

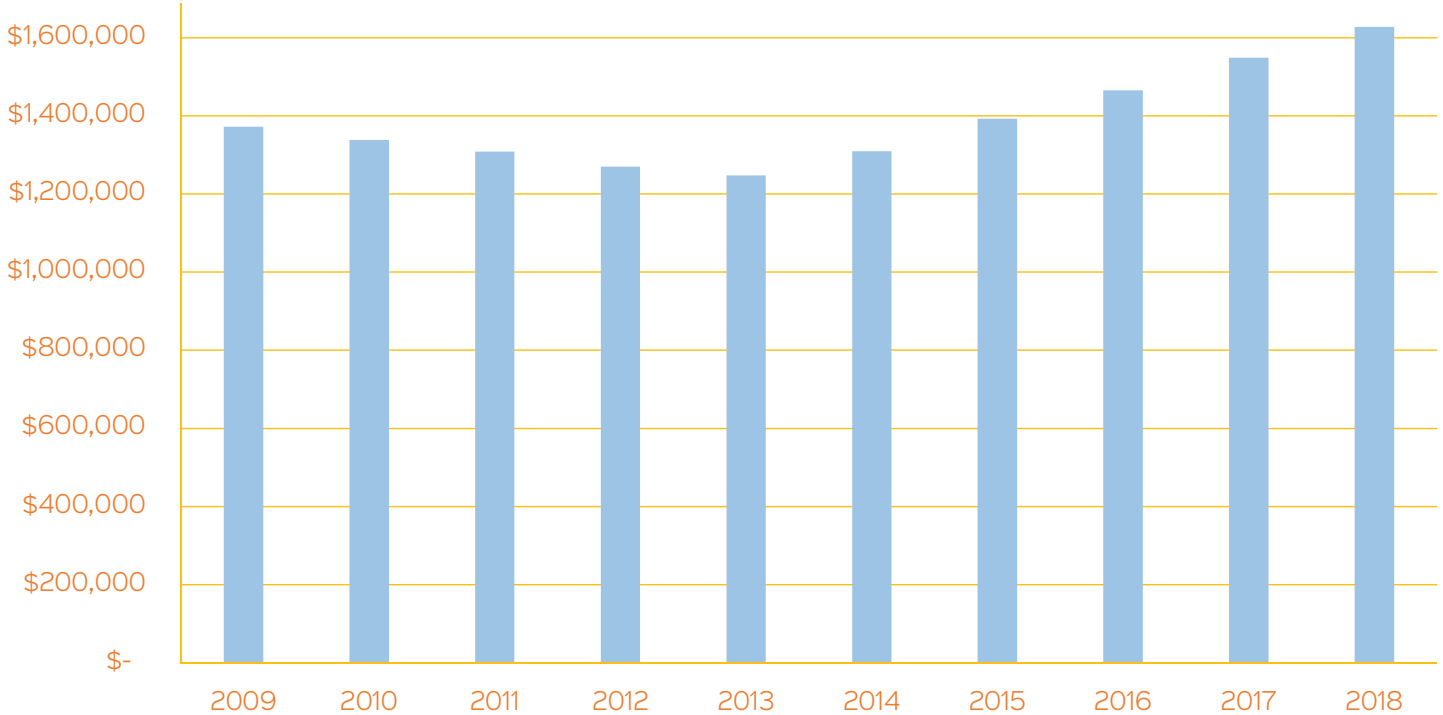
FINANCIAL TRENDS



Financial Trends

FINANCIAL TRENDS

ASSESSED VALUATION: LAST TEN YEARS



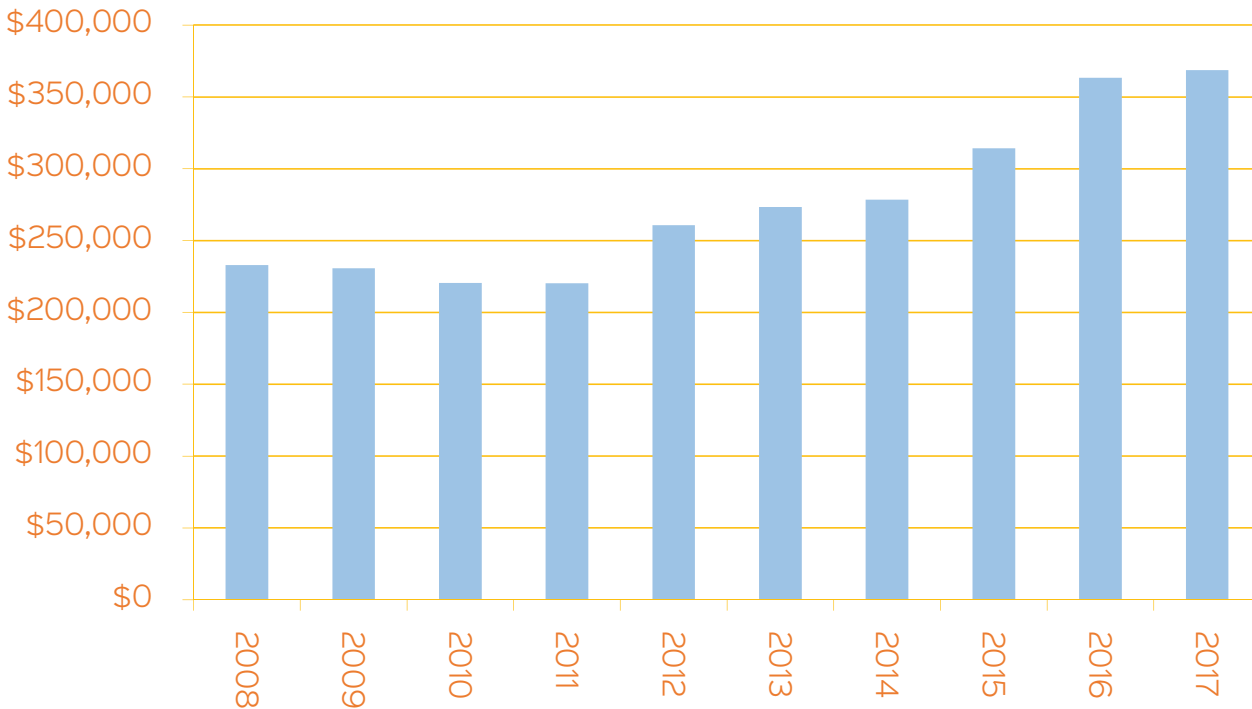
Property Tax

Property tax is the General Fund’s largest and most stable revenue source and comprises over 50% of General Fund revenues. Property tax revenues are driven by changes in assessed value as determined by the San Luis Obispo County Assessor’s Office. As shown in the chart and table, assessed valuation began dropping in 2009 through 2012 although more modestly compared with other cities in California. Assessed valuation has increased since then with an average annual increase of 5.5% over the past five years including 5.4% in the past two years. Modest growth in the assessed valuation and corresponding property tax revenue is projected to continue in the near future given the strong housing market in the region. Next year’s budget assumes a growth rate of 4.25% in property tax revenue.

ASSESSED VALUATION TRENDS		
Fiscal Year Ending	Amount	%Change
2009	\$ 1,371,849	3.1%
2010	\$ 1,337,662	-2.5%
2011	\$ 1,308,132	-2.2%
2012	\$ 1,269,692	-2.9%
2013	\$ 1,247,859	-1.7%
2014	\$ 1,309,746	5.0%
2015	\$ 1,392,718	6.3%
2016	\$ 1,465,324	5.2%
2017	\$ 1,548,746	5.7%
2018	\$ 1,627,337	5.1%
Average Annual % Change		
Last 2 Years		5.4%
Last 5 Years		5.5%
Last 10 Years		2.1%

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TRANSIENT OCCUPANCY TAX REVENUES: LAST TEN YEARS



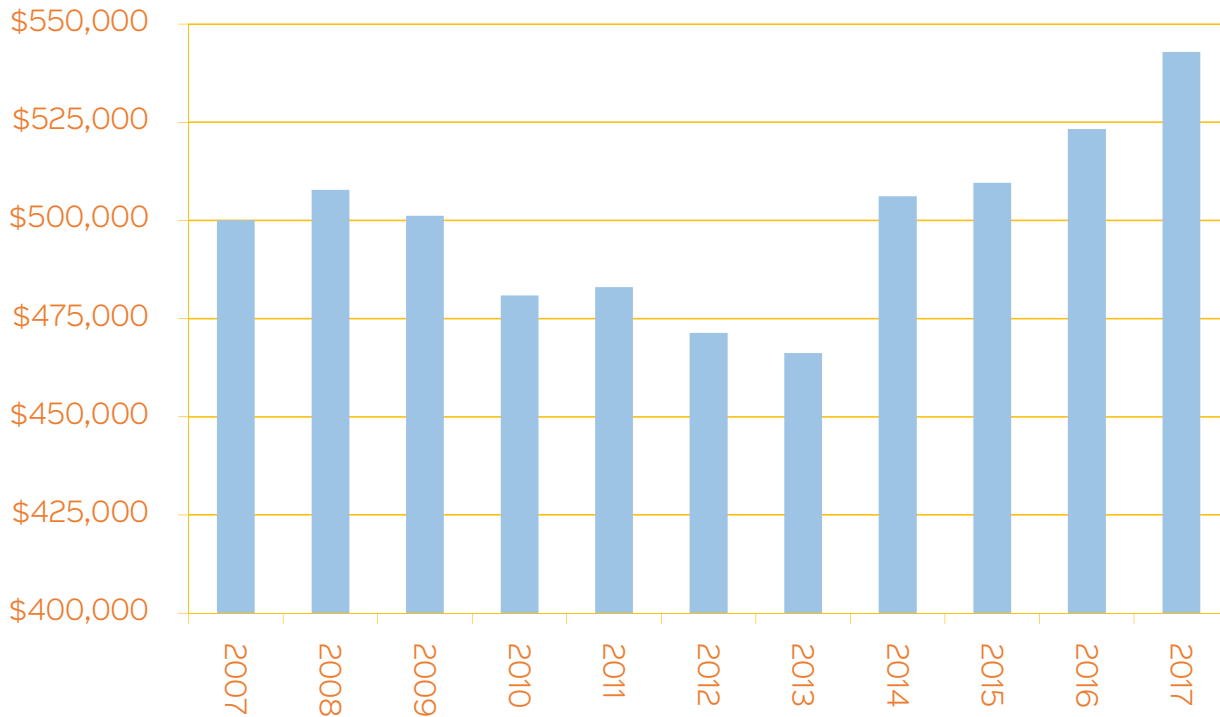
Transient Occupancy Taxes

The City's Transient Occupancy Taxes (TOT) were stable during the recession and began growing in 2012. There has been significant growth seen in the past two years with an average annual increase of 9% with solid growth estimated this year as well. Next year's TOT revenue is projected to increase by 2% with additional revenues projected in future years from the Holiday Inn and Grover Beach Lodge projects.

TRANSIENT OCCUPANCY TAX		
Fiscal Year Ending	Amount	% Change
2008	232,900	-2.3%
2009	230,800	-0.9%
2010	220,400	-4.5%
2011	220,300	0.0%
2012	260,800	18.4%
2013	273,400	4.8%
2014	278,500	1.9%
2015	314,300	12.9%
2016	\$ 363,400	15.6%
2017	\$ 368,700	1.5%
Average Annual % Change		
Last 2 Years		8.5%
Last 5 Years		7.3%
Last 10 Years		4.7%

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FRANCHISE FEE REVENUES: LAST TEN YEARS

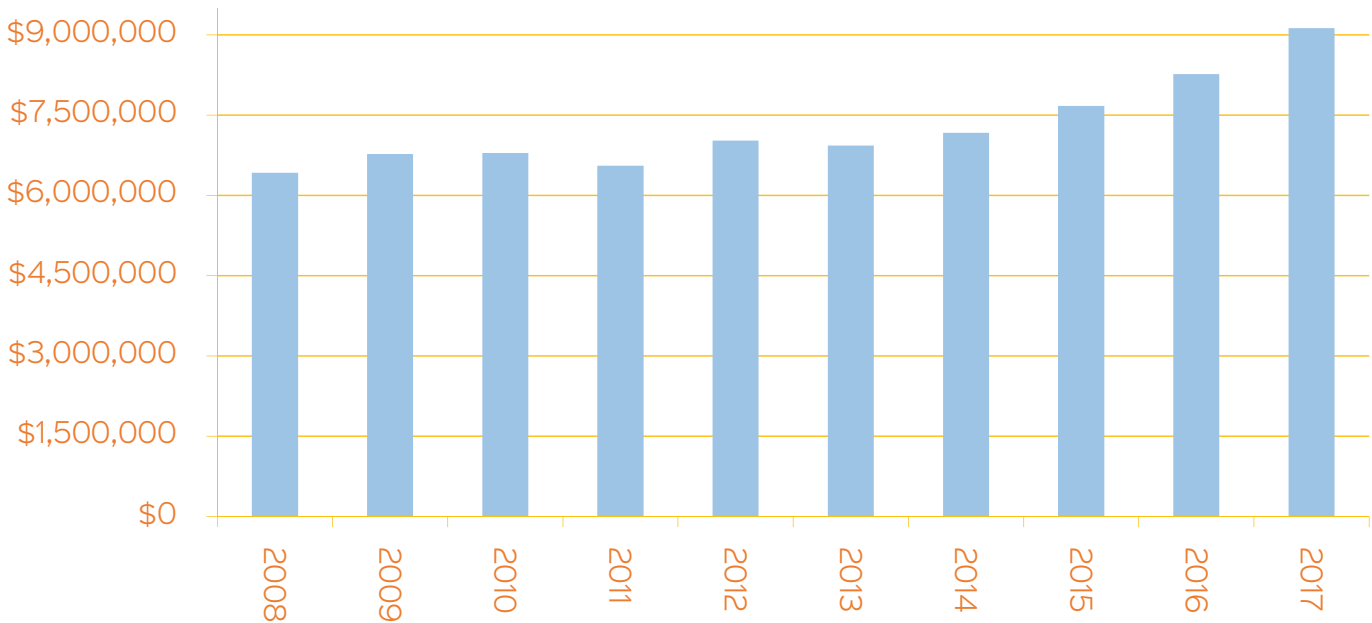


Franchise Fees

This revenue source is comprised of franchises paid to the City from utilities and private companies such as Comcast, AT&T, etc. Franchise fees are very stable and averaged a 3% annual increase over the past five years.

FRANCHISE FEE		
Fiscal Year Ending	Amount	% Change
2007	500,100	
2008	507,800	1.5%
2009	501,200	-1.3%
2010	480,900	-4.1%
2011	483,000	0.4%
2012	471,400	-2.4%
2013	466,200	-1.1%
2014	506,200	8.6%
2015	509,600	0.7%
2016	523,300	2.7%
2017	542,900	3.7%
Average Annual % Change		
Last 2 Years		3.2%
Last 5 Years		2.9%
Last 10 Years		0.9%

GENERAL FUND OPERATING COSTS: LAST TEN YEARS



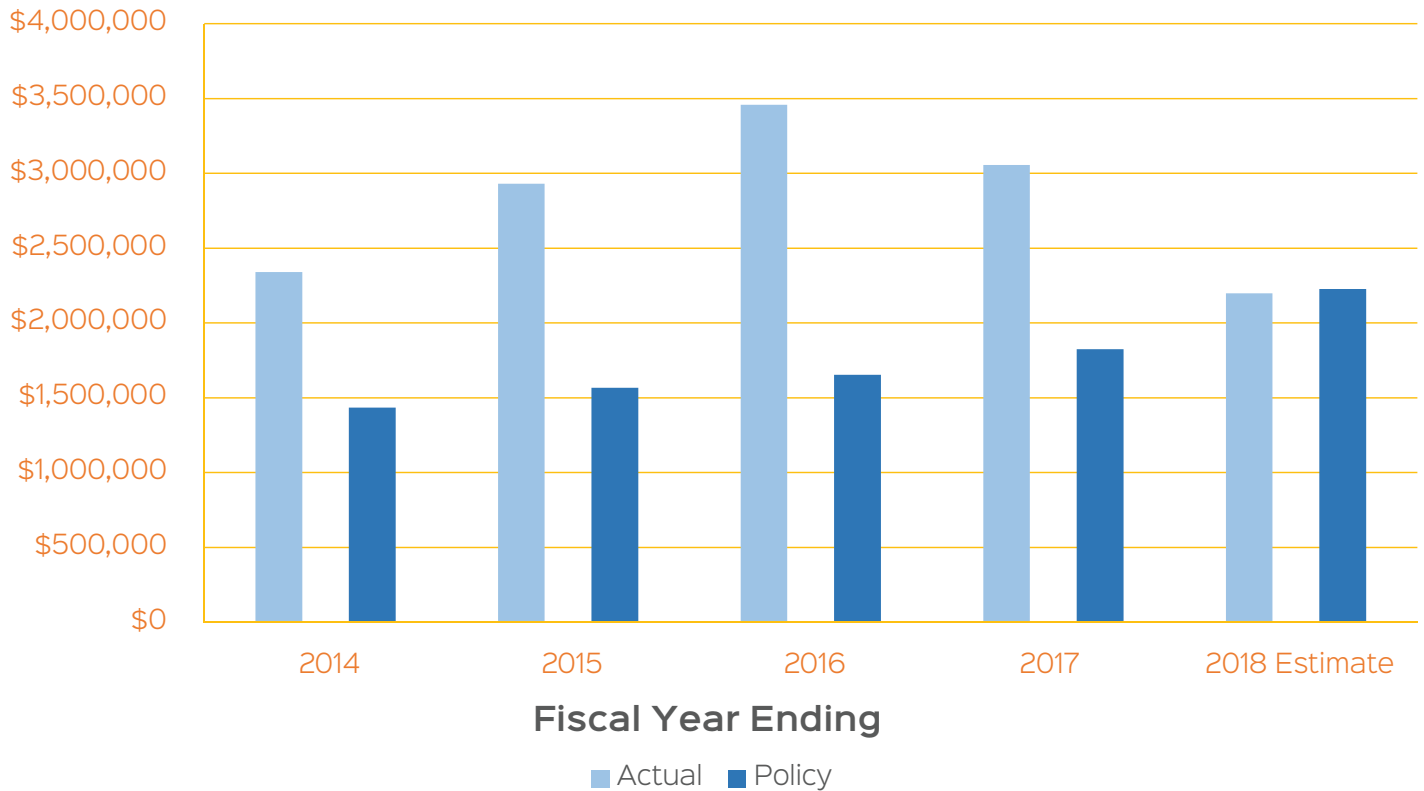
General Fund Operating Costs

The City's General Fund operating costs have been fairly stable over the past 10 years given the City's focus on containing costs. The average annual increase in operating costs has been 4.2% over the past 10 years. Expenditures have risen in the past couple of years primarily due to increases in pension costs and other employee costs along with targeted budget increases. Next year's budget includes a 10% increase in operating costs due to a variety of factors including additional costs for the Five Cities Fire Authority strategic plan, targeted ongoing cost increases in key areas, one-time increases to address organizational needs, and increases to the cost of employee benefits including pensions. Operating cost increases in the subsequent four years of the financial forecast are projected to have a smaller average annual increase.

General Fund Operating Expenditures		
Fiscal Year E	Amount	% Change
2007	6,112,500	
2008	6,421,600	5.1%
2009	6,776,100	5.5%
2010	6,794,200	0.3%
2011	6,552,900	-3.6%
2012	7,026,400	7.2%
2013	6,929,700	-1.4%
2014	7,170,300	3.5%
2015	7,670,500	7.0%
2016	8,270,000	7.8%
2017	9,129,900	10.4%
2018 EST	10,129,340	10.9%
Average Annual % Change		
Last 2 Years		9.1%
Last 5 Years		5.5%
Last 10 Years		4.2%

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GENERAL FUND BALANCE: LAST FIVE YEARS ACTUAL COMPARED WITH 20% POLICY



General Fund Ending Balance

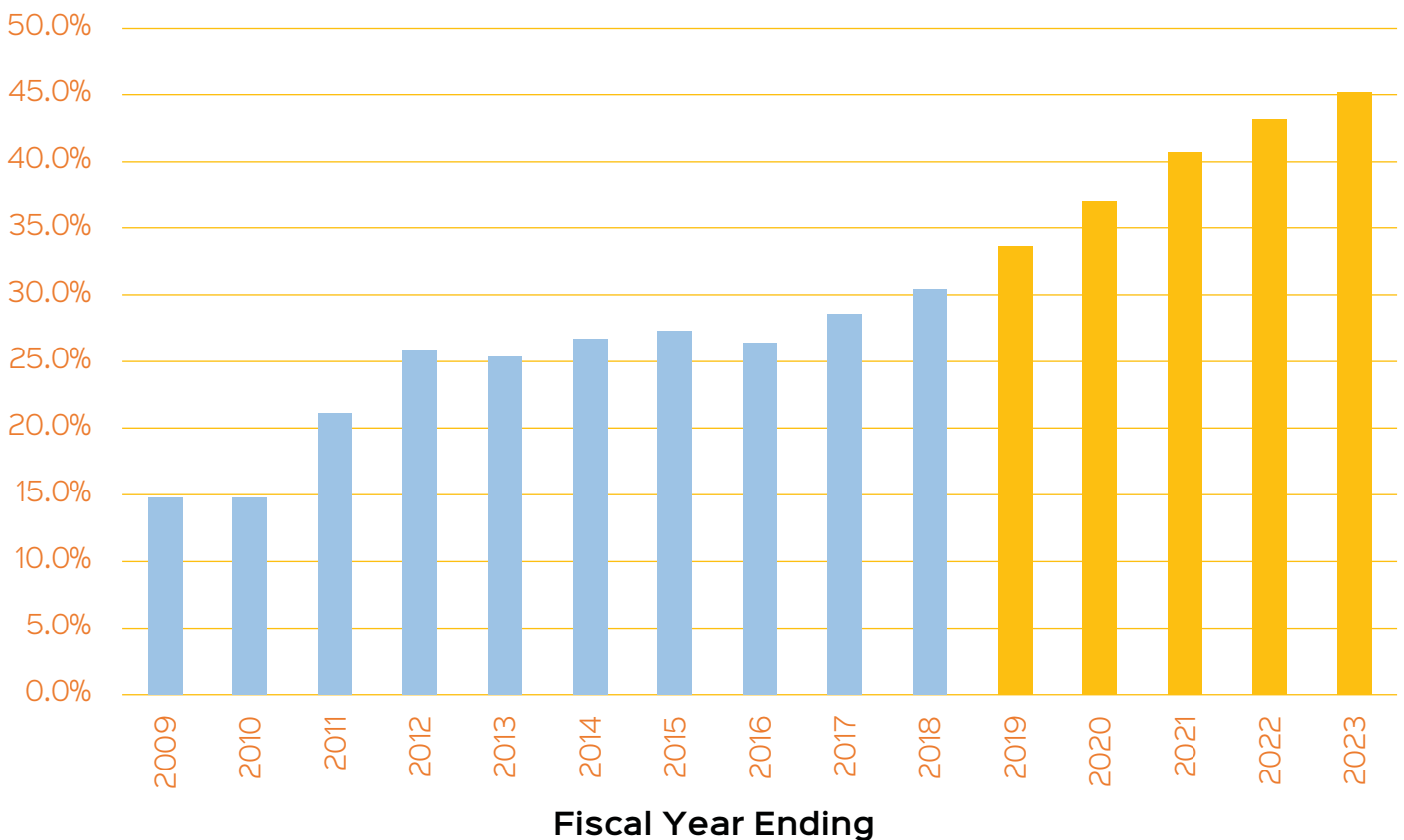
This graph depicts the ending fund balance for the General Fund over the past years and the estimate for this year along with the amount based on the Council's 20% reserve policy. Ending fund balance has steadily increased in recent years given the strong economy and prudent fiscal management focused on cost containment and is projected to be 28% of operating expenditures by the end of this year. This scope of fund balance adheres to the Council's policy goal to ensure adequate reserves for emergencies or unforeseen circumstances. Ending fund balance is projected to decrease for three years and then is projected to increase beyond the Council's policy given expected revenues from commercial cannabis businesses and new hotels coming online.

EMPLOYER PENSION CONTRIBUTION RATES

Pension Cost Increases

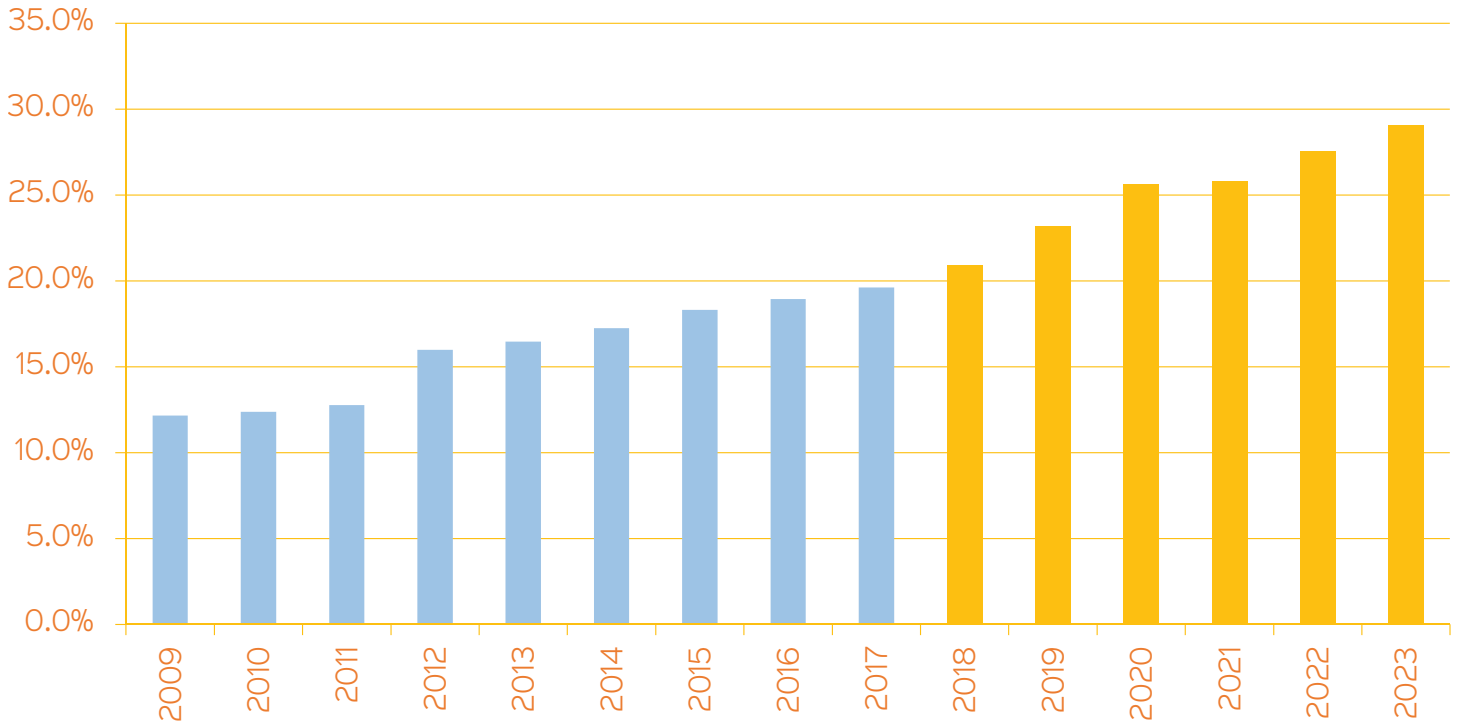
A significant cost driver for the city and other cities in the state is pension cost increases. Given various factors particularly underperforming CalPERS investment returns, the cost of employee pensions is projected to almost double over the next five years. Pension costs will comprise 45% of payroll costs for public safety employees compared with 30% today and 28% for non-public safety employees compared with 21% today. Addressing long-term pension costs will be a key challenge for the city to address.

CALPERS EMPLOYER CONTRIBUTION RATES: CLASSIC SWORN EMPLOYEES



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CALPERS EMPLOYER CONTRIBUTION RATES: CLASSIC MISCELLANEOUS EMPLOYEES



Financial Trends



CITY OF GROVER BEACH

A COASTAL COMMUNITY

INCORPORATED 1969

CALIFORNIA

