TO: HONORABLE CITY COUNCIL

ATTN: FINANCE COMMITTEE

FROM: CITY MANAGER
DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: DECEMBER 12, 2005

CMR: 431:06

SUBJECT: UPDATE TO LONG RANGE FINANCIAL FORECAST

DISCUSSION
Attached to this report is the City’s updated General Fund Long Range Financial Forecast (LRFF) for the years 2006-07 through 2016-17. The LRFF identifies key issues that will guide the upcoming 2007-09 budget process and affect the City’s future financial condition.

This forecast is of particular importance given the new financial developments it contains. These include, for example: implementing GASB 45 which addresses the General Fund’s retiree medical liability, meeting the Council’s target for annual contributions to the Infrastructure Reserve, and incorporating recent labor agreements that cap employee medical benefits and provide a 2.7 percent at 55 retirement plan for miscellaneous employees. As a consequence of recent successful efforts to balance its budget and a slowly improving economy, the City is positioned to address these changes and to face future challenges.

The format of this year’s LRFF has been changed. An Executive Summary with accompanying sections is included, designed to focus on key elements of the forecast. Supporting and technical information has been moved to appendices.

RECOMMENDATION
Staff recommends that the Finance Committee review and comment on the attached forecast of revenues, expenses, and reserve levels and forward it to the full Council.

RESOURCE IMPACT
As with any financial forecast, the fiscal impacts shown are estimates. Estimates of future deficits and surpluses, as well as the estimated costs of future financial challenges, are meant to guide future policy and budget decisions.

POLICY IMPLICATIONS
The Long Range Financial Forecast is a tool for Council’s use in making policy decisions regarding the allocation of resources.
ENVIRONMENTAL REVIEW
This report does not require California Environmental Quality Act (CEQA) review.

PREPARED BY:

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JOE SACCIO
Deputy Director

________________________________________
DAVID RAMBERG
Budget Manager

DEPARTMENTAL HEAD APPROVAL: __________________________
CARL YEATS
Director, Administrative Services

CITY MANAGER APPROVAL: __________________________
EMILY HARRISON
Assistant City Manager

ATTACHMENTS
Attachment 1: Long Range Financial Forecast.