

# General Fund Financial Forecast Update for Fiscal Year 2024-2025

City of Sutter Creek  
City Council Meeting  
April 7, 2025

# General Fund Financial Forecast Update

## Discussion Outline

- ▶ Purpose of Financial Forecast
- ▶ Updated Information from Last Year's Forecast
- ▶ Financial Forecast: FY23 - FY30
- ▶ CalPERS Normal & UAAL Future Costs
- ▶ Next Steps

# General Fund Financial Forecast Update

## Why a Baseline Financial Forecast?

Develop a better understanding of “baseline” General Fund funding requirements to provide a defined level of ongoing services by recognizing impacts of:

- ▶ Annual revenue and expenditure changes over a multi-year horizon based upon a given set of assumptions **without** capital and enterprise funds (streets, wastewater)
- ▶ Significant cost drivers demanding an increasing share of discretionary revenues:  
*Employment Costs (Wages / CalPERS / Benefits); County Services Costs; Insurances*
- ▶ Impacts of known one-time revenues / expenditures on given set of assumptions

# General Fund Financial Forecast Update

## Development of Baseline Financial Forecast

Development of Baseline Financial Forecast based on:

- ▶ FY 2024-25 budget and fiscal activity adjusted for:
  - ▶ True-up of FY 2024-25 budget for certain revenues and expenditures (*Pre-Mid-Year*)
  - ▶ Adjusted staffing levels based on actual activity in FY 2024-25 Budget
- ▶ Future Years
  - ▶ Removal of one-time revenues and expenditures where necessary in future years
  - ▶ Conservative assumptions for future fiscal activity is based on historic trends and economic outlook for all years in model

# General Fund Financial Forecast Update

## Development of Baseline Financial Forecast

### Key Assumptions:

#### ▶ Revenue

- ▶ Annual growth in property tax @ 3%
- ▶ Transactions Tax (TUT) - small portion of total 1% included in this forecast for safety funding, according to original TUT usage guidance
- ▶ Growth in Transient Occupancy Tax - 2%
- ▶ Annual growth in sales tax @ 2%

#### ▶ Expenses

- ▶ Assume 2% Salary Increase for all bargaining units
- ▶ Benefit costs - assume 10% increase to City's paid portion of employees' benefits
- ▶ Liability, Property, and Worker's Compensation Insurance - 15% annually
- ▶ County Services - 10% annually
- ▶ 10% CalPERS costs increase annually according to recent actuarial cost estimates

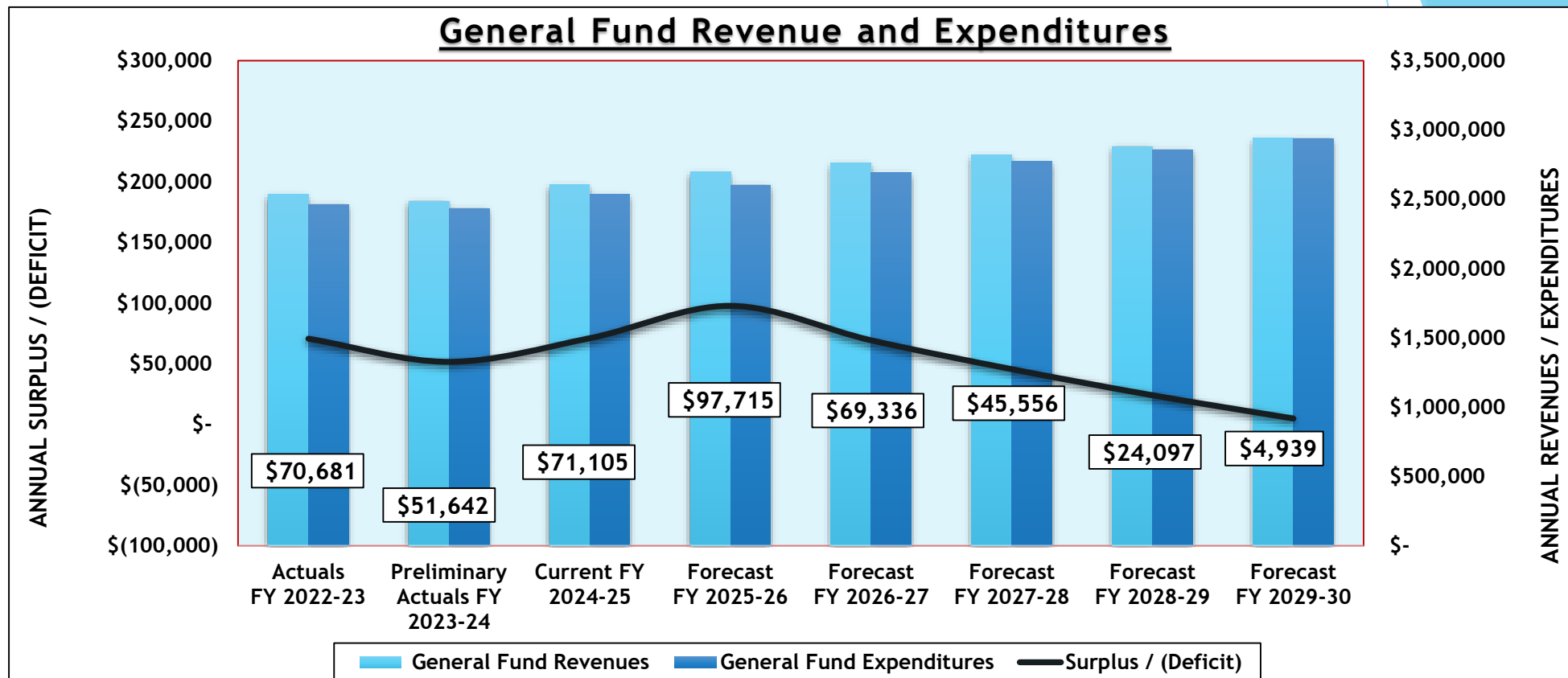
# General Fund Financial Forecast Update

## Assumptions (cont.)

- ▶ Baseline scenario is slow revenue growth, slightly higher expense growth
- ▶ Macroeconomic environment is uncertain
  - ▶ Inflationary pressure persists
  - ▶ Markets don't like chaotic environment
  - ▶ Trade wars and tariffs, federal cuts, actual wars leading to uncertain monetary policy
- ▶ Recession is possible
  - ▶ Many economists think we are due
  - ▶ Generally, see a recession in US every 6.5 years
  - ▶ Short , sharp recession due to Covid Feb 2020 - April 2020
  - ▶ Prior “great recession” ended in 2009
- ▶ We must be prepared to slow expenses if revenues do not materialize

# General Fund Financial Forecast Update

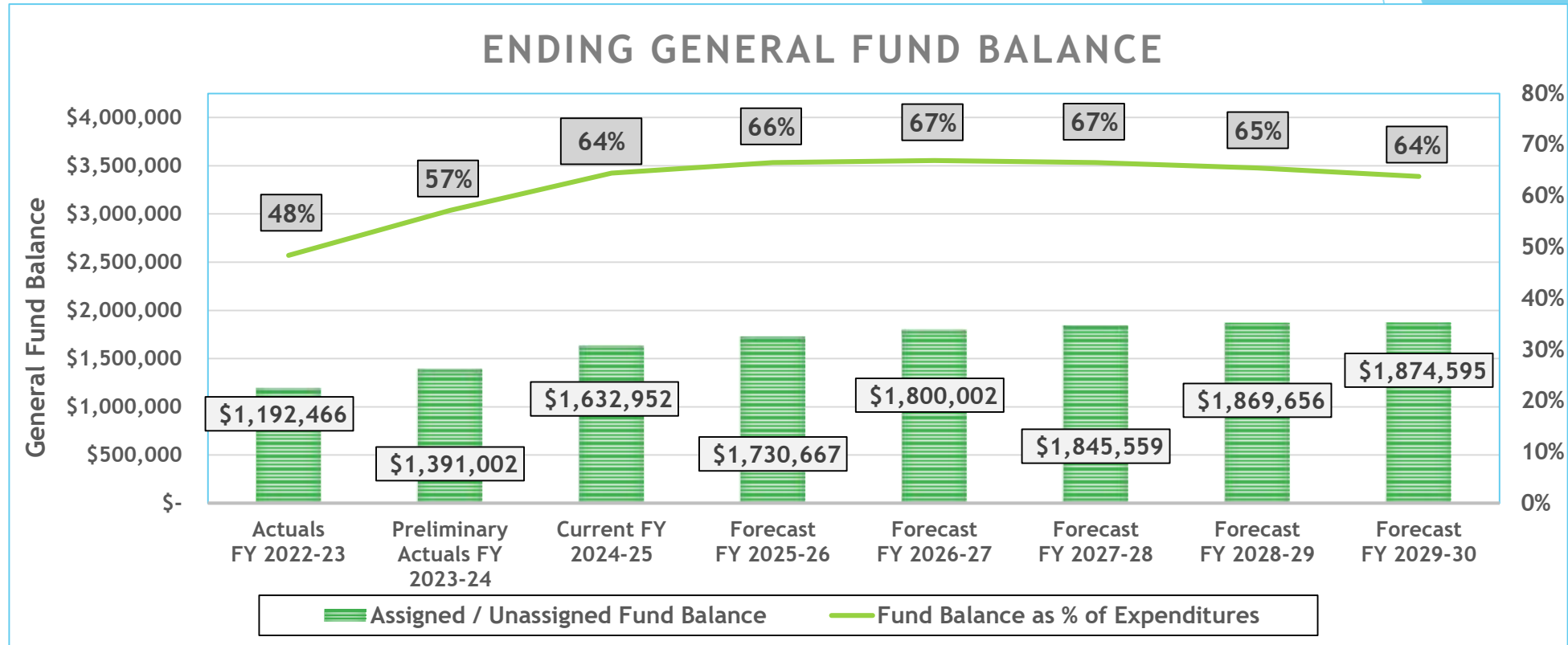
## Baseline Financial Forecast



- Budget is balanced but tight, and sensitive to changes in assumptions
- Assume no staffing changes
- Any unexpected expense will come out of reserves

# General Fund Financial Forecast Update

## Baseline Financial Forecast

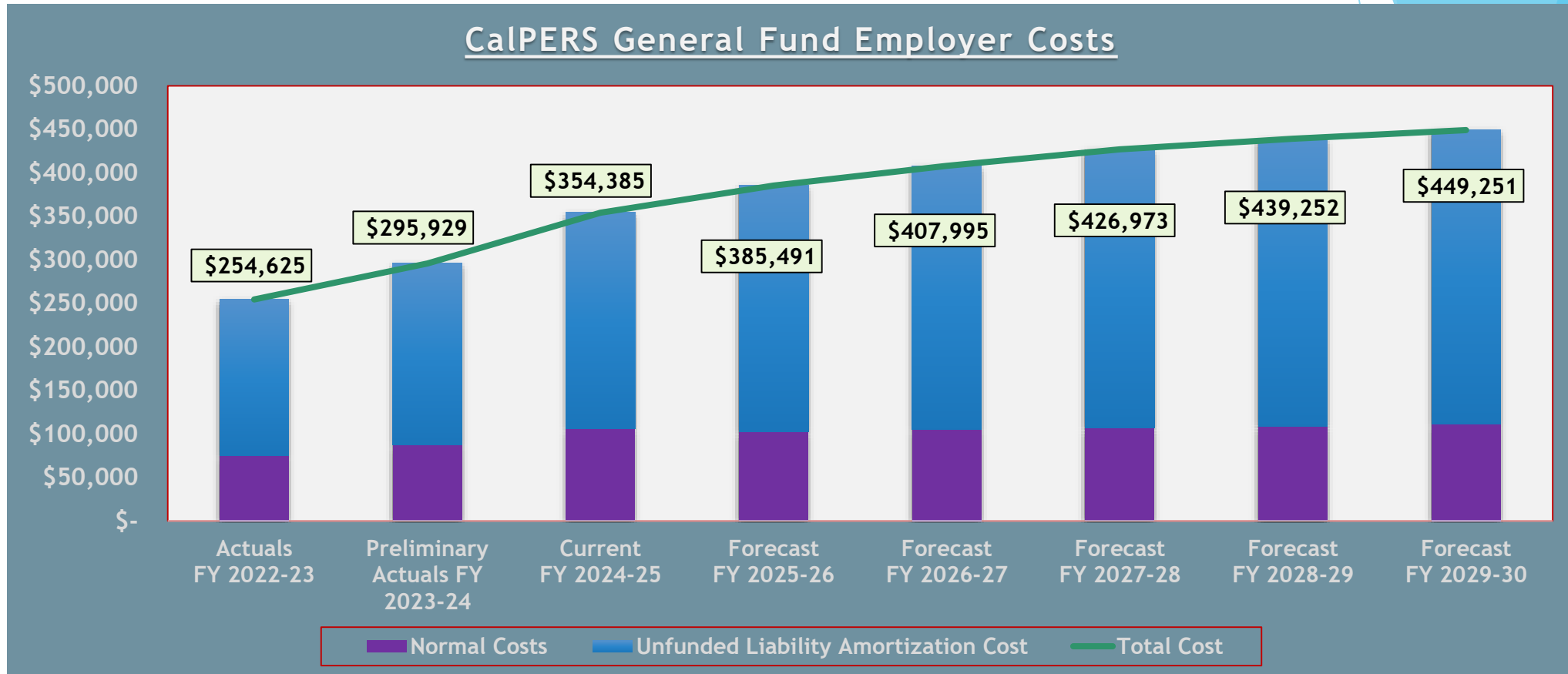


**Represents *ALL* reserves in consolidated General Fund**  
**These reserves include operating contingency, reserves and obligated (assigned) funds**



# General Fund Financial Forecast Update

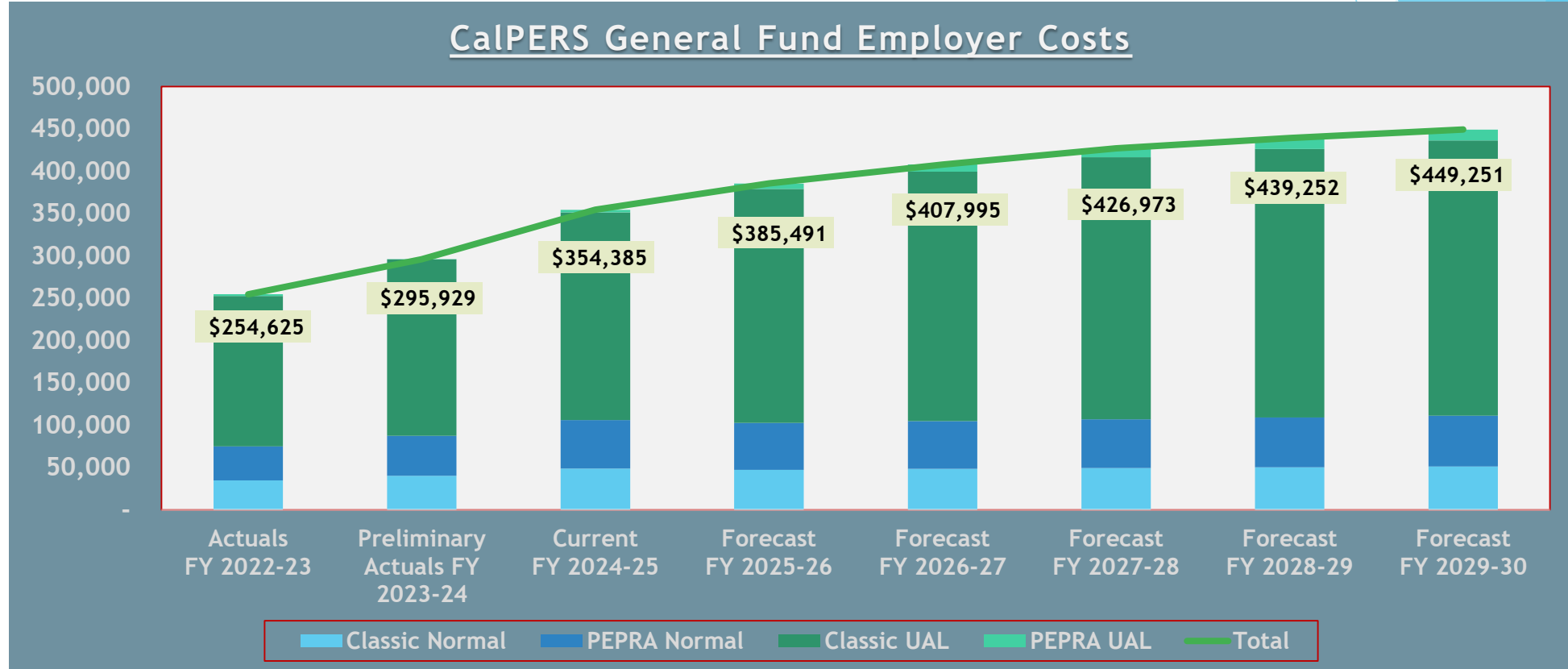
## Baseline Financial Forecast



**CalPERS General Fund costs rise over time due to UAL,  
Normal Costs stay steady and are based on salaries/wages**

# CalPERS Classic vs PEPRA Analysis

## Baseline Financial Forecast

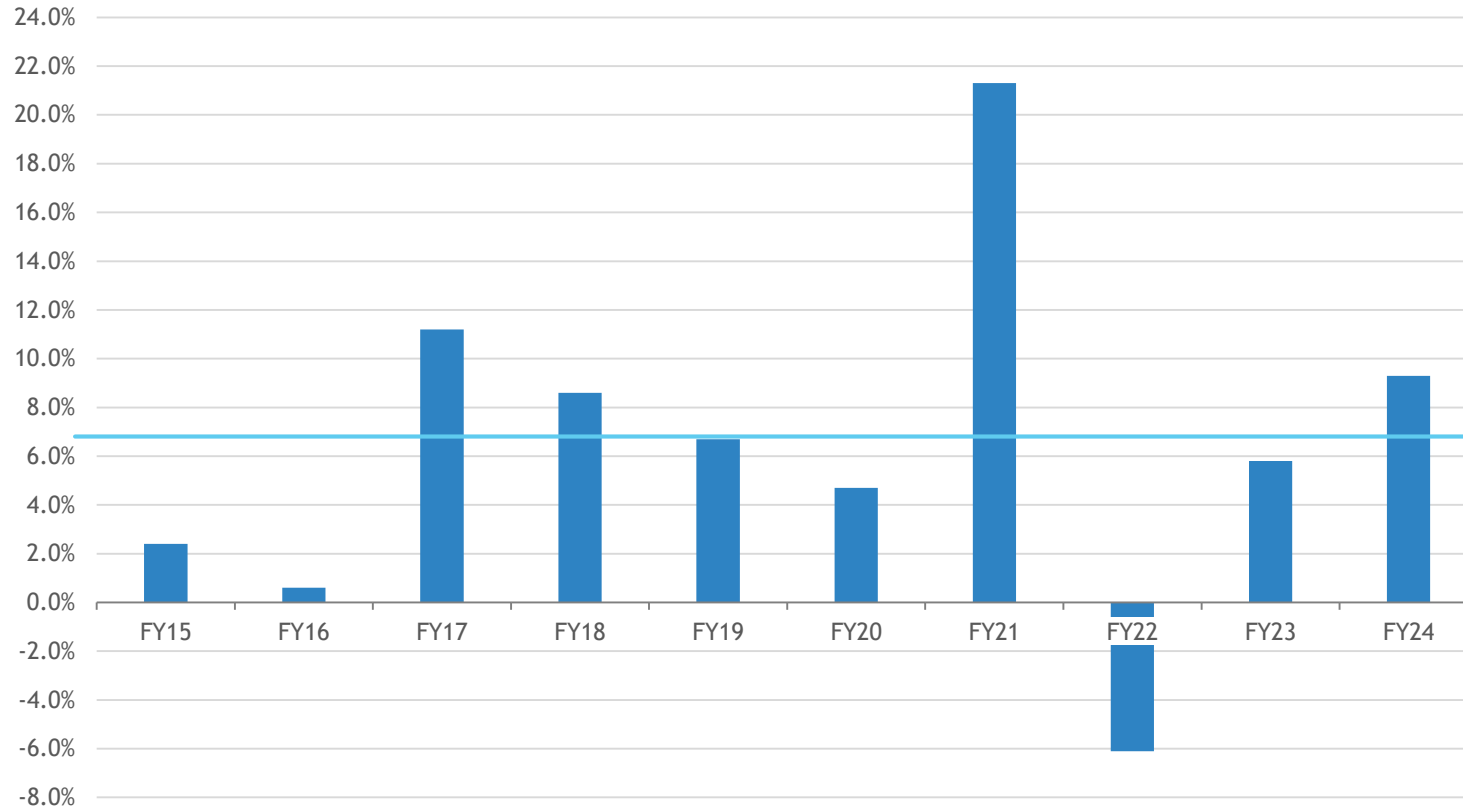


- Same chart as last slide, with more detail about employee category in CalPERS
  - We have a handful of Classic CalPERS employees, the rest are PEPRA
    - Classic employee costs are the majority of our total CalPERS costs

# General Fund Financial Forecast Update

## Baseline Financial Forecast

CalPERS Annual Return Data



**CalPERS Discount Rate is 6.8% - This has only been achieved 4 times in the last 10 years.**

**21.3% return in FY21 mostly used to lower discount rate consistent with CalPERS policy (mitigates impact of lowering employer costs short-term)**

# General Fund Financial Forecast Update

## Budget Implications

- *Continue to Brainstorm Revenue Generation/Cost Savings*
  - *Utilizing our Grant Consultant to identify, apply, and manage grants for GF capital and equipment needs, will help support our Capital and Equipment replacement needs*
  - *CalPERS UAL Prefunding and contributing to 115 Trust will help mitigate the growing obligation each year, a major concern*
- *Core expense trends are critical to long term sustainability*
  - *Insurance, CalPERS, County services, labor costs must be managed carefully.*
  - *Some of these costs are out of our direct control*

# General Fund Financial Forecast Update

## Budget Implications (cont.)

- *FY 2025-26 Budget*
  - *Working on estimates for baseline general fund budget*
    - *Liability & Work Comp Insurance, CalPERS UAAL, Capital Projects, Salaries*
  - *Likely will need to allocate additional funds for salary and benefits*
  - *Any program increases must be accompanied by cost savings elsewhere*
- *Now is the time for Council to discuss/suggest targeted cuts*