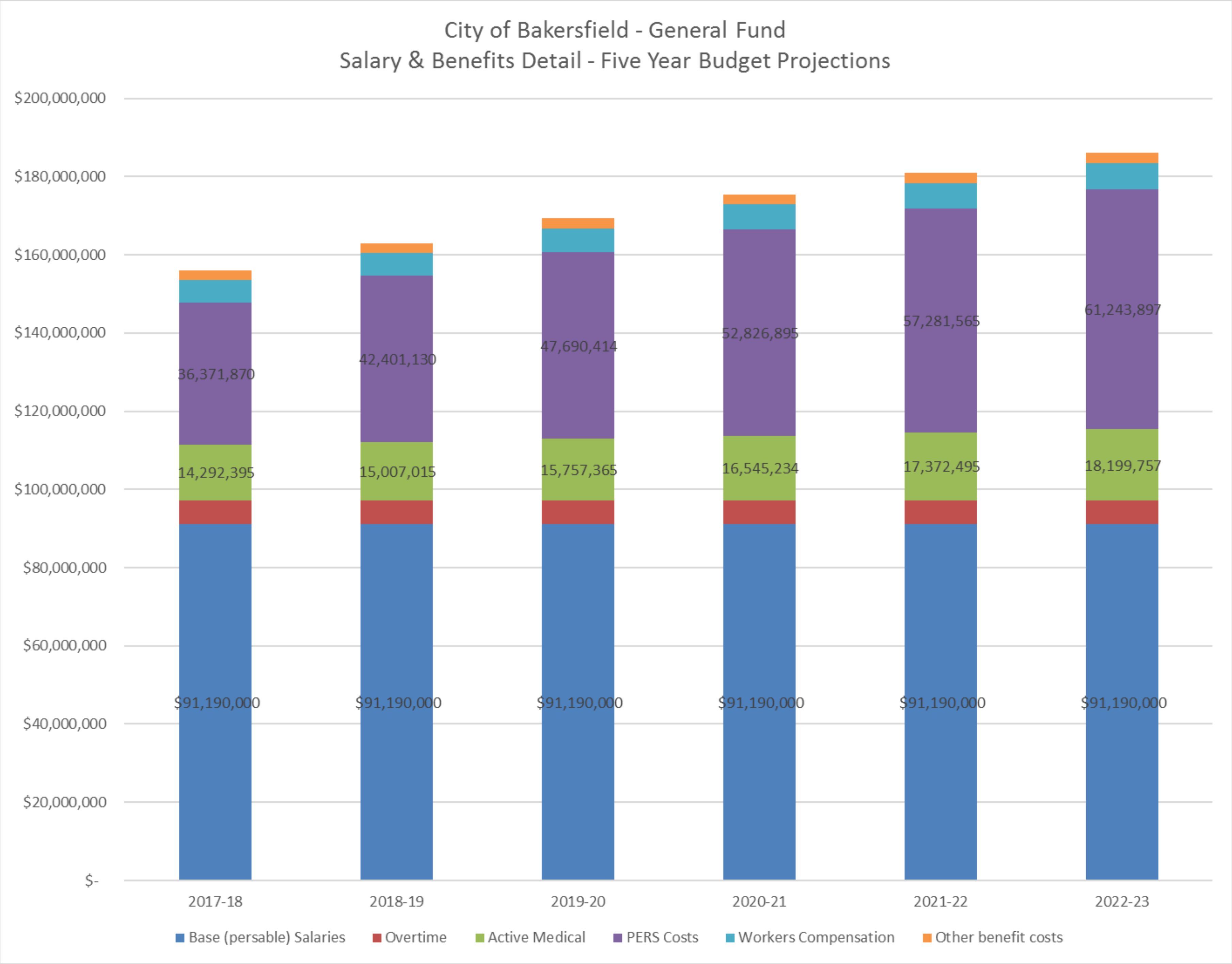
- Revenues
  - Sales tax – increase by 3% each year
  - Property tax – increase by 5% each year
  - All other revenues – increase by 2% each year
  - Future years assume General Fund will have $15 million of savings each year
    - Revenues exceeding budget estimates / cost savings due to vacant positions, etc.
- Expenses
  - Additional Positions – No new positions for the next 5 years
  - Salary Increases – No Cost of Living increases for the next 5 years
  - PERS Costs – increases based on CalPERS actuarial estimates
  - Medical Costs – increase by 5% per year
  - Workers Compensation Costs – increase by 4% per year
  - All other expenses – increase by 2% per year


City of Bakersfield
Sources vs. Uses - Five Year Budget Projections
$240,000,000
$230,000,000
$220,000,000
$210,000,000
$200,000,000
$190,000,000
$180,000,000
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
$201,445,000
$201,445,000
$208,885,000
$203,853,000
$216,078,000
$210,685,000
$223,185,000
$217,795,000
$229,679,000
$225,196,000
$235,700,000
$232,900,000
Total Sources
Total Uses



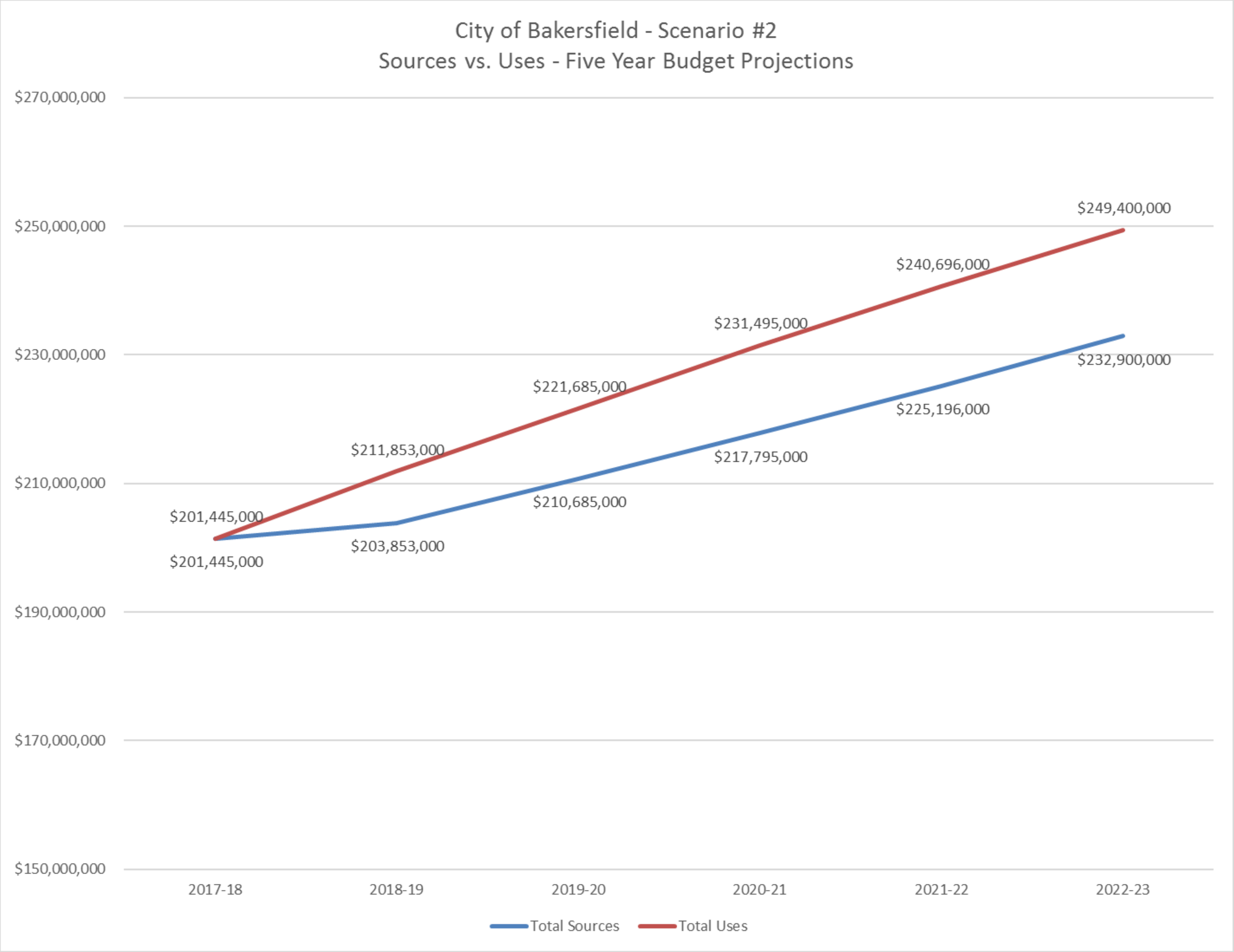
City of Bakersfield
General Fund Revenue Detail - Five Year Budget Projections
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
63,708,100
65,619,343
67,587,923
69,615,561
71,704,028
73,855,149
$77,483,500
$81,357,675
$85,425,559
$89,696,837
$94,181,679
$98,890,762
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
Property Tax
Sales Tax
Other Taxes
License & Permits
Grants
Charges for Service
Fines & Assessments
Miscellaneous
Transfers In
Fund Balance


City of Bakersfield
General Fund Expense Detail - Five Year Budget Projections
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
35,295,064
36,000,965
36,720,985
37,455,404
38,204,512
38,968,603
$155,993,448
$163,007,485
$169,279,493
$175,445,511
$180,978,778
$186,019,707
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
Salary & Benefits
Operating Costs
Capital Outlay
Retiree Medical
Accrued Leave payouts
Other Non-departmental
Transfers Out


City of Bakersfield - General Fund
Salary & Benefits Detail - Five Year Budget Projections
$200,000,000
$180,000,000
$160,000,000
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$-
36,371,870
42,401,130
47,690,414
52,826,895
57,281,565
61,243,897
14,292,395
15,007,015
15,757,365
16,545,234
17,372,495
18,199,757
$91,190,000
$91,190,000
$91,190,000
$91,190,000
$91,190,000
$91,190,000
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
Base (persable) Salaries
Overtime
Active Medical
PERS Costs
Workers Compensation
Other benefit costs

Assumptions – Scenario #2

- Revenues (same as before)
    - Sales tax – increase by 3% each year
    - Property tax – increase by 5% each year
    - All other revenues – increase by 2% each year
    - Future years assume General Fund will have $15 million of savings each year
        - Revenues exceeding budget estimates / cost savings due to vacant positions, etc.
    - Expenses
    - Additional Positions – Add 1% staff per year = 13 positions
    - 4 police; 2 fire; 7 misc.
    - Cost of Living Increase (COLA) – 1.5% per year for the next 5 years
    - Other cost assumptions same as prior scenario


City of Bakersfield - Scenario #2
Sources vs. Uses - Five Year Budget Projections
$270,000,000
$250,000,000
$230,000,000
$210,000,000
$190,000,000
$170,000,000
$150,000,000
$249,400,000
$240,696,000
$231,495,000
$232,900,000
$221,685,000
$225,196,000
$211,853,000
$217,795,000
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$201,445,000
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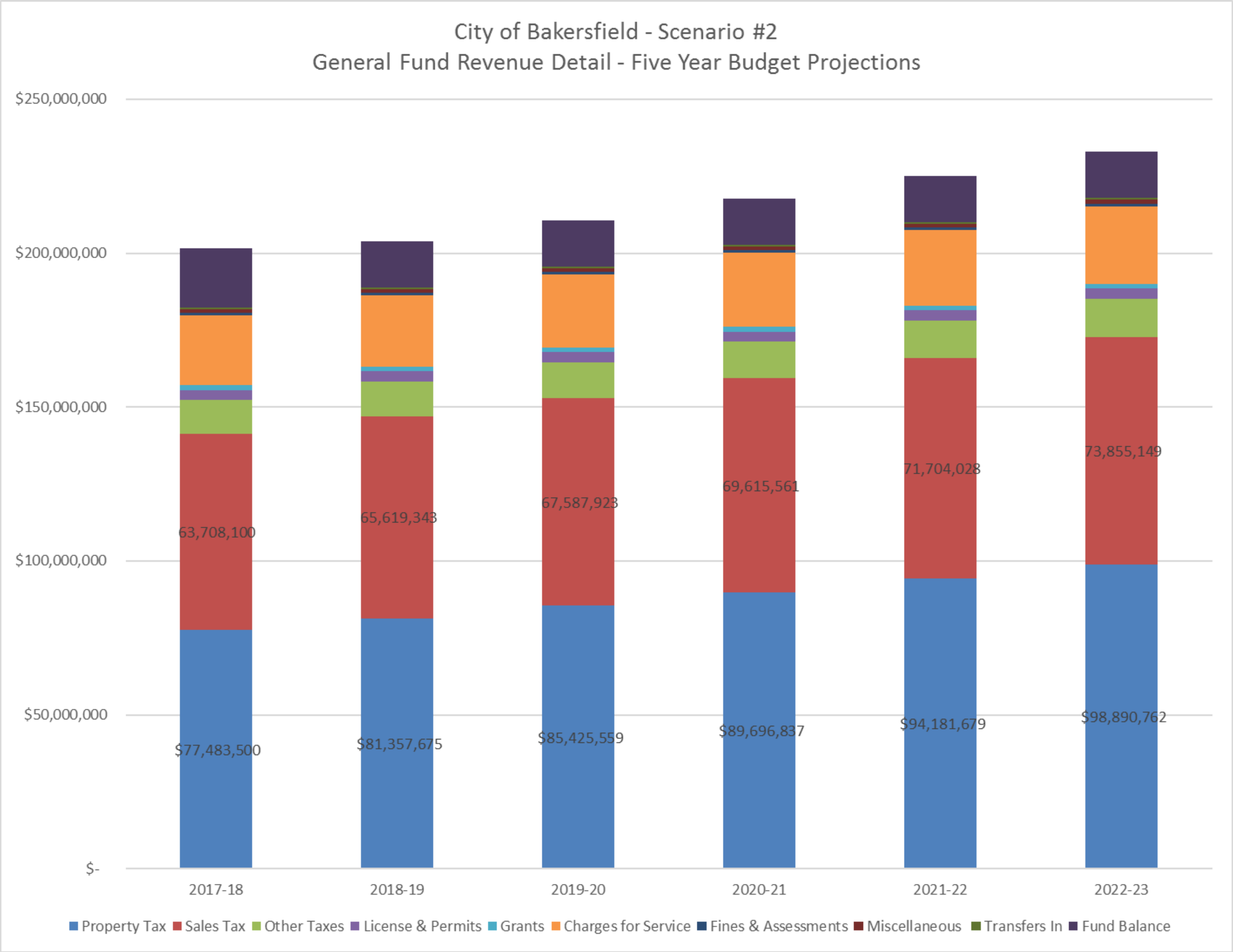
2021-22
2022-23
Total Sources
Total Uses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$81,357,675
$85,425,559
$89,696,837
$94,181,679
$98,890,762
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Sales Tax
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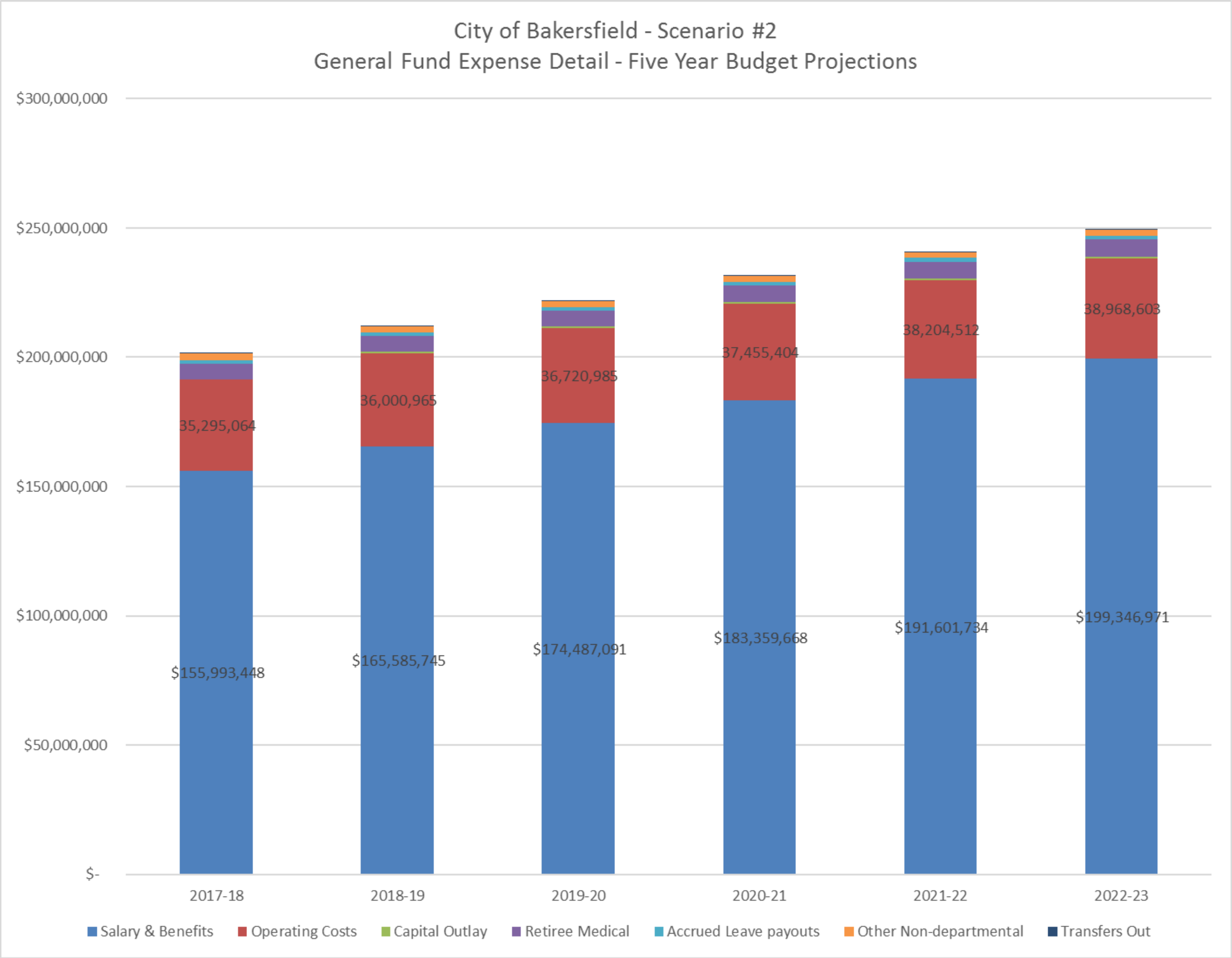
City of Bakersfield - Scenario #2
General Fund Expense Detail - Five Year Budget Projections
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$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
35,295,064
36,000,965
36,720,985
37,455,404
38,204,512
38,968,603
$155,993,448
$165,585,745
$174,487,091
$183,359,668
$191,601,734
$199,346,971
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2018-19
2019-20
2020-21
2021-22
2022-23
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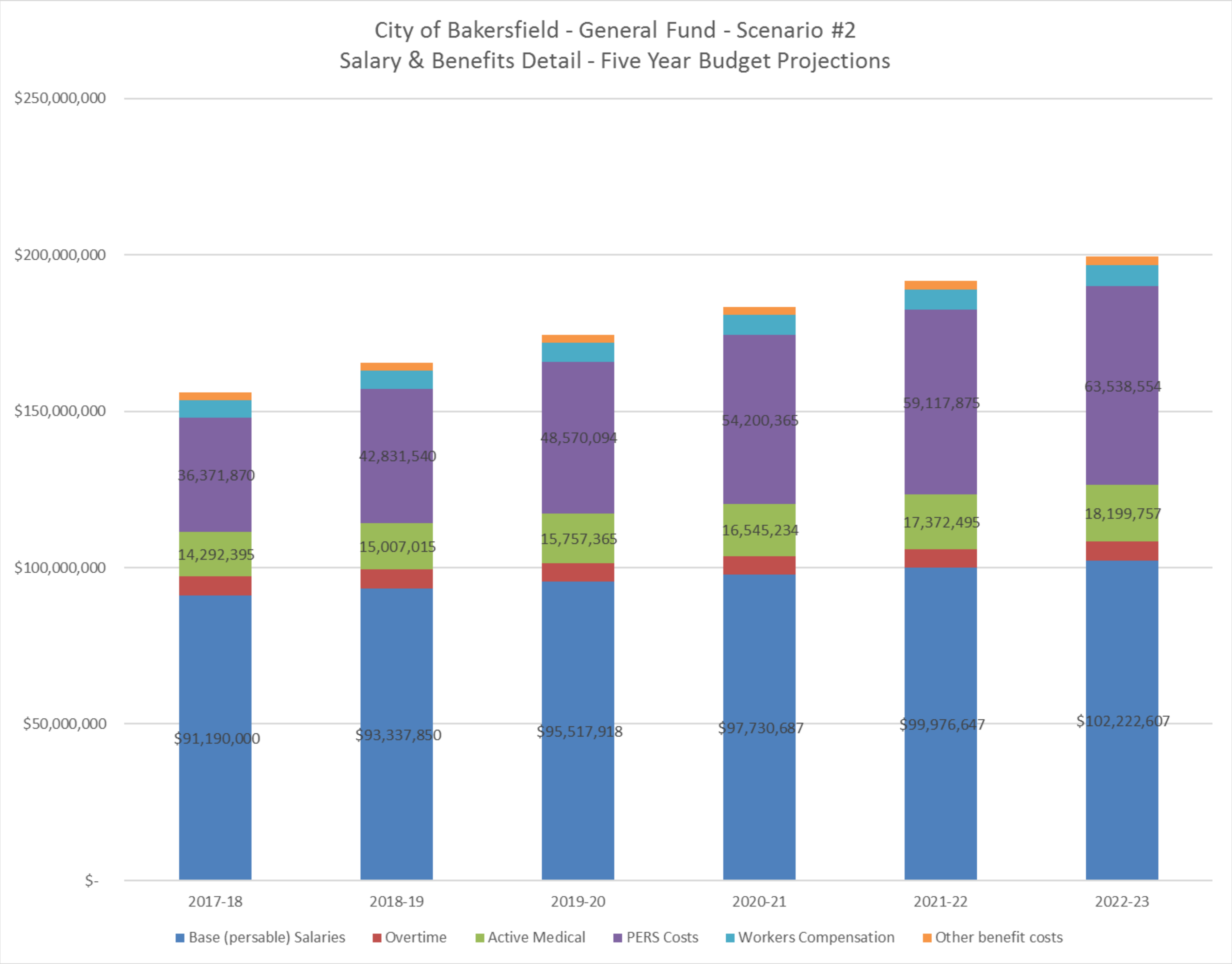
City of Bakersfield - General Fund - Scenario #2
Salary & Benefits Detail - Five Year Budget Projections
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
$91,190,000
$93,337,850
$95,517,918
$97,730,687
$99,976,647
$102,222,607
14,292,395
15,007,015
15,757,365
16,545,234
17,372,495
18,199,757
36,371,870
42,831,540
48,570,094
54,200,365
59,117,875
63,538,554
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Overtime
Active Medical
PERS Costs
Workers Compensation
Other benefit costs