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**Two-Year Financial Plan Update  
Workshop**  
May 20, 2013



## Introduction

Key Points:

- Balanced budget being presented for both FY 2012-13 and FY 2013-14.
- Mid-year budget update meant for refinement and correction purposes.
- Financial Plan being presented designates a total of \$815,000 to be added to General Fund Reserves during the remaining budget cycle.
- Financial Plan Update is geared towards addressing the longer-term liabilities facing the City such as:
  - Other Post Employment Benefits (OPEB), or Retiree Medical Benefits
  - Capital Improvement Plan (CIP) funding



## Biennial Financial Plan Update

Key Revenue Assumptions:

- The economy is continuing its slow, steady recovery.
- The City's finances are starting to reflect this recovery.
- Property Tax revenue is growing due to strengthening real estate market.
- Sales Tax revenue is growing due to recovery and additional retail opportunities.
- Development related revenues and other charges for services are impacted too.
- Financial markets are expected to remain weak, continued low rate of return.



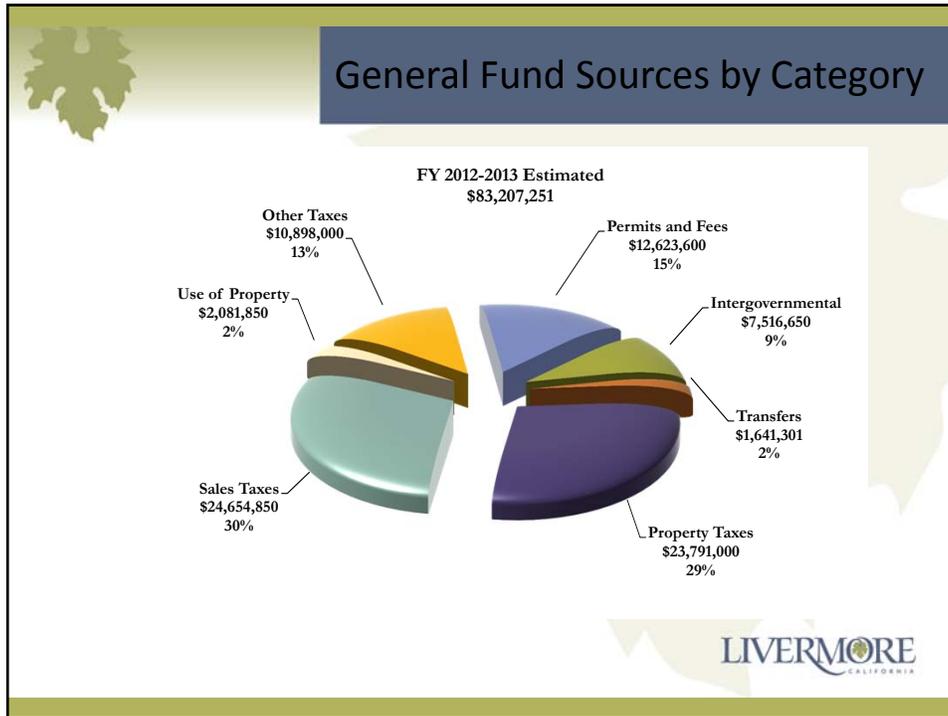
## General Fund Revenues FY 2012-13

Adopted Budget vs. Current Estimates

	Original	Revised	Variance
Property Tax	\$ 23,115,000	\$ 23,791,000	\$ 676,000
Sales Tax	19,987,220	24,654,850	4,667,630 *
Other Revenue	32,699,200	33,120,100	420,900
<b>Total Revenue</b>	<b>\$ 75,801,420</b>	<b>\$ 81,565,950</b>	<b>\$ 5,764,530</b>
Transfers	1,522,000	1,641,301	119,301
<b>Total Sources</b>	<b>\$ 77,323,420</b>	<b>\$ 83,207,251</b>	<b>\$ 5,883,831</b>

\* Includes one-time settlement of \$3.2M





### General Fund Uses FY 2012-13

Adopted Budget vs. Current Estimates

	Original	Revised	Variance
Personnel Services	\$ 35,989,381	\$ 36,518,291	\$ 528,910
Supplemental Personnel	19,915,142	23,674,760	3,759,618 *
Services & Supplies	16,208,817	16,983,584	774,767
Capital Outlay	810,400	845,400	35,000
Transfers	4,399,680	4,509,235	109,555
<b>Total Uses</b>	<b>\$ 77,323,420</b>	<b>\$ 82,531,270</b>	<b>\$ 5,207,850</b>

\* includes one-time OPEB contribution

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## Worker's Compensation Funding

City is self-insured for Worker's Compensation.  
Funding needed for open claims increased by \$1.25 million.

Key Factors driving increases:

- Increase in volume of claims
- Increase in severity of claims
- Claims are staying open longer
- Change in Medicare's policy

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## Retiree Medical Funding (OPEB)

- City's current estimated OPEB liability is over \$90 million.
- An Actuarial study determines the appropriate funding level, called ARC (Annual Required Contribution).
- City's most current ARC was determined to be \$9 million per year.
- ARC is paid in two different ways each year:  
    Pay-go and Retiree Medical Trust Fund Contributions
- Fiscally prudent to align the cost of this benefit with the period in which the services are provided.

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## Past OPEB Funding Strategies

- Per the 2008 Actuarial Study, the funding strategy was to ramp up to 13% of payroll by FY 2014-15
- Per the 2010 Actuarial Study, the funding strategy was reduced to Pay-go plus \$1 million to Trust
- Due to economic downturn neither strategy was adhered to.

Below is a summary of the past Three years actual funding amounts:

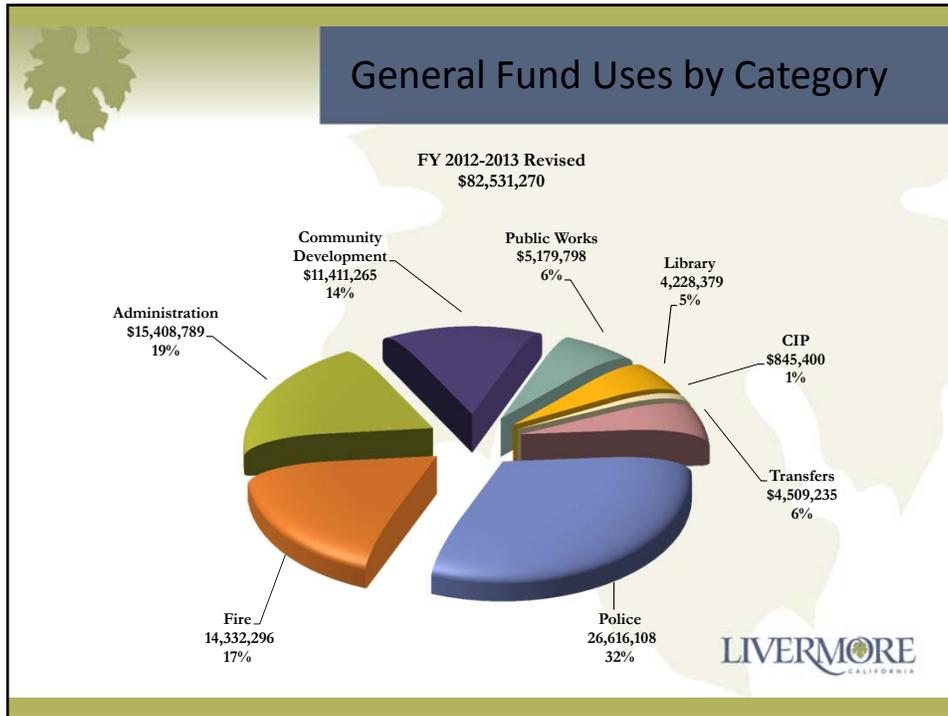
Fiscal Year	Pay-Go	Trust Contribution	Total
2009-10	\$1,045,812	\$500,000	\$1,545,812
2010-11	1,392,089	355,000	1,747,089
2011-12	1,608,933	400,000	2,008,933

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## OPEB Going Forward

- City closed defined benefit plan to all new employees in 2006.
- All employees hired since 2006 are in a defined contribution plan.
- Current adopted budget is for Pay-go + \$350K trust contribution
- Update recommends additional funding as follows:
  - 1) Increase planned trust contribution from \$350K to \$1 million for both fiscal years
  - 2) Make an additional “catch-up” payment of \$1.4 million from one-time revenues in FY2012-13

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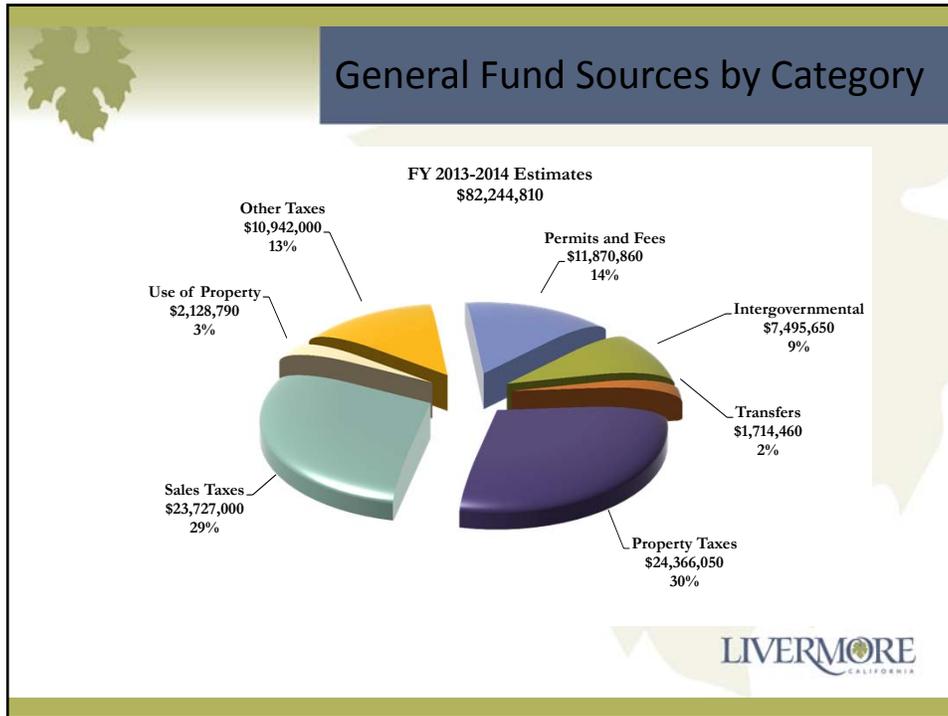


### General Fund Revenues FY 2013-14

Adopted Budget vs. Current Estimates

	Original	Revised	Variance
Property Tax	\$ 23,115,000	\$ 24,366,050	\$ 1,251,050
Sales Tax	21,736,740	23,727,000	1,990,260
Other Revenue	31,269,420	32,437,300	1,167,880
<b>Total Revenue</b>	<b>76,121,160</b>	<b>80,530,350</b>	<b>4,409,190</b>
Transfers	1,606,000	1,714,460	108,460
<b>Total Sources</b>	<b>\$ 77,727,160</b>	<b>\$ 82,244,810</b>	<b>\$ 4,517,650</b>

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### General Fund Uses FY 2013-14

Adopted Budget vs. Proposed Update

	Original	Revised	Variance
Personnel Services	\$ 36,082,384	\$ 38,073,713	\$ 1,991,329
Supplemental Personnel	20,230,420	20,365,665	135,245
Services & Supplies	16,255,046	17,419,298	1,164,252
Capital Outlay	549,000	1,809,000	1,260,000
Transfers	4,610,310	4,436,680	(173,630)
<b>Total Uses</b>	<b>\$ 77,727,160</b>	<b>\$ 82,104,356</b>	<b>\$ 4,377,196</b>

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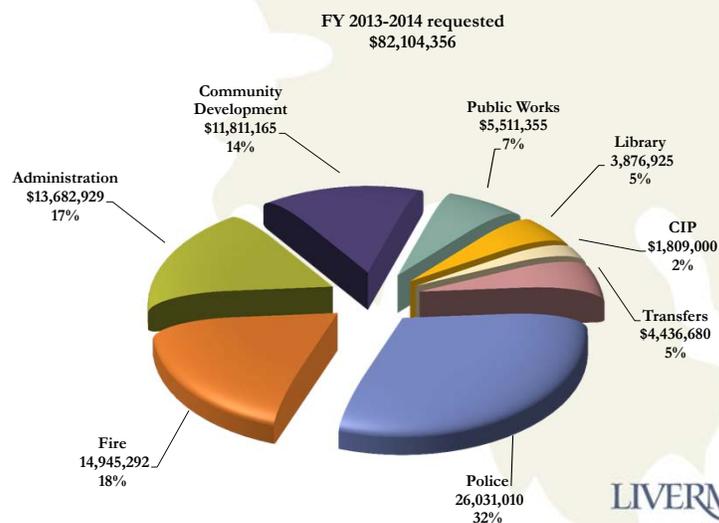
## Capital Improvement Detail

2013-14 Proposed Capital Improvement Additions funded by General Fund:

- \$475K Train Station Relocation already approved via resolution
- \$35K Demolition of structures on Livermore Village Site
- \$550K Design costs for Fire Station #9
- \$200K Feasibility study for new Council Chambers



## General Fund Uses by Category



## Looking Ahead

### Proceed With Caution:

- Reserve Balances
- CalPERS Retirement Costs
- OPEB Funding
- CIP Funding
- Fleet/IT/Facilities Funding

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## Proposed Budget Amendments

### FY 2012-13:

- \$100K Repayment of prior year Storm Drain Fee Reduction
- \$650K to increase OPEB to Pay-go + \$1M
- \$1.4M OPEB "Catch-up" payment
- \$675K addition to Fund Balance Reserves

### FY2013-14:

- \$650K to increase OPEB to Pay-go +\$1M
- \$200K Council Chamber Feasibility Study
- \$550K Fire Station #9 Design
- \$100K Facility Repair & Replacement Funding Increase
- \$500K Median Landscaping Upgrades
- \$140K addition to Fund Balance Reserves

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Overview Wrap-up

# Next Steps

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