
City of San Clemente
2001
Long Term Financial Plan



Volume I

City Council

- Scott Diehl Mayor
- Jim Dahl Mayor Pro Tem
- Stephanie Dorey Councilmember
- G. Wayne Eggleston Councilmember
- Susan Ritschel Councilmember

City Manager

- Mike Parness City Manager

Executive Team

- William E. Cameron City Engineer
- Myrna Erway City Clerk
- Paul Gudgeirsson Director, Finance & Administrative Services/Treasurer
- James S. Holloway Director, Community Development
- Lt. Fred Lisanti Police Services Chief
- David N. Lund Director, Public Works/Economic Development
- Chief Dave Pierce Fire Services Division Chief
- Bruce E. Wegner Director, Beaches, Parks & Recreation

Project Director

- Paul Gudgeirsson Director, Finance & Administrative Services/City Treasurer

Project Leaders

- Kumi Elston Budget Officer
 - Myrna Erway City Clerk
 - Cherie Fredricks Finance Manager
 - Jim Hare City Planner
 - James S. Holloway Director, Community Development
 - David N. Lund Director, Public Works/Economic Development
 - Larry K. Moore Information Services Manager
 - Christine Morehead Senior Accountant
 - David M. Pierce Division Chief, Orange County Fire Authority
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Long Term Financial Plan



The City of San Clemente, in partnership with the community we serve, will foster a tradition dedicated to:

- Maintaining a safe, healthy atmosphere in which to live, work and play;
- Guiding development to ensure responsible growth while preserving and enhancing our village character, unique environment and natural amenities;
- Providing for the City's long term stability through promotion of economic vitality and diversity....
- Resulting in a balanced community committed to protection of what is valued today while meeting tomorrow's needs.

Long Term Financial Plan

Project Teams

Project Director

Paul Gudgeirsson, Director, Finance & Administrative Services/City Treasurer
Julie Schmidt, Administrative Assistant (Administrative Support)

Steering Committee

Mike Parness, City Manager
Paul Gudgeirsson, Director, Finance & Administrative Services/City Treasurer

Financial Trends

Christine Morehead, Senior Accountant

Financial Forecast

Kumi Elston, Budget Officer

Reserve Analysis

Cherie Fredricks, Finance Manager

Street Improvement Program Update

David N. Lund, Director, Public Works/Economic Development
William E. Cameron, City Engineer
Akram Hindiyeh, Principal Civil Engineer

Information Systems Strategic Plan

Larry K. Moore, Information Services Manager

Economic Development Update

David N. Lund, Director, Public Works & Economic Development

Master Plan for City Facilities Update

James S. Holloway, Director, Community Development
Kelly Main, Associate Planner

Environmental Program Update

David N. Lund, Director, Public Works & Economic Development
Tom Bonigut, Senior Civil Engineer
William E. Cameron, City Engineer

General Plan/Zoning Ordinance Update

James Hare, City Planner, Planning Division

Document Management Strategic Plan

Myrna Erway, City Clerk
Larry Moore, Information Services Manager
Rita Mueller, Records Coordinator

Fire Authority Staffing Analysis

David M. Pierce, Division Chief, Orange County Fire Authority

Long Term Financial Plan

Issues and Objectives

Financial Trend Analysis

Objective

Utilizing the International City Manager's Association (ICMA) Financial Trend Monitoring System, update the comprehensive Financial Trend Report, including specific recommendations to address those trends considered unfavorable or where a warning trend has been observed. Ratings assigned to each trend include: Favorable (F), Unfavorable (U) or Warning (W).

Financial Forecast

Objective

To update the comprehensive five-year financial forecast for the General and operating funds incorporating adopted City fiscal policies, expenditure patterns, revenue trends, and other known financial impacts.

Reserve Analysis

Objective

To analyze and recommend appropriate levels of reserves to (a) ensure that they are adequate to provide for the needs of each fund program and (b) meet program needs without unnecessarily obligating scarce dollar resources.

Street Improvement Program Update

Objective

To provide an update of the City's Street Improvement Program and project short and long term funding requirements.

Information Systems Strategic Plan

Objective

To provide an update and funding analysis of the implementation of the City's Information Systems Strategic Plan.

Economic Development Update

Objective

To update the progress made in the implementation of the City's Economic Development Plan and to provide projections concerning sales tax growth and business development trends.

Master Plan for City Facilities Update

Objective

To review and update key policy recommendations for the Master Plan for City Facilities (MPCF).

- *Has the tax base grown?*
- *Have costs grown?*
- *Have facilities been phased as anticipated?*
- *Is the operation and maintenance of new facilities sustainable?*

Environmental Program Update

Objective

To update the City Council and public concerning the progress that has been made in areas of Coastal Erosion and Sand Replenishment, Urban Runoff Management, Rail Corridor Pedestrian Beach Trail, and related environmental management initiatives.

Long Term Financial Plan

General Plan/Zoning Ordinance Update

Objective

The objective of this issue paper is to consider the need to begin an update of the General Plan and the Zoning Ordinance, starting in Fiscal Year 2001-2002.

Document Management Strategic Plan

Objective

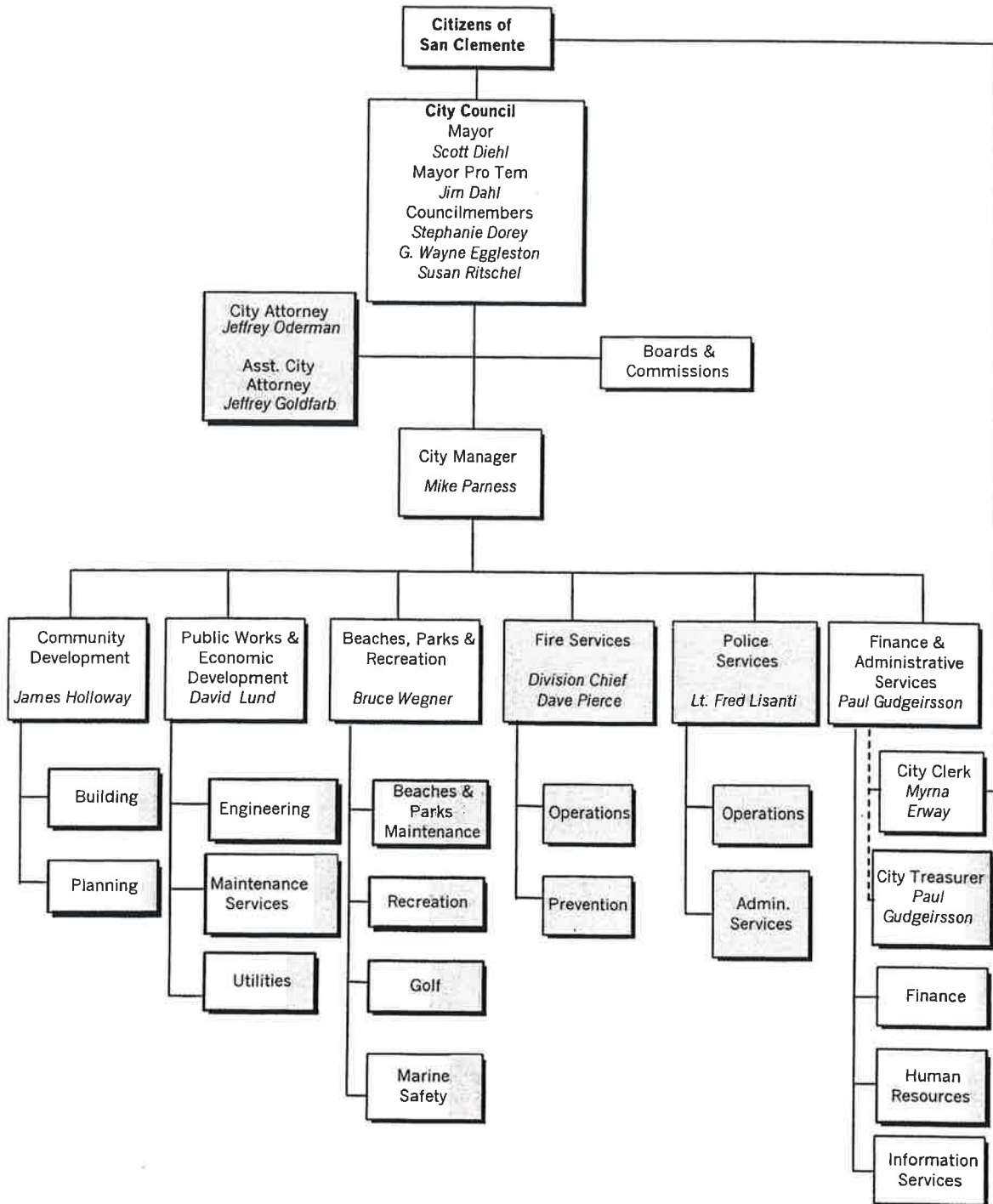
To update the City's document management program, based on current technology, and in coordination with the Computer Strategic Plan. To convert the City's current and future records from paper to electronic storage, which will facilitate sharing and retrieving data internally, and provide greater public access to the City's records via a secure internet site.

Fire Department Staffing Analysis

Objective

Review the need for increased staffing of Fire Authority units and its impacts on service levels and the City of San Clemente.

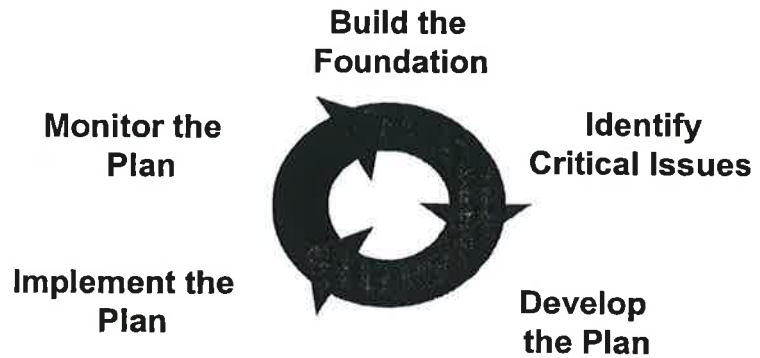
City Organizational Chart



 Shading indicates contracted

Long Term Financial Plan

Long Term Financial Plan



The LTFP is a financial strategic plan

The City of San Clemente, at Council direction, annually prepares a comprehensive Long Term Financial Plan (LTFP). The LTFP is intended to serve as a tool, providing Council and the public with the insight required to address issues impacting the City's financial condition. The Plan consists of two volumes: The Long Term Financial Plan - Volume I, provides the complete financial plan, while the Long Term Financial Plan Volume II - Issue Papers publication provides support documents used in developing a strategic plan after a thorough analysis of all issues that impact the City's financial condition. Further explanation of each volume is provided below:

Long Term Financial Plan (Volume I): This volume includes the complete strategic financial plan and consists of the following sections:

The LTFP consists of the complete financial plan

- Introduction
- City Manager's Transmittal Letter
- Executive Summary
- Financial Trends
- Financial Forecast
- Fiscal Impact Model
- Fiscal Policy

The Issue Papers provide support documents and are used to develop the plan

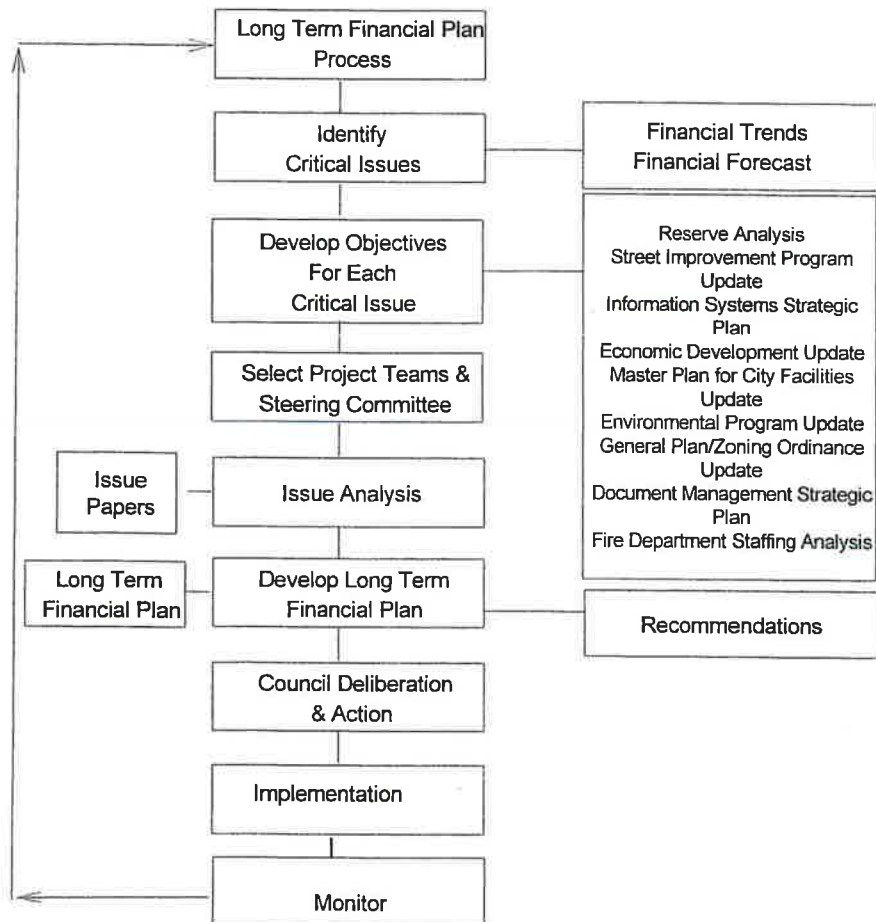
Long Term Financial Plan - Issue Papers (Volume II): This volume of the Long Term Financial Plan, published under separate cover, includes the complete issue analysis conducted by staff over a period of several months in developing the City's financial strategic plan. It should be used as a companion volume to Volume I.

Long Term Financial Plan

Long Term Financial Plan Process

The Long Term Financial Plan process

The flow chart below graphically describes the **process** that went into developing the City's Long Term Financial Plan. This project was conducted largely by City staff. In fact, 18 City staff members contributed directly to the Plan, while countless other employees also assisted in the gathering of information, research, word processing, scheduling meetings, etc. Including the Project Director, there were 12 project leaders each assigned to teams addressing a specific critical issue.



Process & Schedule

Goals & Objectives

As indicated, the process of developing the Long Term Financial Plan began by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the City over the next five years. Once the critical issues were identified, specific goals and objectives were developed for each project designed to meet the overall goal of the project:

To provide a clear and concise Long Term Financial Plan, identifying the City's current and projected financial condition, and proposing specific alternatives to address identified problems.

Project teams and team leaders were then selected based on individual talents and expertise in given critical issue areas. A steering committee was formed in order to keep the project on track and on schedule. Each team was then asked to prepare option papers that met the goals and objectives already defined. The key message expressed to each team was that the report had to be clear and concise while providing very specific and practical recommendations that addressed the issue at hand. After three months of intensive effort and time by all staff involved, the option papers were completed and incorporated into the Long Term Financial Plan - Issues Papers report.

Trends & Forecast are the Foundation of the LTFP

Once the issue papers were completed, the actual Long Term Financial Plan, was developed by using the Trend Analysis and Financial Forecast as the *foundation* of the plan. Appropriate recommendations made in the issue papers were incorporated into this Long Term Financial Plan, which can essentially be described as a long-term financial strategic plan.

This Financial Plan will be presented in detail to the City Council on February 24, 2001. Following is the schedule that will be followed by the Council as they develop an action plan that the City will implement as a part of the FY 2001-02 budget process:

Schedule

February 21, 2001	LTFP provided to Council and public for review.
February 24, 2001 (Saturday)	Staff presentations to Council/Public and Council discussion of issues. Council deliberations and direction. Public input and City Council adoption.
February 28, 2001	Vital Few Priority Meeting. City Council and City Manager.

Long Term Financial Plan

City Manager's Transmittal Letter

Honorable Mayor and Councilmembers:

The 2001 LTFP represents the City's ninth financial strategic plan

Introduction

I am pleased to present the *2001 Long Term Financial Plan* for City Council review and consideration. This financial plan represents the ninth in a series of financial strategic plans that have been presented on an annual basis since 1993. The plan is intended to be a well thought-out analysis of issues that may affect the finances of the City of San Clemente. To provide some historical perspective, a complete review of each past financial plan is included at the end of this section.

The City's LTFP has been nationally recognized

The City's Long Term Financial Plan has been recognized as an exemplary financial document that is used as a model in several Government Finance Officers Association (GFOA) publications. The City's LTFP was also recently featured in a nationally broadcast teleconference sponsored by GFOA.

This volume (Volume I) of the Long Term Financial Plan (LTFP) includes an executive summary which describes the City's current and projected financial condition. Also included in this section of the report is an issue summary, which outlines the comprehensive reports included in Volume II of the LTFP. The remaining sections include abbreviated versions of the City's financial trend and forecast reports

Two new fiscal policies are recommended

The last section is the City's current Fiscal Policy, which is a dynamic document in the sense that it is annually reviewed and modified, based on current or projected conditions. This year, two additions to the Fiscal Policy are recommended. The first is to establish a new reserve to address the City's ongoing capital facilities maintenance needs. Also, a new statement relating to capital improvement budget policies is recommended whereby the Park Acquisition Fund may only be used to fund park facilities that are included in the City's Master Plan for City Facilities. These changes to the Fiscal Policy will continue the tradition of improving the City's financial strength as conditions change.

A total of 11 issues are included in the 2001 version of the Long Term Financial Plan

The 2001 Long Term Financial Plan this year is largely centered on updates of issues that have been presented to the City Council in previous years. Two new issue papers pertain to the study of the need for a document management plan and a Fire Authority staffing analysis. Two new reports, including an Environmental Program Update and General Plan/Zoning Ordinance Update are also included. The update to the City's Master Plan for City Facilities (MPCF) has significant implications on the future expansion of City parks and facilities, especially in light of the delay in the development of the Marblehead Coastal project. As indicated in the MPCF, the City will be faced with a significant shortage of funding for major capital and parks facilities if the Marblehead Coastal project does not move forward in the short-term. This will undoubtedly result in the delay and possible cancellation of several capital projects that are currently included in the Master Plan.

Long Term Financial Plan

Other issues that were analyzed as a part of the LTFP will certainly impact the finances of the City over the next several years, depending on City Council direction during the Long Term Financial Plan and Vital Few Priorities Processes.

This year's financial plan represents a shift where growth issues are predominant

This year's financial plan represents another shift in the direction of the City. Prior plans have focused on cutbacks and program reductions, followed by a recovery mode, where programs were reestablished and staffing and compensation issues were addressed. As we enter the 2001 year, the City is very much oriented towards significant growth and environmental issues as evidenced by the topics under study in the 2001 LTFP. While dealing with this financial plan, I encourage the City Council to continue our established philosophy of maintaining a sound fiscal program, while addressing the long-term needs of a growing community.

Although the City is in excellent financial shape.

As I stated in last year's financial plan, the City continues to be in excellent financial shape due to the influx of funds from development and the improvement in our local economy. These resources have helped boost our fund balances; however, I must caution the Council that we cannot over commit our resources without ensuring that future budgets can handle the consequences of current actions. Thus, before committing to any ongoing operational programs, I urge the Council to consider the financial consequences of adding any new projects or programs that may negatively impact the City's finances for years to come.

.a note of caution

The importance of the Long Term Financial Plan and the Vital Few Priorities processes cannot be overemphasized as we attempt to deal with the many competing programs and projects identified in the LTFP.

Overall, the City is in excellent financial shape with all financial indicators positive

As stated above, the City's financial picture is extremely positive. In fact, for the first time, all City financial trend indicators are positive as described in detail in the Trend Analysis report. The General Fund fund balance continues to grow, largely due to increasing revenues, especially from development and increased property valuation. As indicated in the City's mid-year financial report, we must be cognizant of increased costs, especially utility expenses, where electricity rates alone accounted for an astounding \$1.4 million increase in the budget. This has clearly impacted the City's utility funds, water and sewer, to the point where the City Council will have to consider sewer rate increases during the FY 2001-02 budget process. This issue is discussed in the Financial Forecast portion of the LTFP.

Rate increases in the Sewer Fund may be necessary

The City's operating position is positive

Continuing the fiscal trend of the past several years, the City's operating position is positive and the majority of fiscal trends are very favorable. Indeed, it is my pleasure to report to you that all funds of the City, except the Sewer Fund, are in excellent condition. All reserves are fully funded with the exception of the General Fund Emergency Reserve and the Capital Equipment Reserve Fund. A proposal to fully fund the City's emergency reserve is contained in the Reserve Analysis issue paper.

City Manager's Transmittal Letter

I encourage the City Council during the long-term financial plan, vital few Priorities and budget deliberations to evaluate all programs and proposals with an eye on maintaining the City's well-established fiscal balance.

The 2001 Long Term Financial Plan

The fiscally related issues examined this year include:

Financial trends and five-year forecast remain positive

With two exceptions, all reserves are fully funded

100 street projects have been completed

Economic development is focused on three key areas

The Master Plan for City Facilities identifies the need for public facilities

An Environmental Program Update is provided

- *Financial Trend Analysis* – The series of fiscal trends, reviewed annually, continue to remain positive as of June 30, 2000. For the first time since the development of the financial plan, all 20 trends were determined to be positive.
- *Financial Forecast* - The City's five-year financial forecast, based on current operating trends, is extremely strong with the City's fund balances improving dramatically.
- *Reserves* - This issue paper updates the status of the City's reserve program and outlines future funding requirements. A total of \$7.4 million has been contributed to reserve accounts over the past nine years. With two exceptions, the Capital Equipment Replacement Reserve and General Fund Emergency Reserve, all reserves are fully funded. A proposal to fund the Emergency Reserve at 8% is contained in the LTFP.
- *Street Improvement Program* - Since the adoption of this \$55 million program in 1995, 100 street projects have been completed and an additional 15 projects are under construction and will be completed this fiscal year. A total of 48 projects were accelerated from the original schedule.
- *Information Systems Strategic Plan* – The Information Systems Strategic Plan focuses on the City's Permitting and Business License System, the City's Web site, and the Geographic Information Systems (GIS) program.
- *Economic Development Update* – A comprehensive update of the City's economic development program is provided and is focused on (1) business retention (2) business marketing and promotion, and (3) reinvestment and revitalization.
- *Master Plan for City Facilities* – This critical report provides an update to the City's comprehensive capital facilities master plan and identifies the need for future public facilities, including a civic center, fire stations, senior center, community center, aquatic center, and park facilities.
- *Environmental Program Update* – This report provides an update on the progress that has been made in areas of coastal erosion and sand replenishment, urban runoff management, rail corridor pedestrian beach trail, and related environmental management initiatives.
- *General Plan and Zoning Ordinance Update* – This issue paper considers the need to begin an update of the General Plan and Zoning Ordinance over the next fiscal year.
- *Document Management Strategic Plan* – An analysis is provided on the City's current and future records program with recommendations

Long Term Financial Plan

A Fire Authority Staffing analysis has been conducted

provided on establishing a comprehensive Electronic Document Management System. This program will be considered during the Vital Few Priorities process.

- *Fire Authority Staffing Analysis* – At the request of the City, the Orange County Fire Authority was asked to analyze the staffing needs of Fire Authority units located within the City of San Clemente. Recommendations on increasing staffing levels will be considered during the Vital Few Priorities process.

The 2001 Long Term Financial Plan continues the tradition of studying a variety of issues which require the attention of the City Council and public. Where possible, alternative solutions to the issues raised are provided for Council consideration. Also, the status of the City's current and projected fiscal condition is explored and recommendations are put forth to further solidify the City's positive financial standing.

Along with the Vital Few Priorities that will be discussed with Council on February 28, 2001, the direction that you provide as the result of Long Term Financial Plan discussions will set the stage for fiscal year 2001-02 budget preparation process.

I would like to take this opportunity to thank all staff members who assisted in completing the City's Long Term Financial Plan. I believe that the City's focus on long term strategic financial planning will continue to assist City administrators and the City Council in dealing with essential issues in a deliberate and carefully planned manner. The City Council's support for this time consuming project is very much appreciated.

I look forward to working with you, staff, and our community as we review and implement the 2001 Long Term Financial Plan.



Mike Parness
City Manager

City Manager's Transmittal Letter

Long Term Financial Plan Review

Financial plans have been prepared since 1993

The City has prepared an annual Long Term Financial Plan since 1993. Thus, the 2001 LTFP represents the ninth plan prepared by the City Administration for City Council consideration. The plan focuses on financial and organizational issues and is designed to provide staff initiated solutions to problems identified through the financial planning process.

In order to provide some historical perspective, this section briefly reviews each financial plan and includes a definition of problems encountered along with the adopted solutions:

The projected annual shortfall in 1993 was \$6 million

The 1993 Plan

As is evident in the trend and forecast reports, significant progress has been made in the management of the City's finances since the preparation and adoption of the City's first Long Term Financial Plan in 1993. The 1993 Plan outlined a number of weaknesses in the City's financial system that, when combined with a severe economic recession, were quickly leading the City down the road to financial disaster. The 1993 Plan pointed out that the City was facing a total annual shortfall in FY 1993-94 of over \$6 million. Included in this figure was a projected operating deficit of \$1.8 million, critical capital needs (storm drain and street improvements) amounting to \$2.4 million, annual reserve needs of \$850,000 and a projected State property tax diversion of \$1.5 million.

The shortfall was addressed by contracting, reorganizing, downsizing, and pay and benefit reductions

The 1993 shortfall was addressed through contracting City services (Police Department), establishing a storm drain utility, reorganization, downsizing and streamlining of major departments, and salary and benefit reductions. Savings from these actions were used to cover the projected operating deficit and property tax diversion and to replenish the City's reserve levels. Although storm drain needs were resolved, street capital and maintenance needs were unmet. Lastly, the Council reestablished the City's economic development program in order to concentrate on business retention and commercial attraction.

The projected shortfall in 1994 amounted to \$2.7 million

The 1994 Plan

The 1994 Long Term Financial Plan identified a reduced shortfall of \$2.7 million as a result of projected operating deficits of \$785,000, unmet street capital and maintenance needs estimated at \$1.8 million annually, and capital equipment needs of \$100,000. At the time, further revenue diversions by the State were unknown; however, a shift of \$600,000 unfortunately materialized bringing the total permanent property tax diversion to \$1.2 million per year.

The shortfall was eliminated by further contracting, pay and benefit reductions

The projected shortfall in 1994 was once again aggressively tackled by the City Council. Actions to close the financial gap included the continued contracting of City services, including the City's Fire Department, fleet maintenance services, meter reading, street programs, and beach/park maintenance. City employees agreed to a new medical benefit package which saved 30% in premiums, no cost of living increases were granted for

Long Term Financial Plan

the third consecutive year, unpaid furloughs were continued, and a new cost allocation plan was implemented to recover actual General Fund costs. Again, the Council also recognized the value of funding critical reserves, and addressed the City's long term financial health by establishing a wellness program and funding a capital equipment replacement reserve fund to meet future capital equipment needs.

For the first time, a positive fund balance was projected in 1995

The 1995 Plan

The 1995 Long Term Financial Plan projected a positive fund balance of \$556,000 which presumed partial funding of a street program. However, in year two of the forecast, a deficit of \$71,000 was projected and climbed to a deficit of \$533,000 by FY 1999-00. Given this financial scenario, it would not be possible to provide General Fund support for a street program without additional resources. Consequently, the City stretched out funding of emergency reserves, reduced projected position additions from two per year to one per year, and projected reduced maintenance costs. These changes, though not completely acceptable, resulted in projected positive fund balances throughout the forecast period.

Funding was provided for a \$55 million street improvement program

Through the Long Term Financial Plan process, the City Council did adopt a \$55 million Street Improvement Program. Funding was provided by the General Fund, the establishment of a Street Assessment District, and contributions from CDBG funds, Water and Sewer Fund, Storm Drain Fund, gas tax revenue and reduced maintenance costs.

Additionally the plan called for adoption of a revised classification and compensation system, dedicated funds to unfunded public safety retirement liabilities, and continued to address low emergency reserves and self-insurance reserve programs.

A financial turnaround was evident in the 1996 financial plan

The 1996 Plan

The 1996 LTFP noted a significant turnaround in the City's financial condition. In fact, positive fund balances were projected for each year of the City's financial forecast period. Additionally, the City's General Fund emergency reserve level reached 5% and contributions to the City's self insurance programs were continued. Of the 20 financial indicators that the City utilizes to measure its financial condition, 17 were positive as compared to only 6 in 1993.

Street bonds totaling \$7 million were issued

In an effort to expedite the City's street improvement program, the City Council directed that \$7 million in bonds be issued one year earlier than initially called for. This action resulted in significant savings in bond issuance costs and allowed for the completion of ten street projects two years earlier than scheduled.

Proposition 218 resulted in a \$2.8 million General Fund shortfall

The 1997 Plan

Just as the City found itself gaining financial momentum by eliminating deficits, increasing reserves, and improving financial indicators, Proposition 218 was decreed by the voters of California. The proposition imposed a series of financial provisions, including the elimination of the Lighting &

City Manager's Transmittal Letter

Landscape District and in-lieu fees, that seriously eroded the City's fiscal condition in 1997. The City was suddenly facing a \$2.8 million shortage which required immediate attention by the City Council.

The shortfall was eliminated through revenue increases and severe program cuts.

The Council acted decisively by increasing revenues (parking meter rate increases and transfers from the Golf Fund), and reducing expenditures through a combination of layoffs and program reductions. The \$2.8 million shortfall was reduced to \$1.0 million by the time these initiatives were implemented. In order to raise the remaining \$1.0 million, a utility tax measure was placed on the ballot for voter approval. The measure failed at the polls and the Council was compelled to initiate further revenue increases and program reductions, a commitment made to the voters of San Clemente if the tax measure did not succeed.

.including the closure of a park and transfer of dispatch operations to Orange County

Consequently, deep program cuts were carried out and incorporated into the fiscal year 1997-98 budget. Cuts included the closure of Steed Park, the transfer of dispatch operations to the County, transfer of funds from the Golf Fund, elimination of capital funds, employee layoffs, and the loss of several recreation and special event programs.

By addressing the consequences of Proposition 218 quickly and decisively, the City was able to avoid financial chaos. The combination of revenue and expenditure adjustments have maintained the positive direction of the City's finances going into the 1998-99 fiscal year.

Deficits in the General Liability and Workers' Compensation Funds were eliminated

The 1998 Plan

The long-term vision of stabilizing and improving the City's financial condition continued with the implementation of the 1998 plan. With the exception of the Capital Equipment Replacement Reserve, all reserve funds were fully funded with the approval of the 1998 financial plan. Deficits in the General Liability and Workers' Compensation Funds, identified in the 1993 Plan, were eliminated. Financial indicators were overwhelmingly favorable, with only two indicators exhibiting negative tendencies. The General Fund's operating position was positive, with increasing fund balances across a five-year period.

The 1998 Plan examined the policies, financial and technical tools in place to implement new development. Priorities were identified, along with direction to fund a market study and downtown improvement plan in the 1998-99 budget.

The 1999 LTFP indicated problems in the Water Fund..

The 1999 Plan

The 1999 financial plan clearly demonstrated that the City had solved a number of problems that were faced by the City in the past. Reserves had been replenished, fund balances in almost all funds, including the General Fund, were determined to be sound, the City's operating position was positive, and most fiscal trends that are tracked annually were favorable. Overall, the City's finances were in excellent shape, except the Water Fund where a long-term rate structure was approved by the City Council to address fund shortages. This resulted in a rate increase of 7.5% in 1999.

.this resulted in a 7.5% rate increase

Long Term Financial Plan

The City Council also allocated funds to produce a City facilities master plan during the fiscal 2000-01 year. This project was completed and was one of many included in the 2000 Long Term Financial Plan.

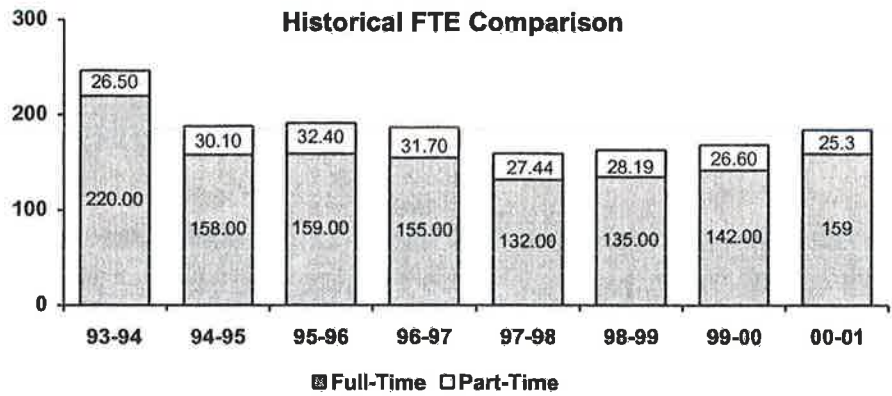
The 2000 Plan

The 2000 Long Term Financial Plan submitted to the City Council was considerably more extensive than in the past due to the inclusion of several major projects. These issues identified by City Council during the Vital Few Priorities process included the Land Use Market Study, the Master Plan for City Facilities, the Casa Romantica and Cultural Center Restoration, the Rail Corridor Safety and Education Study, the Coastal Resources Study, and the Revitalization 2000 Report. At the direction of City Council, funding for these priority projects was included in the FY 2000-01 budget.

Historical Staffing Levels

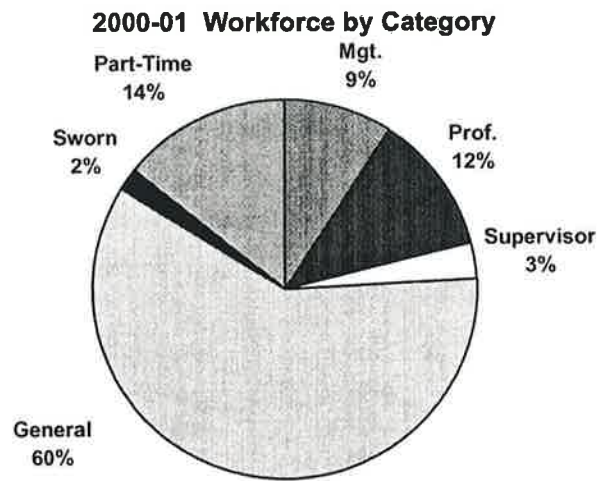
Historical Staffing levels

The impact on staffing changes as a result of the implementation of the City's series of financial plans and budgets since 1993 are outlined below:



City Manager's Transmittal Letter

The following chart summarizes the City's current workforce by category:



Long Term Financial Plan

Financial Summary

The Executive Summary consists of a Financial Summary and Issue Summary

The *Executive Summary* portion of the 2001 Long Term Financial Plan consists of a Financial Summary and Issue Summary section. The *Financial Summary* provides a profile of the City's present financial condition, including a summary of this year's LTFP recommendations. The *Issue Summary* is comprised of a synopsis of each issue that was analyzed as a part of this year's Long Term Financial Plan process.

Included within the *Financial Summary* section:

- *Introduction*
- *Current Financial Condition*
- *Reserve Funding*
- *General Fund Transfers*
- *Financial Trend Analysis*
- *Five Year Financial Forecast*
- *Conclusion & Projected Financial Condition*
- *Summary of Recommendations*

The 2001 LTFP is the 9th edition of the City's financial strategic plan

Introduction

The ninth edition of the City's Long Term Financial Plan documents both the progress that the City has made in attaining its financial goals, and provides a clear path to a successful financial future. A number of issues affecting the financial condition of the City were studied and are documented in the 2001 Long Term Financial Plan.

The LTFP serves as an "early detection system"

The 2001 Long Term Financial Plan continues the tradition of reviewing the City's current financial condition and identifying potential fiscal pitfalls. This "early detection system" has served the City as a tool for quickly reacting to the many financial crises faced by the City over the past few years. Furthermore, the fiscal planning process allows the City to thoughtfully plan for the future. As can be seen in this document, there are a number of critical issues that will require a substantial commitment of funds in both the short and long-term.

There are several key issues included in the fiscal plan

The key issues that the City faces this year includes the ongoing financial impact of the City's capital facility plans (Master Plan for City Facilities), the potential devotion of funds for an update of the City's General Plan and Zoning Ordinance, funding for the an electronic document management system (Document Management Strategic Plan), and a proposal for increasing staffing levels in the City's fire department (Fire Authority Staffing Analysis). These last two items will be considered at the City's Vital Few Priorities Workshop. Additionally, the funding of emergency reserves and the establishment of capital facilities maintenance reserves are recommended (Reserve Analysis).

Other major issues facing the City Council will be brought forward during the Vital Few Priorities deliberation process on February 28, 2001. The City Council should keep in mind that the proposals contained in the Long Term

Long Term Financial Plan

Financial Plan are intended to be used in conjunction with the Vital Few Priorities process as the City Administration develops the proposed budget for fiscal 2001-02.

Current Financial Condition - Overview

The City's Long Term Financial Plan typically focuses on the financial condition of the General Fund, due to the externally generated negative impacts on this fund during the early 90's. A large percentage of General Fund revenue has been diverted to the State (property tax revenue) or lost as a result of citizen generated propositions (Proposition 218). However, the LTFP has been expanded over the past two years to also include an examination of the city's major operating funds, including, Water, Sewer, and Golf.

The General Fund will end the year with a \$6.1 million fund balance

The City's financial condition at December 31, 2000 was described in detail in the fiscal 2000-01 Second Quarter Financial Report. Current projections indicate that the City's General Fund will end the year with a positive fund balance of \$6.1 million, as compared to original projections of \$4.2 million. This increase is largely due to increased revenues resulting from higher than anticipated receipts as of FY 1999-00 year-end. Additionally, proposed revenue adjustments at mid-year exceed expenditure adjustments by almost \$2 million which can be attributed to substantial increases in one-time development permits and service charge revenue.

The City's financial position is excellent.

In light of the continued improvement in development income, as well as collections of all taxes, the City's financial position in the General Fund is considered excellent. However, a word of caution is advised as a large portion of development revenues are "one-time" in nature, and, in compliance with the City's Fiscal Policy, cannot be used for ongoing operational expenditures.

The Sewer Operating Fund is in a negative position

The only major operating fund that is facing financial difficulties at this time is the Sewer Operating Fund. This fund has operated in a negative operating position (i.e. expenditures have exceeded revenues) for several years. The fund balance in this fund has been able to absorb these operating deficits until this year. Combined with the extraordinary impact of electricity rate increases, a rate increase must be considered as we enter the FY 2001-02 fiscal year.

The 2001 LTFP examines the City's fiscal future

The Long Term Financial Plan for the year 2001 continues the tradition of providing a clear path to the City's fiscal future. Although there are certainly many challenges which lie ahead, the process of adopting and implementing a financial strategic plan will assist decision-makers in conscientiously choosing a viable route to a secure future.

We believe that the 2001 LTFP once again provides viable solutions to a series of financial and quality of life issues.

Financial Summary

All reserve funds are fully funded except capital equipment reserves

The continued allocation of \$100,000 is recommended for capital equipment reserves

Emergency reserves should be fully funded at the 8% level prescribed by the City's Fiscal Policy. Transfer of \$682,000 is proposed

A new Maintenance Capital Asset Reserve is proposed. Transfer of \$162,000 is proposed

The General Fund will contribute \$546,360 to the Street Improvement Program in FY 2001-02

Reserve Funding

Several fiscal policy statements adopted by the City Council over the past several years relate to the funding of various reserve funds and accounts. This is largely due to the fact that most reserve accounts were non-existent, depleted or in deficit position in the early nineties when the first financial plan was developed. In fact, since 1993, a total of \$7.4 million has been dedicated to the funding of reserves and deficit fund balances by all City funds. This includes funding of workers' compensation, general liability, capital equipment, accrued leave, contingency, and emergency reserves. With the exception of emergency reserves and capital equipment reserves, all reserve funds are now entirely funded and meet all fiscal policy requirements.

The 2001 LTFP recommends that the City continue an annual allocation of \$100,000 to capital equipment reserves until that fund is fully funded at a level of \$2.5 million, the value of the General Fund's equipment assets.

In last years LTFP, the City Council approved a modification to the City's Fiscal Policy that increased the City's emergency reserve requirement from 5% to 8% of General Fund operating expenditures. In fact, this was a change back to the original requirement of 8%, which was changed in order to offset the financial consequences of Proposition 218. A recommendation to fully fund the reserve in FY 2001-02 is included in the current LTFP and will require a contribution of \$682,000 from fund balances.

Additionally, a new reserve is proposed to provide a funding mechanism for the City's facilities maintenance needs. A proposal to fund the Facilities Maintenance Capital Asset Reserve is included in the Reserve Analysis issue paper and recommends an annual contribution of \$162,000 per year.

These changes in reserve requirements and funding levels will serve to further strengthen the financial condition of the General Fund.

General Fund Transfers

There are several annual transfers from the General Fund to other funds typically included in the annual budget, outside of reserve allocations. In FY 2000-01, these include total transfers of \$2.6 million for Council priority projects such as the Rail Corridor Safety Improvements (\$200,000), Casa Romantica (\$123,500), Storm Drain Master Plan (\$250,000), Golf Clubhouse (1.25 million), Street Improvement Program (\$530,000) and other projects (\$250,000)

Street Improvement Program: General Fund contributions to the Street Improvement Program have totaled \$2.3 million during the past five fiscal years. Funding for this program will continue in FY 2001-02 with a contribution of \$546,360. Annual contributions of \$546,360, plus an inflationary factor, will be made through the remainder of the program.

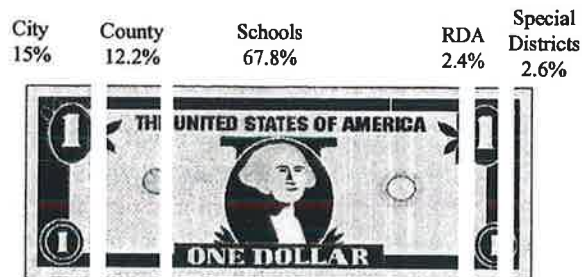
Long Term Financial Plan

All 20 financial indicators are now positive..for the first time

Financial Trend Analysis

The City's financial condition is also quantitatively measured using a financial trend monitoring system. Last year, 19 of 20 financial trends were found to be positive with only employees per capita showing a negative trend. The annual Financial Trend Analysis report for the year ending June 30, 2000 indicates that all 20 indicators are favorable. This is an improvement over the prior year and is much improved over 1993 where only six indicators showed favorable signs.

The trend report also includes a section regarding the distribution of the property tax dollar. As indicated below, the City currently receives 15% of the property tax dollar and the remainder is distributed as shown:



A separate section of this report is devoted to Financial Trends Analysis and a summary is included in the Issue Summary section which follows.

Revenue growth is projected at 3.5%

Expenditures will average 1.9%

Five Year Financial Forecast

The City's updated five-year financial forecast for the General Fund projects revenue growth of 3.5% over the five year forecast period. This compares to a historical growth rate of 7.4%. Expenditures are projected to grow at an annual average rate of 1.9% over the same time frame. It should be pointed out that historical growth rates are somewhat misleading because of several factors. "One-time" revenues transferred from other funds into the General Fund due to the contracting of municipal services tend to skew revenues upward. However, the same is true of expenditures - "one-time" expenditures were made for accrued leave and severance payments for contracted City employees resulting in higher expenditure levels.

The average projected growth rates for revenues exceed expenditures by 1.6% which, if achieved, would result in operating surpluses (i.e. a positive operating position) in each year of the forecast.

Operating position and fund balances are examined in the financial forecast

In developing the Five Year Financial Forecast, two primary areas are examined to determine the City's projected future financial position - operating position and fund balances.

Operating position refers to the City's ability to match revenues to expenditure levels, i.e. if revenues exceed expenditures, the City will have

Financial Summary

an operating surplus. If the opposite is true, an operating deficit will occur. Operating position does not take carry-over fund balances into account. *Fund balances* include the accumulation of available resources from year to year to determine the City's financial position, e.g. if an operating surplus is carried over from year to year, fund balances will increase; however, if an operating deficit occurs, fund balances will decline.

The City's operating position is positive throughout the forecast period

Operating Position

As indicated below, the City's projected operating position in each of the five years of the forecast remains positive. This is primarily because development fees, which are normally considered one-time revenues, are projected in each year of the forecast due to the amount of development currently in process. Additionally, current projections of the City's primary tax sources, including sales and property taxes, continue to grow as anticipated.

One-time revenues (\$1.3 million in fiscal years 2001-02 and 2002-03) and expenditures (\$24,000 in FY 2001-02) have been removed to give a realistic picture of operating surpluses.

Projected (Deficit)/Surplus

Amounts in \$1,000

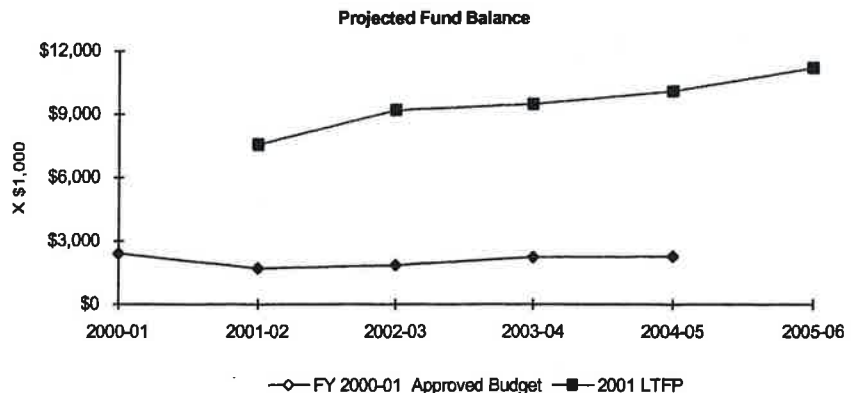
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues	30,263	\$31,445	\$32,466	\$33,846	\$35,403
Expenditures	29,794	30,930	31,946	32,989	34,214
Operating Result	\$469	\$515	\$520	\$857	\$1,189

2001 LTFP forecast - Operating position

The base forecast indicates that fund balances continue to improve

Fund Balances

As displayed below, unreserved fund balances are projected to be considerably higher than projected in the FY 2000-01 budget. This is largely due to substantial increases in revenues and expenditure savings in the prior and current fiscal year. These increases have resulted in an improved fund balance forecast:



Long Term Financial Plan

Projected fund balances and emergency reserves are shown in the table below. Total fund balances, including emergency reserves, continue to increase over the period of the forecast.

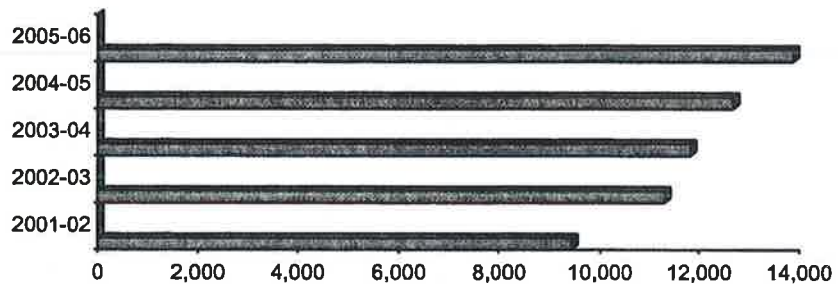
Fund Balance & Emergency Reserve

<i>Amounts in \$1,000</i>	2001-02	2002-03	2003-04	2004-05	2005-06
Fund Balance	\$7,570	\$9,206	\$9,487	\$10,105	\$11,215
Emergency Reserves	\$1,860	\$2,100	\$2,340	\$2,580	\$2,660
Total	\$9,430	\$11,306	\$11,827	\$12,685	\$13,875

The graph below depicts the growth of fund balances and emergency reserves over the five year forecast period, provided that expenditure and revenue assumptions are reasonably accurate. This presumes that current operating expenditures and revenues continue and that no new programs are added during the period of the forecast.

Fund balances and emergency reserves continue to grow

Fund Balance & Emergency Reserve
(Amount in \$1,000)



The City's economic health continues to improve

Conclusion & Projected Financial Condition

The Financial Summary section has provided an overview of the City's current financial condition and presented the City's five year financial forecast if current fiscal trends were to continue. The expansion of the City's sales tax base, increased property tax collections and on-going development has contributed to a very healthy fund balance. Furthermore, the City has wisely opted not to expand and develop new programs until it becomes clear that operating revenues will continue to outpace operating expenditures. The City's Fiscal Policy is especially clear on this point, i.e.; the City will not spend beyond its means.

Program expansion and additions must be linked to the City's operating position

Based on the issue papers contained in the 2001 Long Term Financial Plan, there is a significant need or desire to expand City facilities and address other critical programs, e.g. increasing the number of fire fighters. These needs must be balanced with the other priorities that the City Council has established and fiscal resources must be identified before facilities are built or programs are expanded. The City of San Clemente has become a model for prudent fiscal management as a result of holding the line and adhering to a set of strict financial policies designed to maintain a positive fiscal

Financial Summary

balance, while meeting the basic needs of our community. An essential element in that effort, is our continued focus on maintaining a positive annual operating position.

This section provides an updated fund balance forecast if certain financial recommendations are adopted by the City Council. The first table summarizes current projected fund balances prior to the adoption of 2001 LTFP recommendations:

Current projected fund balances

Fund Balance					
	2001-02	2002-03	2003-04	2004-05	2005-06
Fund Balance	\$7,570,000	\$9,206,000	\$9,487,000	\$10,105,000	\$11,215,000

The following table indicates the impact on fund balances if recommendations contained in the 2001 Long Term Financial Plan are adopted by the City Council:

Projected fund balances including 2001 LTFP recommendations

Fund Balance					
	2001-02	2002-03	2003-04	2004-05	2005-06
<i>Projected Ending Fund Balance</i>	\$7,570,000	\$5,436,000	\$5,699,000	\$5,967,000	\$6,582,000
Operating surplus	0	515,000	520,000	857,000	1,189,000
Emergency reserve ¹	-442,000	-90,000	-90,000	-80,000	-90,000
Facilities Maintenance Reserve ²	-162,000	-162,000	-162,000	-162,000	-162,000
Workers Compensation Reserve ³	-30,000				
Reimburse Parks Acquisition & Development Fund ⁴	-1,500,000				
<i>Revised Ending Fund Balance</i>	\$5,436,000	\$5,699,000	\$5,967,000	\$6,582,000	\$7,519,000

The following graph shows the impact of adopting the 2001 LTFP recommendations on projected fund balances:

¹ Recommendation to fully fund General Fund Emergency Reserve at 8% of operation expenditures per the City's Fiscal Policy. A total transfer of \$682,000 will be made, of which \$240,000 has already been included in fund balance. Future year contributions are subtracted out as they were included in fund balance projections. (Reserve Analysis).

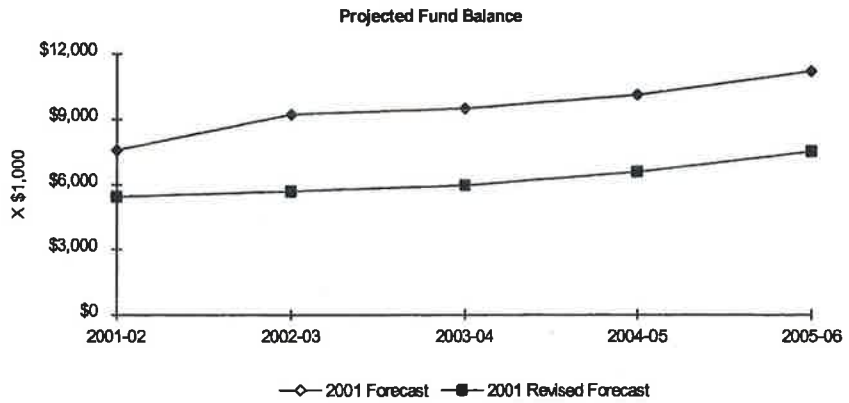
² New reserve to fund facility maintenance needs (Reserve Analysis).

³ Transfer to cover workers compensation requirements (Reserve Analysis).

⁴ Proposal to reimburse Parks Acquisition & Development Fund for costs not included in Master Plan for City Facilities (Master Plan for City Facilities).

Long Term Financial Plan

**Impact on fund balance
with LTFP
recommendations**



As illustrated, the overall impact of adopting LTFP recommendations reduces the projected fund balance; however, fund balances are still at acceptable levels. It should be noted that any operational increases adopted by the City Council as a part of the Vital Few process will reduce the fund balance levels lower than that shown above. Once that process is completed, staff will update the impact on fund balances as a part of the FY 2001-02 budget process.

Financial Summary

Summary of Long Term Financial Plan recommendations

Recommendations

This section summarizes the recommendations contained in the 2001 Long Term Financial Plan. It is recommended that the City Council endorse all recommendations as put forth by the City Administration.

A narrative description and rationale for each recommendation is contained in the issue section of this volume of the Long Term Financial Plan. For complete detail, please refer to Volume II of the Long Term Financial Plan.

Reserves

1. Budget \$682,000 in FY 2001-02, bringing the emergency reserve to \$2,301,640, or 8% of General Fund operating expenditures, for FY 2001-02.
2. Recommend that \$286,300 (which represents 1% of the estimated General Fund operating expenditures) be set aside in fiscal year 2001-02 to fund the Council Contingency Reserve.
3. Increase the reserve in the General Liability Fund from the current reserve of \$565,000 to \$671,000. The reserve includes three times the self insurance retention (\$300,000), plus the average of the previous five years of claims cost not covered by the insurance pool (\$371,000).
4. Transfer \$30,000 from the General Fund to the Workers' Compensation Fund to cover the estimated outstanding claims at June 30, 2001.
5. Annually average past expenditures from the Accrued Leave Reserve Fund and base the annual transfer from the General Fund on this average. Approve a transfer from the General Fund to the Accrued Leave Reserve Fund for FY 2001-02 in the amount of \$100,000.
6. Transfer \$100,000 from the General Fund to the Capital Equipment Replacement Reserve Fund annually until the recommended level of \$2,463,000 is reached.
7. Budget \$162,000 to be added to the Facilities Maintenance Capital Asset Reserve for fiscal year 2001-02 and annually contribute one fifth of the projected 5-year costs until the recommended level of 5-year projected costs is reached.
8. Revise the City's Fiscal Policy to include the Facilities Maintenance Capital Asset Reserve. "The City will establish a Facilities Maintenance Capital Asset Reserve for costs associated with the maintenance of all City facilities. The reserve will be maintained at a level at least equal to the projected 5-year facilities maintenance costs."

Street Improvement Program

1. Approve and authorize the allocation of a General Fund contribution of \$546,360 for the coming FY 2001-02.
2. Confirm the City Council's continuing commitment to the fiscal policy requiring General Fund contributions to the program as resources become available.
3. Approve the street program schedule modification.
4. Accelerate street projects in the program in accordance to the availability of funds and the proximity of other street projects.

Long Term Financial Plan

5. Reconfirm the Major Street Maintenance Program with an annual funding of \$300,000 for the next five (5) years, to provide thin overlays (major maintenance) for streets that are either not scheduled for improvement/rehabilitation or were not scheduled for several years.
6. Approve utilizing the AB 2928 funds for rehabilitating streets not included in the original Street Improvement Program.

Information Systems Strategic Plan

1. Approve the updated Information Systems Strategic Plan in concept.
2. Approve the implementation of a Server Farm at a cost not to exceed \$19,000.
3. Direct staff to continue with the development of an interactive web. No additional funding is needed for FY 2001-02.
4. Approve the upgrade of 45 monitors at a cost not to exceed \$17,000.

Economic Development Update

1. Based upon the recommendations submitted to the City Council by the San Clemente Revitalization 2000 Committee, direct staff to continue to work closely with the Downtown Business Association, Chamber of Commerce and other stakeholders to implement improvement projects and programs for the Downtown area.
2. Continue to aggressively market and promote the recruitment and attraction of new business firms to the Rancho San Clemente Business Park and the Talega Business Park.
3. With respect to older commercial shopping centers, direct staff to provide appropriate assistance and support for the revitalization of these centers.
4. Continue to provide staff support for the Central Business District Transition Program and the Los Molinos Public/Private Partnership Program.
5. Continue to diligently provide business ombudsman and developer advocacy services with the business community and continue to coordinate resolution and response to complaints and requests for business related support services.

Master Plan for City Facilities

1. Annually review the status of previous recommendations for the Master Plan for City Facilities, as a part of the Long Term Financial Plan.
2. Direct staff to develop fiscal policies to be included in the budget that:
 - Limit the use of the Park Acquisition and Development Fund to park facilities included in the Master Plan for City Facilities;
 - Limit the use of other special development impact funds (such as the Public Facilities Construction Fund) to projects identified in the Master Plan for City Facilities.
3. Reimburse \$1.5 million in past expenditures from the Park Acquisition and Development Fund for facilities not included in the Master Plan for City Facilities (listed in Attachment C of the LTFP Issue Paper).

Financial Summary

4. Consistent with existing policy, continue to retain any interest from balances in the Park Acquisition and Development Fund within the Fund.
5. Delay completion of Phase III of the Forster Ranch Community Park from 2005 to 2006 and continue to monitor development of future sustainable revenues, especially those from the Marblehead Coastal project.
6. Direct staff to add newly identified City facilities/programs/chapters to the Master Plan for City Facilities by the end of fiscal year 2001-02:
 - Casa Romantica
 - Revitalization 2000
 - Beach/Sand Replenishment
 - Water Quality
 - Beach Safety Access
 - La Pata/Vista Hermosa Park/Cultural Use Site
7. Direct Staff to prepare a Vital Few Priority paper for a study to determine the feasibility of using the property at Vista Hermosa/La Pata for a new high school.

Environmental Program Update

1. None.

General Plan/Zoning Ordinance Update

1. Direct staff to prepare a multi-year work program to initiate an update of the General Plan.

Document Management Strategic Plan

The following recommendations will be prioritized during the Vital Few Priorities workshop on Wednesday, February 28, 2001:

1. Approve the two-year implementation of the Electronic Document Management System, as outlined in the Document Management Strategic Plan.
2. Approve the funding necessary to implement the Electronic Document Management System for FY 2001-02 from the General Fund, Gas Tax Fund, Water and Sewer Funds in the amount of \$228,500.

Fire Authority Staffing Analysis

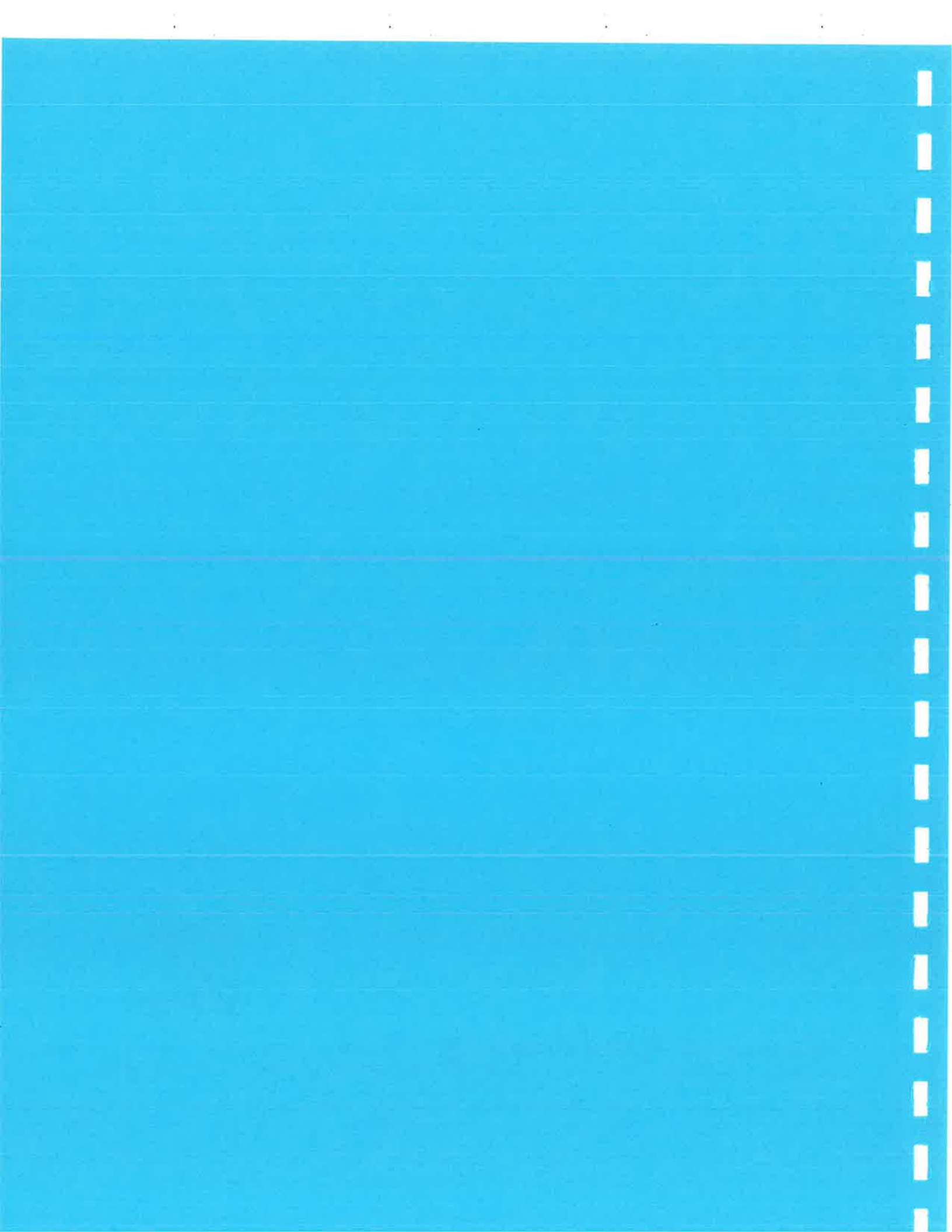
The following recommendations will be prioritized during the Vital Few Priorities workshop on Wednesday, February 28, 2001:

1. Increase staffing of E60 to 4 personnel/shift, this requires the addition of 1 firefighter/per shift, or a net of 3 personnel. This will provide an increased level of service to the City as well as the surrounding areas.
 2. Defer staffing considerations of T59 (PAU) and E50 (PAU) until impacts/results of the OCFA's Strategic Plan, addressing Operational deployment is complete.
-

Long Term Financial Plan



Financial Trend Analysis



Introduction

The *Issue Summary* section which follows provides an overview of the issues that were analyzed during the preparation of the *2001 Long Term Financial Plan*. Volume II of the Long Term Financial Plan contains the complete issue papers relating to each of the topics. The issues reviewed include:

Financial issues reviewed in 2001

1. *Financial Trend Analysis*
2. *Financial Forecast*
3. *Reserve Analysis*
4. *Street Improvement Program Update*
5. *Information Systems Strategic Plan*
6. *Economic Development Update*
7. *Master Plan for City Facilities*
8. *Environmental Program Update*
9. *General Plan/Zoning Ordinance Update*
10. *Document Management Strategic Plan*
11. *Fire Authority Staffing Analysis*

Financial Trend Analysis

Objective:

Utilizing the International City Management Association's (ICMA) Financial Trend Monitoring System, update the comprehensive Financial Trend Report, including specific recommendations to address those trends considered unfavorable or where a warning trend has been observed. Ratings assigned to each trend include: Favorable (F), Unfavorable (U) or Warning (W).

Every indicator receiving a favorable rating.

As indicated in the table below, a total number of 20 trends were analyzed in the 2001 Long Term Financial Plan. The current year being analyzed shows every indicator receiving a *favorable* rating. This is an improvement over the prior year where there was one unfavorable rating.

"Employees per capita" improved from prior year

- *Employees per capita* - This category is improved from the prior year. The City has monitored this indicator and as a result, increased the number of General Fund FTE's over the last three years by 13.
- *Accumulated compensated absences*: Additionally, the category of accumulated compensated absences, was assigned a favorable/caution flag for the second year. This is due to an accounting change mandated by GASB Pronouncement 16 in FY 1998-99. The pronouncement requires that salary related expenses be added to the liability calculation.

It should be mentioned that the current ratings are a vast improvement over the ratings assigned in the first year Long Term Financial Plan (1993) where only 6 indicators were *favorable* and 14 were either assigned an *unfavorable*

Long Term Financial Plan

or *warning* rating. Progress has certainly been made in those areas that the City is able to measure in a quantifiable manner and on a consistent basis.

A detailed review of the indicators are contained in the Financial Trend section of this report and Volume II of the Long Term Financial Plan.

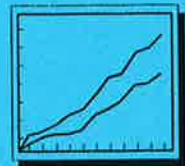
<i>Indicator</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>
Revenues Per Capita	F	F	F	F	F	F	U	U	U
Property Tax Revenues	F	F	F	F	U	U	U	W	F
Sales Tax Revenues	F	F	F	F	F	F	F	U	U
Licenses & Permits	F	F	F	U	F	F	F	U	U
Comm. Develop. Charges	F	F	F	U	U	U	U	U	U
Elastic Revenues	F	F	F	F	F	F	F	U	U
One-Time Revenues	F	F	F	F	F	F	F	W	W
Intergovernmental Revenues	F	F	F	F	F	F	F	F	F
Revenue Overages /Shortages	F	F	F	F	F	F	U	U	U
Expenditures Per Capita	F	F	F	F	F	F	F	W	W
Employees Per Capita	F	U	U	F	F	F	F	W	W
Fringe Benefits	F	F	F	F	F	F	W	W	U
Capital Outlay	F	F	F	F	F	F	U	U	U
Operating Surplus	F	F	F	F	F	F	W	W	U
Fund Balance	F	F	F	F	F	F	F	W	W
Liquidity Ratio	F	F	F	F	F	F	F	F	F
Debt Service	F	F	F	F	F	F	F	F	F
Compensated Absences	F	F	F	F	F	F	F	F	F
Property Values	F	F	F	F	U	U	U	W	W
Population	F	F	F	F	F	F	F	F	F

Positive trends confirm the strength of the City's financial position

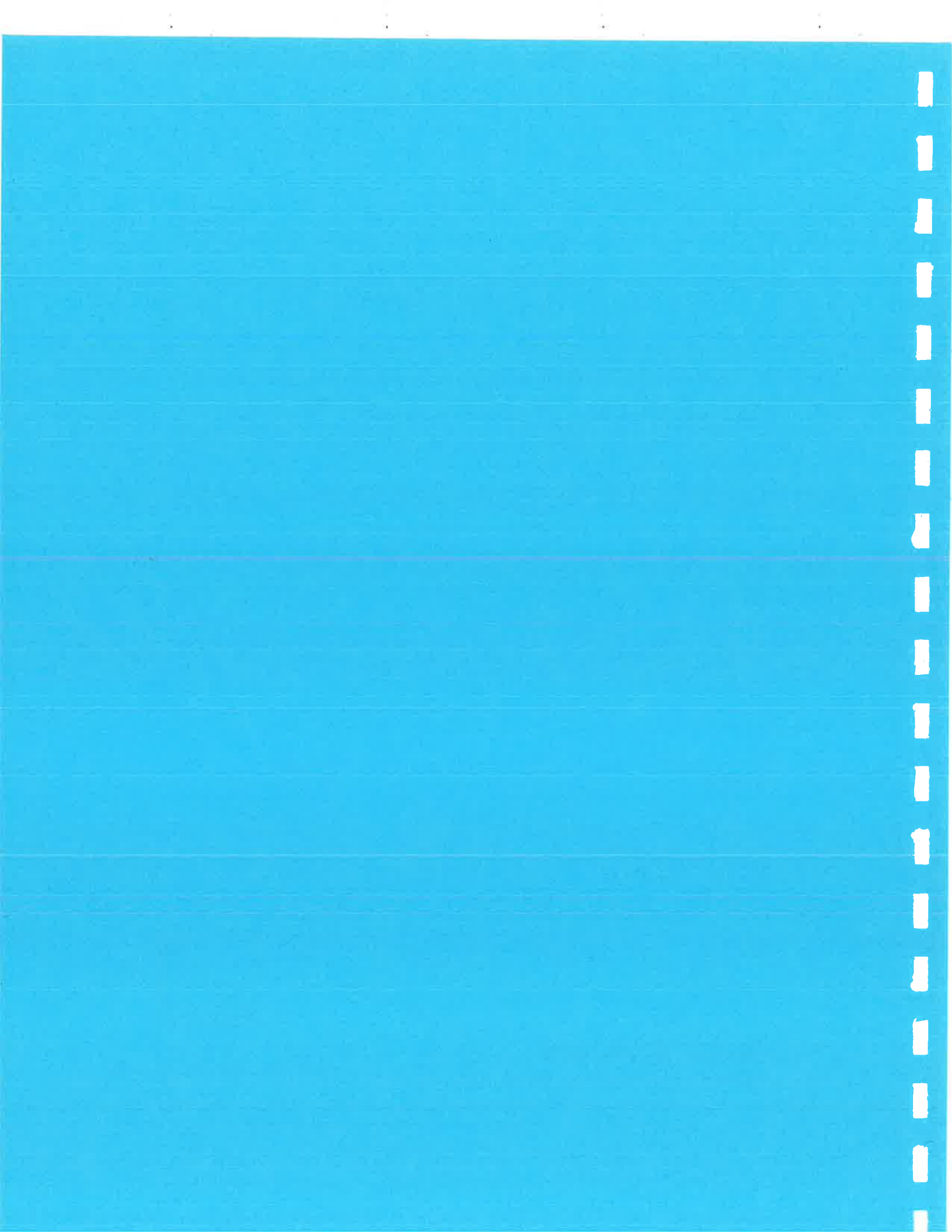
The updated trend analysis conducted this year once again reinforces the City's commitment to financial planning. Combined with a set of comprehensive fiscal policies that are diligently followed and an improving economy, the financial status of the City continues to shift into positive territory.

Recommendation

1. No specific recommendations are made with regard to the trend analysis report. The City will also continue to closely monitor financial trends in order to provide an "early warning" detector of financial problems.



Financial Forecast



Financial Forecast

Objective

To update the comprehensive five-year financial forecast for the General and operating funds incorporating adopted City fiscal policies, expenditure patterns, revenue trends, and other known financial impacts.

Recommendations in the 2001 plan are not incorporated into the financial forecast

The City's updated financial forecast includes certain key assumptions, outside of economic and growth/trend factors, that are based on current fiscal policies or were the result of the Council adopted 2000 Long Term Financial Plan. The forecast does not factor in any of the recommendations contained in the 2001 Long Term Financial Plan with the exception of reserve transfers. The forecast basically incorporates *current* General Fund and other operating funds (Water, Sewer, and Golf) expenditure and revenue patterns and attempts to predict the City's future operating position.

The following major assumptions were used in developing the City's five year financial forecast:

Major forecast assumptions

- Economic and demographic data (average over five year forecast period):
 - ⇒ Inflation Average: 2.9%
 - ⇒ Population Growth Average: 3.7%
 - ⇒ Personal Income Growth Average: 6.6%
 - ⇒ Revenue Growth: 3.5% (5 year historical growth = 7.4%)
 - ⇒ Expenditure Growth: 1.9% (5 year historical growth = 5.4%)
- A 3% cost of living increase, previously approved by Council, has been included for FY 2001-02. Cost of living adjustments at 90% of the projected consumer price index for Southern California for FY 2002-03 and after.
- For expenditure estimating purposes, three new full-time positions are presumed to be added in FY 2001-02, with an additional two new full-time positions added in each of the following years, for a total of eleven positions included in the forecast.
- Reserve transfers total \$726,300 in FY 2001-02.
- Transfer of \$546,360 to the Street Improvement Program in FY 2001-02 and increased by an inflation factor in the out years.
- Actual expenditures projected at 0.5% less than current budgeted expenditures for all five years of the forecast.
- Revenues projected to exceed budgetary projections by 0.5% in all five years of the forecast.

Factors *not included* in the base forecast:

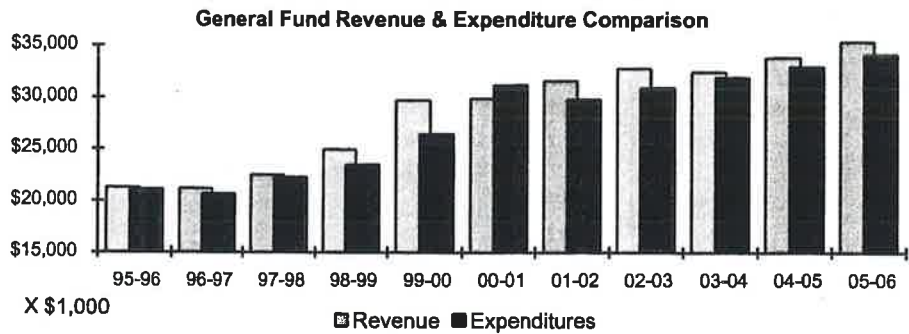
Factors not included in the forecast

- Forecast is based on the General and operating funds only.
- No new or enhanced programs included.
- Service fees from *proposed* new developments such as Marblehead Coastal.

Long Term Financial Plan

- Potential operating impact of capital facilities included in the Master Plan for City Facilities.
- Impact of potential retirement changes (3% @ 50) for public safety employees on the Police Services contract.

The following chart provides a historical perspective of actual total revenues and expenditures for the past 5 years and forecasted comparisons of revenues and expenditures for the next five years.



The table below depicts the City's operating position (*revenues less expenditures and excluding transfers, and one-time revenues and expenditures*) for the next five years:

2000 Forecast Summary (Operating Position)
(in thousands)

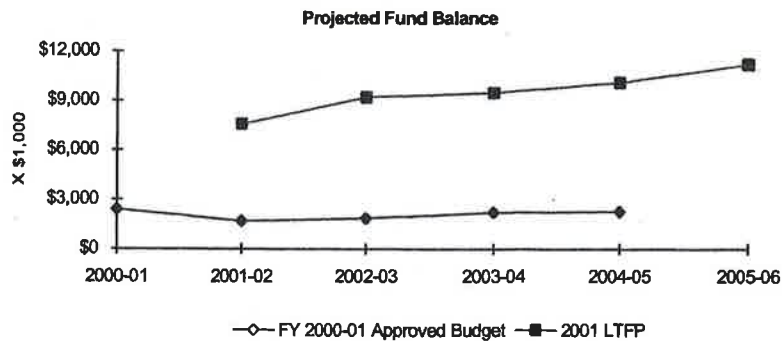
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues	\$30,263	\$31,445	\$32,466	\$33,846	\$35,403
Expenditures	29,794	30,930	31,946	32,989	34,214
Operating Result	\$469	\$515	\$520	\$857	\$1,189

Operating position is positive

Fund balances are projected to be positive in all five years of the forecast

The Projected Fund Balance chart and table below illustrates the impact of the City's current finances on future fund balances. As illustrated, fund balances are projected to be positive in all five years of the forecast. The improvement in fund balance projections is the result of higher than anticipated revenue collection in the prior year, expenditure savings, and growth in one-time development revenues from permits and service charges

Projected fund balances



Issue Summary

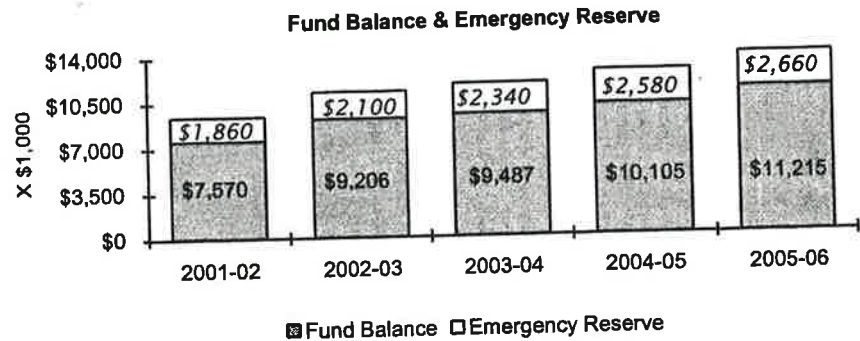
**Projected Fund Balances
(in thousands)**

	01-02	02-03	03-04	04-05	05-06
Fund Balance	\$6,045	\$7,570	\$9,206	\$9,487	\$10,105
Revenues	31,583	32,805	32,466	33,846	35,403
Expenditures	29,818	30,931	31,947	32,989	34,214
Emer. Reserve	240	240	240	240	80
Fund Balance	\$7,570	\$9,206	\$9,487	\$10,105	\$11,215

Fund balances and emergency reserves

The Fund Balance and Emergency Reserve graph indicates the projected growth of unreserved fund balances including emergency reserves over the forecast period.

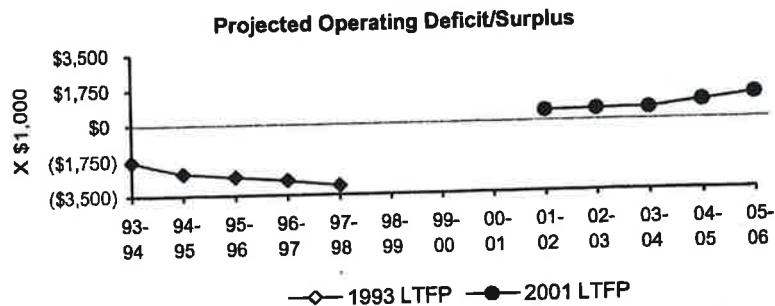
Fund balances, including reserves, will total \$9.4 million in FY 2001-02



As shown, the City will maintain total fund balances in excess of \$9.4 million, including emergency reserves of \$1.86 million, in FY 2001-02. As depicted in the chart, projected fund balances include both unreserved and reserved fund balances. Emergency reserve fund balances are projected to increase until the 8% fiscal policy level is attained in FY 2004-05. Fund balances will continue to grow due to the positive operating position of the City as well as continued growth in most sectors of the local economy.

Operating deficits & surplus

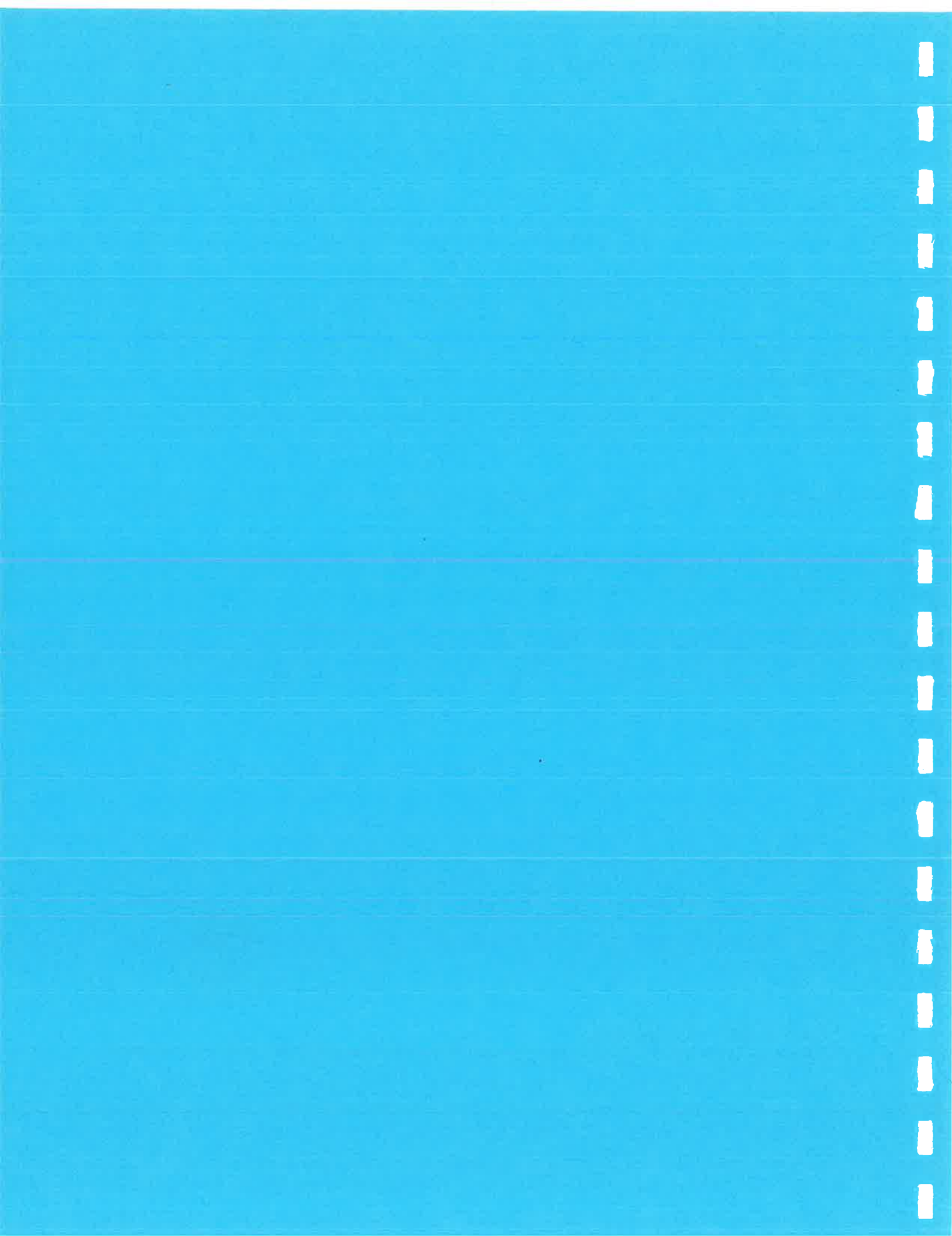
The final chart in this section provides an overview of projected operating deficits/surpluses since the initial LTFP was developed in 1993. The self-explanatory chart provides a graphic view of the extraordinary improvement in City finances over the past few years:



Long Term Financial Plan



Reserve Analysis



Reserve Analysis

Objective

To analyze and recommend appropriate levels of reserves to (a) ensure that they are adequate to provide for the needs of each fund program and (b) meet program needs without unnecessarily obligating scarce dollar resources.

All reserve funds, except General Fund emergency reserves and capital equipment reserves, are fully funded

Emergency reserves total \$1.6 million or 5.91% of operating expenditures

A transfer of \$682,000 is recommended to bring the emergency reserves balance up to the 8% of operating expenditures level

A contribution of \$100,000 should be made in order to improve the compensated absence financial indicator

General Liability Fund has reserves of \$565,000 and projected fund balance of \$340,000

The City's initial Long Term Financial Plan identified seriously underfunded and, in certain cases, non-existent reserve levels. An aggressive funding schedule was adopted in 1993 and has been updated annually since that time. The commitment to funding of reserves has resulted in the full funding of all reserves except General Fund emergency reserves and capital equipment reserves. The City's Fiscal Policy prescribes the following reserve requirements:

- *General Fund Emergency Reserve:* This reserve is established at 8% of General Fund operating expenditures. The purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn, lasting two years or more, or other unforeseen catastrophic costs not covered by the Contingency Reserve. It is not fully funded at this time and totals \$1.6 million. The fiscal policy was amended in 2000 to increase the reserve from 5% to 8%. This is in accordance with the recommendations of the Government Financial Officers Association (GFOA) for maintaining an emergency reserve level equivalent to one month's operating expenditures or 8.33%. The current Financial Trend Analysis indicates the City has had operating surpluses for the past six consecutive years; therefore, it is recommended that a transfer of \$682,000 be made to bring the reserve up to a fully funded status of 8%.
- *Council Contingency Reserve:* This reserve level is established at 1% of General Fund operating expenditures. The purpose of this reserve is to provide for non-recurring, unanticipated expenditures, or to set aside funds to cover known contingencies with unknown costs. A transfer of \$286,300 is recommended for the 2001-02 fiscal year.
- *Accrued Leave Reserve Fund:* This fund is used to accumulate funds to pay for leave benefits for terminated employees. The level of the reserve is established based on an annual projection of employee retirements and is currently projected to total approximately \$69,000 by the end of the year. A transfer of \$100,000 is recommended for the fiscal 2001-02 year.
- *General Liability Insurance Fund:* The fund has a current reserve of \$565,000. It is recommended to increase the reserve to \$671,000 which includes the self insurance retention (\$300,000), plus an additional \$371,000 (the average of the previous five-year claims costs not covered

Long Term Financial Plan

by the insurance pool). This fund is projected to close FY 2000-01 with a balance of \$340,000.

The Workers' Compensation Fund requires a transfer of \$30,000 to fund the balance of outstanding claims

- *Workers' Compensation Insurance Fund:* The Workers' Compensation Insurance Fund finished FY 1999-00 with a positive cash balance of \$449,000. The purpose of this reserve is to cover remaining claims incurred when the City was self-insured. A transfer of \$30,000 is recommended to cover the estimated outstanding claims at June 30, 2001.
- *Fleet Replacement Reserve:* The Fiscal Policy requires that adequate reserves for the replacement of the City's fleet be maintained. The funding target level is based on the Fleet Replacement Reserve schedule which is updated annually. This reserve is fully funded with a projected ending balance of \$1.8 million.
- *Capital Equipment Replacement Reserve:* There is a requirement that the City allow for the replacement of worn and obsolete equipment other than vehicles. The replacement cost of General Fund fixed assets, excluding buildings and building improvements is \$2,463,000. Over the past six years, the General Fund has made annual transfers of \$100,000 to fund this reserve and an additional transfer of \$100,000 is scheduled for FY 2000-01. The projected fund balance at June 30, 2001 is \$503,000. It is recommended to continue the annual transfer of \$100,000 from the General Fund until the reserve is fully funded.

Capital equipment reserve fund transfers should be continued until the reserve is fully funded

The establishment of the following reserve has been recommended for the fiscal year 2001-02:

A General fund facilities maintenance capital asset reserve is recommended

- *General Fund Facilities Maintenance Capital Asset Reserve:* A reserve is being recommended to fund facilities maintenance costs such as flooring replacement, roof replacement, interior and exterior painting, HVAC replacement and parking lot seal coat/stripping for all City facilities, plus the compressor, speed drive and boiler for the City pool. The funding target level is based on the facilities maintenance replacement schedule which will be updated annually. A transfer of \$162,000 for FY 2001-02 is proposed along with annual transfers calculated each year to reach a recommended level of five-year projected costs.

A total of \$7.4 million has been contributed to reserves since 1993

Through the annual LTFP and budget process, the City Council has set aside scarce resources in order to preserve and enhance the City's fiscal stability. Thus, the City has been able to contribute a total of \$7.4 million toward the funding of reserves over the past eight years.

Issue Summary

The following table outlines the total contributions that have been made since the development of the 1993 Long Term Financial Plan:

Total reserve contributions	Reserve	Reserve Contribution
	General Fund Emergency Reserve	\$1,619,640
Council Contingency Reserve	\$1,700,000	
General Liability	\$1,574,820	
Workers Compensation	\$1,363,380	
Accrued Leave Reserve	\$440,000	
Capital Equipment Replacement Reserve	\$728,210	

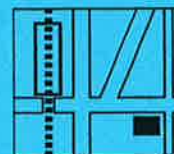
Recommendations

1. Budget \$682,000 for FY 2001-02 in order to bring the emergency reserve to \$2,301,640, or 8% of General Fund operating expenditures.
2. Recommend that \$286,300 (which represents 1% of the estimated General Fund operating expenditures) be set aside in fiscal year 2001-02 to fund the Council Contingency Reserve.
3. Increase the reserve in the General Liability Fund from the current reserve of \$565,000 to \$671,000. The reserve includes three times the self-insurance retention (\$300,000), plus the average of the previous five years of claims cost not covered by the insurance pool (\$371,000).
4. Transfer \$30,000 from the General Fund to the Workers' Compensation Fund to cover the estimated outstanding claims at June 30, 2001.
5. Annually average past expenditures from the Accrued Leave Reserve Fund and base the annual transfer from the General Fund on this average. Approve a transfer from the General Fund to the Accrued Leave Reserve Fund for FY 2001-02 in the amount of \$100,000.
6. Transfer \$100,000 from the General Fund to the Capital Equipment Replacement Reserve Fund annually until the recommended level of \$2,463,000 is reached.
7. Budget \$162,000 to be added to the Facilities Maintenance Capital Asset Reserve for fiscal year 2001-02 and annually contribute one fifth of the projected 5-year costs until the recommended level of 5-year projected costs is reached.
8. Revise the City's Fiscal Policy to include the Facilities Maintenance Capital Asset Reserve. "The City will establish a Facilities Maintenance Capital Asset Reserve for costs associated with the maintenance of all City facilities. The reserve will be maintained at a level at least equal to the projected 5-year facilities maintenance costs."

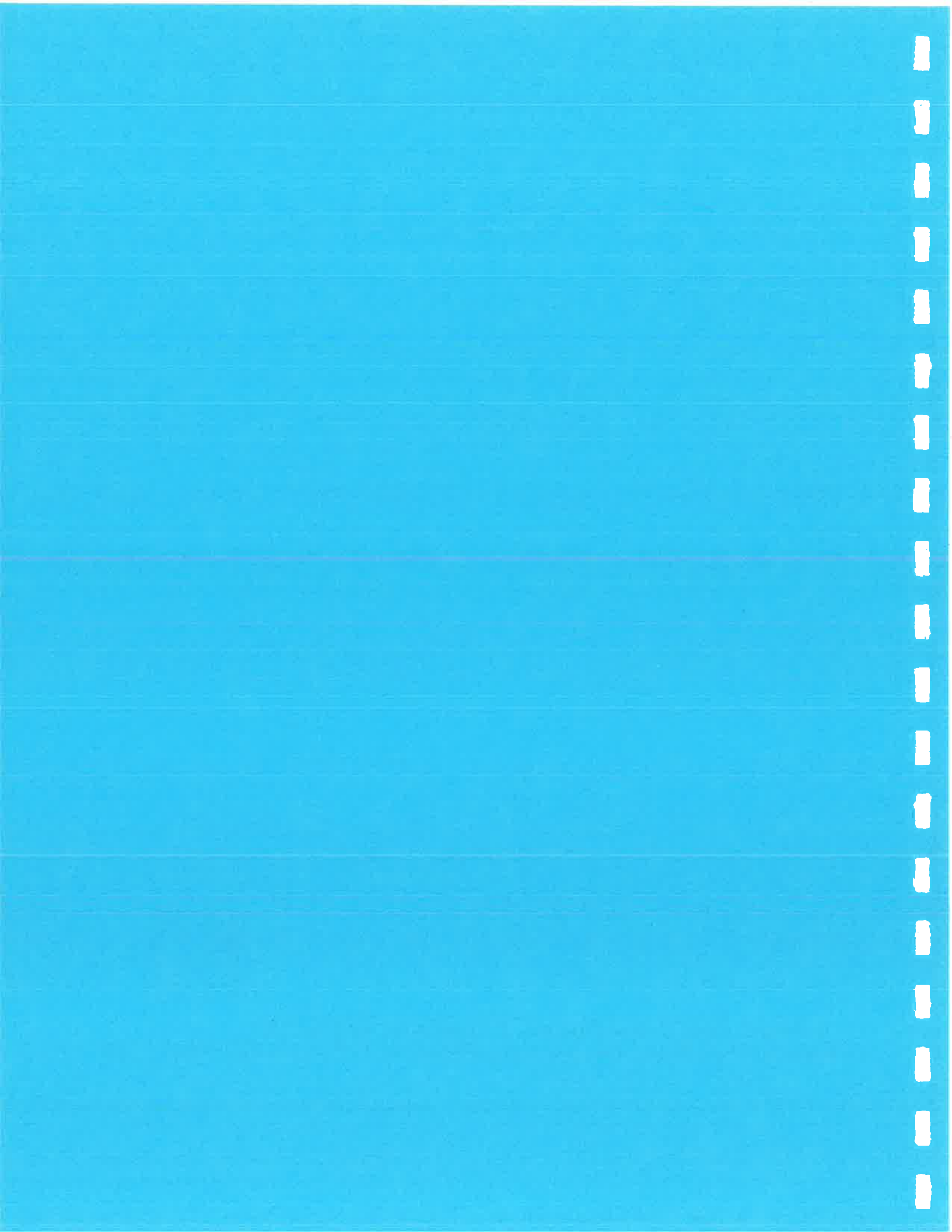
Council Action

All recommendations were approved by the City Council by a vote of 5-0 on February 24, 2001.

Long Term Financial Plan



Street Improvement Program Update



Street Improvement Program Update

Objective

To provide an update of the City's Street Improvement Program and project short and long term funding requirements

100 street projects have been completed and 15 projects are under construction

Since the approval of the program in July, 1995, one hundred (100) street projects have been completed and an additional fifteen (15) are under construction and will be completed during FY 2000-01. Of the 115 street projects, 48 projects were accelerated from their original schedule. Thirty (30) projects were accelerated within the first 5-year period and eighteen (18) street projects were accelerated from beyond the 5-year period.

48 projects were accelerated

The Program's short-term financial picture remains mixed. On the positive side, the majority of the street projects awarded have cost less to build resulting in savings of about \$3,360,000 or approximately 20% of the original estimated street project costs. In addition, the City has received approximately \$1,777,200 in grants from the State Local Transportation Partnership Program (SLTPP).

Savings of \$3.4 million have been attained

Assessments are \$125,000 less than anticipated

On the other hand, actual annual program revenues of \$1.325 million collected from the Street Improvement Assessment District are approximately \$175,000 less than the \$1.5 million per year originally projected. This funding shortfall is the result of adjustments that were made to private golf courses and to other parcels based upon refined information from the Orange County Tax Assessor's office. Over the next 15 years, this means the District's total revenues will be approximately \$3.15 million less than originally projected. One additional concern is that some of the streets included in the Program are failing at a rate faster than staff had predicted. This will result in more streets having to be reconstructed rather than overlaid, which will likely double the costs for those streets in the future.

A long term financial forecast is difficult to predict. There are several program revenue sources the City does not have control of, which include Proposition 111 and Measure M Turnback funds. Measure M funds are scheduled to sunset in FY2013-14 and, if not renewed, the City will have to identify other sources of revenues to maintain its street quality standards. On the positive side, the City does have a stable and reliable funding source from the Street Assessment District.

In the final analysis there are certain program uncertainties which include projecting pavement life (wet vs. dry winters), rehabilitation vs. reconstruction (2x cost factor), and inflationary pressures. Thus far the program has not been impacted by inflationary factors. Based upon the demonstrated success of the program over the past 5½ years, there is every reason to believe that the City will continue to make appropriate and sustained progress in meeting its program goals in the foreseeable future.

Long Term Financial Plan

***\$780,000 will be received
from AB 2928***

Recently the Governor has approved AB 2928 (formerly known as the local rehabilitation money). The City of San Clemente will be receiving a total of approximately \$780,000 over the next five years. Staff is recommending to utilize these funds for rehabilitating city streets that are not included in the Street Improvement Program.

Since the approval of the program, 48 street projects were accelerated from their original schedule. Two street projects during this FY2000/01, are recommended to be delayed. These projects are:

1. **Avenida de la Riviera:** This street was recently paved as part of the Major Maintenance Program in FY1998-99 with the surrounding streets in the Riviera District. Staff recommends the delay of the street project to FY2004/2005 to be completed with the other streets in the Riviera District.
2. **Ola Vista:** The street program has a budget of \$231,855 for minor paving at different locations on Ola Vista. Staff recommends to delay these minor improvements and re-schedule the paving of the entire street at a later date.

***The major street
maintenance program
provides maintenance of
streets not scheduled in
the Street Improvement
Program***

As part of the FY 1999-00 budget, the City Council re-established the City's Major Street Maintenance Program. This Major Street Maintenance Program will provide moderate and major maintenance service on streets that were not scheduled in the Street Improvement Program or improvements that were scheduled several years into the future. The City Council also approved a two-year project list for the Major Street Maintenance Program. All of the scheduled projects within the first year are already completed during the first half of the FY 1999-00 and within budget. The scheduled projects within the second year are under construction and will be completed prior to the end of FY 2001-02. In recognition of the need for this effort, staff is recommending that the City reconfirm the Major Street Maintenance Program with an annual funding of \$300,000 for the next five (5) years.

Recommendation

1. Approve and authorize the allocation of a General Fund contribution of \$546,360 for the coming FY 2001-02.
2. Confirm the City Council's continuing commitment to the fiscal policy requiring General Fund contributions to the program as resources become available.
3. Approve the street program schedule modification.
4. Accelerate street projects in the program in accordance to the availability of funds and the proximity of other street projects.
5. Reconfirm the Major Street Maintenance Program with an annual funding of \$300,000 for the next five (5) years, to provide thin overlays (major maintenance) for streets that are either not scheduled for improvement/rehabilitation or were not scheduled for several years.

Issue Summary

6. Approve utilizing the AB 2928 funds for rehabilitating streets not included in the original Street Improvement Program.

Council Action

All recommendations were approved by the City Council by a vote of 5-0 on February 24, 2001.

Long Term Financial Plan



Information Systems Strategic Plan

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses and income. The document also highlights the need for regular reconciliation of bank statements and the company's records to identify any discrepancies early on.

In addition, the document provides a detailed breakdown of the accounting cycle, from identifying the accounting entity to preparing financial statements. It explains how each step contributes to the overall accuracy and reliability of the financial data. The document also includes a section on the importance of internal controls, which are designed to prevent errors and fraud within the organization.

The final part of the document discusses the role of the accountant in providing valuable insights into the company's financial performance. It explains how the accountant can use the data to identify trends, forecast future performance, and provide recommendations to management. The document concludes by emphasizing the importance of transparency and ethical behavior in all accounting practices.

Information Systems Strategic Plan Update

Objective

To provide an update and funding analysis of the implementation of the City's Information Systems Strategic Plan

Costs of technology can be reduced

The focus of the strategic plan will shift to a Web environment

The City's Information Technology infrastructure has matured to the point that the costs of technology can be reduced or moderated through consolidation of hardware and implementation of technical labor saving software. The focus of the Information Systems Strategic Plan now shifts towards the a Web centric environment using ".NET" technologies to provide services to any computer on the network with very little Information Support or at the personal computer.

- *Upgrading the Permitting and Business License System:* The current fifteen-year-old permitting software is not compatible with the City's financial/GIS software and is not supported by the vendor. To address this issue staff is currently comparing the option of replacing the system versus the risk of using it for one more year. If the choice is made to replace the system the justification and costs will be presented during the budget process.
- *Expanding the City GIS Program:* This project will revise the City's GIS Strategic plan to enhance the City's GIS map. This will allow detailed Engineering modeling and forecasting. There is no funding requested at this time. Instead Council will review the costs of this project along with other City needs in the Vital Few Priorities process.
- *.NET (dot Net) Server Farm:* Reduce, consolidate and rack mount the City's servers into one central server farm that can be easily maintained and backed up. Reduce the total cost of ownership by consolidating numerous offsite servers into one central computer.
- *City's Web Site:* Provide interactive services such as utility billing, permitting and recreation registration online.
- *Computer Replacement program:* Do not purchase replacement computers this fiscal year. Instead only upgrade the monitors of selected computers. Off load the processing of PC's onto the centralized servers thereby reducing cost of ownership of the desktop PC's

Recommendations

1. Approve the updated Information Systems Strategic Plan in concept.
2. Approve the implementation of a Server Farm at a cost not to exceed \$19,000.
3. Direct staff to continue with the development of an interactive web. No additional funding is needed for FY 2001-2002.
4. Approve the upgrade of 45 monitors at a cost not to exceed \$17,000.

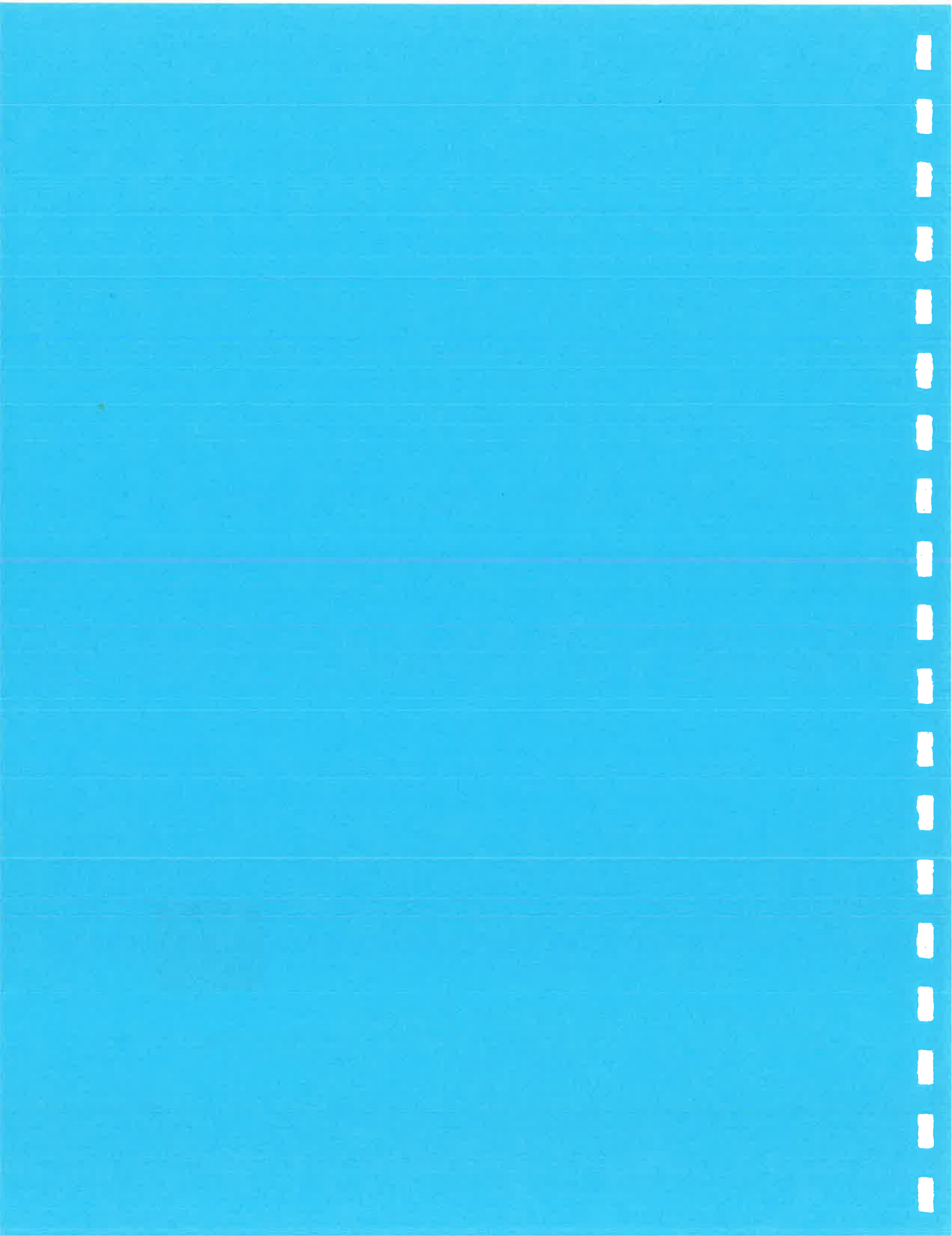
Long Term Financial Plan

Council Action

All recommendations were approved by the City Council by a vote of 5-0 on February 24, 2001.



Economic Development Update



Economic Development Update

Objective

To update the progress made in the implementation of the City's Economic Development Plan and to provide projections concerning sales tax growth and business development trends.

The Economic Development Plan focuses on three programs

The City's Economic Development Plan focuses on three specific program areas which are 1) Business Retention; 2) Business Marketing and Promotion; and 3) Reinvestment and Revitalization. In conjunction with these program initiatives, last year the City Council directed staff to continue to work closely with the Downtown Business Association, Chamber of Commerce and other stakeholders to implement needed public improvement projects and related programs for the Downtown area. Staff was also tasked to continue the aggressive marketing, promotion, recruitment and attraction of new business firms to the Rancho San Clemente and Talega Business Parks. With respect to older commercial shopping centers, Council directed staff to provide appropriate assistance and support for the revitalization of these centers with specific emphasis on Pico Plaza Shopping Center and the K-Mart Shopping Center. Finally, staff was directed to provide continuing support for the Central Business District Transition Program, the Los Molinos Business Advisory Committee Program, and to provide continued business ombudsman and developer advocacy services to the business community. With these programs in place, let's examine the progress that has been made since last year's report.

- **Sales Tax Leakage** – Curtail the outflow of sales tax dollars to other communities in the South County area by strengthening and expanding the City's retail tax base.

The retail sales tax leakage factor has been reduced from 53% to 50%

According to Ultra Research Inc. (URI), for the year ended 1998, the City's retail sales leakage factor was 53% which translates to a loss of \$350.4 million in taxable sales and a loss of sales tax revenues to the City of \$3.5 million. URI's most recent sales tax analysis report for the year ended 1999 reflects a taxable retail sales leakage factor of 50% which translates to a loss of \$362.1 million in taxable sales and a loss of sales tax revenues to the City of \$3.62 million. According to data provided by MBIA MuniServices, in 1998 out of 31 cities in Orange County, the City was ranked 24th in total taxable sales and in 1999 the City's position remained unchanged. With respect to taxable sales per capita, the City ranked 29th in 1998 and very modest improvement was noted in 1999 with a ranking of 28th. Major taxable retail sales leakage sources are reflected in the table below.

The City is ranked 28th in taxable sales per capita

Long Term Financial Plan

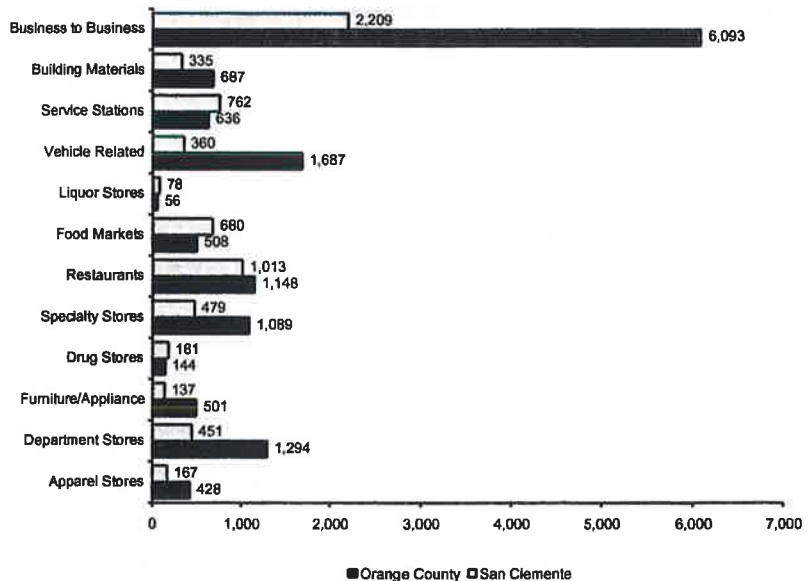
Retail Sales Leakage by Category		
1998 Percent	1999 Percent	Type of Retail Store
90	90	Auto Dealers and Auto Suppliers
83	80	Home Furnishings and Appliances
76	56	General Merchandise Stores
74	75	Building Materials and Farm Implements
76	60	Apparel Stores
51	53	Other Retail Stores

The City's comparative performance appears to have improved in 1999 in three categories while showing no change in one category and minor deterioration in two other categories. What accounts for these differences is not clear; however, the City has experienced significant retail development during the past years and a decided improvement in overall sales tax generation performance should be experienced in the upcoming 2001-02 Fiscal Year.

MBIA MuniServices has also provided data which shows how the City's sales tax generation compares to the Orange County average for the four quarters, ending the fourth quarter 1999.

San Clemente compared to Orange County

Taxable Sales Per Capita

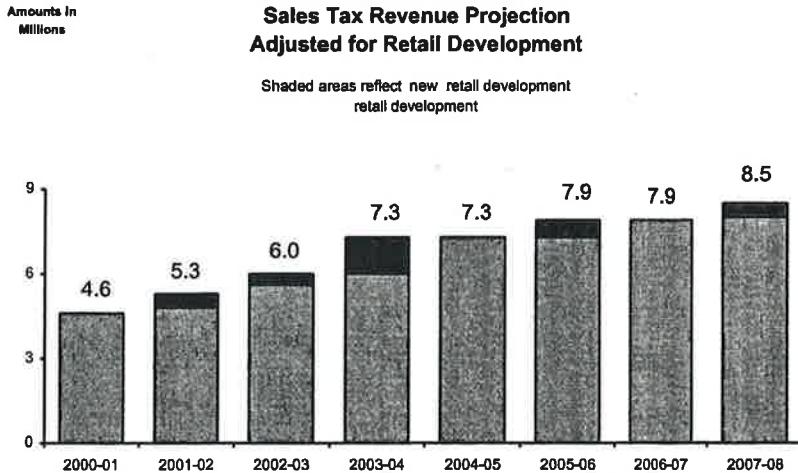


430,000 square feet is currently under construction

As was the case in the 1996 report and last year's LTFP report, the data in Chart I clearly demonstrates that a large percentage of our residents still have no alternative but to go to other communities to meet their most basic consumer needs. The City is making every effort to attract additional retailing resources to the community and, as a result, approximately 430,000 square feet of new retailing space is being constructed at the Plaza Pacifica Shopping Center. Additionally, the Marblehead Coastal project will add

another 750,000 square feet of retailing, restaurant and theater uses which will not only meet local consumer needs but also serve as a major regional retailing draw for South Orange County residents and for hundreds of thousands of visitors and travelers annually passing through the community on the I-5 Freeway. These new retail developments will also add considerable new sales tax revenues to the City's coffers as reflected in the Chart below.

Sales tax revenue projections



Reinvestment and Revitalization – Encourage and stimulate reinvestment and revitalization in specific commercial and business/industrial areas in the community.

Central Business District Transition Program

\$200,000 has been expended for downtown improvements

At the direction of the City Council, staff has worked closely with the leaders of the Downtown Business Association (DBA) to implement the Central Business District Transition Program. The boundaries of this revitalization project are El Camino Real, from Palizada to Presidio, and Avenida Del Mar, from El Camino Real to Calle Seville including Avenida Granada and Avenida Cabrillo. During the past 5 years the City has spent an estimated \$200,000 in improvements and support for Downtown area. As a result of the San Clemente Revitalization 2000 Committee's efforts and City Council direction to staff, several millions of dollars of public improvements will also be made in the Downtown area over the next 5-10 years. Coincident with these program efforts, the City is initiating the creation of a "Rule 20-A" utility undergrounding district for the Downtown area.

In a separate program initiative several years ago, the City Council selected property owners and business operators in the Los Molinos business/industrial area to serve as a special Business Advisory Committee. The Committee has provided assistance and guidance to the Council and staff regarding the development of a Specific Plan for the area and they have also assisted the City's efforts in stimulating interest and participation in the revitalization of this important commercial/industrial business area. In an

Long Term Financial Plan

effort to encourage future private reinvestment, the City has embarked on a major public works improvement program which calls for the design and installation of a new storm drain system through Bonita Canyon to the MO2 Channel, the undergrounding of various utilities and the rehabilitation of Calle de los Molinos and Calle Valle. Valued in excess of \$2.5 million, these improvements should be completed by the end of the third quarter, 2001.

Revitalization of older commercial shopping centers is crucial

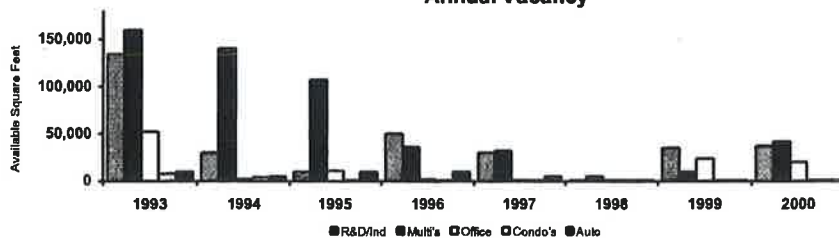
The revitalization of older commercial shopping centers continues to be of significant interest and concern to the City Council and the community. Several older shopping centers have undertaken significant improvements. These centers include Ocean View Plaza, Pico Plaza and K-Mart Plaza. These shopping centers are under new ownership and management and, as a result of major improvements that have been made to the centers, new commercial life and new retailing resources have been made available to our residents and visitors alike.

Increased Business Attraction to the City – Maximize the City’s visibility and investment potential in terms of capturing new retail business and light industrial development.

Attraction of new business has been successful

Over the past five years, the City has enjoyed considerable success in its efforts to attract new businesses to the community. The new retail/entertainment developments (Plaza Pacifica, Marblehead Coastal Promenade, and Los Mares Theater Complex) totaling 1,177,000 square feet are excellent examples of what has or will be accomplished. Equally important has been the City’s demonstrated ability to facilitate and secure new development in the Rancho San Clemente (RSC) and Talega Business Parks. Since 1997, a total of 32 additional buildings have been built (9 currently under construction) which has resulted in the addition of 799,000 square feet (44% increase) to the RSC Business Park. At this time there are an additional 24 buildings (215,000 square feet) in City Plan Check for the Talega Business Park and these facilities will most likely be under construction this year. This means that in a period of five years the City will have increased its overall business park development by 1,013,000 square feet, an increase of over 56%. The vacancy rate (as of November 2000) for existing products in the RSC Business Park was 4.5 %. The San Clemente market is still quite strong and the relatively small amount of available space should be absorbed by the second quarter of 2001 (refer to the Chart below).

**San Clemente Business Park
Annual Vacancy**



Recommendations

1. Based upon the recommendations submitted to the City Council by the San Clemente Revitalization 2000 Committee, direct staff to continue to work closely with the Downtown Business Association, Chamber of Commerce and to the stakeholders to implement improvement projects and programs for the Downtown area.
2. Continue to aggressively market and promote the recruitment and attraction of new business firms to the Rancho San Clemente Business Park and the Talega Business Park.
3. With respect to older commercial shopping centers, direct staff to provide appropriate assistance and support for the revitalization of these centers.
4. Continue to provide staff support for the Central Business District Transition Program and the Los Molinos Public/Private Partnership Program.
5. Continue to diligently provide business ombudsman and developer advocacy services with the business community and continue to coordinate resolution and response to complaints and requests for business related support services.

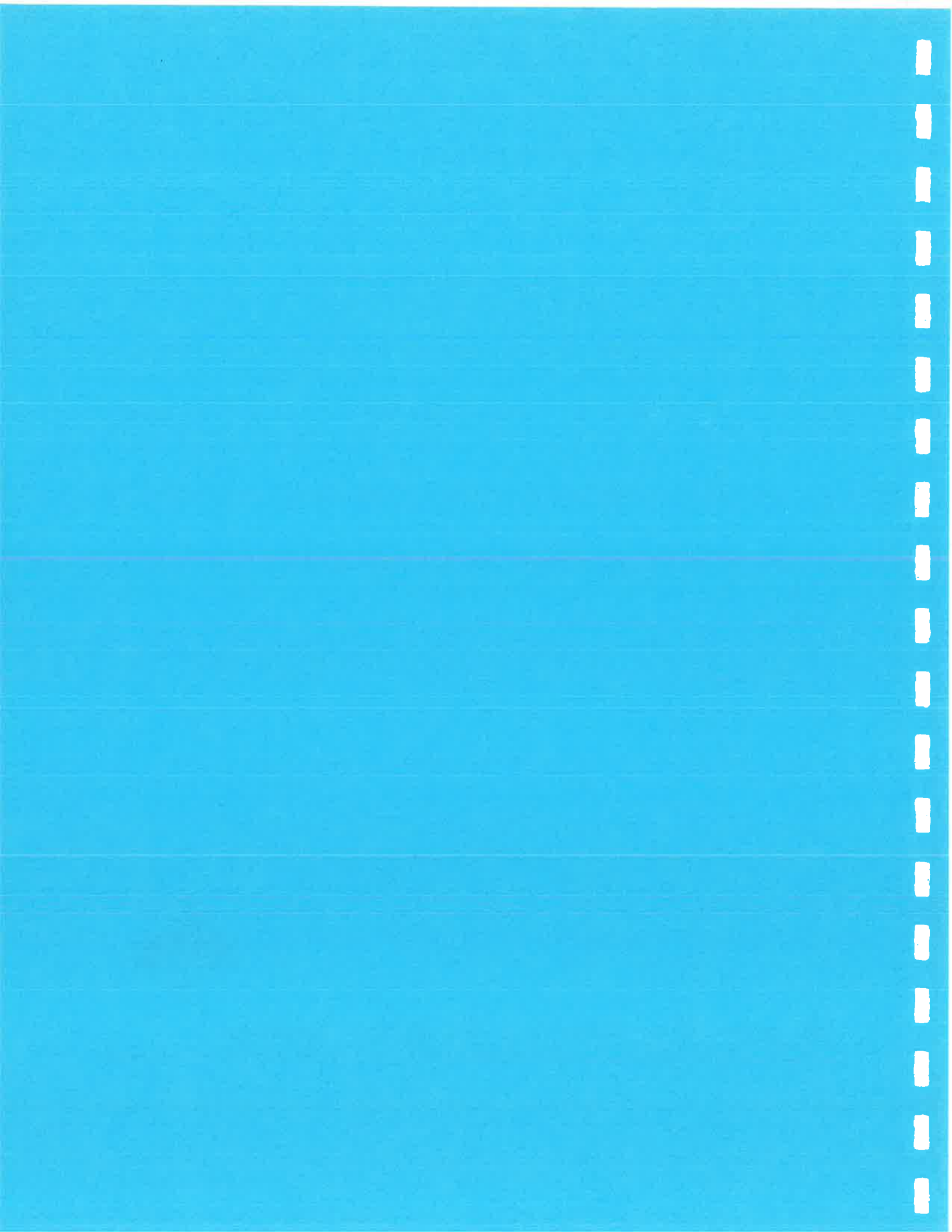
Council Action

All recommendations were approved by the City Council by a vote of 5-0 on February 24, 2001.

Long Term Financial Plan



Master Plan For City Facilities Update



Master Plan for City Facilities (Update)

Objective

To review and update key policy recommendations for the Master Plan for City Facilities (MPCF).

- Has the tax base grown?
- Have costs grown?
- Have facilities been phased as anticipated?
- Is the operation and maintenance of new facilities sustainable?

Summary

The Master Plan for City Facilities (MPCF) was developed to help decision makers analyze siting options for City facilities, determine priorities and plan construction phasing and timing for facilities.

The MPCF studied 15 different future City facilities including: fire stations (3), a senior center (1), civic center sites (4 general locations studied), parks (9), and a special recreation facility that will include a community center, aquatic center and gymnasium.

Capital Costs

Currently it is projected that the City will experience a \$2.89 million shortfall in the funds needed to construct the parks included in the MPCF. This is due to two factors: 1) Significant increases in the construction costs for parks; and 2) Expenditures out of the Parks Acquisition and Development Fund for park improvements not identified in the Master Plan for City Facilities (\$1.5 million). Staff is proposing reimbursing \$1.5 million to the Fund, after which there will remain a \$1.39 million shortfall in the Fund.

Operations and Maintenance

The Operations/Maintenance cost “Module” indicates results that are problematic for decision-makers. This module tracks the operation and maintenance cost of each facility. Then it projects the increase in “sustainable” revenues, which are primarily attributed to property tax and sales tax increases attributed to new or improved development. Under last year’s “aggressive” buildout scenario, which assumed buildout of the major “commercial” developments generating “above-average” sales tax, most major facilities could be built in the next six years and all facilities could be completed by the year 2009. Under a revised “aggressive” scenario, which assumes the Marblehead Coastal project is stalled one year, Phase III of the Forster Ranch Community Park must be delayed one year to 2006. As of this writing, the Marblehead Coastal project has been delayed at least one year, as it has not received approval from the California Coastal Commission. This project accounts for 51% of future projected sales tax growth for the retail commercial sector of San Clemente.

Based on updated information, including a one-year delay in the Marblehead Coastal project, the fiscal impact of the operations and maintenance costs of

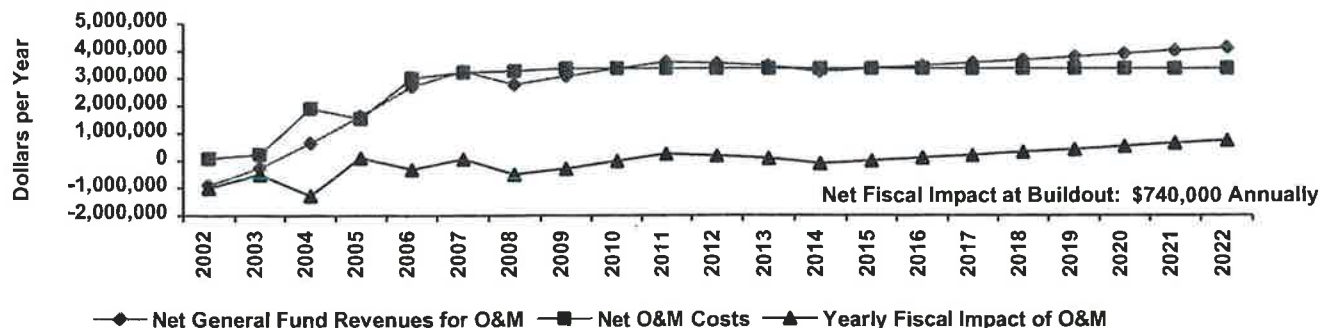
The Master Plan for City Facilities was developed to address siting options, phasing, funding and O&M costs

A \$2.89 million shortfall is projected

Long Term Financial Plan

the City's Master Plan for City Facilities is projected to be as follows to buildout and beyond:

FISCAL IMPACTS OF O&M COSTS: REVISED AGGRESSIVE BUILDOUT SCENARIO



Over the next 20 years and after buildout, the City's fiscal impact model projects a relatively neutral revenue/expenditure balance (neither extremely positive nor extremely negative.) No major surpluses in revenues or deficits in expenditures are projected. The annual balance in the General Fund (revenues minus expenditures) after buildout is projected at approximately \$740,000 per year.

The Talega Fire Station & Forster Ranch Community Park will require significant additional O & M funds

There are two City facilities included in the Master Plan requiring the availability of significant additional operations and maintenance funds: 1) The Talega Fire Station (requiring \$1.2 million per year); and 2) Phase III of the Forster Ranch Community Park (requiring \$1.1 million per year). Current projections of future revenues for operations and maintenance indicate that only one of these two facilities can be maintained before 2006. For public safety reasons, it is likely that the Talega fire station must be constructed first (2004); therefore, construction of Phase III of the Forster Ranch Community Park (community center recreation complex) will need to be delayed to 2006 (one year out from last year's projection of 2005). This delay is directly related to the Marblehead Coastal delays at the Coastal Commission level. (See Attachment A, Fiscal Impacts of O&M Costs, and Attachment B, MPCF Phasing Plan, of the LTFP Issue Paper).

New Facilities

In addition to the facilities that were studied by the MPCF, new priorities have emerged over the past year. Specifically, the Casa Romantica, Revitalization 2000, beach safety access improvements, water quality/sand replenishment efforts, and utilization of the cultural use (opportunity) site at LaPata/Vista Hermosa. These projects/programs all imply additional capital and operations/maintenance costs. None of these costs were considered in last year's MPCF.

Recommendations

1. Annually review the status of previous recommendations for the Master Plan for City Facilities, as a part of the Long Term Financial Plan.
2. Direct staff to develop fiscal policies to be included in the budget that:
 - Limit the use of the Park Acquisition and Development Fund to park facilities included in the Master Plan for City Facilities;
 - Limit the use of other special development impact funds (such as the Public Facilities Construction Fund) to projects identified in the Master Plan for City Facilities.
3. Reimburse \$1.5 million in past expenditures from the Park Acquisition and Development Fund for facilities not included in the Master Plan for City Facilities (listed in Attachment C of the LTFP Issue Paper).
4. Consistent with existing policy, continue to retain any interest from balances in the Park Acquisition and Development Fund within the Fund.
5. Delay completion of Phase III of the Forster Ranch Community Park from 2005 to 2006 and continue to monitor development of future sustainable revenues, especially those from the Marblehead Coastal project.
6. Direct staff to add newly identified City facilities/programs/chapters to the Master Plan for City Facilities by the end of Fiscal Year 2001-2002. (Capital and operations and maintenance costs for these facilities are discussed in more detail in the LTFP Issue Paper):
 - Casa Romantica
 - Revitalization 2000
 - Beach/Sand Replenishment
 - Water Quality
 - Beach Safety Access
 - La Pata/Vista Hermosa Park/Cultural Use Site.
7. Direct Staff to prepare a Vital Few Priority paper for a study to determine the feasibility of using the property at Vista Hermosa/La Pata for a new high school.

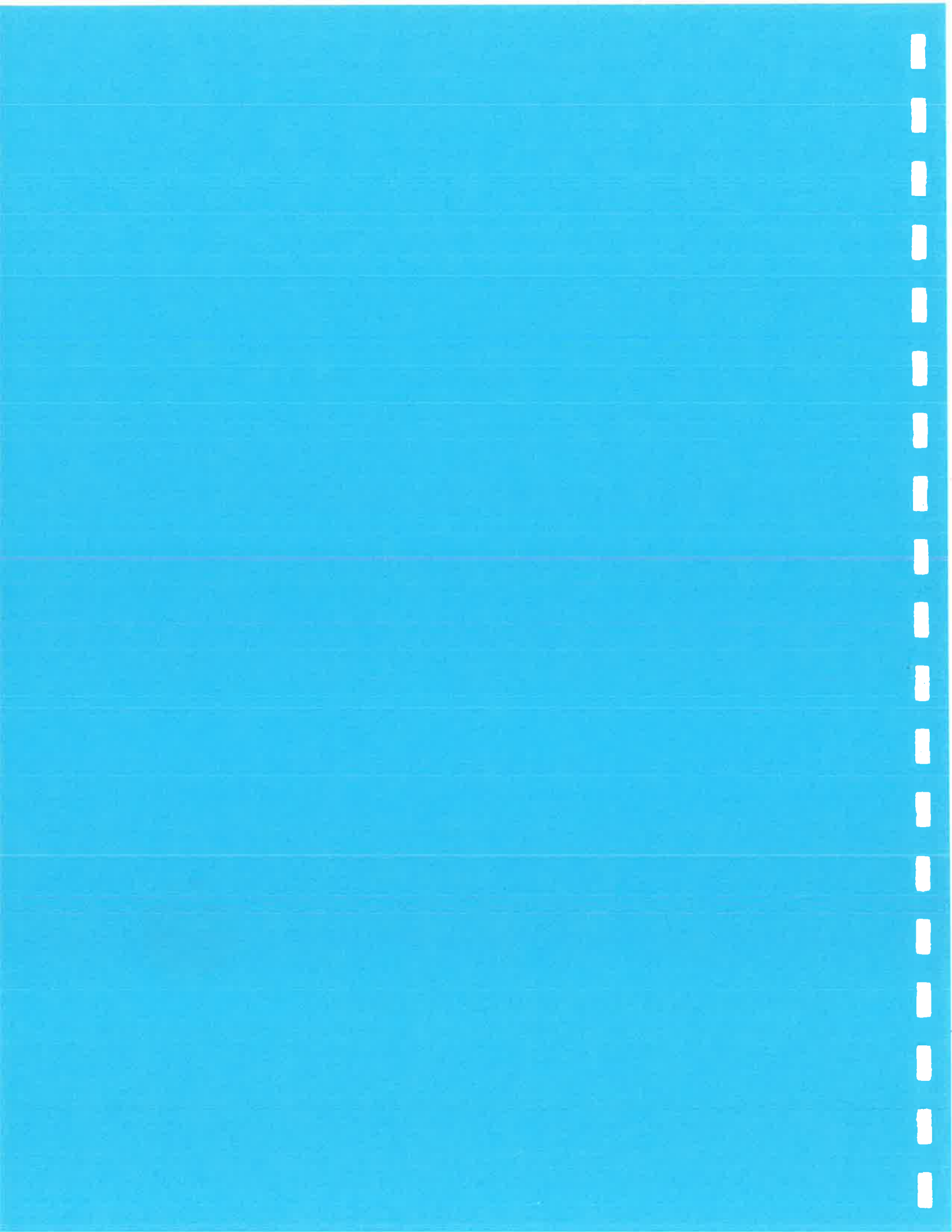
Council Action

All recommendations were approved by the City Council by a vote of 5-0 on February 24, 2001.

Long Term Financial Plan



Environmental Program Update



Environmental Program Update

Objective

To provide an update on the progress that has been made in areas of coastal erosion and sand replenishment, urban runoff management, rail corridor pedestrian beach trail, and related environmental management initiatives.

The focus is on environmental and related issues facing the City.

The Environmental Program consists of various projects and initiatives that collectively address environmental and related issues facing the City. Current projects and initiatives include:

- *U.S. Army Corps of Engineers Shoreline Erosion Feasibility Study:* The Feasibility Study will investigate the causes of erosion along the City's shoreline to evaluate and recommend alternatives to correct the problem. The Feasibility Study is the second phase of a four-phase process which, if approved, will be followed by a design phase and ultimately a project to restore the City's beaches. The Feasibility Study is expected to begin in late FY 2000-01 using approved FY 2000-01 funds.
- *Coastal Bluffs and Canyons Management Guidelines:* This effort will develop a set of guidelines regarding the use of plant materials, drainage structures and methods, and access improvements along the canyons and bluffs. This work will begin in late FY 2000-01 using approved FY 2000-01 funds.
- *Beach Facilities Policy:* This effort will develop policies regarding the protection, retreat, or replacement of beach facilities threatened by sand erosion. This work will be completed by the end of FY 2000-01 using approved FY 2000-01 funds.
- *Sand Monitoring:* This ongoing effort will provide necessary field data for sand nourishment studies, particularly the Corps of Engineers Feasibility Study described above. This work is expected to begin in late FY 2000-01 using approved FY 2000-01 funds.
- *Coastal Advisory Committee (CAC):* Established by the City Council, the CAC's mission is to advise the Council, Planning Commission, Parks and Recreation Commission, and City staff on general coastal zone policies and to serve as an advocate on coastal related issues. The CAC meets monthly.
- *Marblehead Coastal and Opportunistic Sand Replenishment Programs:* These efforts will obtain a specific permit for a one-time beach nourishment project (in connection with the Marblehead Coastal Development project) and a general permit for other future opportunistic sand sources. The Marblehead Coastal developer will obtain these permits and cover most or all of the one-time beach nourishment project cost.

Long Term Financial Plan

The Urban Runoff Management Plan will develop and recommend specific projects and programs to improve water quality.

- *Urban Runoff Management Plan (URMP):* This effort will create a comprehensive city-wide plan for improving urban runoff water quality. The URMP will develop pollution reduction strategies/projects for implementation within the various drainage basins. A water quality monitoring program will also be developed, as will enhanced code enforcement and public education programs. Development of the URMP will begin in late FY 2000-01 with approved FY 2000-01 funds.
- *Rail Corridor Pedestrian Beach Trail:* This project entails construction of a pedestrian trail and rail crossing improvements from North Beach to Calafia State Park Beach, consistent with the design criteria and recommendations of the Railroad Corridor Safety and Education Panel (RCSEP). Phase I of this project to prepare a preliminary design and environmental documentation has begun and will be completed in early FY 2001-02.
- *National Pollutant Discharge Elimination System (NPDES) Permit:* This program is to ensure that the City is conducting activities necessary to remain in compliance with the NPDES stormwater permit issued to the City (and other south Orange County cities) by the San Diego Regional Water Quality Control Board. This is an ongoing effort, although potential increased future permit requirements may result in potentially significant long-term staffing and fiscal impacts.

Recommendation

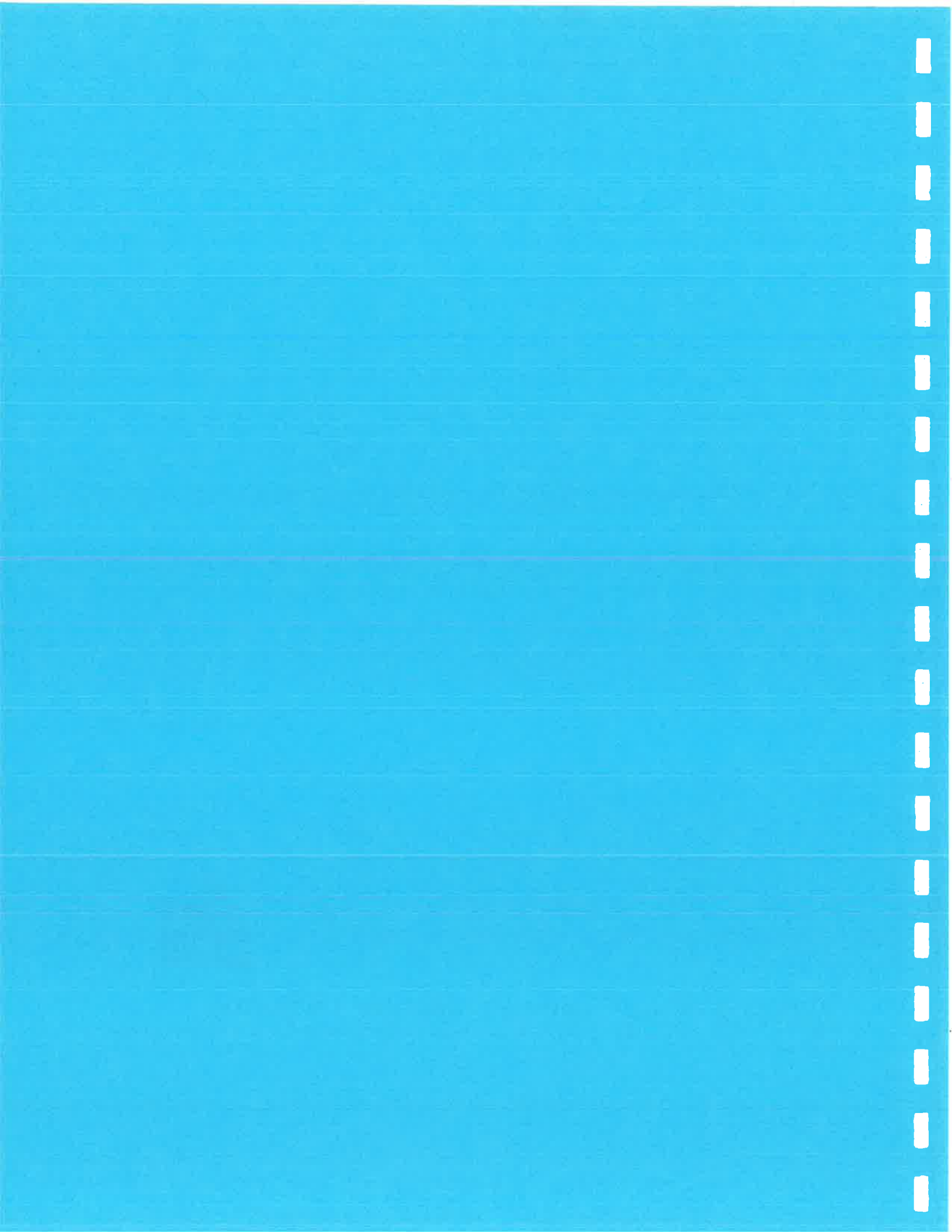
None.

Council Action

No Council action was necessary at this time.



General Plan/Zoning Ordinance Update



General Plan and Zoning Ordinance Update

Objective

The objective of this issue paper is to consider the need to begin an update of the General Plan and the Zoning Ordinance, starting in Fiscal Year 2001-2002.

An update of the City's General Plan & Zoning Ordinance is warranted

The General Plan and the Zoning Ordinance are the means by which the City shapes its future. Since changes to these documents have long-term effects, it is important that such changes be done deliberately. Broad public input is critical to the ultimate success of the effort. San Clemente has arrived at a point in time when updating the General Plan and the Zoning Ordinance is warranted. Budgeting for these updates beginning in Fiscal Year 2001-2002 should be considered by the City Council.

While the General Plan contains the City's vision and policies, the Zoning Ordinance lists the rules to regulate the private use of land. It tells what uses a particular property may have and it sets standards for the size and location of buildings and other improvements. Further, the Zoning Ordinance describes the process to be followed where particular decisions warrant a need for public hearings. By law, the Zoning Ordinance must be consistent with the General Plan. As with the General Plan, updates and amendments of the Zoning Ordinance have historically drawn a great amount of public attention and participation.

Because of changes in San Clemente's circumstances, and good planning practice suggested by State law, it is time to consider an update to the General Plan and Zoning Ordinance. As has been the case in the past, this effort will take considerable effort over several years.

Attention will be focused on the environment, coastal resources and preservation of community character

The primary issues addressed by the current General Plan have to do with managing growth and urban design. These issues were crucial for a developing community like San Clemente in the late 80' and through the 90's. While development is rapidly occurring at present, that development is taking place under specific plans and development agreements that were set in place using the framework of the existing General Plan. These specific plans and agreements give a good fix on the form of the new neighborhoods through build-out of the City. More recently, policy makers and concerned citizens have focused attention on issues of the environment, coastal resources and the preservation of community character. The General Plan process would give the opportunity to affirm current growth management approaches while bringing new emphasis to neighborhood form and environmental resource management.

The effect of a change to the General Plan would extend to a number of City documents, besides the Zoning Ordinance. In their existing form, these documents reflect the policies of the existing General Plan. They include the Local Coastal Program, Public Facilities Plans, and Specific Plans.

Long Term Financial Plan

A possible framework schedule for such an effort is presented in the table below. Due to the nature of the work, such updates are best conducted under consulting contracts, using an experienced planning and environmental analysis firm. The consulting firm would be directed by a professional Planning Division staff planner-manager throughout the duration of the update. Support staff assistance would also be required. Input to the process would come largely from Public Works (Engineering) and Beaches, Parks and Recreation, with lesser levels of participation from other City departments. The magnitude of consultant contracts is unknown at this time, but would probably range upwards from \$200,000, including environmental documents. This contract would not include California Coastal Commission submittals, which would be a separate work effort.

Framework Schedule

General Plan / Zoning Ordinance Update Timing and Budget Framework

Fiscal Year	Tasks	Resources
2001-2002	Advisory Committee Appointments Contract Solicitation and Award Existing Conditions Survey Initial Workshop(s) and Issues Identification	Consultants Staff (for management, local perspective and interdepartmental support)
2002-2003	Complete General Plan drafting Workshops on Policies and Proposals Environmental Analysis of Proposals Public Hearings Publication	Consultants Staff (for management, local perspective and interdepartmental support)
2003-2004	Identification of Zoning Ordinance Issues Possible Advisory Committee Possible Contract Solicitation and Award Workshops on Policies and Proposals Environmental Analysis of Proposals Public Hearings Publication	Staff (for management, project execution and drafting) Attorney (for detailed ordinance document review) Consultants (possible need based on magnitude of revisions)
2004-2005	Follow-on amendments to Local Coastal Program and other governing documents	(Future issue and budget discussion)

Recommendation

The following recommendation will be prioritized during the Vital Few Priorities workshop on Wednesday, February 28, 2001:

1. Direct staff to prepare a multi-year work program to initiate an update of the General Plan.

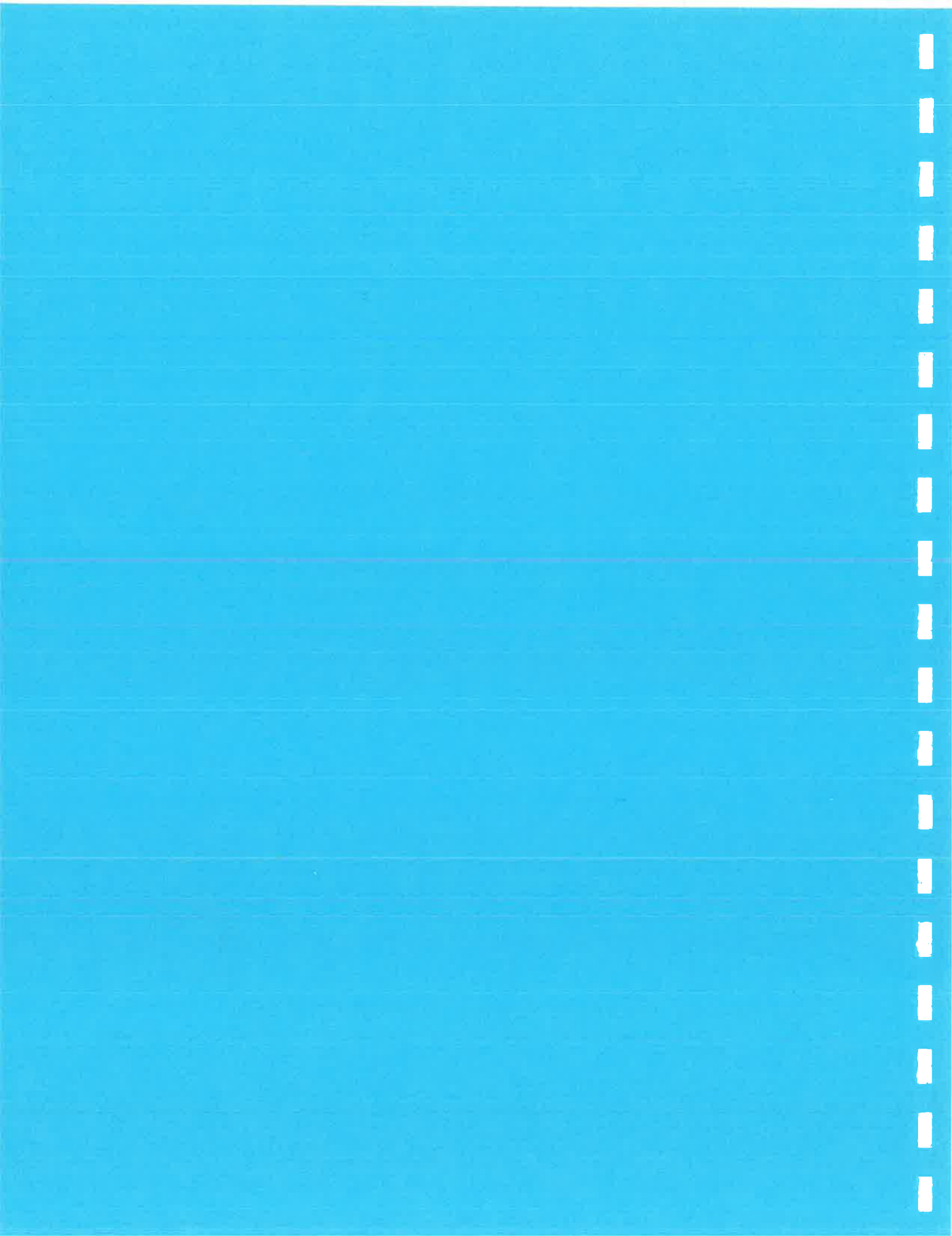
Council Action

Council approved by a vote of 5-0 to prioritize the preparation of a multi-year work program to initiate an update of the General Plan during the Vital Few Priorities session on February 28, 2001.

Long Term Financial Plan



Document Management Strategic Plan



Document Management Strategic Plan

Objective

To update the City's document management program, based on current technology, and in coordination with the Computer Strategic Plan. To convert the City's current and future records from paper to electronic storage, which will facilitate sharing and retrieving data internally, and provide greater public access to the City's records via a secure internet site.

Summary

Approximately 1.5 million papers and 50,000 engineering and planning E-size maps, some dating back to 1928 incorporation, are currently being stored in offices and offsite storage sites, creating storage and security problems, and severely hampering research capability and general manageability. The installation of an Electronic Document Management System (EDMS) would enable the contents of a five-drawer filing cabinet to be stored on a single CD-ROM, freeing up space occupied by filing cabinets, and eliminating ongoing offsite storage costs. City records could be researched and retrieved quickly, and could be displayed, distributed and/or printed instantly on staff's desktops via existing workstations. The records would also be on an electronic program which prohibits alteration and consequently renders them legally acceptable in the Courts.

1.5 million papers and 50,000 maps are stored in City offices and offsite storage sites

The EDMS Strategic Plan is complete

A pilot document imaging system was installed in the City Clerk Division in 1996, as a three-phase EDMS program. The first two phases of that program involved the installation of the pilot system and electronically converting the minutes, resolutions, ordinances and deeds (permanent records) into the City's computer system. These phases have been completed, and those records are currently stored electronically and on microfilm offsite. Funding was allocated in the FY 2000-01 budget to develop a Document Management Strategic Plan prior to embarking on the third and final phase. The EDMS Strategic Plan is now complete, and staff is prepared to proceed with the third phase of the EDMS Program, as outlined in the Strategic Plan. Staff is recommending implementing the third phase in Fiscal Years 2001-02 and 2002-03.

Advantages of EDMS

The advantages of a Citywide EDMS are:

1. Vital Few Goal - Helps achieve this goal by improving communications and customer service. Public records could safely be made available to the public via touch screen monitors at City facilities or the web site. The public could also request and receive records via e-mail.
2. Disaster Recovery - City records are essential for conducting the business of the City. In the event of a disaster, such as fire, earthquake or flooding, the only vital records currently protected are the minutes, ordinances, resolutions and deeds, which are stored electronically and on microfilm offsite. An EDMS would protect the remainder of the City's records, which are now at risk.
3. Workflow – Each division currently maintains its own records, which results in considerable duplication of record storage. The EDMS will

Long Term Financial Plan

centralize these documents and make them available to any authorized viewer. Documents can be circulated for approval electronically. A sample workflow chart is included as Appendix "A" to the Document Management Strategic Plan located in Volume II.

Long Term Cost Reduction

4. Long-Term Cost Reduction – Eliminates off-site storage costs. Reduces staff time required for document research/retrieval. Reduces number of filing cabinets and associated filing supplies, as well as duplication costs. Increases floor space.

Disadvantages of EDMS

The disadvantages of an EDMS are the initial Investment and time required to implement the system. More than half the initial cost of this program is converting seventy-three years of records into electronic format. Once implemented, the estimated annual cost of \$38,000 can be recovered through departmental fees. The implementation of the EDMS will be a tedious, time-consuming project, which will require significant staff time and training. The results of a survey conducted of other cities to ascertain comparable costs, as well as the implementation schedule, are outlined in Volume II.

A two-year EDMS implementation plan is recommended

Fiscal Impact

Staff is proposing a two-year implementation plan, at a cost of \$228,500 for FY 2001-02 and \$93,500 for FY 2002-03. The proposed funding breakdown would be:

<u>FY 2001-02</u>		<u>FY 2002-03</u>	
General Fund	\$132,530	General Fund	\$54,230
Gas Tax Fund	18,280	Gas Tax Fund	7,480
Water Fund-466	19,420	Water Fund - 466	7,948
Water Fund-467	19,425	Water Fund - 467	7,947
Sewer Fund-476	19,420	Sewer Fund – 476	7,948
Sewer Fund-477	<u>19,425</u>	Sewer Fund – 477	<u>7,947</u>
TOTAL	\$228,500	TOTAL	\$ 93,500

The costs include hardware, software, training, maintenance and backfile conversion. One temporary employee is also budgeted to prepare the documents for electronic conversion.

The EDMS annual cost, once implemented, is estimated at \$38,000 annually, which can be recovered through departmental fees. The annual costs include hardware and software maintenance, training, and backfile conversion of records.

Recommendations

The following recommendations will be prioritized during the Vital Few Priorities workshop on Wednesday, February 28, 2001:

Issue Summary

1. Approve the two-year implementation of the Electronic Document Management System, as outlined in the Document Management Strategic Plan.
2. Approve the funding necessary to implement the Electronic Document Management System for FY 2001-02 from the General Fund, Gas Tax Fund, Water and Sewer Funds in the amount of \$228,500.

Council Action

Council approved by a vote of 5-0 to prioritize the recommendations in the Long Term Financial Plan relating to the Document Management Strategic Plan during the Vital Few Priorities session on February 28, 2001.

Long Term Financial Plan



Fire Authority Staffing Analysis

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, transfers, and adjustments.

The second part of the document provides a detailed breakdown of the accounting cycle. It outlines the ten steps involved in the process, from identifying the accounting entity to preparing financial statements. Each step is explained in detail, with examples provided to illustrate the concepts.

The third part of the document focuses on the classification of accounts. It discusses the different types of accounts, such as assets, liabilities, equity, revenues, and expenses, and how they are recorded in the accounting system. It also explains the relationship between these accounts and the accounting equation.

The fourth part of the document covers the process of journalizing and posting. It describes how transactions are recorded in the journal and then posted to the ledger. It also discusses the importance of double-entry accounting and how it helps to ensure the accuracy of the records.

The fifth part of the document discusses the preparation of financial statements. It explains how the information from the ledger is used to prepare the balance sheet, income statement, and statement of owner's equity. It also discusses the importance of these statements for management and external stakeholders.

The sixth part of the document covers the process of adjusting entries. It explains why adjustments are necessary and how they are recorded. It also discusses the impact of adjustments on the financial statements.

The seventh part of the document discusses the process of closing the books. It explains how the temporary accounts are closed to the permanent accounts and how the ending balances are determined. It also discusses the importance of closing the books at the end of each accounting period.

The eighth part of the document covers the process of reversing entries. It explains why reversing entries are necessary and how they are recorded. It also discusses the impact of reversing entries on the financial statements.

The ninth part of the document discusses the process of correcting errors. It explains how errors are identified and corrected, and how they are recorded. It also discusses the importance of maintaining accurate records and the consequences of errors.

The tenth part of the document covers the process of preparing a trial balance. It explains how the trial balance is prepared and how it is used to check the accuracy of the records. It also discusses the importance of the trial balance in the accounting process.

Fire Authority Staffing Analysis

Objective

Review the need for increased staffing of Fire Authority units and its impacts on service levels and the City of San Clemente

Review the need for increased staffing levels and the impact on service levels

Summary

The Orange County Fire Authority (OCFA) provides fire, emergency medical and fire prevention services to the City of San Clemente through a cooperative cash contract agreement. The City is a member of the OCFA as a regional partner with 20 other cities and the County of Orange. The agreement outlines the emergency services stationed within the City as being 3 units; 2 Paramedic Assessment Units and 1 Paramedic Engine Company. Based on the terms of the Fire Service agreement, any augmentation of the staffing requires additional funding on an incremental basis, based on the number of positions requested. This is a public policy decision on the part of the City council.

The purpose of this report was to review current coverage parameters and provide input as to the impacts of modifying the staffing utilized on units normally assigned to the City (Engine 50, Truck 59 and Engine 60). Throughout the Authority's regional delivery system, Paramedic Engines (13) are typically staffed with 4 personnel, with the exception of Engine 60 and Engine 23 (3 personnel/shift). Paramedic Assessment Units (PAU) are staffed with 3 personnel and Truck Company's are staffed with 3 or 4 personnel, depending on the contract and the City's agreement.

E60 staffing should be increased to 4 personnel.

.which amounts to an increase of 3 personnel

During the course of this study, it was concluded that there is no current need to modify staffing of the PAU (E50) and to defer staffing modification of T59 until results of the OCFA's Strategic Plan addressing Operational Deployment needs are finalized. Additionally, analysis determined that there would be a direct, positive impact to the City and the regional service area by modifying the staffing on E60 (Paramedic Engine) to 4 personnel/shift (addition of 1 person/shift, with a net increase of 3 personnel). This configuration will provide the City and the Authority with a more dynamic potential to provide improved services overall. This particular staffing option would allow E60 to remain within the City as a PAU/Engine Company, available for response throughout its service area even while one person (paramedic) is providing escort to a hospital, either within or outside of the City.

In the year 2000, Engine 60 was committed on patient follow-up to San Clemente hospital 498 occasions and to hospitals outside the city on 216 occasions. This equates to a total of 346 hours or approximately 1 hour each day that Engine 60 was not available to respond within the City. The benefit is that E60 would remain available in the City approximately 90% more often than is currently done based on the number of times that E60 provided hospital escort with a patient. (The 90% figure is based on the general observation of personnel assigned to E64 [Westminster] who operate in this

Long Term Financial Plan

An improved response time will be realized

manner). This will result in improved response times to fires, emergencies and medical aids. The result is achieved through the versatility of E60 remaining available as a PAU, an option not currently viable due to its current staffing configuration.

Additional factors consistent throughout the service area are:

- The majority of Paramedic Engine Companies in the OCFA and in other Departments in Orange County are staffed with 4 personnel.
- PAU's are typically staffed at 3 personnel/shift consistent with staffing of E50.
- Truck companies are staffed with either 3 or 4 personnel based on the terms of the existing Fire Services Agreement.

At Fire Authority Board direction, the OCFA is anticipating conducting an in-depth operational analysis within the next 18 months as part of an overall Strategic Planning process. This analysis will be designed to examine all aspects of service delivery including the staffing and deployment of all emergency apparatus; Paramedic Engines, Truck Companies, Paramedic Vans, etc.

The findings also resulted in the following determination:

- Increase staffing of E60 to 4 personnel/shift, this requires the addition of 1 firefighter/per shift, or a net of 3 personnel. This will provide an increased level of service to the City as well as surrounding areas.
- Defer staffing considerations of T59 (PAU) and E50 (PAU) until impacts/results of the OCFA's Strategic Plan, addressing Operational Deployment is complete.

An increase of approximately \$376,000 in contract costs will result

Fiscal Impact

The fiscal impact of the additional firefighter would result in a yearly increase of contract costs to the City of approximately \$376,462. The exact methodology of determining this figure is still under discussion and subject to change.

Recommendation

The following recommendations will be prioritized during the Vital Few Priorities workshop on Wednesday, February 28, 2001:

1. Increase staffing of E60 to 4 personnel/shift, this requires the addition of 1 firefighter/per shift, or a net of 3 personnel. This will provide an increased level of service to the City as well as the surrounding areas.
2. Defer staffing considerations of T59 (PAU) and E50 (PAU) until impacts/results of the OCFA's Strategic Plan, addressing Operational deployment is complete.

Council Action

Council approved by a vote of 5-0 to prioritize the recommendations in the Long Term Financial Plan pertaining to Fire Authority staffing during the Vital Few Priorities session on February 28, 2001.

Financial Trends

Indicators measure the fiscal health of the City of San Clemente

Introduction

Utilizing the International City Management Association's (ICMA) guidelines contained in "Evaluating Financial Condition", a number of financial indicators have been analyzed for this report. The analysis of these indicators is designed to measure the fiscal health of the City of San Clemente.

The analysis that follows and the conclusions and recommendations which come from this analysis involve analyzing a number of factors to determine the financial well-being of the City of San Clemente. Some of the factors which are analyzed include:

- The economic condition of the City and the surrounding region;
- Types and amounts of revenues and whether they are sufficient and the right mix to support the population as it continues to grow;
- Expenditure levels and whether these expenditures are sufficient to provide the citizens of San Clemente with the desired level of services currently and as the City continues to grow;
- Fund balances and reserve levels and whether they are sufficient to protect the City against an economic downturn;
- Debt levels and their impacts upon current City financial resources.

Financial indicators are analyzed in accordance with the City's fiscal policy

This report examines these issues and others in determining the current financial condition of the City of San Clemente. The City's adopted fiscal policies, as well as other national standards, have been considered in analyzing these financial indicators.

Trend data is as of June 30, 2000

Data used in developing this financial trend report was primarily drawn from the City's Comprehensive Annual Financial Reports for fiscal year 1995-96 through fiscal year 1999-00. Consequently, all trends are based on data available as of June 30, 2000, and do not incorporate any changes that have occurred since that time. For example, a transfer of \$530,450 is being made from the General Fund to the Street Improvement Fund during FY 2000-01. This transfer is not included in the analysis that follows and thus any financial indicators affected by this transfer, such as General Fund fund balance, have also not been included in this report.

Summary of Trend Analysis

The financial trends that follow provide City Administration and Council with insight into the overall financial position of the City by analyzing the City's General Fund. This analysis makes it possible to identify specific areas where new policies should be implemented or existing ones revised. One of the following ratings has been assigned to each indicator:

Long Term Financial Plan

Favorable:	This trend is positive with respect to the City's goals, policies, and national criteria.
Unfavorable:	This trend is negative , and there is an immediate need for the City to take corrective action.
Warning:	This rating indicates that a trend has changed from a positive direction and is going in a direction that may have an adverse effect on the City's financial condition. This rating is also used to indicate that, although a trend may appear to be favorable, it is not yet in conformance with the City's adopted fiscal policies.

A brief summary of indicators and the rating assigned to each is listed below. This comparative data is provided to illustrate any positive or negative changes noted in the trends over the past nine years.

All indicators are favorable for the first time...

<i>Indicator</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>
Revenues Per									
Capita	F	F	F	F	F	F	U	U	U
Property Tax									
Revenues	F	F	F	F	U	U	U	W	F
Sales Tax Revenues	F	F	F	F	F	F	F	U	U
License & Permit									
Revenues	F	F	F	U	F	F	F	U	U
Comm. Develop.									
Charges	F	F	F	U	U	U	U	U	U
Elastic Revenues	F	F	F	F	F	F	F	U	U
One-Time									
Revenues	F	F	F	F	F	F	F	W	W
Intergovernmental									
Revenues	F	F	F	F	F	F	F	F	F
Revenue Overages									
/Shortages	F	F	F	F	F	F	U	U	U
Expenditures Per									
Capita	F	F	F	F	F	F	F	W	W
Employees Per									
Capita	F	U	U	F	F	F	F	W	W
Fringe Benefits	F	F	F	F	F	F	W	W	U
Capital Outlay	F	F	F	F	F	F	U	U	U
Operating Surplus	F	F	F	F	F	F	W	W	U
Fund Balance	F	F	F	F	F	F	F	W	W
Liquidity Ratio	F	F	F	F	F	F	F	F	F
Debt Service	F	F	F	F	F	F	F	F	F
Compensated									
Absences	F	F	F	F	F	F	F	F	F
Property Values	F	F	F	F	U	U	U	W	W
Population	F	F	F	F	F	F	F	F	F

The improved economy and long-term financial planning have contributed to City's fiscal health

The improved fiscal health of the City evidenced above is not only the result of external factors, such as an improved economy, but also the direct result of a conscious effort and continual planning on the part of City Council and staff. This planning began in 1992 with a series of fiscal policies that are periodically revised and the preparation of an annual Long Term Financial Plan.

The 2001 Long Term Financial Plan again includes the analysis of twenty trends. The current year being analyzed shows every indicator receiving a *favorable* rating. This is an improvement over the prior year and is much improved over 1993 where only six indicators showed favorable signs.

Emergency reserves increased by 3% from the prior year.

It should be noted that the City's improved fiscal health has been partially attained by funding emergency reserves. The 2000 Long Term Financial Plan established the General Fund Emergency Reserve at 8% of the operating expenditures. This is an increase of 3% from the prior year and is anticipated to be fully funded in FY 2001-02.

Because of the commitment to implementing recommendations submitted as a result of the City's annual financial planning process, the City's financial condition improved dramatically. The City's improving fiscal position is the result of financial planning, funding of necessary reserves, the improved local and regional economy, and the cost reductions and streamlining efforts made by many of the City's departments over the past several years.

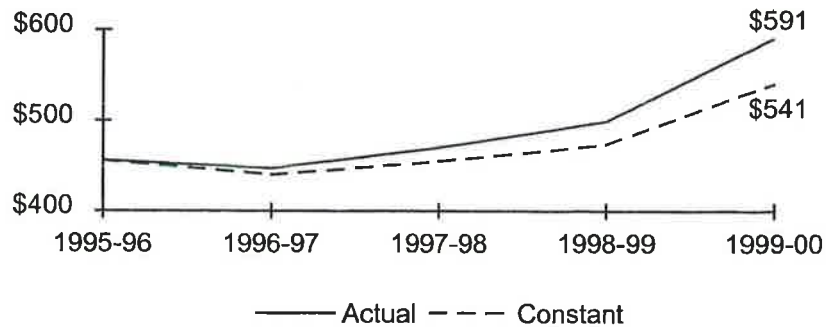
The following sections provide a brief overview of many of the indicators listed in the table above. Volume II of the 2001 Long Term Financial Plan contains a complete description of all financial indicators.

Long Term Financial Plan

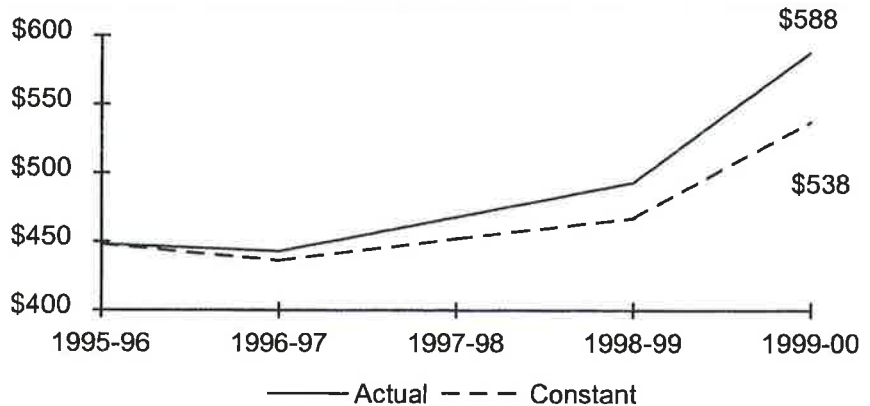
Revenues

Revenues Per Capita

REVENUES PER CAPITA
Actual and 1996 Constant Dollars
General Fund



REVENUES PER CAPITA
EXCLUDING ONE-TIME REVENUES
Actual and 1996 Constant Dollars
General Fund



Finding: **FAVORABLE.** Revenues per capita (excluding one-time revenues) reflect an increase when analyzing both actual and constant dollars for FY 1999-00.

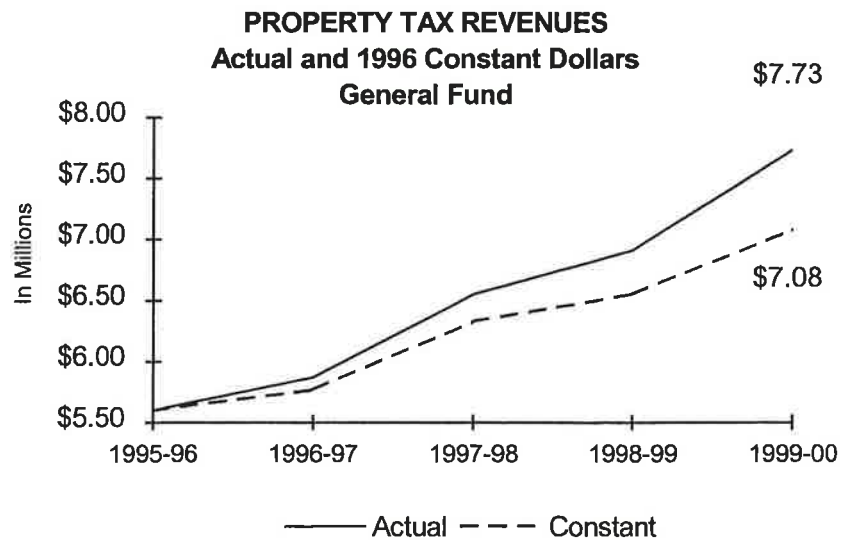
Revenues per capita show increases in actual and constant dollars

Comments: The first chart above on revenues per capita shows an upward trend for both actual and constant dollars. Total revenues for FY 1999-00 increased, as did most revenue categories. License and permit revenues increased over the prior fiscal year by \$1,331,000. Other revenue increases include sales tax revenue, property tax revenue, intergovernmental revenue, community development service charges, fine and forfeitures, and rent and commissions. Transient occupancy tax revenues rose to \$988,000 in FY 1999-00.

The second chart (which excludes one-time revenues), shows both actual and constant dollars increasing for FY 1999-00. The approach of excluding one-time revenues is a realistic approach to analyzing revenues since the City only applies one-time revenues against one-time expenditures, including reserve transfers, in accordance with the City's Fiscal Policy. Additionally, the City no longer has to rely on one-time revenues for its operational needs. A clear favorable trend has emerged with this increase in all major categories of General Fund revenues. Thus, a favorable rating has been assigned.

Property Tax Revenues

Property tax revenues increased by 11.8%, the fourth consecutive increase



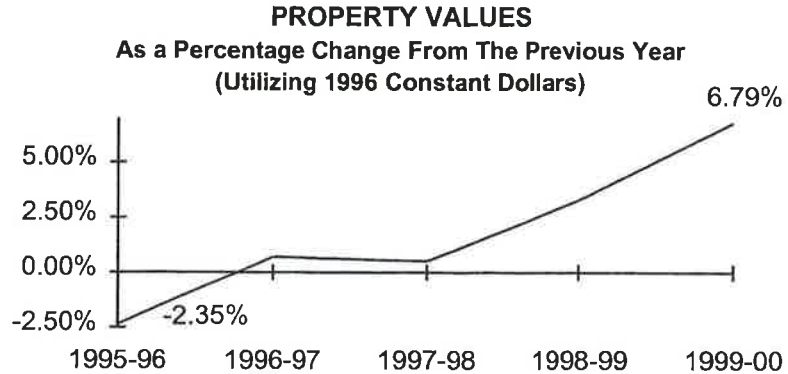
Finding: **FAVORABLE**. Property tax revenues showed a significant increase for FY 1999-00, continuing the positive trend which was initiated three years earlier.

This increase amounted to \$815,000

Comments: Property tax revenues increased by \$815,000 or 11.8% in actual dollars, and show an 8.1% increase in constant dollars, ending the year \$532,000 above the prior fiscal year. This increase demonstrates the City's improved economy and the rebounding property valuations within the City. This indicator receives a favorable rating for the fourth consecutive year.

Long Term Financial Plan

Property Values

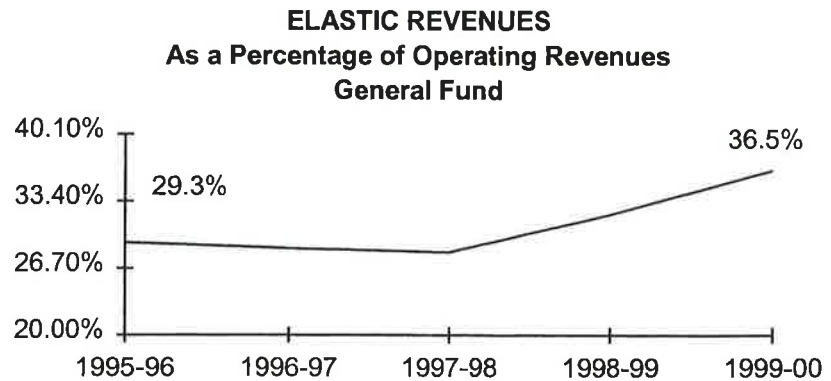


A positive growth rate in property values was observed for the fourth consecutive year

Finding: *FAVORABLE*. Property values, as a percentage change from the previous year, showed a positive growth rate for the fourth consecutive year in FY 1999-00.

Comments: The growth rate in property values as a percentage rate from the previous year shows an increase of 6.79%. This is the fourth consecutive year where a positive trend has emerged. As a result of the positive changes, this indicator remains favorable. It should be noted, however, that this indicator needs to be continually monitored due to the impact of property tax revenues on the General Fund.

Elastic Revenues

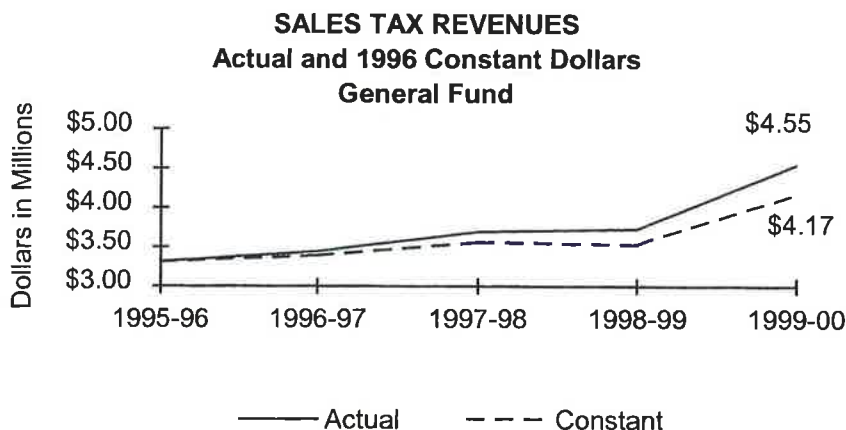


Elastic revenues showed an increase when calculated as a percentage of total revenues

Finding: **FAVORABLE**. Elastic revenues, as a percentage of total revenues, increased 4.4% in FY 1999-00. Actual elastic revenues increased \$2,968,000, while total revenues increased by \$5,124,000. The result is the increase shown above.

Comments: The City's largest elastic revenue source, sales tax revenue, was up 22.1%, or \$825,000, from the prior year. This is due to the economic development efforts beginning in 1993 when San Clemente focused on increasing the number of businesses generating sales tax revenue. In addition, license and permit revenues increased \$1,331,000 and community development service charges came in \$547,000 over the previous year. Transient occupancy taxes increased \$265,000 of which \$90,000 was due to prior year penalties and interest. Elastic revenues, as a percentage of total revenues, increased in FY 1999-00 due to development and economic growth. Based on current development in the planning and building stages, this rating is unchanged from prior year. Details concerning each major elastic revenue source follow:

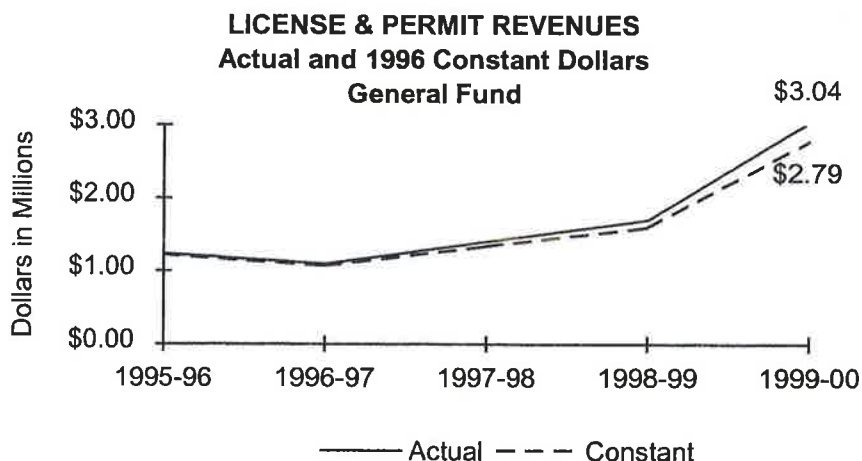
Long Term Financial Plan



Sales tax revenues increased \$825,000 in FY 1999-00

Finding: **FAVORABLE**. As summarized in the chart above, sales tax revenues showed an increase of \$825,000, or 22.1%, in actual dollars over the prior fiscal year. In constant dollars, the increase amounted to \$640,000, or 18.1%.

Comments: As summarized in the chart, sales tax revenues have gradually increased over the past five year in actual dollars. In fact, actual dollars have increased 37.6% from sales tax revenues of five years earlier. These increases boost sales tax revenue to an eleven year high in actual dollars and the result is a favorable rating.



License and permit revenues increased for the third year in a row

Finding: **FAVORABLE**. License and permit revenues increased for the third time in five years in FY 1999-00. The increase in actual dollars was significant, amounting to \$1,331,000, or 77.8%, above the prior fiscal year.

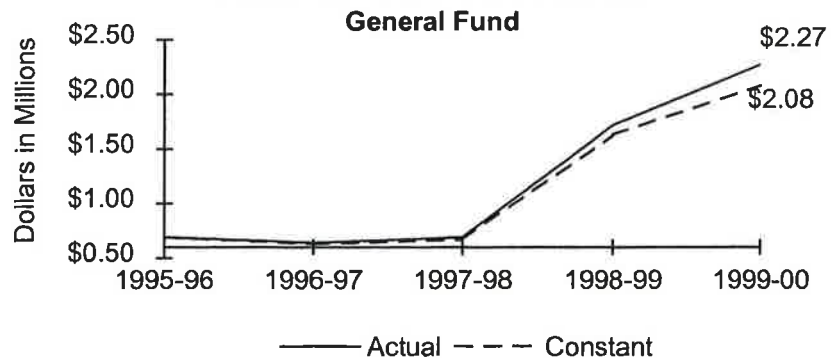
Financial Trends

The constant dollar increase was substantial as well, with license and permit revenues registering \$1,166,000, or 72.0%, over fiscal year 1998-99.

Construction permits increased \$1,238,000

Comments: This increase indicates that construction activity has increased over the past year. Included in this increase is construction permit revenues, consisting of building, electrical, mechanical, plumbing, and grading permits, which increased \$1,238,000, or 119.1%. Because this indicator shows such a dramatic increase for the fiscal year and because increased development fees are projected to continue through the current fiscal year, a favorable rating has been assigned.

COMMUNITY DEVELOPMENT SERVICE CHARGES Actual and 1996 Constant Dollars



Finding: **FAVORABLE.** Total community development service charges increased by 31.8%, or \$547,000 from the prior year. This revenue source has shown a sharp increase when compared to the relatively stable past three years.

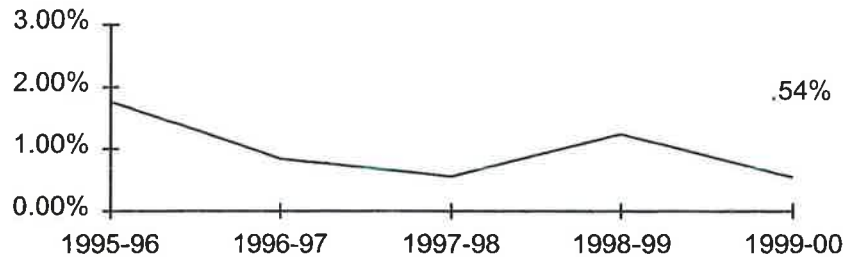
Community Development Service Charges recorded an increase of \$547,000

Comments: Specific revenue sources showing increases include building plan check fees of \$337,000, grading plan check fees of \$41,000, planning plan check fees of \$15,000, and conditional use permits of \$9,000. In light of the sharp increases shown in FY 1998-99 and FY 1999-00, current projections indicate that this trend will continue, this indicator has been assigned a favorable rating.

Long Term Financial Plan

One-Time Revenues

ONE-TIME REVENUES
As a Percentage of Operating Revenues
General Fund



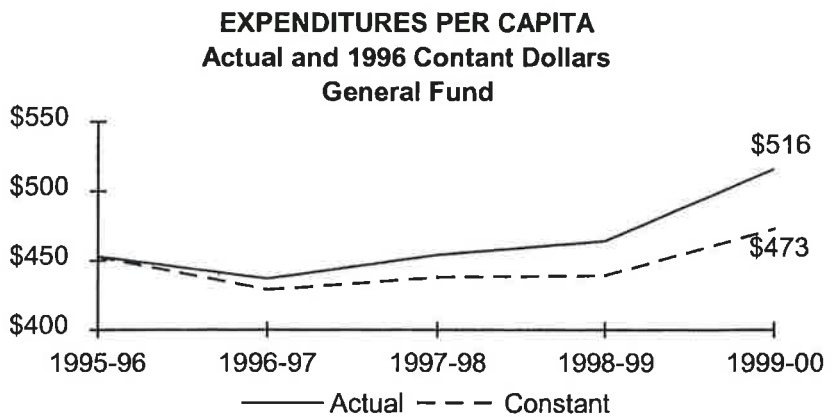
Finding: **FAVORABLE**. One-time revenues, as a percentage of total General Fund revenues, equaled .54% in FY 1999-00, slightly lower than the prior year.

Comments: One-time revenues have decreased from the prior fiscal year by \$145,000, or 47.7%. FY 1999-00 one-time revenues, totaling \$159,500, included a \$109,000 supplemental law enforcement grant, narcotics forfeiture revenue and a miscellaneous reimbursement. In accordance with the City's Fiscal Policy, one-time revenues are not utilized for operating expenditures. Therefore, this indicator receives a favorable rating.

In accordance with fiscal policies, one-time revenues are used to fund one-time expenditures

Expenditures

Expenditures Per Capita



Finding: *FAVORABLE*. Expenditures per capita increased in both constant and actual dollars for the past fiscal year when compared to the prior year.

**General Fund
expenditures
increased \$3,140,000
in FY 1999-00**

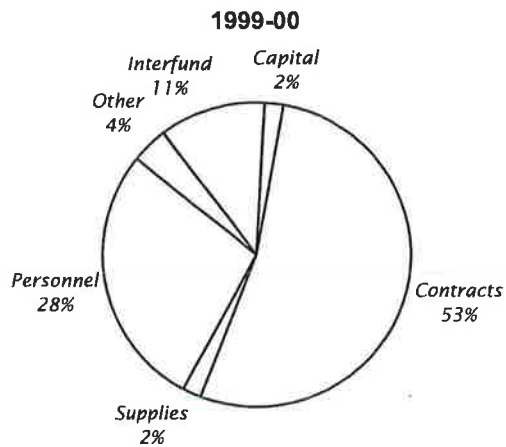
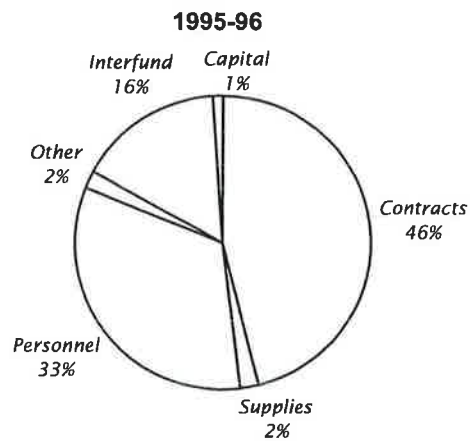
Comments: In FY 1999-00, expenditures increased in actual dollars by \$3,140,000 when compared with FY 1998-99, and \$2,168,000 in constant dollars for the same time period. Constant dollar expenditures per capita for FY 1999-00 are higher than FY 1995-96 due to increased spending in the Community Development and Beaches, Parks and Recreation departments. Community Development expenditures increased along with the volume of development within the City. Proposition 218 has forced Beaches, Parks and Recreation to absorb the City's Lighting and Landscape costs and expenditures have increased in recent years with the restoration of services provided by the department.

Actual expenditures include interfund transfers. For example, FY 1999-00 General Fund expenditures included transfers to the Capital Equipment Replacement Reserve Fund (\$120,000), Accrued Leave Reserve Fund (\$75,000) and Street Improvement Fund (\$515,000). These transfers help to ensure that the other funds have adequate reserves to meet emergency needs and fund reserve deficits.

Even though expenditures per capita in constant dollars shows a relatively flat expenditure level throughout the five year period analyzed, most service levels have been maintained with added efficiency on the part of City staff. This indicator receives a favorable rating for this reason. This indicator will be closely monitored to ensure that expenditure levels are maintained to provide a consistent and adequate level of service.

Long Term Financial Plan

Expenditures by Category

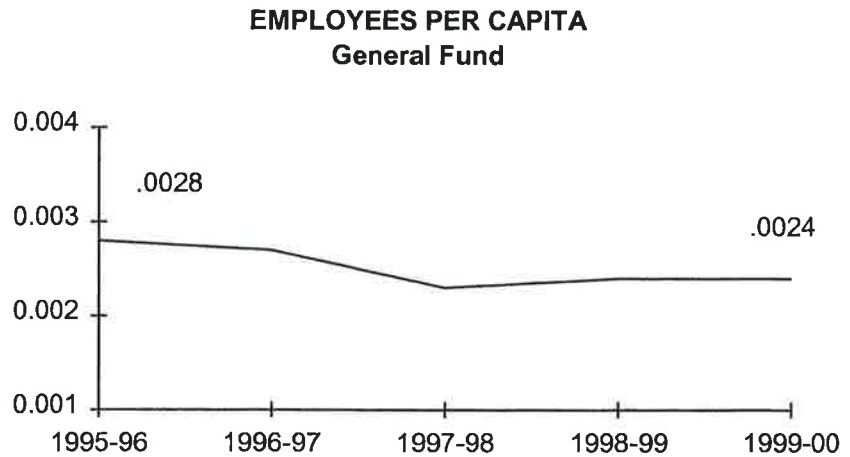


Comments: These charts indicate that personnel costs, as a percentage of the General Fund budget, decreased from 33% in FY 1995-96 to 28% in FY 1999-00. Conversely, contractual services increased from 46% in FY 1995-96 to 53% in FY 1999-00.

Personnel costs decreased from 33% in 1995-96 to 28% in 1999-00

During the time period illustrated, some personnel related costs have been replaced with contractual services. All other categories of General Fund expenditures remained relatively constant over the five-year period.

Employees Per Capita



Finding: *FAVORABLE*. Employees per capita is improved from the prior year.

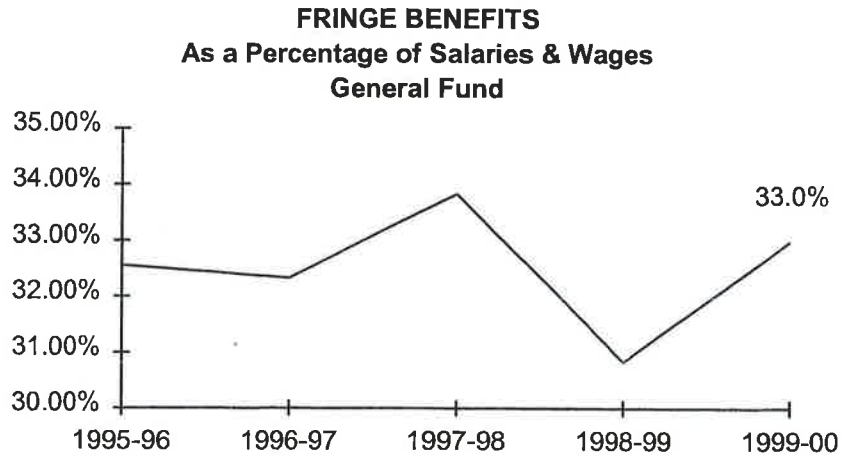
.13 positions were added to the General Fund workforce.

Comments: This category has stabilized over the past three years as both population and the number of employees has increased. During the 1997 long term financial planning process, a total of 27.22 FTE's were reduced as a number of programs were reduced or eliminated. In order to re-establish programs and meet the needs of a growing city, a total of 13 positions were added to the General Fund workforce over the last three years

This indicator is awarded a favorable rating for the first year due to the increase in FTE's to keep up with service level demands. This trend will be closely monitored to insure the City's ability to support current and future service levels.

Long Term Financial Plan

Fringe Benefits



Benefit costs are up 2.20% over the prior year

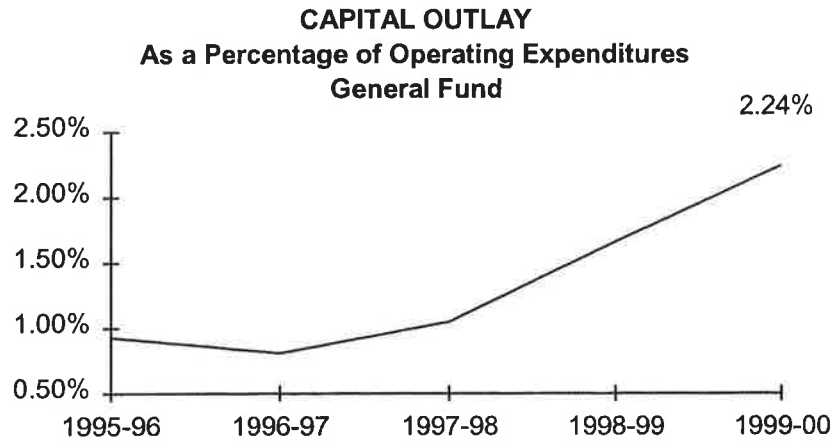
Finding: ***FAVORABLE***. Fringe benefits, as a percentage of General Fund salaries and wages, have increased from 30.8% to 33.0%, the second highest level over the past five years.

Comments: This slight increase over the prior year is due to increases in both workers' compensation funding and medical insurance. This continued favorable rating has resulted from participation in cost effective health care plans.

The City has experienced increased Workers' Compensation costs

A favorable rating has been assigned for FY 1999-00, since this trend remains stable.

Capital Outlay



Finding: **FAVORABLE**. Capital outlay expenditures increased by \$203,000, or 53.8%, from the prior fiscal year. This is a positive trend, as the City continues to display commitment to the \$120,000 General Fund transfer funding the capital equipment replacement program.

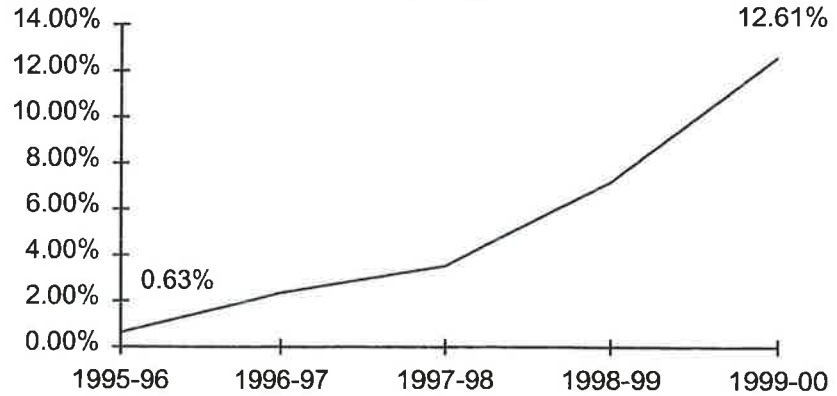
Expenditures for capital outlay continue to show improvement

Comments: This Capital Equipment Replacement Reserve Fund was established in FY 1994-95 and the General Fund contributed \$120,000 in FY 1999-00 to fund this reserve. This reserve fund will ensure that obsolete and worn equipment is replaced in accordance with the City's preventive maintenance program. This trend receives a favorable rating for the sixth consecutive year because of the renewed commitment to upgrading fixed assets, permitting added efficiency of City operations.

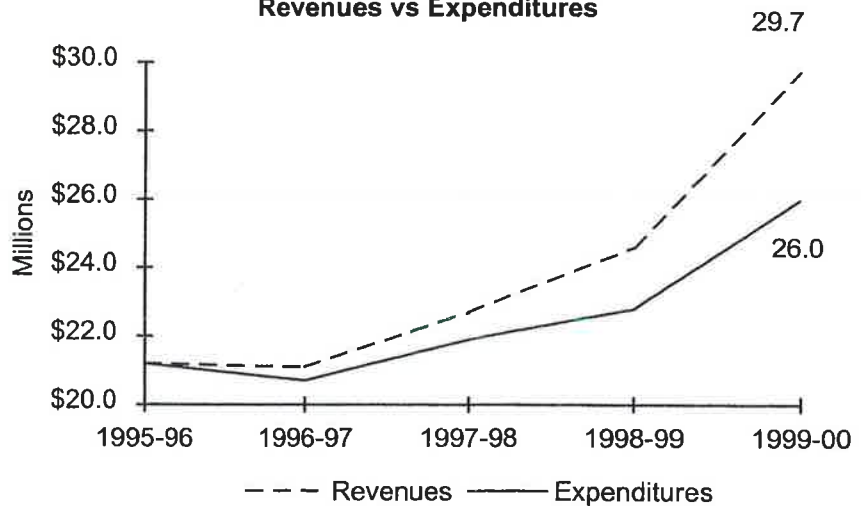
Long Term Financial Plan

Operating Position

OPERATING SURPLUS
As a Percentage of Operating Revenues
General Fund



OPERATING POSITION
Revenues vs Expenditures



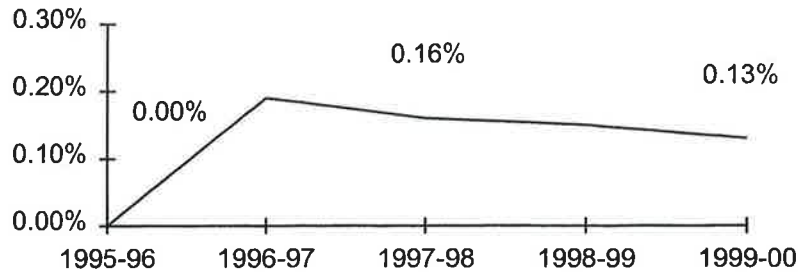
Finding: **FAVORABLE.** FY 1999-00 finished with a positive operating surplus of 12.61% when calculated as a percentage of General Fund revenues.

FY 1999-00 shows the sixth consecutive year of operating surpluses

Comments: After experiencing minor operating deficits as a result of a past economic recession and property tax shifts to the State, the City continues on an upward trend with the sixth consecutive year of operating surpluses. These operating surpluses have come as a result of cost saving measures implemented by the City Council and Administration as well as the increase in elastic revenues previously mentioned. Therefore, a favorable rating has been assigned.

Debt Service

DEBT SERVICE
As A Percentage of Operating Revenues
General Fund



Finding: *FAVORABLE*. General Fund debt service receives a favorable rating as it has remained relatively immaterial (less than 1%) in comparison to total revenues over the last seven years. Credit rating firms generally view debt service as unfavorable if debt service payments exceed 20% of net operating revenues.

General Fund's debt service remains at less than 1% of total revenues

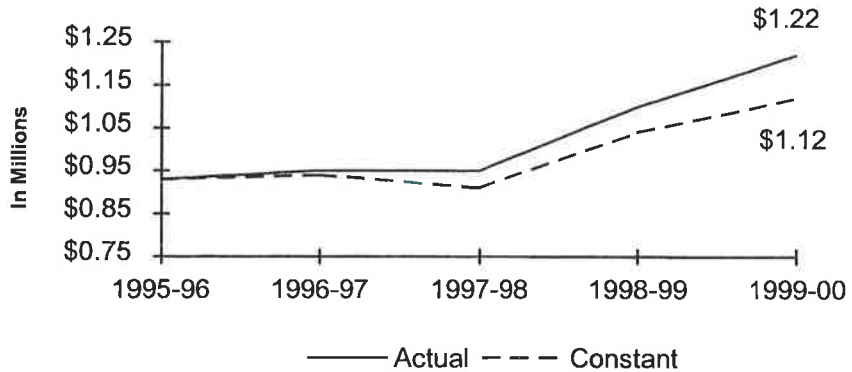
Comments: The City has a capitalized lease with City National Bank for the purchase of energy efficiency equipment for several City buildings. This lease includes heating, ventilating and air conditioning units and all related control devices. The General Fund will make debt service payments on this ten year lease until 2006.

Additionally, it should be noted that the debt service for the Negocio Building bonds is in a separate fund, as well as the City's street assessment bonds, and are not part of this analysis.

Long Term Financial Plan

Accumulated Compensated Absences

ACCUMULATED COMPENSATED ABSENCES
Actual and 1996 Constant Dollars



Contingent liabilities for accrued leave receives favorable/caution rating

Finding: **FAVORABLE/CAUTION.** This indicator receives a favorable/caution rating due to the City's liability for compensated absences increase over the last two years.

Comments: The increase in compensated absences liability is due to the implementation of GASB Pronouncement 16 in FY 1998-99. The pronouncement requires that salary related expenses be added to the liability calculation.

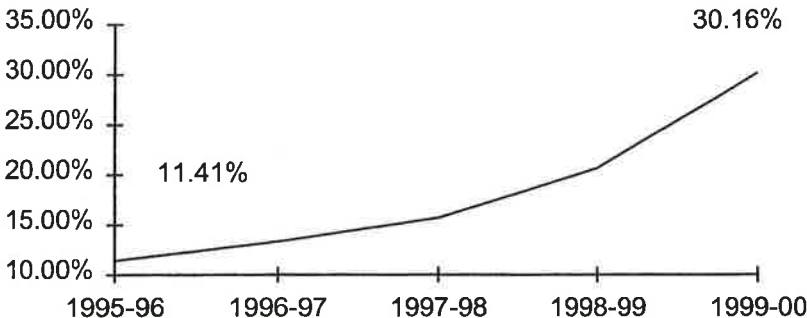
The balance of the liability for compensated absences is \$1,223,570

At June 30, 2000, the balance of the liability for compensated absences was \$1,223,570 consisting of \$598,140 for vacation, \$577,060 for sick leave, and \$48,370 for compensatory time. This is an increase of \$123,630, or 11.24% from the prior year's liability of \$1,099,940.

In FY 1994-95, an Accrued Leave Reserve Fund was established with a \$75,000 transfer from the General Fund. In FY 1999-00, the General Fund continued its annual contribution with an additional \$75,000 for the payment of accrued leave for terminated employees.

Reserves

**UNRESERVED FUND BALANCE
As A Percentage of Operating Revenues
General Fund**



Finding: *FAVORABLE*. Unreserved fund balance refers to those dollars available for use in the event of a financial emergency, short-term revenue fluctuations or an economic downturn. The City attempts to operate each year at a surplus to ensure the maintenance of adequate reserve levels.

**Unreserved fund
balances increased to
30.16% in FY 1999-00**

Comments: Unreserved fund balance, as a percentage of total revenues, rose 9.5% in FY 1999-00 as a result of an increase in unreserved fund balance of \$3,889,000. The increase in fund balance is due to an operating surplus of \$3,747,000 and maintenance of the General Fund emergency reserves. Steady increases in this trend indicate the stable position of the City's General Fund.

**General Fund Emergency
Reserve = \$1,120,000**

The City Council adopted a fiscal policy requiring that emergency reserves be set at 8% of General Fund operating expenditures. Included within the total FY 1999-00 unreserved fund balance of \$9.0 million are General Fund Emergency Reserves totaling \$1,120,000, or 5% of General Fund operating expenditures.

Long Term Financial Plan

Financial Forecast

The five-year financial forecast for the General Fund has been updated to reflect the current economic projections and the adjusted FY 2000-01 budget on the City's future financial condition. The most recent forecast was provided to the Council in the FY 2000-01 adopted budget.

The forecast provides a frame of reference for evaluating the City's financial condition as a basis for decision making

Development of the Financial Forecast

The objective of the financial forecast is to provide a frame of reference for evaluating the City's financial condition as a basis for decision making. The forecast is updated annually as a part of the Long Term Financial Plan process, again after the administration's proposed budget is prepared, and a third time after the budget is adopted by the City Council.

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on growth patterns or inflation factors and the present level of services provided by the City.

Inflation and historical growth rates are used to predict expenditure patterns while revenues are projected by trend or by specific circumstances as the case warrants.

Chapman University's Economic & Business Review is the basis for economic indicators

Information regarding economic indicators and the performance of the economy as a whole over the forecast period was taken from Chapman University's School of Business December 2000 Economic and Business Review. The Chapman forecast is predicting that Orange County's economy will slow down in the second year of the forecast, with declines in job growth, personal income and countywide taxable sales.

The 2001 Financial Forecast updates the assumptions and data utilized in the last Financial Forecast and will provide a comparison of this year's Forecast to historic data.

***Revenue growth rates will average 3.5%
Expenditure growth rates will average 1.9%***

Forecast Summary & Results

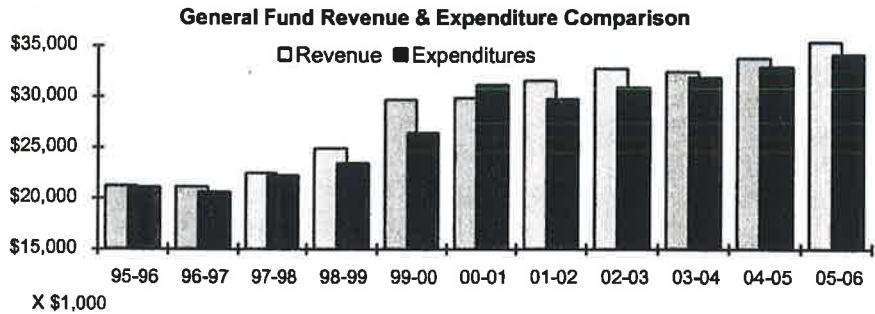
Over the five year forecast period, the City's revenue and expenditures are projected to maintain fairly constant growth patterns. Revenues are anticipated to grow by an annual average increase of 3.5% a year, compared to the 2000 forecast average of 3.8%. Expenditures are projected to increase at an average rate of 1.9% as compared to the 2000 forecast average of 3.2%. The decline in the expenditure growth rate is due to the retirement of the Public Employees Retirement System (PERS) debt in FY 1999-00. The 2000 forecast included a total of \$2.1 million in debt payments. Due to the aggressive payment schedule that the City began in 1998, combined with modified actuarial assumptions made by PERS, this debt has been fully paid.

The funding of reserves will be continued in order to maintain full funding levels. In fact, during the five year forecast \$2.2 million is allocated to the Capital Equipment, Accrued Leave and Emergency reserves in accordance

Long Term Financial Plan

with the City's fiscal policy. An additional \$1.5 million is scheduled to be allocated for Council Contingency reserves. A total of \$2.9 million will be transferred from the General Fund to the Street Improvement Program. A total of \$695,000 will be allocated for debt payments and transfers. This will result in almost \$7.3 million being allocated during the five year period, which averages \$1.5 million per year or 4.7% of the total adjusted budget for FY 2000-01.

The following chart provides a visual comparison of *historical* and *projected* revenue and expenditure growth:



Expenditures in FY 2000-01 are higher than revenues due to the intentional drawdown of \$2.5 million from fund balance to provide transfers for reserves, Street Improvement Program and priority projects.

Historical and projected revenues and expenditures

Operating Position

Based on current expenditure and revenue trends, the financial forecast predicts a positive operating position in all five years of the forecast period. Results of the forecast with respect to operating position (revenues less expenditures) are shown in the following two graphs that compare the FY 2000-01 adopted budget forecast to the 2001 LTFP forecast:

2000 Forecast Summary (FY 2000-01 Adopted Budget)*

Amounts in \$1,000

FY 2000-01 adopted budget forecast - Operating position

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenues	\$27,401	\$29,098	\$30,222	\$31,442	\$32,620
Expenditures	27,254	28,904	29,688	30,537	31,425
Operating Result	\$147	\$194	\$534	\$905	\$1,195

2001 Forecast Summary (LTFP)*

Amounts in \$1,000

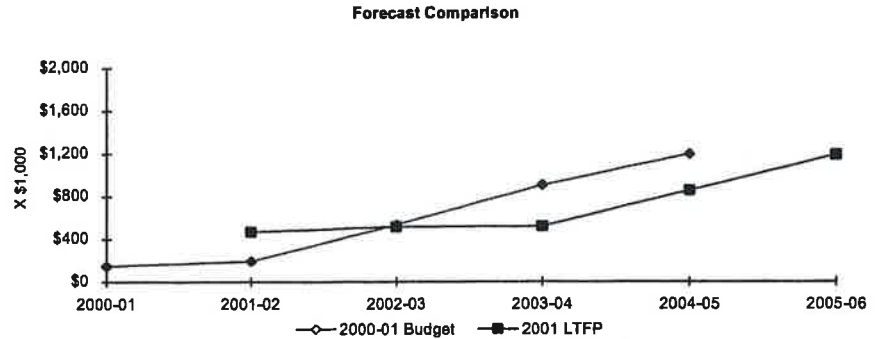
2001 LTFP forecast - Operating position

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues	\$30,263	\$31,445	\$32,466	\$33,846	\$35,403
Expenditures	29,794	30,930	31,946	32,989	34,214
Operating Result	\$469	\$515	\$520	\$857	\$1,189

*One-time revenues and expenditures have been excluded.

Operational Position FY 2000-01 Adopted Budget vs. 2001 LTFP Forecast

The following chart provides a graphical comparison of the City's operational position for the FY 2000-01 adopted budget forecast and the 2001 LTFP forecast.



Positive operating position in all five years of the forecast

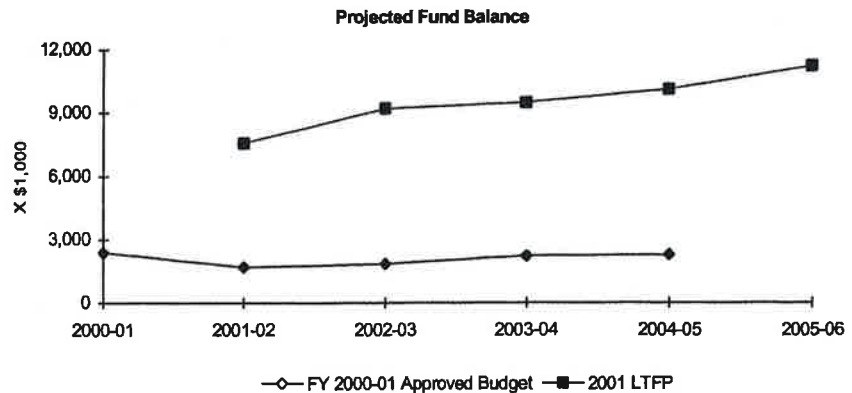
The discrepancy between the two forecasts is due to:

- Anticipated revenue from the new Lowe's store in Plaza Pacifica, beginning in FY 2001-02, was not included in the budget forecast.
- Mid-year adjustments to the 2000-01 fiscal year budget increased operating expenditures by \$394,000. These adjustments, primarily electricity increases for City buildings, streetlights, traffic signals and park/ballfield lights, will continue to impact the City's operating position throughout the forecast.

The City's projected fund balance position is positive over the forecast period

Fund Balance

The chart below illustrates projected fund balances from the FY 2000-01 adopted budget forecast to the 2001 Long Term Financial Plan forecast.



The actual ending fund balance for fiscal year 1999-00 increased \$2.0 million over projections (i.e. the projected ending fund balance was projected at \$5.8 million and actual fund balance was \$7.8 million). The change in the fund balance projection was due to:

Long Term Financial Plan

- Actual revenue for FY 1999-00 was \$1.6 million higher than projected in the budget forecast. All revenue categories, except interest and rents and transfers from other funds, increased compared to revenue projections, with substantial increases in property taxes, sales taxes, development related permits, fees and service charges.
- Actual expenditures for FY 1999-00 were \$487,000 under the projection in the budget forecast.

Fund Balance and Emergency Reserve

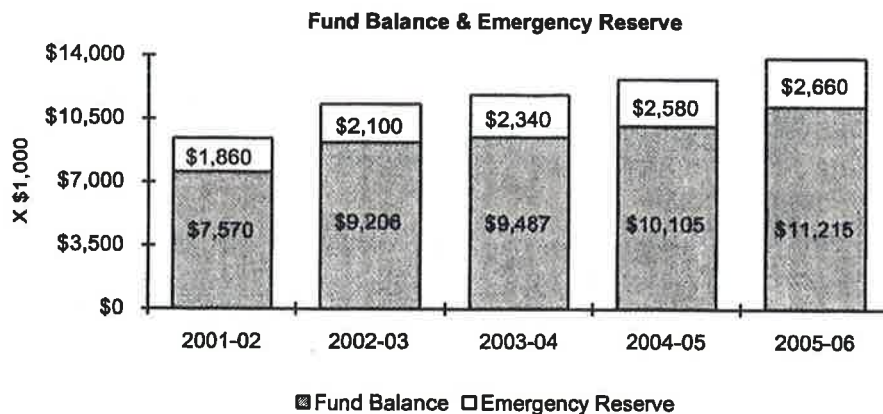
Fund Balance and Reserves

One of the main goals of the City Council, as defined in the City's Fiscal Policy, is to ensure that adequate resources will be available to fund emergency reserves and maintain a healthy fund balance. The following table and graph indicates the projected growth in the General Fund Emergency Reserve and the projected ending fund balance over the five year forecast period.

Total fund balances are projected at \$9.4 million in FY 2001-02

Fund Balance & Emergency Reserve

Amounts in \$1,000	2001-02	2002-03	2003-04	2004-05	2005-06
Fund Balance	\$7,570	\$9,206	\$9,487	\$10,105	\$11,215
Emergency Reserves (8%)	\$1,860	\$2,100	\$2,340	\$2,580	\$2,660
Total	\$9,430	\$11,306	\$11,827	\$12,685	\$13,875



As depicted above, the City will maintain total fund balances averaging \$11.8 million over the five year forecast period.

The following cash flow table provides a review of Beginning Fund Balances, Revenues, Expenditures, and Ending Fund Balances over the five year forecast period.

Financial Forecast

**Cash flow by
year**

Cash Flow By Year

Amount in 1,000's

	2001-02	2002-03	2003-04	2004-05	2005-06
Beginning Fund Balance	6,045	7,570	9,206	9,487	10,105
Revenues					
Taxes	16,163	16,930	17,829	18,827	19,969
Licenses & Permits	3,594	3,708	3,034	3,058	3,084
Intergovernmental	3,057	3,166	3,265	3,372	3,509
Service Charges	3,745	3,863	3,079	3,169	3,263
Fines & Forfeitures	837	876	912	950	989
Interest & Rents	1,305	1,306	1,324	1,370	1,405
Interfund Transfers	2,881	2,957	3,023	3,101	3,184
Total G F Revenues	31,583	32,805	32,466	33,846	35,403
Expenditures					
City Council	42	43	44	45	46
City Manager	377	388	397	408	420
City General	2,173	2,232	2,287	2,348	2,413
Finance & Admin. Services	464	478	489	503	517
City Clerk	489	504	516	530	546
Finance	900	927	949	976	1,004
Human Resources	399	411	421	433	446
Police Services	7,135	7,476	7,790	8,143	8,515
Fire Services	4,148	4,270	4,395	4,524	4,682
Comm Dev. Admin.	240	248	253	261	268
Building	1,497	1,538	1,576	1,520	1,564
Planning	983	1,012	1,037	1,066	1,096
PWAdmin/Economic Dev.	470	484	496	510	525
Engineering	2,426	2,495	2,555	2,625	2,700
PW Maintenance Services	2,716	2,799	2,868	2,951	3,039
B, P & R Admin.	339	349	357	367	377
Recreation	1,427	1,470	1,507	1,549	1,595
Beach & Park Maintenance	2,665	2,746	2,817	2,900	2,988
Marine Safety	822	847	867	891	916
New Employees	104	214	326	441	560
Total GF Expenditures	29,818	30,931	31,947	32,989	34,214
Emergency Reserve	240	240	240	240	80
Ending Fund Balance	7,570	9,206	9,487	10,105	11,215

The following table provides a summary of the projected expenditures by *category* over the forecast period.

Expenditures by Category	2001-02	2002-03	2003-04	2004-05	2005-06
Salaries & wages	7,160	7,454	7,709	7,943	8,245
Employee benefits	2,381	2,473	2,557	2,635	2,734
Supplies	637	657	674	694	716
Contractual services	15,377	15,987	16,536	17,118	17,786
Other charges	827	853	875	901	929
Capital outlay	24	0	0	0	0
Interdepartmental charges	2,238	2,304	2,364	2,435	2,510
Interfund transfers	1,174	1,202	1,230	1,259	1,290
Total	29,818	30,931	31,947	32,989	34,214

Long Term Financial Plan

Financial Forecast - Assumptions

Economic and demographic assumptions affect projections

The forecast predicts the economy will continue expanding

Economic and Demographic Assumptions

Economic and demographic assumptions used in the forecast measure the anticipated changes in economic activity and population growth, and affect many of the revenue and expenditure projections. The economic assumptions utilized in this forecast are based primarily on the annual Economic and Business Review developed by Chapman University and published in December 2000. Additionally, data is provided by the various City of San Clemente departments.

The Chapman forecast predicts that Orange County's economy will continue expanding, but at a much slower rate than the past few years. Personal income is forecasted to average 6.6% with local inflation projected to average 2.9% and taxable sales anticipated to grow at an annual average rate of 6.4%. Housing appreciation for resale homes is predicted to increase an average of 6.0%.

Population projections provided by the City's Planning and Building divisions are based upon a reasonable rate of absorption for the number of housing units approved through the development review process. It is presumed, for forecasting purposes, that 2.5 persons will occupy each housing unit, which is the average household size in San Clemente.

A summary of the parameters utilized in the 2001 Financial Forecast to project the various revenue and expenditures categories are delineated below:

Summary of forecast parameters

Par #	Description	2001-02	2002-03	2003-04	2004-05	2005-06	Average
1	Inflation	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
2	Population	3.7%	3.2%	2.9%	2.7%	2.6%	3.0%
3	Assessed Valuation	7.7%	4.8%	5.4%	5.6%	6.4%	6.0%
4	Personal Income	7.3%	5.9%	6.5%	6.6%	6.8%	6.6%
5	Taxable Sales	6.5%	5.4%	6.4%	6.7%	6.8%	6.4%
6	Property Taxes	7.7%	4.8%	5.4%	5.6%	6.4%	6.0%
7	Trans. Occup. Tax	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
8	Franchise Taxes	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
9	Prop. Transfer Tax	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
10	Construction Permits	3.7%	3.2%	2.9%	2.7%	2.6%	3.0%
11	State Subventions	5.1%	4.7%	4.2%	4.2%	4.2%	4.5%
12	Service Charges	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
13	Interest Earnings	1.5%	-5.7%	-3.7%	6.7%	3.1%	0.6%
14	Pier & Beach Concessions	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
15	Interfund Charges	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
16	Salaries & Wages	3.0%	3.0%	2.3%	2.7%	2.8%	2.8%
17	Employee Benefits	2.6%	2.8%	2.3%	2.7%	2.8%	2.6%
18	Supplies	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
19	Services/Other Charges	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%
20	Capital Outlay	2.9%	3.1%	2.6%	3.0%	3.1%	2.9%

*The percentage shown for interest earnings is the percentage change (positive or negative) in the interest rate from the prior year. It is not the projected rate of return. Interest earnings will continue to increase annually because fund balances are increasing throughout the forecast.

Financial Forecast

Following is a description of several key indicators used in developing the financial forecast:

Inflation is projected to average 2.9%

- *Consumer Price Index (Inflation):* Inflation is the measure of the increase in cost of goods and services. Inflation impacts many revenue and most expenditure categories throughout the five-year forecast and is projected to average 2.9% per year.

Population estimates average 3.0% over the forecast period

- *Population:* Population size is the primary basis for the allocation of Motor Vehicle taxes, one of the City's larger revenue sources (9% of total General Fund revenue) and is also reflective of the scale of residential and commercial development within the City. In addition, year-to-year population growth is a useful factor in predicting increases in several other revenue categories, such as Franchise Fees and Business Licenses. Population estimates developed by the City's Planning Division project growth to average 3.0% over the forecast period.

2001-02	2002-03	2003-04	2004-05	2005-06
54,546	56,280	57,885	59,463	61,015
3.7%	3.2%	2.9%	2.7%	2.6%

Assessed Valuation is projected to grow by an average of 6.0%

- *Assessed Valuation:* This is the value placed on residential and commercial property by the County Tax Assessor. It is an indicator of the value of property that drives the City's major revenue source, Property Tax. Assessed Valuation is projected to increase by an average of 6.0% per year.

Personal Income is projected to increase an average of 6.6%

- *Personal Income:* As a measure of consumer purchasing power, this indicator reflects on elastic revenues such as Sales Tax, concession revenues and Transient Occupancy Taxes. Personal income is projected to increase by an average of 6.6% per year.

Taxable Sales in Orange County are projected at 6.4%

- *Taxable Sales:* Taxable sales are a measure of the total retail sales in Orange County. This indicator has a direct relationship with the City's retail sales tax revenue, which is 1% of taxable sales in San Clemente. Taxable sales in Orange County for 2000-01 are projected at 6.4%.

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Financial Forecast Assumptions

Beyond the economic and growth/trend factors described above, information specific to San Clemente is included in the forecast:

Forecast assumptions include contributions to reserves, and staffing projections

- A 3% cost of living increase, previously approved by City Council, has been included in the forecast for FY 2001-02 and FY 2002-03. For forecast purposes only, it is presumed that cost of living increases will be granted at 90% of inflation beginning in FY 2003-04.
- The forecast projections assume the addition of three full-time positions in FY 2001-02 and two new positions per year in the remaining four years. In total, eleven new positions are added during the forecast period.
- The Police Services budget includes one new contract position in FY2000-01 (Community Support Officer) and one new position in each year thereafter.
- Staffing levels and contractual agreements for development related activities are maintained at the current level throughout the forecast period. However, if development activity declines, these expenditures would be reduced accordingly.
- Actual expenditures are projected at 0.5% less than budget for all five years of the forecast. This is conservatively based on the projected actual expenditures versus budgeted expenditures.
- Actual revenue is projected to exceed budget by 0.5% in all five years based on current revenue projections and conservative estimating techniques.
- One-time revenues and expenditures in the base year (FY 2000-01) have been excluded from the forecast. For example, the City has received over \$142,000 from the State as a return of property tax previously diverted from local governments to schools. This is considered "one-time" revenue and has been reduced from the base forecast. The \$2.5 million in transfers to other funds for priority projects such as the Railroad Corridor Improvements, Storm Drain Master Plan and Golf Clubhouse are also considered "one-time" expenditures and has been reduced from the base forecast as well.
- Capital Outlay amounts to \$268,000 in FY 2000-01 of the forecast for one-time capital improvements and capital equipment. A total of \$24,000 is included in the second year of the forecast for one-time capital equipment for a grant funded position.
- Negotiated increases approved by City Council for the Orange County Fire Authority (OCFA) contract are included for all five years of the forecast.

Financial Forecast

- The forecast includes, as operating transfers out of the General Fund, annual expenditures to fund reserves projected at \$726,300 for FY 2001-02:

	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Equipment	100,000	100,000	100,000	100,000	100,000
Accrued Leave	100,000	100,000	100,000	100,000	100,000
Council Contingency	286,300	296,500	306,600	317,300	328,700
Emergency Reserve	240,000	240,000	240,000	240,000	80,000
Total	\$726,300	\$736,500	\$746,600	\$757,300	\$608,700

- Council Contingency Reserve is funded at 1% of operating expenditures in each of the forecast years, per the City's Fiscal Policy.
- The Emergency Reserve is scheduled to be fully funded, in accordance with City Fiscal Policies, in FY 2004-05. A contribution of \$80,000 is recommended in FY 2005-06 to maintain the reserve at the required 8% level. (Also see the Reserve issue paper.)
- In addition to the allocations for reserves, funding has been included in the forecast for the Street Improvement Program, as well as debt service contributions. The General Fund contribution to the Street Improvement Program includes an annual 3% increase for inflation. (Also see the Street Improvement Program Update issue paper.)

Other transfers and debt payments

	2001-02	2002-03	2003-04	2004-05	2005-06
Street Program	\$546,360	\$562,750	\$579,630	\$597,020	\$614,930
Energy Program	37,800	37,800	37,800	37,800	37,800
Animal Shelter Land	32,000	32,000	32,000	32,000	32,000
Utility Lifeline Rates	30,000	30,000	30,000	30,000	30,000
Solid Waste Fund	47,130	48,540	50,000	51,500	53,050
Total	\$693,290	\$711,090	\$729,430	\$748,320	\$767,780

Factors Not Included In The Forecast

Forecast pertains to the General Fund only

No new or enhanced programs are included

- This forecast is based on the General Fund and forecasts for the Water, Sewer and Golf operating funds have been developed and are included in this report beginning on page 21.
- No new or enhanced programs are included in the forecast.
- The impact of potential retirement changes (3% @ 50) for public safety employees, are not know at this time. Potential increases to the Police Services contract have not been included in the forecast.
- Revenues or expenditures included in the City's Fiscal Impact Model are not included in the forecast. The Fiscal Impact Model is a land use model intended to show the fiscal impact of development on the City's operating position. Thus, property tax and sales tax revenues are

Long Term Financial Plan

increased based upon the projected amount of development. In contrast, the five-year forecast shows the City's operating position based primarily on growth patterns or inflation factors.

No proposed or potential development projects are included in the forecast

- Unless currently in the planning or building permit stage, service fees from major new proposed or potential development projects such as Marblehead Coastal are not incorporated into the financial forecast.
- The forecast does not include the establishment of any of the capital facilities (City Hall, fire stations, etc.) noted in the updated "Master Plan for City Facilities" since formal action has not been taken on the plan.
- The forecast does not include the cost of recommendations from the other Long Term Financial Plan issue papers contained in Volume II.

Revenues are projected to increase an average of 3.5%

Property Tax revenue is projected to increase an average of 6.0%

General Fund Revenues

Over the forecast period, General Fund revenues are projected to increase at an average annual rate of 3.5%, compared to a historical five year growth rate of 7.4%.

- Property Tax revenue is projected to increase an average of 6.0% per year compared to a 6.1% average historical increase over the past five years.
- Construction permits are projected to decrease from a historical average of 38.1% to an average of -3.4% for the forecast period, as revenues are reduced in the last three years to reflect the anticipated level of development activity.
- Service Charges are projected to decrease an average of -1.6% per year compared to an 18.3% average historical growth rate over the past five years.
- Fines are projected to increase an average of 4.4% per year compared to a 15.2% average historical growth rate over the past five years.

In each revenue and expenditure category an initial summary is provided that provides the following:

- **Historic Growth Rate:** Provides the average annual rate of growth for the past five years from FY 1995-96 to FY 1999-00.
- **2000 Projected Growth Rate:** Average annual rate of growth projected for the five years as indicated in the 2000 adopted budget forecast.
- **2001 Projected Growth Rate:** Average annual rate of growth projected for the current five-year forecast.

General Fund Growth Rate

Historic Growth Rate	7.4%
2000 Projected Growth Rate	3.0%
2001 Projected Growth Rate	3.5%

Economic growth throughout the forecast period is positive

During the past five years, the General Fund revenue growth rate was 7.4% primarily due to steady increases in property values, sales taxes and development related fees and charges. The 2001 forecast rate of 3.5% anticipates that the development activity in San Clemente will continue in the forecast period, but will gradually slow in the last three years. Thus, the use of one-time development revenues will sustain the City throughout the forecast years, but should not be relied upon to support on-going operational programs.

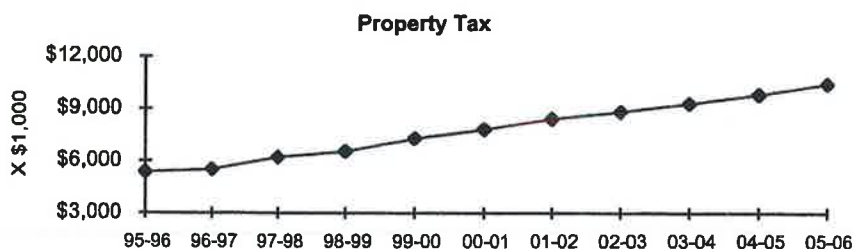
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Property Tax

Historic Growth Rate	6.1%
2000 Projected Growth Rate	6.2%
2001 Projected Growth Rate	6.0%

Property Tax revenues will increase by an average of 6.0%

Property Tax has been the most relied upon local government revenue for decades. It continues to be the City's single largest revenue source and represents 28% of total General Fund budgeted revenue. During the last four years, property tax revenues have recovered from the economic downturn of the early nineties and the diversion of property taxes from the State. Additionally, property tax revenue from the new homes in Talega and Forster Highlands is included in the base year of the forecast. Over the forecast period, property taxes are anticipated to grow from \$7.8 million to \$10.4 million. This growth is based on fiscal year 2000-01 revenue of \$7.8 million and increased by an average growth rate of 6.0% in assessed valuation.



Sales Tax

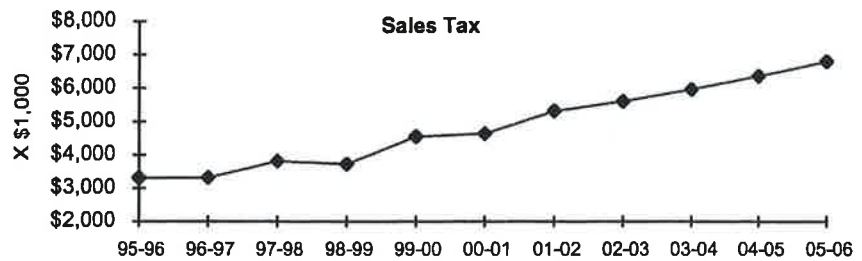
Historic Growth Rate	8.1%
2000 Projected Growth Rate	2.9%
2001 Projected Growth Rate	8.0%

Sales tax revenue is anticipated to grow an average of 8.0% in the forecast

Sales tax is one of the City's most economically sensitive revenue sources and is anticipated to grow an average of 8.0% in the forecast period due to projected growth in personal income combined with annual inflation of 2.9%. Annual growth rates in the forecast are based on taxable sales projections for Orange County presented in the Chapman University Economic and Business Review of December 2000.

Sales tax is projected to grow from \$4.6 million to \$6.8 million over the forecast period. This is due to a full year of sales tax revenue included in the base year from Wal-Mart and other sales tax producing businesses that have opened in the last year. Additionally, sales taxes are anticipated to increase in the 2001-02 fiscal year with the opening of the Lowe's store, currently under construction. The five-year forecast does not include sales tax growth associated with proposed retail or commercial properties in the planning or development stages.

Financial Forecast

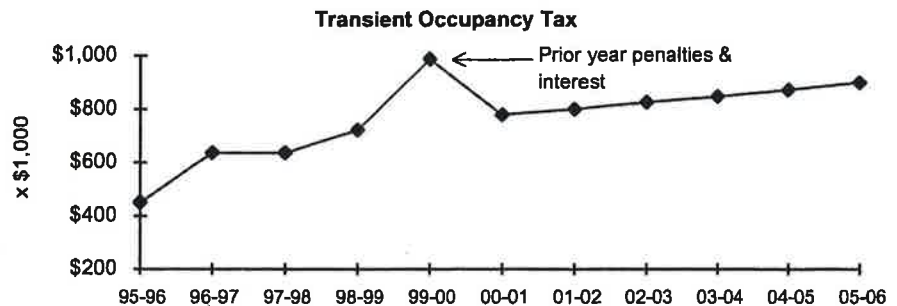


Transient Occupancy Tax

Historic Growth Rate	21.5%
2000 Projected Growth Rate	6.1%
2001 Projected Growth Rate	2.9%

Transient Occupancy Tax is an added charge against room rates at local hotels. It is another elastic revenue source affected by swings in the economy. The historic growth rate of 21.5% includes an increase in TOT revenue, which began in FY 1996-97, and one-time penalties and interest on delinquent TOT accounts received in FY 1999-00. Over the forecast period, the average growth is projected at 2.9% per year, and is based on the consumer price index projections for Orange County.

TOT is projected to increase an average of 2.9% growth



Licenses and Permits

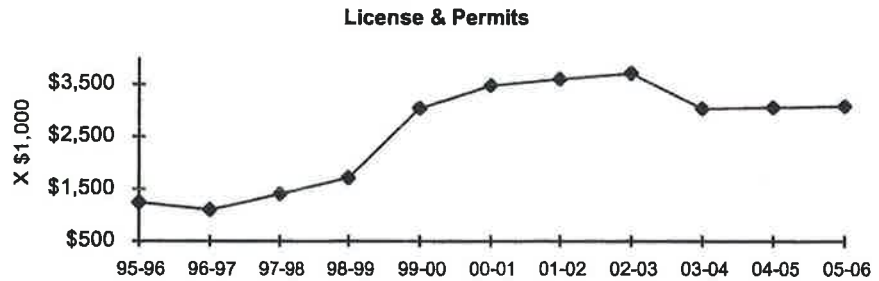
Historic Growth Rate	23.2%
2000 Projected Growth Rate	2.5%
2001 Projected Growth Rate	-2.0%

Licenses and Permits revenue include Business Licenses, Construction Permits and miscellaneous licenses and permits, such as alarm permits is projected to decrease an average of -2.0%. For forecast purposes, revenue for development activity is considered "one-time" and is gradually reduced beginning in FY 2003-04 to mirror the anticipated development activity.

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Licenses and Permit revenue is projected to grow slightly in the first two years

Construction Permits, which includes building, electrical, mechanical, plumbing and grading permits are projected to increase slightly in the first two years of the forecast, as development activity continues in Talega and Forster Highlands. However, one-time development fees have been reduced beginning in FY 2003-04 to reflect the reduced development activity during the forecast period. Proposed development activity for Marblehead is not included in the forecast projections.



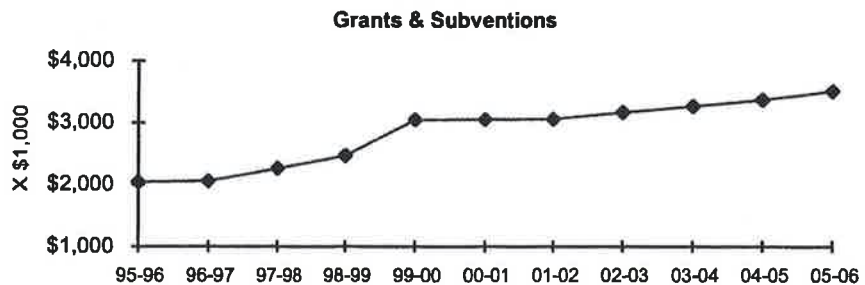
Grants and Subventions

Historic Growth Rate	12.2%
2000 Projected Growth Rate	3.1%
2001 Projected Growth Rate	2.8%

Grants & Subventions, predominantly Motor Vehicle Tax, is projected to grow at a 2.8% rate

In total, Grants and Subventions revenues are projected to grow at a rate of 2.8% over the forecast period, compared to an historical growth rate of 12.2%. During the 2000-01 fiscal year, police grant funds from the Office of Traffic Safety (OTS) and the State of California (COPS) were moved into another fund for tracking and audit purposes. The removal of these funds account for the decline in the 2001 projected growth rate for grants and subventions.

The predominant source of revenue in this category is Motor Vehicle Tax. Motor Vehicle Tax revenues are projected to increase by an annual average of 4.8% and are based on 50% of expected inflation plus 100% of anticipated population growth. Over the last five years, motor vehicles taxes have increased an average of 12% annually.

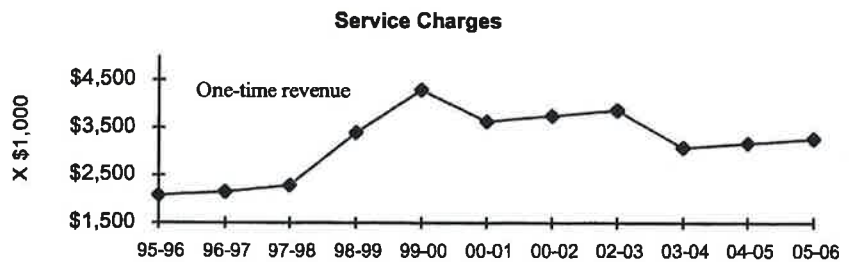


Service Charges

Historic Growth Rate	18.3%
2000 Projected Growth Rate	-4.9%
2001 Projected Growth Rate	-1.6%

Service Charges show a historic growth rate of 18.3%. Projected growth rate = -1.6%

This category includes a variety of fees charged for specific services provided by the City. They include, for example, development fees, recreation program fees and ambulance service fees. For forecasting purposes, construction fees are considered “one-time” revenue and gradually reduced in the forecast period beginning in FY 2003-04. The projected growth in service charges over the forecast period is -1.6%.

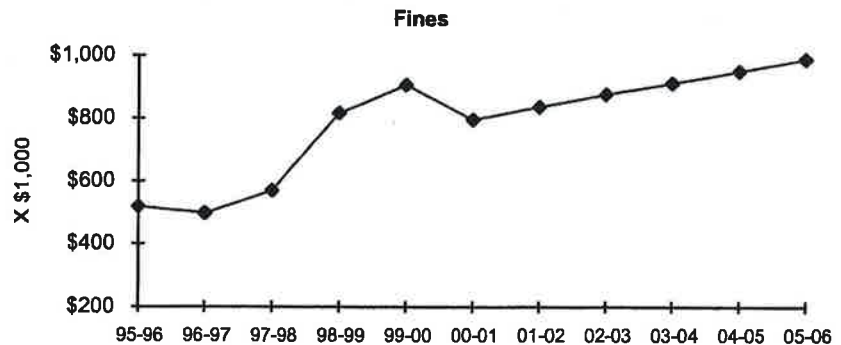


Fines

Revenue for Fines is forecast at 4.4%

Historic Growth Rate	15.2%
2000 Projected Growth Rate	5.6%
2001 Projected Growth Rate	4.4%

The Fines category consists of all fines levied by the City for vehicle code violations, alarms, and other fines. The 2001 projected growth rate of 4.4% differs dramatically from the historic growth rate 15.2% which increased as a result of a change to the allocation of court fines in 1997.



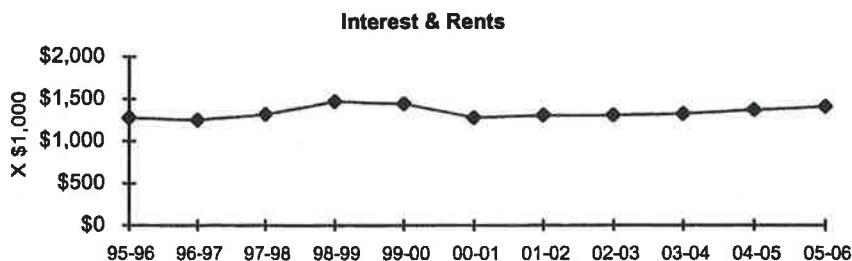
Long Term Financial Plan

Interest And Rents

Historic Growth Rate	16.5%
2000 Projected Growth Rate	0.3%
2001 Projected Growth Rate	1.9%

This revenue group includes interest earnings on invested funds and revenue from rental agreements and leases. Communications site lease projections have been increased by inflation. Interest earning increases are based upon 70% of the prime interest rate and historic data. The Casa Romantica lease was terminated in April 2000 and rental income has been removed from the base year budget.

Interest & rents are projected to grow 1.9%

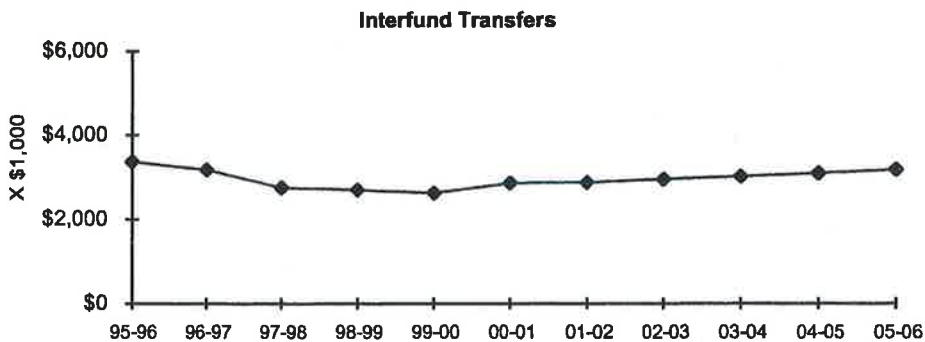


Interfund Transfers

Historic Growth Rate	-9.4%
2000 Projected Growth Rate	5.8%
2001 Projected Growth Rate	2.2%

This revenue category is comprised predominantly of overhead charges assessed by the General Fund to other operating funds of the City that are self-supporting. Other revenues that make up this category include transfers from other funds, such as the Golf Fund and Gas Tax Fund. The transfer of \$425,000 annually from the Golf Fund is included in all five years of the forecast.

Interfund transfer include General Fund overhead charges and transfers



General Fund Expenditures

The average expenditure rate is projected at 1.9%

Historic Growth Rate	5.4%
2000 Projected Growth Rate	3.6%
2001 Projected Growth Rate	1.9%

Projected expenditures presume that service levels in effect in FY 2000-01 will remain constant. No new programs are assumed.

Projected expenditures presume that service levels adopted in fiscal 2000-01 will remain constant

The 2001 projection from the base year is based primarily on inflation. One-time and capital outlay expenditures are removed for forecast purposes.

The 2000 projected growth rate differs dramatically from the 2001 expenditures rate of 1.9%. This is due to the inclusion of 9.5 full-time positions and two contracted positions in the first year of the adopted budget forecast. Operational expenditures increased by \$608,000.

Salaries and Wages

The historic growth rate for Salaries and Wages is 0.1%

Historic Growth Rate	0.1%
2000 Projected Growth Rate	7.2%
2001 Projected Growth Rate	3.8%

The forecast projections assume the addition of three full-time positions in FY 2001-02 and two new positions per year in the remaining four years. In total, eleven new positions are added during the forecast period. A 3% cost of living increase, previously approved by the City Council, is also included in fiscal years 2001-02 and 2002-03. For forecast purposes only, an annual cost of living increase in the remaining years of the forecast equal to 90% of the inflation rate is included.

Total personnel costs are projected to average 3.8%

The average annual growth rate for Salaries and Wages is 3.8% for the five-year projection.



Long Term Financial Plan

Sewer Operating Fund Forecast

The Sewer Operating Fund receives revenue primarily from fees charged for wastewater collection and treatment. Revenues have been increased over the forecast period by anticipated growth in the City, excluding the Talega development which is served by the Santa Margarita Water District.

Expenditures have been increased by inflation. The Sewer Operating Fund's operational position (revenues less expenditures) is negative throughout the forecast period. The operating fund will end the 2001-02 fiscal year with a negative fund balance and the balance in the fund is forecasted to grow to a deficit of \$6.9 million.

2001 FINANCIAL FORECAST **Sewer Operating Realistic Cash Flow from 2000-01 Adjusted Budget** **(Amounts in Thousands)**

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Beginning Fund Balance	1,370	-103	-1,677	-3,324	-5,049
Revenues					
Service Charges	3,489	3,552	3,615	3,681	3,747
Miscellaneous Charges	204	193	187	200	206
Interfund Transfers	0	0	0	0	0
Total Revenues	3,693	3,745	3,803	3,880	3,953
Expenditures					
Sewer Administration	920	944	964	988	1,013
Treatment	2,662	2,743	2,812	2,893	2,980
Collection	1,572	1,620	1,662	1,711	1,764
New Employees	0	0	0	0	0
Total Expenditures	5,154	5,307	5,438	5,593	5,757
Emergency Reserve	12	12	12	12	12
Ending Fund Balance	-103	-1,677	-3,324	-5,049	-6,865

The Sewer Operating Fund does not have a positive operating position (i.e., expenditures are higher than revenues), but up until the 2001-02 fiscal year, fund balances were sufficient to keep a positive fund balance. It appears that a rate increase is warranted at this time due to the negative fund balance position.

The Sewer Operating Fund has reserved 8% of operating expenditures to meet the fiscal policy requirement. Minimal contributions to the reserve are required in each of the remaining years of the forecast to maintain the reserve level at 8%.

Financial Forecast

Golf Operating Fund

The Golf Operating Fund receives revenue primarily from green fees. The forecast utilizes the present fee structure and historical information to forecast revenues, thus the revenue remains constant throughout the forecast period. It should be noted that the multi-tiered fee structure and seasonal variances in play make forecasting revenue difficult. Expenditures presume the present level of services and have been increased based upon inflation.

The fee increases approved by City Council during the 2000-01 fiscal year are included in the forecast revenue.

2001 FINANCIAL FORECAST Golf Fund Realistic Cash Flow from 2000-01 Adjusted Budget (Amounts in Thousands)

	2001-02	2002-03	2003-04	2004-05	2005-06
Beginning Fund Balance	2,014	1,838	1,747	1,612	1,433
Revenues					
Service Charges	2,136	2,136	2,136	2,136	2,136
Interest & Rents	248	248	250	260	268
Miscellaneous Income	0	0	0	0	0
Total Revenues	2,384	2,384	2,386	2,396	2,404
Expenditures					
GC Maintenance	2,092	2,142	2,185	2,235	2,289
Starter Operations	158	163	167	171	176
Trans. to Capital Improvement	160	160	160	160	160
Total Expenditures	2,410	2,465	2,512	2,567	2,625
Emergency Reserve	146	5	4	4	5
Ending Fund Balance	1,843	1,757	1,627	1,453	1,227

The Golf Operating Fund has a positive ending fund balance in all five years of the forecast. However, the operating position is negative throughout the forecast period. This indicates that operating revenues will not be sufficient to maintain operating expenditures.

The fund will be able to set aside the fiscal policy requirement of 8% of operating expenditures in the 2001-02 fiscal year. Additional contributions in the next four years are required to maintain the 8% level.

Additionally, \$160,000 has been designated in FY 2000-01 as a transfer from the Golf operating fund to the Golf Capital Replacement Reserve fund. Although a formal policy does not exist, transfers ranging between \$300,000 to \$160,000 have been made annually beginning in FY 1992-93.

Long Term Financial Plan

Master Plan for City Facilities – Fiscal Impact Model

Master Plan for City Facilities – Fiscal Impact Model

The Fiscal Impact Model is used to forecast the long-term impacts of future development and City facilities upon the General Fund

An integral part of the Master Plan for City Facilities, the Fiscal Impact Model (FIM) analyzes the impact of future development on the City's operating position. On-going revenues, such as property and sales taxes, are increased based upon the projected amount of development anticipated through buildout. Operational expenditures are increased based upon the current level of services, plus operational and maintenance costs for proposed facilities. Out of the Fiscal Impact Model, an Operations/Maintenance "Module" was created to forecast the long-term impacts of City facilities on the City's General Fund.

Summary

The Master Plan for City Facilities (MPCF) was developed to help decision makers analyze siting options for City facilities, determine priorities and plan construction phasing and timing for facilities.

The MPCF studied 15 different future City facilities including: fire stations (3), a senior center (1), civic center sites (4 general locations studied), parks (9), and a special recreation facility that will include a community center, aquatic center and gymnasium.

A \$2.89 million shortage is projected to construct the parks included in the Master Plan

Currently it is projected that the City will experience a \$2.89 million shortfall in the funds needed to construct the parks included in the MPCF. This is due to two factors: 1) Significant increases in the construction costs for parks and 2) Expenditures out of the Parks Acquisition and Development Fund for park improvements not identified in the Master Plan for City Facilities (\$1.5 million). Staff is proposing reimbursing \$1.5 million to the Fund, after which there will remain a \$1.39 million shortfall in the Fund.

With an "aggressive" buildout scenario, the City can afford all O&M costs by 2009

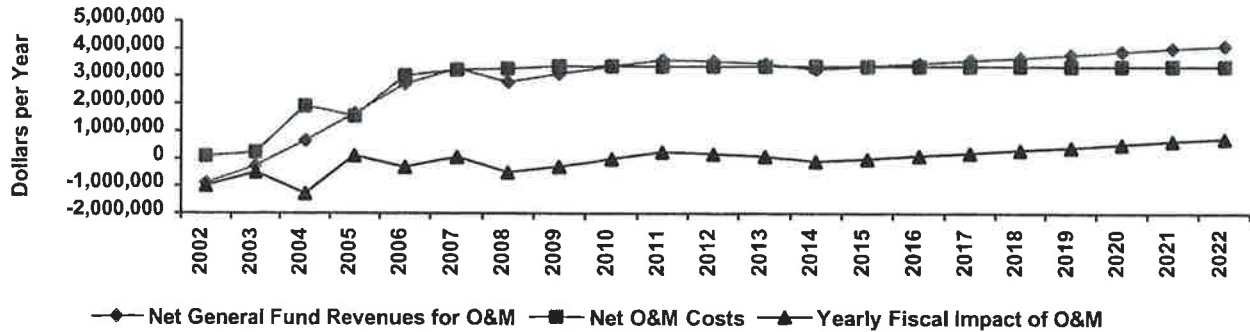
The Operations/Maintenance cost "Module" indicates results that are problematic for decision-makers. This module tracks the operation and maintenance cost of each facility. Then it projects the increase in "sustainable" revenues, which are primarily attributed to property tax and sales tax increases attributed to new or improved development. Under an "aggressive" scenario, which assumes buildout of the major "commercial" developments generating "above-average" sales tax, most major facilities can be built in the next six years and all facilities could be completed by the year 2009. Under a more conservative scenario, which assumes major commercial development is stalled or doesn't occur at all, some major facilities must be delayed until 2009 and final completion of all facilities may be delayed or postponed indefinitely.

New facilities, not included in the MPCF, have emerged as priorities. These facilities will add capital and O&M costs to the General Fund

In addition to the facilities that were studied by the MPCF, new priorities have emerged over the past year. Specifically, the Casa Romantica, Revitalization 2000, beach safety access improvements, water quality/sand replenishment efforts, and utilization of the cultural use (opportunity) site at LaPata/Vista Hermosa. These projects/programs all imply additional capital and operations/maintenance costs. None of these costs were considered in last year's MPCF.

Long Term Financial Plan

FISCAL IMPACTS OF O&M COSTS: REVISED AGGRESSIVE BUILDOUT SCENARIO



Net Fiscal Impact at Buildout: \$740,000 Annually

The annual balance after buildout is projected at \$740,000 per year

Over the next 20 years and after buildout, the City's fiscal impact model projects a relatively neutral revenue/expenditure balance (neither extremely positive nor extremely negative). No major surpluses in revenues or deficits in expenditures are projected. The annual balance in the General Fund (revenues minus expenditures) after buildout is projected at approximately \$740,000 per year. (Additional details related to these projections are included in Attachment A.) The projections are dependent upon several factors:

The phasing of City facilities is critical

- The phasing of City facilities is critical for the maintenance of a neutral revenue/expenditure balance. Please see the attached phasing chart for details about the phasing of facilities assumed for this analysis (Attachment B). Minimal increases in FTE's are critical and assumed as part of this analysis, as well. A comparison of current budgets and buildout budgets for each department is included as Attachment D.

New programs added to the Master Plan could significantly affect the projected balance of the General Fund

- The projections shown on the previous page do not include costs for new programs or facilities beyond those listed in the Master Plan. New programs that are discussed in this report, but, as yet, have not been included in the Master Plan, are: Casa Romantica, Revitalization 2000, Water Quality Programs, the Beach Sand Replenishment Program, Beach Safety Access improvements and the La Pata/Vista Hermosa Park/Cultural Use Facility. Additional information regarding the potential costs of these programs is provided later in this report.

The retail market potential must be realized

- For the revenues available for operations and maintenance (green line) to continue to grow, the retail market potential for the City must be realized. A significant portion of this, as illustrated by the pie chart on page 2 of this report, is the Marblehead Coastal project.

Forster Ranch has been delayed one year

- In this analysis, Phase III of the Forster Ranch Community Park has been delayed one year (from 2005 to 2006) due to the delay of the Marblehead Coastal project. As the net General Fund revenues available for operations and maintenance (green line) increase, the planning and

Master Plan for City Facilities – Fiscal Impact Model

design of Phase III can continue. However, actual construction should be delayed until the City is certain that Marblehead Coastal will be constructed.

- Operations and maintenance expenditures increase in 2004 as a result of the Talega fire station coming online. Another significant increase in expenditures is experienced in 2006 as a result of Phase III of the Forster Ranch Community Park coming online. Revenues from Phase III are included in the revenue projections for the City.

Capital Needs for Parks

A shortfall of \$2.89 million in the capital needed to construct parks in the MPCF has been identified

Currently it is projected that the City will experience a \$2.89 million shortfall in the funds needed to construct the parks included in the MPCF. Projections for the construction costs of future park facilities has dramatically increased since last year owing to increased costs of new play equipment, additional ADA (Americans with Disabilities Act) requirements, and an escalation in general construction costs due to an unfavorable local bidding climate. Also, \$1.5 million from the Park Acquisition and Development Funds have been utilized for projects not included in the Master Plan for City Facilities. A table is attached with this report (Attachment C) that illustrates the increase in park construction costs and the use of Park Acquisition and Development Funds. If \$1.5 million is reimbursed to the Fund, the shortfall will be reduced to \$1.39 million.

Status of MPCF 2000 Recommendations

Status of MPCF Recommendations:

- Verify the need for consolidated Civic Center. Concur with the four alternative sites for the purpose of future review and public process. Direct staff to develop a process to solicit public input and refine criteria. *Not started. Discussions are currently taking place with the tenants of the 910 Calle Negocio site who have expressed an interest in purchasing this building. An appraisal of the site has been ordered. The building is currently occupied by the Public Works and Community Development Departments.*
- Establish the future Talega Fire Station site through amendments to the Talega Specific Plan and General Plan appropriately utilizing analysis in the Master Plan for City Facilities (MPCF) report. *Site identified, reviewed, approved in cooperation with OCFA and Talega. Site dedication agreement approved by City Council in 2000.*
- Seek to identify and/or acquire a relocation site for Fire Station No. 59 utilizing criteria in the MPCF report. Fire Station No. 59 will be relocated no sooner than the Talega Fire Station is operational. *Not started. Not expected to become priority until about 2003/2004.*
- Confirm that Fire Station No. 60 will be relocated to a site between Avenida Rosa and Avenida Victoria. The site will be shared with the proposed Senior Citizens Center. The timing of design construction for

Long Term Financial Plan

the two sites should be concurrent. *Site secured. Planning/design underway.*

- Negotiate an operating agreement and financing plan for the development of a Senior Citizens Center with South County Seniors. *Negotiations underway.*
- Work with the Orange County Library Administration to develop a plan to reuse the current Senior Center space to meet future library needs. *Plan development underway. County is the lead agency.*
- Concur with staff that the Parks and Recreation Master Plan should be amended, eliminating special use facilities (community center, gymnasium and pool complex) from the future La Pata/Vista Hermosa Park. These facilities will be located within the Forster Ranch Community Park. *Policy direction given by the City Council in 2000. Revision of the Parks and Recreation Master Plan not yet completed.*
- Update the MPCF report annually and include a fiscal analysis as an element of the Long Term Financial Plan (LTFP).
- Compare actual retail/commercial development and revenue growth with projections. *Completed for this issue paper.*
- Compare actual expenditure growth with those projected in the financial model. *Completed for this issue paper.*
- Establish a new fiscal policy, which will establish that the City will delay development of capital facilities until sustainable revenue has been secured to support development, operations and maintenance costs. *Completed 2000. Included in 2000/2001 budget.*
- Apply MPCF methodology and analysis to proposed capital projects not included in the current plan (i.e., Beach Access Safety Improvements, Beach Resource Improvements, Revitalization 2000 Improvements, Pageant of the Masters Proposal and Casa Romantica Restoration). *A summary of this analysis is presented in the next subsection of this issue paper. The Pageant of the Masters Proposal has been withdrawn and is now considered as a park/cultural use site. A more detailed study will be added to the MPCF by the end of FY 01-02.*

New facilities that will impact the General Fund balance

New Facilities: Capital and O&M Analysis:

The following is a brief summary of six newly emerging projects/programs that should be incorporated into the MPCF:

Master Plan for City Facilities – Fiscal Impact Model

Project	Capital Cost and Funding	O & M and Funding
Casa Romantica	\$2,000,000 to \$3,000,000 <u>Funding source: Various grants, donations, and pledges. No General Fund.</u>	\$ 250,000 in “bridge” funding over 3 years to pay for set up and start up cost. <u>Funding source: General Fund</u> \$400,000 in annual operating budget for programs and maintenance <u>Source: Public donations, pledges, fundraising, program fees from non-profit operation; No general fund</u>
El Camino Real Revitalization 2000 (portion of Revitalization 2000)	\$1,000,000 to \$3,000,000 <u>Funding source: Various development agreements. No General Fund.</u>	\$37,000 (this estimation is considered an extremely tentative estimation). <u>Funding source: General Fund.</u>
Beach Sand Replenishment	\$900,000 (this estimation is considered an extremely tentative estimation). <u>Funding source: Grants and General Fund</u>	\$35,000 (this estimation is considered an extremely tentative estimation). <u>Funding source: General Fund.</u>
Water Quality (Urban Runoff and NPDES)	\$1,850,000 (Phase I). <u>Funding source: Grants, Storm Drain Fund, and General Fund</u>	\$480,000 (this estimation is considered an extremely tentative estimation). O&M costs will depend on the Urban Runoff Study underway and on standards adopted by the Regional Water Quality Control Board. <u>Funding source: Storm Drain Fund</u>
Beach Safety Access	\$5,000,000 approx. <u>Funding source: A variety of grants, matching money up to approximately \$200,000 may be required from the City’s disaster relief fund. No General Fund.</u>	\$124,000 (this estimation is considered an extremely tentative estimation). <u>Funding source: General Fund.</u>
La Pata/Vista Hermosa Park/Cultural Site	This is approximately a 25 acre community park site. For purposes of this analysis, it is assumed that 15 acres are allocated for a sports complex and 10 acres for general community/cultural purposes. Cost associated with this site will be determined by the use of the site. The use could be public (City use) or quasi-public (privately operated cultural use). Each use will have different fiscal implications for the City.	

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Recent growth in revenues has been healthy, but future growth has been delayed by the Marblehead Coastal project

On-going cost increases were made to add programs and positions

A \$1.5 million reimbursement to the Parks Fund will reduce the shortfall to \$1.39 million

As construction costs for parks rise, the gap between costs and fixed revenues will widen

Conclusions

General Fund Revenues:

- Current revenue growth is very healthy, as projected last year.
- Significant future sustainable revenue growth is delayed at least 1 year, with major revenue increases previously projected for 2003/2004 delayed one year (due to delayed development of Marblehead Coastal).
- Significant one-time fees are being taken in for construction permits and processing.

General Fund Expenditures:

- Significant ongoing cost increases were made to add programs or make adjustments to existing programs. New programs include environmental engineering support for the beach sand replenishment and water quality issues. Program adjustments were also made to increase the maintenance level of parks/sports fields from C to B and to reinstate recreation programs lost over the past few years. These increases will have a long-term impact on the City's ability to provide operations and maintenance for future planned facilities.
- Significant one-time expenditures were experienced. These expenditures included: Railroad Corridor Safety Improvements, the Storm Drain Master Plan, Casa Romantica operating and start-up expenses, contribution of one-time revenues to the Golf Clubhouse, and additional contractual staff and studies. These expenditures will not have a long-term impact on the operations and maintenance of future City facilities.

Capital Needs for Parks:

- Currently it is projected that the City will experience a \$2.89 million shortfall in the funds needed to construct the parks included in the MPCF. Park Acquisition Funds have been utilized for park projects (\$1.5 million) not anticipated to be funded by the Park Fund. These funds should be reimbursed to the Park Fund.
- Projections for the construction costs of future park facilities has dramatically increased since last year owing to increased costs of new play equipment, additional ADA (Americans with Disabilities Act) requirements, and an escalation in general construction costs due to an unfavorable local bidding climate.
- While construction costs for City parks continue to rise, revenues for the construction of parks have been fixed. As the City is forced to postpone construction of parks because of limited or delayed growth of sustainable revenues for operations and maintenance, the gap between construction

Master Plan for City Facilities – Fiscal Impact Model

costs and construction revenues is likely to grow.

- Based on the previous, a policy statement should be added to the City's current budget policies that requires that:
 - Only park facilities included in the Master Plan for City Facilities should be funded from the Park Acquisition and Development Fund;
 - Only facilities included in the Master Plan for City Facilities should be funded by development impact funds identified as sources for these facilities in the Master Plan.
 - Past expenditures from the Fund on facilities not included in the Master Plan for City Facilities (listed in Attachment C) should be reimbursed to the Fund.
- Per current policy, the City should continue to retain any interest from balances in the Parks Acquisition and Development Fund within the Fund.
- In addition, the following issues may arise with regard to capital needs:
 - Marblehead Coastal: Further delay of the Marblehead Coastal project has the potential to delay the Senior Center and additional phases of Revitalization 2000 improvements and further delay the construction of Phase III of the Forster Ranch Community Park.
 - City Beaches: Water quality/sand replenishment project costs are extremely speculative and, currently, a funding source is not known. Federal and State mandates regarding water quality may impact future City expenditures.
 - La Pata/Vista Hermosa Park/Cultural Use Site: Capital and O&M costs for some potential uses are unknown and funding sources have not been identified.

The O&M costs of additional facilities will have long-term impacts

Two facilities, Talega Fire Station & Forster Ranch Park require significant O&M

Phasing:

- There are two City facilities included in the Master Plan requiring the availability of significant additional operations and maintenance funds: 1) The Talega Fire Station (requiring \$1.2 million per year); and 2) Phase III of the Forster Ranch Community Park (requiring \$1.1 million per year). Current projections of future revenues for operations and maintenance indicate that only one of these two facilities can be maintained before 2006. For public safety reasons, it is likely that the Talega fire station must be constructed first (2004); therefore, construction of Phase III of the Forster Ranch Community Park (community center recreation complex) will need to be delayed to 2006 (one year out from last year's projection of 2005). This delay is directly related to the Marblehead Coastal delays at the Coastal Commission level. (See Attachments A, Fiscal Impacts of O&M Costs, and B, MPCF Phasing Plan.

Long Term Financial Plan

2001 MPCF Recommendations

Recommendations

- Annually review the status of previous recommendations for the Master Plan for City Facilities, as a part of the Long Term Financial Plan.
- Direct staff to develop fiscal policies to be included in the budget that:
 - Limit the use of the Park Acquisition and Development Fund to park facilities included in the Master Plan for City Facilities;
 - Limit the use of other special development impact funds to projects for which those funds have been identified as sources in the Master Plan for City Facilities;
 - Reimburse past expenditures from the Park Acquisition and Development Fund on facilities not included in the Master Plan for City Facilities (listed in Attachment C).
- Consistent with existing policy, continue to retain any interest from balances in the Park Acquisition and Development Fund within the Fund.
- Delay completion of Phase III of the Forster Ranch Community Park from 2005 to 2006, and continue to monitor development of future sustainable revenues, especially those from the Marblehead Coastal project.
- Direct staff to add newly identified City facilities/programs/chapters to the Master Plan for City Facilities by the end of Fiscal Year 01-02:
 - Casa Romantica
 - Revitalization 2000
 - Beach/Sand replenishment
 - Water Quality
 - Beach Safety Access
 - La Pata/Vista Hermosa Park/Cultural Use Site

Objective

To review the City’s Fiscal Policy on an annual basis in order to determine appropriate changes, additions or deletions.

Background

A review of the City Council adopted Fiscal Policy is conducted on an annual basis in conjunction with the preparation of the Long Term Financial Plan. This review is performed in order to document proposed new policies identified through the preparation of the Long Term Financial Plan. Additionally, as circumstances change, there is sometimes a need to modify existing fiscal policy statements.

Following are proposed changes to the current Fiscal Policy:

1. *Reserve Policies:* This change is to reflect a proposed addition to the City’s Reserve Policies as recommended in the Reserve Analysis issue paper:

<i>Current Policy Statement</i>	<i>Proposed Policy Statement</i>
None	The City will establish a Facilities Maintenance Capital Asset Reserve for costs associated with the maintenance of all City facilities. The reserve will be maintained at a level at least equal to the projected 5-year facilities maintenance costs.

2. *Capital Improvement Budget Policies:* This change is to reflect a proposed addition to the *Capital Improvement Budget Policies*. As identified in the Master Plan for City Facilities issue paper, the City has identified funding sources for the construction of new facilities. This policy will limit the use of special development impact funds (such as the Park Acquisition and Public Facilities Construction Funds) to projects identified in the Master Plan for City Facilities.

<i>Current Policy Statement</i>	<i>Proposed Policy Statement</i>
None	The Park Acquisition & Development Fund and other special development impact funds may only be used to fund facilities included in the Master Plan for City Facilities.

Recommendation

1. It is recommended that the City’s Fiscal Policy be modified to include the changes outlined above.

Long Term Financial Plan

Fiscal Policy Statement

Status Comments

General Financial Goals

To maintain a financially viable City that can maintain an adequate level of municipal services.

√

To maintain financial flexibility in order to be able to continually adapt to local and regional economic changes.

√

To maintain and enhance the sound fiscal condition of the City.

√

Operating Budget Policies

The City will adopt a balanced budget by June 30 of each year.

√

The City Manager will prepare a budget calendar no later than January of each year.

√

An annual base operating budget will be developed by verifying or conservatively projecting revenues and expenditures for the current and forthcoming fiscal year.

√

During the annual budget development process, the existing base budget will be thoroughly examined to assure removal or reduction of any services or programs that could be eliminated or reduced in cost.

√

Current revenues will be sufficient to support current operating expenditures.

√

Annual operating budgets will provide for adequate design, construction, maintenance and replacement of the City's capital plant, and equipment.

√

Legend:

√ Budget Complies with Fiscal Policy Standard

-- Fiscal Policy Standard is not met in Budget

Fiscal Policy Statement	Status	Comments
The purchase of new or replacement capital equipment with a value of \$1,000 or more and with a minimum useful life of five years will require budget approval.	√	
The City will project its equipment replacement and maintenance needs for the next five years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.	√	
The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.	√	
The City will forecast its General Fund expenditures and revenues for each of the next five years and will update this forecast at least annually.	√	
The City will establish a Capital Equipment Replacement Fund for the accumulation of funds for the replacement of worn and obsolete equipment other than vehicles.	√	
Revenue Policies		
The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.	√	
Because revenues, especially those of the General Fund, are sensitive to both local and regional economic conditions, revenue estimates adopted by the City Council must be conservative.	√	
The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Long Term Financial Plan

Fiscal Policy Statement	Status	Comments
User fees will be adjusted annually to recover the full cost of services provided, except when the City Council determines that a subsidy from the General Fund is in the public interest.	√	
One-time revenues will be used for one-time expenditures only. (Including capital and reserves)	√	
Capital improvements will be financed primarily through user fees, services charges or developer agreements when benefits can be specifically attributed to users of the facility. The City will analyze the impact of capital improvements to ensure that operational and maintenance costs are balanced with on-going revenue to support the facilities.	√	
The City will annually identify developer fees and permit charges received from “non-recurring” services performed in the processing of new development. Revenue from these sources will be used to meet peak workload requirements.	√	
The City will annually review the General Fund operating position (revenues less expenditures to determine if funds are available to operate and maintain future capital facilities. If funding is not available for operations and maintenance costs, the City will delay construction of the new facilities.	√	
Expenditure Policies		
The City will maintain a level of expenditures which will provide for the public well-being and safety of the residents of the community.	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Fiscal Policy Statement	Status	Comments
Utility Rates and Fees		
The City will set fees and user charges for each enterprise fund at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and overhead charges.	√	
Utility rates will be established for each of the next five years and this rate projection will be updated annually.	√	
Capital Improvement Budget Policies		
The City will make all capital improvements in accordance with an adopted and funded capital improvement program.	√	
The City will develop an annual five-year plan for capital improvements, including CIP design, development, implementation, and operating and maintenance costs.	√	
The City will identify the estimated costs, potential funding sources and project schedule for each capital project proposal before it is submitted to Council for approval.	√	
The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the Capital Improvement Plan and City priorities, and whose operating and maintenance costs have been included in the budget.	√	
The City will coordinate development of the capital improvement budget with the development of the operating budget. All costs for internal professional services needed to implement the CIP will be included in the operating budget for the year the CIP is to be implemented.	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Long Term Financial Plan

Fiscal Policy Statement	Status	Comments
<p>Cost tracking for components of the capital improvement program will be implemented and updated quarterly to ensure project completion within budget and established timelines.</p>	√	
<p>The Council will review the Street Improvement Program each year at budget time and will transfer as much as possible from the General Fund and Gas Tax Fund to the Street Improvement Fund. The intention is to eventually eliminate the need for an assessment district. A public review process will be required, in order for the City Council to extend the Street Overlay and Replacement Assessment District beyond the bond maturity date (year 18).</p>	√	
<p>The Park Acquisition & Development Fund and other special development impact funds may only be used to fund facilities included in the Master Plan for City Facilities.</p>	√	
<p>Short-Term Debt Policies</p>		
<p>The City may use short-term debt to cover temporary or emergency cash flow shortages. All short-term borrowing will be subject to Council approval by ordinance or resolution.</p>	√	
<p>The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's current operations. The prevailing interest rate, as established by the City Treasurer, will be paid to the lending fund.</p>	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Fiscal Policy

Fiscal Policy Statement	Status	Comments
Long-Term Debt Policies		
The City will confine long-term borrowing to capital improvements that cannot be funded from current revenues.	√	
Where possible, the City will use special assessment, revenue, or other self supporting bonds instead of general obligation bonds.	√	
Proceeds from long-term debt will not be used for current ongoing operations.	√	
Reserve Policies		
The City will maintain General Fund Emergency reserves at a level at least equal to 8% of general fund operating expenditures. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years), or other unforeseen catastrophic costs not covered by the Contingency Reserve.	√	
A Council Contingency Reserve will be established to provide for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of the Council Contingency Reserve will be established as needed but will not be less than 1% of General Fund operating expenditures annually.	√	Council Contingency Reserve = \$286,300 recommended for FY 2001-02
Council approval is required before expending General Fund or Contingency Reserves.	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Long Term Financial Plan

Fiscal Policy Statement	Status	Comments
<p>The City will establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The level of this reserve will be established based on an annual projection of employee retirements.</p>	√	<p>Accrued Leave Reserve = \$100,000 recommended for FY 2001-02</p>
<p>Self-insurance reserves will be maintained at a level which, together with purchased insurance policies, adequately protect the City. The City will maintain a reserve of three times its self insurance retention for those claims covered by the insurance pool (of which the City is a member). In addition, the City will perform an annual analysis of past claims not covered by the insurance pool, and reserve an appropriate amount to pay for uncovered claims.</p>	√	<p>General Liability Reserve = \$300,000 (Additional \$371,000 reserve for claims not covered by insurance pool)</p>
<p>The City's enterprise funds will maintain a minimum reserve level at least equal to 8% of operating expenditures. The primary purpose of this reserve is to set aside funds to provide for unanticipated or emergency expenditures that could not be reasonable foreseen during the preparation of the budget.</p>	√	
<p>The City will establish a Facilities Maintenance Capital Asset Reserve for costs associated with the maintenance of all City facilities. The reserve will be maintained at a level at least equal to the projected 5-year facilities maintenance costs.</p>		<p>Facilities Maintenance Capital Asset Reserve = \$162,000 recommended for FY 2001-02</p>
<p>Investment Policies</p>		
<p>The City Treasurer will annually submit an investment policy to the City Council for review and adoption.</p>	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Fiscal Policy

Fiscal Policy Statement	Status	Comments
The City Treasurer will invest the City's moneys in accordance with applicable law and adopted investment policies and direct the investment of bond or note moneys on deposit with a trustee or fiscal agent in accordance with the applicable indenture or issuance document.	√	
Accounting, Auditing & Financial Reporting		
The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles and standards of the Government Accounting Standards Board.	√	
A fixed asset system will be maintained to identify all City assets, their condition, historical cost, replacement value, and useful life.	√	
Quarterly financial reports will be submitted to the City Council and will be made available to the public.	√	
Full and continuing disclosure will be provided in the general financial statements and bond representations.	√	
Maintain a good credit rating in the financial community.	√	Moody's Rating = AA- Standard & Poor's = A
An annual audit will be performed by an independent public accounting firm with the subsequent issue of an official Comprehensive Annual Financial Report, including an audit opinion.	√	
Maintain a liquidity ratio of at least 1:1	√	

Legend:

- √ Budget Complies with Fiscal Policy Standard
- Fiscal Policy Standard is not met in Budget

Long Term Financial Plan

***This Long Term Financial Plan document was produced by the
City of San Clemente
Finance & Administrative Services Department***

***Additional copies may be purchased at City Hall
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