



Budget Foundation: Long-term Economic Forecast

2025-27 Financial Plan

Recent years have seen tremendous change and uncertainty in macroeconomic conditions. The pandemic caused a recession and introduced profound change in the lives of people locally and worldwide. Few predicted the economic expansion that would follow. Many economists thought that inflation would be transitory, before shifting to a consensus that recession was imminent. This experience shows that while the economy can have a significant impact on the City's financial performance, it is very difficult to predict.

Economic analysis and projections are available from a number of reputable sources and are compiled and made available to Council and the public through the Financial Planning process. Links to these materials can be found below:

General Economic Outlook:

Federal Reserve Summary of Economic Projections

- <https://www.slocity.org/home/showpublisheddocument/36914/638702921327023469>

Central Coast Economic Forecast – Beacon Economics

- Dr. Chris Thornberg:
<https://www.slocity.org/home/showpublisheddocument/36899/638696971080670761>
- Dr. Kodaverdian:
<https://www.slocity.org/home/showpublisheddocument/36897/638696971068527986>

Statewide Sales Tax Trends:

HdL California Consensus Forecast

- <https://www.slocity.org/home/showpublisheddocument/36901/638696971089253554>

Other Statewide Economic Data:

California Legislative Office (LAO) Fiscal Outlook:

- <https://www.slocity.org/home/showpublisheddocument/36895/638696971057953639>

EDD California Labor Market Info

- <https://labormarketinfo.edd.ca.gov/>

California Department of Tax and Fee Administration Interactive Data Visualizations

- <https://www.cdtfa.ca.gov/dataportal/visual.htm>

While the links above provide useful information about macroeconomic conditions that could impact the City's budget, the City's General Fund Long-Term Forecast considers known factors (local conditions, existing City practices, and upcoming needs) to identify changes in the City's financial condition. The forecast supports long-term financial planning by enabling the organization to identify issues and put plans in place to mitigate against them.

The forecast is generally updated twice annually and was last updated in September 2024, following Council's adoption of new user fees on July 2, 2024. The current forecast was initially presented to Council on October 1, 2024, along with the FY 2023-24 Year End Budget Report to provide context for Council's review of the survey tool that was used to gather community input as part of the upcoming public engagement process for development of the 2025-27 Financial Plan.

At this time, staff has not made any updates to the forecast, but it is included in this report as a reminder of the overall financial condition of the General Fund as the City prepares for the Community Forum on January 23, 2025, Goal Setting Workshop on February 8, 2025, and development of the 2025-27 Financial Plan. As noted in staff's October 1, 2024 presentation, significant assumptions in this forecast include:

- Continued economic growth
- 3% cost of living adjustments
- Continuation of annual Additional Discretionary Payments (ADPS) to CalPERs

There continue to be a number of items that staff is tracking closely and staff expects that updates to the forecast will be made with more information is available on the following items:

- Revenue forecasts for major revenue streams, as provided by the City's consultants
- Upcoming labor negotiations
- Costs to support a growing population
- Emergency storm expenditure reimbursement

Additional information on each of these items can be found in the [October 1, 2024 report to Council](#).

General Fund Five-Year Forecast (In Thousands)		Financial Plan						
		(A) Actual 2022-23	(B) Budget 2023-24	(C) Budget 2024-25	(D) Projected 2025-26	(E) Projected 2026-27	(F) Projected 2027-28	(G) Projected 2028-29
Tax & Franchise Revenue								
1	Sales & Use Tax	\$ 52,927	\$ 53,391	\$ 56,384	\$ 57,903	\$ 59,640	\$ 61,370	\$ 63,211
2	Property Tax	22,216	22,864	23,446	24,323	25,052	25,679	26,192
3	Transient Occupancy Tax	11,037	10,704	10,586	10,798	11,014	11,234	11,459
4	Utility Users Tax	6,904	6,332	6,623	6,755	6,890	7,028	7,169
5	Franchise Fees	2,350	2,000	2,092	2,134	2,176	2,220	2,264
6	Business Tax Certificates	3,281	3,252	3,317	3,384	3,451	3,520	3,591
7	Cannabis Tax	1,128	1,100	1,100	1,400	1,428	1,457	1,486
8	Total Tax & Franchise Revenue	\$ 99,842	\$ 99,643	\$ 103,548	\$ 106,696	\$ 109,652	\$ 112,507	\$ 115,371
Fees for Service & Other Revenue								
9	Police Services	\$ 753	\$ 745	\$ 612	\$ 624	\$ 637	\$ 649	\$ 662
10	Fire Services	1,613	1,648	1,578	1,609	1,642	1,674	1,708
11	Development Review	6,527	6,276	6,585	6,717	6,851	6,988	7,128
12	Parks & Recreation	1,868	2,026	2,069	2,110	2,152	2,195	2,239
13	Business Licenses	523	459	468	477	487	497	507
14	Cannabis Licenses	147	171	233	237	242	247	252
15	Other Revenues	3,708	2,911	2,319	2,376	2,392	2,412	2,429
16	Subventions & Grants	1,429	1,006	682	440	441	442	442
17	<i>Additional User Fee Revenue</i>			500	1,000	1,000	1,000	1,000
18	<i>Storm Reimbursement - ESTIMATE</i>			8,732	-	-	-	-
19	Total Fees & Other Revenue	\$ 16,568	\$ 15,241	\$ 23,778	\$ 15,591	\$ 15,844	\$ 16,105	\$ 16,367
20	Total Revenue	\$ 116,410	\$ 114,884	\$ 127,326	\$ 122,287	\$ 125,496	\$ 128,612	\$ 131,738
Use of Funds								
21	Staffing	\$ 65,544	\$ 67,422	\$ 71,483	\$ 74,379	\$ 76,679	\$ 79,126	\$ 82,348
22	Contract Services	9,285	11,066	9,061	8,720	8,895	9,073	9,254
23	Other Operating Expenditures	9,471	11,097	10,193	10,499	10,709	10,923	11,142
24	Cost Allocation	(4,462)	(5,419)	(5,368)	(5,475)	(5,584)	(5,696)	(5,810)
25	<i>SOBC Recommendations</i>			485	218	224	231	238
26	<i>Fire Station 5 - ESTIMATE</i>				1,062	700	1,813	1,817
27	<i>Storm Expenditures - ESTIMATE</i>	3,646	5,354					
28	<i>Mid-Year One-time Budget Recommendations</i>		4,471	3,804				
29	Total Operating Expenditure	\$ 83,484	\$ 93,991	\$ 89,659	\$ 89,403	\$ 91,623	\$ 95,470	\$ 98,989
30	Debt Service	\$ 1,992	\$ 1,854	\$ 1,758	\$ 1,761	\$ 1,550	\$ 1,549	\$ 1,550
31	Capital	27,056	29,728	27,199	27,748	28,288	28,843	29,408
32	Transfers Out/(In)	2,085	1,490	1,086	1,486	1,844	2,251	2,352
33	Total Expenditure	\$ 114,618	\$ 127,062	\$ 119,702	\$ 120,397	\$ 123,305	\$ 128,113	\$ 132,300
34	Revenue Over/(Under) Expenses	\$ 1,792	\$ (12,178)	\$ 7,624	\$ 1,890	\$ 2,192	\$ 500	\$ (562)
35	Beginning Fund Balance	\$ 40,746	\$ 40,538	\$ 26,360	\$ 31,984	\$ 31,873	\$ 32,065	\$ 30,565
36	CalPERS ADP	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
37	Ending Fund Balance	\$ 40,538	\$ 26,360	\$ 31,984	\$ 31,873	\$ 32,065	\$ 30,565	\$ 28,003
38	General Fund Reserve	13,727	10,826	14,587	15,046	15,354	15,974	16,367
39	Revenue Stabilization Reserve	2,000	2,000	2,000	2,000	2,000	2,000	2,000
40	115 Pension Trust Fund	2,000	2,000	2,000	2,000	2,000	2,000	2,000
41	Committed or Restricted	14,536	11,534	11,000	10,500	10,500	10,500	10,500
42	Undesignated Fund Balance	\$ 8,275	\$ 0	\$ 2,397	\$ 2,327	\$ 2,211	\$ 91	\$ (2,864)
43	<i>Reserve funded level (Policy=20%)</i>	20%	14%	20%	20%	20%	20%	20%