



# EUREKA

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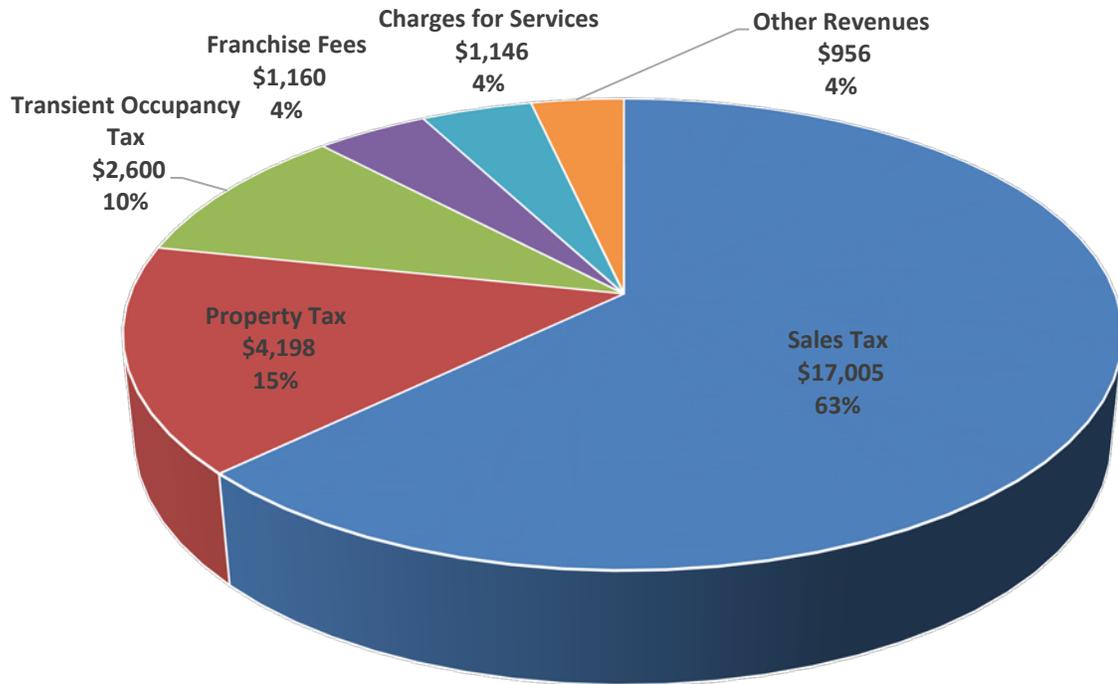
## FIVE YEAR FINANCIAL FORECAST

FY 2016-17 | FY 2020-21

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## General Fund Revenue

The General Fund revenue forecast represents a four-year outlook beyond current fiscal year budget. It focuses on the City's main revenue streams: Sales tax, property tax, transient occupancy tax as well as the other major categories. Over the next four years, the compounded annual growth rate in revenue is estimated to be 2.33%. The following chart depicts the 2016-17 projected revenue budget of \$26.87 million in generalized categories (Thousands):



### General Fund Revenue Growth Forecast:

Source	Forecast			
	2017-18	2018-19	2019-20	2020-21
Sales Tax	3.00%	2.50%	2.50%	2.50%
Property Tax	2.00%	2.00%	1.50%	1.50%
Transient Occupancy Tax	3.00%	3.00%	2.50%	2.50%
Franchise Fees	1.00%	1.00%	1.00%	1.00%
Charges for Services	0.75%	1.50%	2.75%	3.00%
Other Revenues	0.36%	0.36%	0.36%	0.36%
<b>Total Growth</b>	<b>2.57%</b>	<b>2.29%</b>	<b>2.22%</b>	<b>2.24%</b>

## Sales Tax

The City of Eureka's largest revenue source are the sales and use taxes collected within the city limits. The current rate of 8.75% is distributed among the State, County and City. Eureka collects 1% of the 7.5% statewide rate as well as two transaction and use taxes. These include Measure D, a 0.25% tax, approved in November of 2008 and Measure Q, a 0.50% tax, approved in November of 2014 with a 5-year sunset. For FY2016-17, we are projecting sales tax revenue to be approximately \$17 million; representing approximately 63% of the General Fund's total revenue.

### *Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Sales Tax	\$ 17,515	\$ 17,953	\$ 18,402	\$ 18,862
Growth Rate	3.00%	2.50%	2.50%	2.50%

## Property Tax

After sales tax, the General Fund's second biggest source of revenue is Property Tax. The City collects 0.091% of the total assessed value of all taxable property located within Eureka city limits. For FY2016-17, this revenue source is anticipated to be \$2.02 million or roughly 8% of total revenue.

### *In-Lieu VLF*

Included in this projection is the City's revenue associated with the Vehicle License Fee (VLF) for Property Tax Swap of 2004. The growth of "in-lieu VLF" correlates with changes in the assessed valuation of Eureka's taxable property. For FY2016-17, Property Tax in Lieu of VLF is budgeted at \$2.18 million; about 8% of total revenue.

### *Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Property Tax	\$ 4,282	\$ 4,368	\$ 4,434	\$ 4,500
Growth Rate	2.00%	2.00%	1.50%	1.50%

### Transient Occupancy Tax (TOT)

As stated in the City of Eureka’s Municipal Code, “ For the privilege of occupancy in any hotel, each transient shall be subject to and shall pay a tax in the amount of 10% of the rent charged by the operator on or after January 1, 2009.” All lodging businesses, including campgrounds, within the city limits remit quarterly TOT tax returns to the Finance Department. For FY2016-17 the total budget for this revenue source is anticipated to be \$2.4 million or approximately 9% of the General Fund revenues.

*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
TOT	\$ 2,678	\$ 2,758	\$ 2,827	\$ 2,898
Growth Rate	3.00%	3.00%	2.50%	2.50%

### Franchise Fees

The City of Eureka collects revenue from three separate franchise agreements related to gas & electric utilities, cable & TV, as well as the solid waste industry. Pacific Gas & Electric remits 0.5% of gross receipts for electric and 1% of gross receipts for gas. Suddenlink remits 5% of total revenue in accordance with the Cable Television Franchise Agreement. Humboldt Recology remits 9% of gross receipts for solid waste. For FY2016-17, the total franchise fee revenue is projected to be \$1.16 million or 4.37% of General Fund revenues.

*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Fanchise Fees	\$ 1,172	\$ 1,183	\$ 1,195	\$ 1,207
Growth Rate	1.00%	1.00%	1.00%	1.00%

## Charges for Services

Every fiscal year the City of Eureka adopts a new "Schedule of Fees and Charges" which authorizes departments to charge the public for a variety of services. These services are cost neutral and the revenue generated by these activities fund the product/service being provided. Engineering reviews, special police services, Adorni memberships and Development Service's design reviews are examples of "Charges for Services". For FY2016-17, the budget is \$1.15 million or 4.27% of the General Fund revenues.

*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Charges for Services	\$ 1,155	\$ 1,172	\$ 1,204	\$ 1,240
Growth Rate	0.75%	1.50%	2.75%	3.00%

## Other Revenues

Included in this section are revenues associated with Licenses, Permits & Other Taxes, Intergovernmental Revenue and Fines, Forfeits & Miscellaneous line items. On average, these line items generate \$25,000 or less in revenue aside from business licenses taxes (\$225,000) and court fines (\$170,000). For FY2016-17, the total revenue for the three general categories is budgeted to be \$956,056 or 3.56% of General Fund Revenues.

### ***Licenses, Permits & Other Taxes***

Examples of Licenses, Permits & Other Taxes are business license tax and review fees, animal licenses and encroachment permits. For FY2016-17, revenue is projected to be \$0.40 million or less than 1.47% of General Fund revenues.

*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
License, Permits & Other Taxes	\$ 395	\$ 395	\$ 395	\$ 395
Growth Rate	0.00%	0.00%	0.00%	0.00%

## Other Revenues (Continued)

### Intergovernmental Revenue

Intergovernmental Revenue includes reimbursement from other government agencies. For FY2016-17, revenue is projected to be \$0.22 million or less than 1% of General Fund revenues.

*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Intergovernmental Revenue	\$ 220	\$ 220	\$ 220	\$ 220
Growth Rate	0.00%	0.00%	0.00%	0.00%

### Fines, Forfeits & Miscellaneous

Fines, Forfeits & Miscellaneous includes criminal and court fines, sales of equipment and compensation for property damage. FY2016-17, revenue is projected to be \$0.34 million or 1.27% of General Fund revenues.

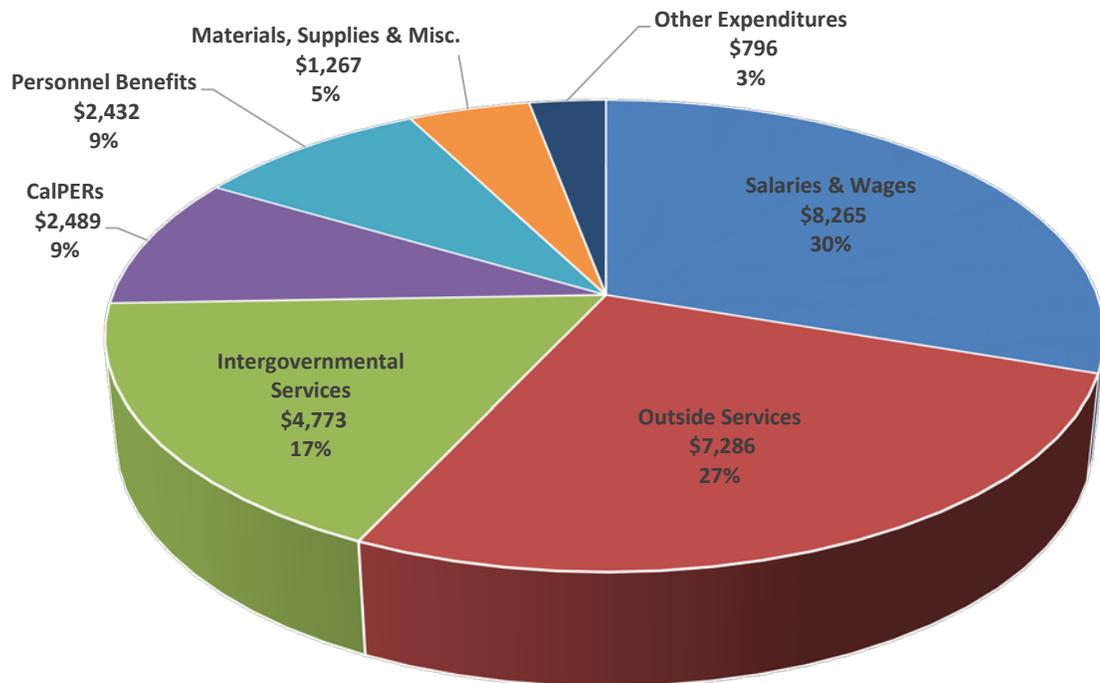
*Projection:*

Source (Thousands)	2017-18	2018-19	2019-20	2020-21
Fines, Forfeits & Misc.	\$ 344	\$ 347	\$ 351	\$ 354
Growth Rate	1.00%	1.00%	1.00%	1.00%



## General Fund Expenditures

The General Fund expenditure forecast represents a four-year outlook beyond current fiscal year budget. It focuses on the City's main expenses: Salaries and wages, Outside Services, Intergovernmental Services, employee benefits as well as the other major categories. Over the next four years, the compounded average annual increase in expenditures is estimated to be 2.36%. The following chart depicts the FY2016-17 projected expenditure budget of \$27.31 million in generalized categories (Thousands):



### General Fund Expenditure Growth Forecast:

Use	Forecast			
	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	0.78%	1.70%	2.87%	3.12%
Outside Services	0.96%	1.65%	2.54%	2.73%
Intergovernmental Services	0.78%	1.70%	2.87%	3.12%
CalPERS	7.31%	8.90%	9.30%	4.95%
Personnel Benefits	5.23%	5.46%	5.96%	6.15%
Materials, Supplies & Misc.	1.50%	1.50%	1.50%	1.50%
Other Expenditures	-30.55%	-31.13%	0.00%	-44.55%
<b>Total Growth</b>	<b>0.94%</b>	<b>2.07%</b>	<b>3.64%</b>	<b>2.82%</b>

## Salaries & Wages

The City of Eureka's biggest expense each year are salaries and wages. This category is not only the salaries of the City's 223 full time employees, but also includes temporary positions and overtime. For FY2016-17, the total budget for Salaries and Wages is \$8.26 million or approximately 30% of General Fund expenditures.

*Projection:*

<b>Use (Thousands)</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Salaries & Wages	\$ 8,329	\$ 8,471	\$ 8,715	\$ 8,986
Growth Rate	0.78%	1.70%	2.87%	3.12%

## Outside Services

Outside services represent expenses such as consultants, travel and training, public noticing and utility charges. Also included in this category is the City's contribution to the Humboldt Bay Fire JPA for fire protection services. For FY2016-17, the amount remitted to the Humboldt Bay Fire JPA will equal \$5.52 million or approximately 20% of General Fund expenditures. The remaining budget for Outside services, \$1.76 million, represents 6.47% of General Fund expenditures.

*Projection:*

<b>Use (Thousands)</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Outside Services	\$ 7,355	\$ 7,477	\$ 7,667	\$ 7,876
Growth Rate	0.96%	1.65%	2.54%	2.73%

## Intergovernmental Services

Intergovernmental services represent the cost of general government services and various non-departmental items such as administration, general government, equipment operations and Insurance. A cost allocation process is utilized to reimburse the internal service funds based on a cost driver such as budget size, number of employees or total vehicles. For FY2016-17, the total budget for Intergovernmental services is \$4.77 million or 17.51% of General Fund expenditures.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Intergovernmental Services	\$ 4,813	\$ 4,900	\$ 5,048	\$ 5,214
Growth Rate	0.83%	1.80%	3.03%	3.28%

## CalPERS

The City of Eureka is a member of the California Public Employees' Retirement System administering three separate plans for employees. Every year, CalPERS calculates a Normal Cost Rate for each plan which is shared by the City and employees. The Normal Cost is the annual cost associated with one year of service accrual. For FY2016-17, the total CalPERS budget as a percentage of payroll is \$1.46 million or 5.38% of total General Fund expenditure.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
CalPERS Normal Cost	\$ 1,512	\$ 1,607	\$ 1,726	\$ 1,806
Growth Rate	3.12%	6.23%	7.44%	4.64%

## Unfunded Accrued Liability (UAL)

In addition to the Normal Cost Rate, the City pays a monthly dollar amount for the amortization of Unfunded Accrued Liability (UAL). The UAL is the difference between the actuarial values of assets and the actuarial accrued liabilities. For FY2016-17, The CalPERS UAL payment is \$1.02 million or 3.75% of the total General Fund expenditures.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
CalPERS UAL	\$ 1,159	\$ 1,302	\$ 1,453	\$ 1,530
Growth Rate	13.33%	12.39%	11.60%	5.31%

## Personnel Benefits

### Health Insurance

For FY2016-17, the total budget for Health Insurance is \$1.45 million or 5.33% of General Fund expenditures.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Health Insurance	\$ 1,568	\$ 1,694	\$ 1,829	\$ 1,976
Growth Rate	8.00%	8.00%	8.00%	8.00%

### Other Personnel Benefits

Workers' compensation insurance, Medicare and insurance for dental/vision are the largest benefit expenses after health insurance. The total budget for Personnel Expenses is just under \$1.0 million or 3.59% of General Fund expenditures

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Other Employee Benefits	\$ 991	\$ 1,005	\$ 1,031	\$ 1,060
Growth Rate	1.13%	1.45%	2.53%	2.85%

## Materials, Supplies & Miscellaneous Expenses

Every department within the General Fund contains line-items associated with materials & supplies to assist in everyday operations. The majority of miscellaneous expenses is the funding the City provides to outside agencies such as the Visitors and Convention Bureau, the Greater Eureka Chamber of Commerce and Eureka Main Street. For FY2016-17, the budget for the two categories is approximately \$1.27 million or 4.50% of General Fund expenditures.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Materials, Supplies & Misc.	\$ 1,286	\$ 1,305	\$ 1,324	\$ 1,344
Growth Rate	1.50%	1.50%	1.50%	1.50%

## Other Expenditures

### Projects & Capital Outlay

The City of Eureka's General Plan Update is currently the largest project being financed from General Fund sources. After its completion, project expenditures should decrease significantly. The majority of departments contain line-items in their budgets that pertain to capital outlay. These purchases include equipment, furniture, and computer hardware/software.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Projects & Capital Outlay	\$ 423	\$ 251	\$ 251	\$ 211
Growth Rate	-36.49%	-40.66%	0.00%	-15.94%

### Debt Service

In 2012, the City used debt financing to help pay for a new fire apparatus and roof for City Hall. The lease has a seven year term and \$129,542 is to be paid annually until February of 2020. For FY2016-17, this represents less than 1% of General Fund expenditures.

*Projection:*

Use (Thousands)	2017-18	2018-19	2019-20	2020-21
Debt Service	\$ 130	\$ 130	\$ 130	\$ -
Growth Rate	0.00%	0.00%	0.00%	-100.00%



## Summary

A forecast of General Fund revenues and expenditure over a five-year period will help the City meet financial challenges by developing long-term strategies. The product of this analysis predicts budget shortfalls beginning in FY2019-20.

General Fund (Thousands)	Budget	Forecast	Forecast	Forecast	Forecast
	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Revenues:</b>					
Sales Tax	\$ 17,005	\$ 17,515	\$ 17,953	\$ 18,402	\$ 18,862
Property Tax	4,198	4,282	4,368	4,434	4,500
Transient Occupancy Tax	2,600	2,678	2,758	2,827	2,898
Franchise Fees	1,160	1,172	1,183	1,195	1,207
Charges for Services	1,146	1,155	1,172	1,204	1,240
Other Revenues	956	960	963	966	970
<b>Subtotal</b>	<b>\$ 27,065</b>	<b>\$ 27,761</b>	<b>\$ 28,397</b>	<b>\$ 29,028</b>	<b>\$ 29,677</b>
<b>Expenditures:</b>					
Salaries & Wages	\$ 8,265	\$ 8,329	\$ 8,471	\$ 8,715	\$ 8,986
Outside Services	7,286	7,355	7,477	7,667	7,876
Intergovernmental Services	4,773	4,811	4,893	5,033	5,190
CalPERS	2,489	2,671	2,909	3,179	3,337
Personnel Benefits	2,432	2,559	2,699	2,860	3,036
Materials, Supplies & Misc.	1,267	1,286	1,305	1,324	1,344
Other Expenditures	796	553	381	381	211
<b>Subtotal</b>	<b>\$ 27,307</b>	<b>\$ 27,564</b>	<b>\$ 28,135</b>	<b>\$ 29,159</b>	<b>\$ 29,980</b>
<b>Total Revenue Over (Under) Expenditures</b>	<b>\$ (242)</b>	<b>\$ 197</b>	<b>\$ 263</b>	<b>\$ (131)</b>	<b>\$ (303)</b>

### Projected General Fund Reserves:

General Fund (Thousands)	Budget	Forecast	Forecast	Forecast	Forecast
	2016-17	2017-18	2018-19	2019-20	2020-21
General Fund Reserves	\$ 1,682	\$ 1,879	\$ 2,142	\$ 2,011	\$ 1,708
% of Total Expenditures	6.16%	6.82%	7.61%	6.90%	5.70%