

# Five Year Financial Plan

## Fiscal Years 2017-18 to 2021-22

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INFORMATIONAL PRESENTATION

DECEMBER 13, 2016

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# Five Year Financial Plan

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## Schedule

- ✓ Informational Presentation, December 13<sup>th</sup>
- ✓ Request for Approval, January 10<sup>th</sup>

## Presentation

- ✓ City Outlook
- ✓ Port Financial Overview
- ✓ Base, Low, and High Case Scenarios
- ✓ Strategic Considerations
- ✓ Next Steps



Photo Credit: <http://www.super8sanfrancisco.com/blog/wp-content/uploads/2016/05/ferry-building.jpg>

# City Outlook

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**City Five Year Financial Plan will be released on December 14, 2016**

## **Major Assumptions**

- Economy is strong, but tempered
- Employee Benefits have high annual inflation rates
  - ✓ 20% average pension contributions
  - ✓ 9% current employee healthcare
  - ✓ 7% retiree healthcare
- Other Personnel and Non-Personnel
  - ✓ Consumer Price Index, 3% average annual growth
  - ✓ Assumes no savings from labor negotiations





# Port Financial Overview

## Base Case

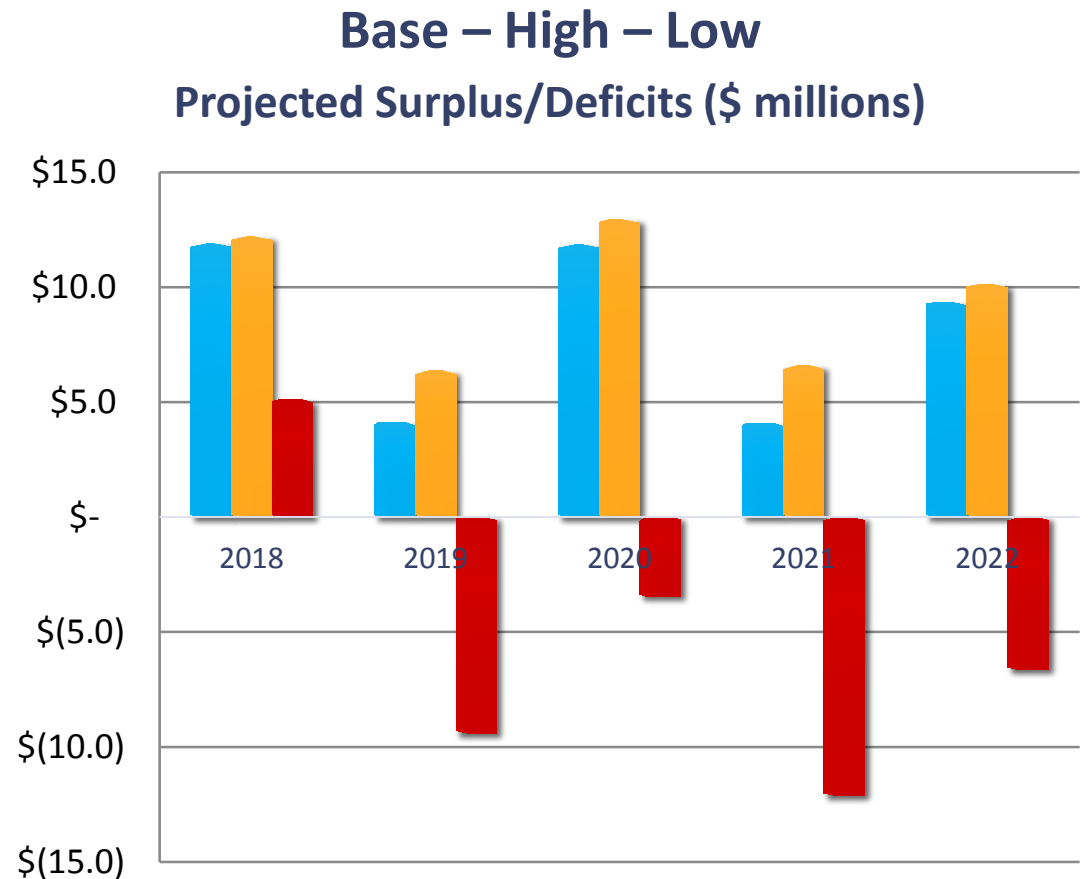
- Moderate revenue growth plus Port initiatives
- Citywide personnel inflation assumption
- CPI for most non-personnel expenses
- Applied staff knowledge

## Low Case

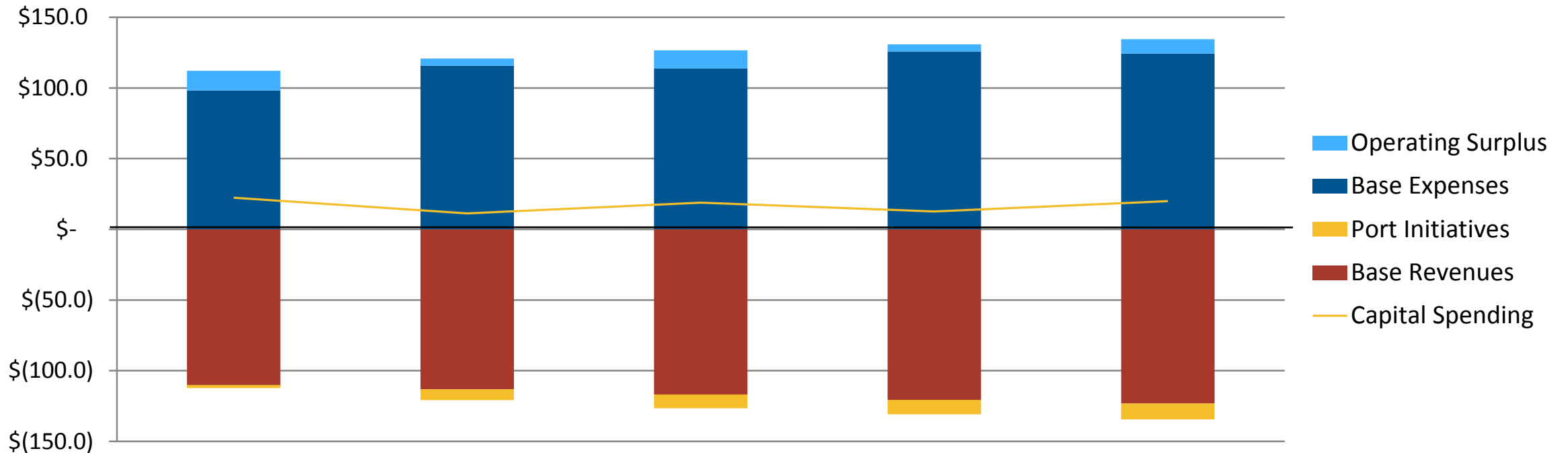
- Economic downturn slows revenue growth
- Reduced percentage rents
- Limited new leasing

## High Case

- Labor negotiations ease salary inflation
- Maximize revenue growth



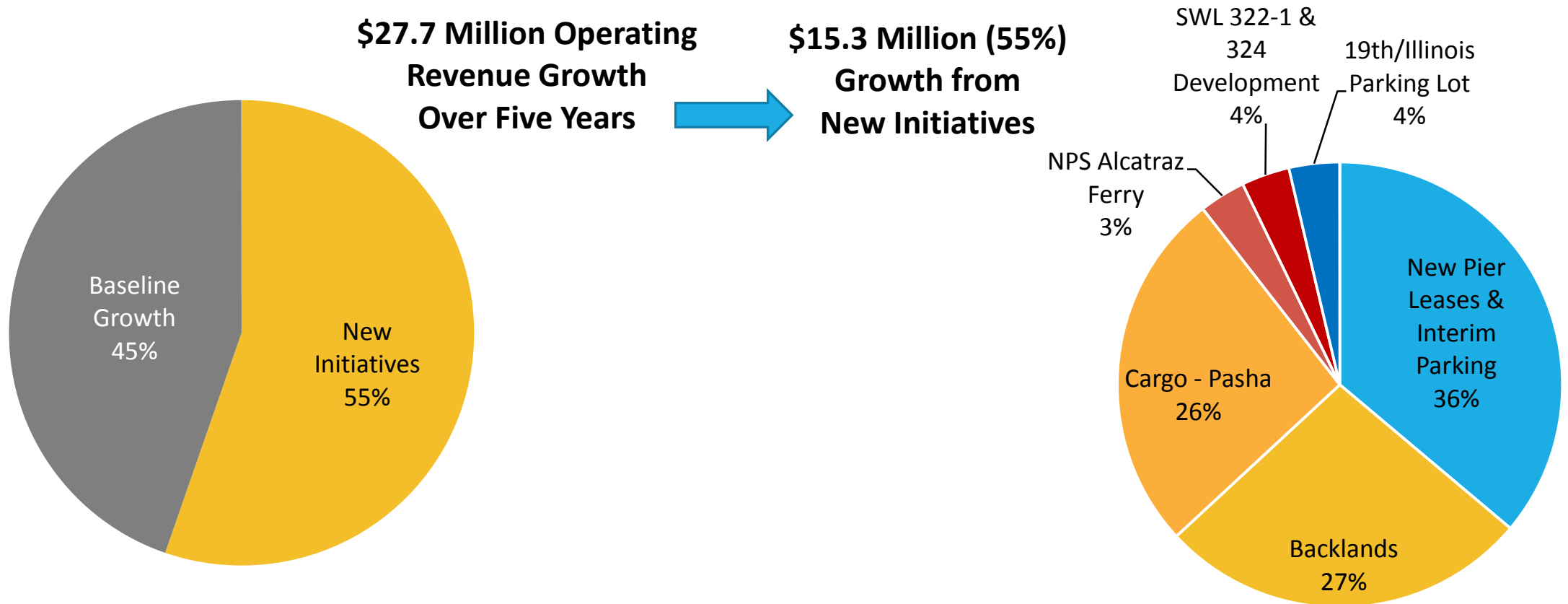
# Base Case: Balancing Uses and Sources



**Operating Surpluses are designated to capital, supporting \$17 million average capital budgets.**

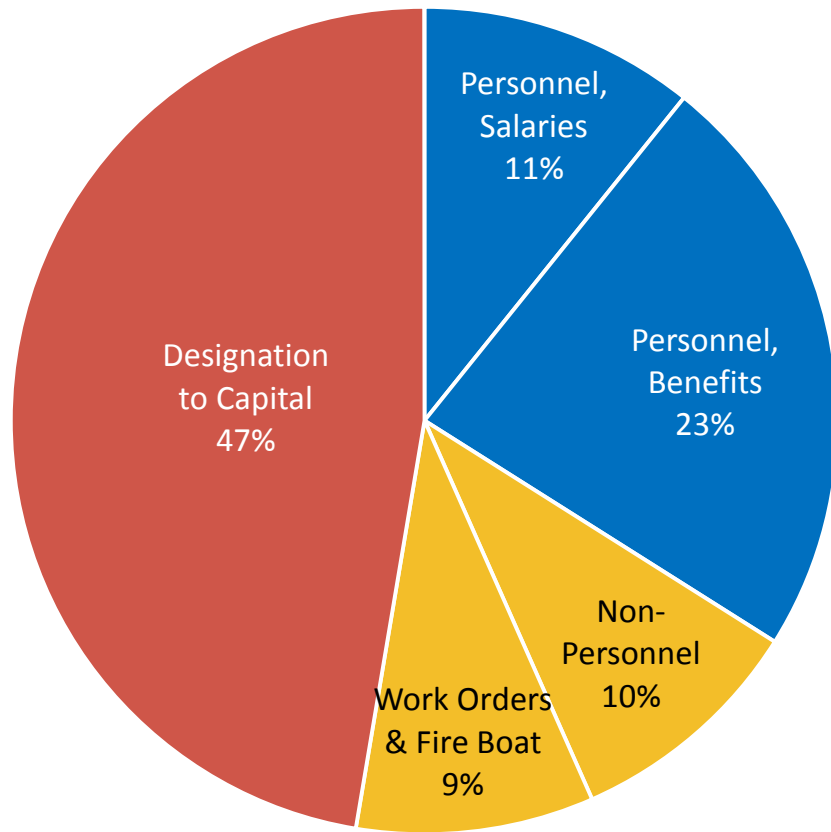
**Port Initiatives will make the Port reach \$125 million revenues within the five-year forecast.**

# Base Case: Operating Revenue Growth



# Base Case: Expenditure Growth

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## Personnel growth

- ✓ 34% of total growth due to health and pension

## Non-personnel costs

- ✓ 3% average annual growth by CPI

## Designation to capital

- ✓ Increases reflect growth in operating revenues to meet Capital Policy
- ✓ All designated funds become Fund Balance to support capital investments in subsequent years

# Low Case: Economic Slowdown

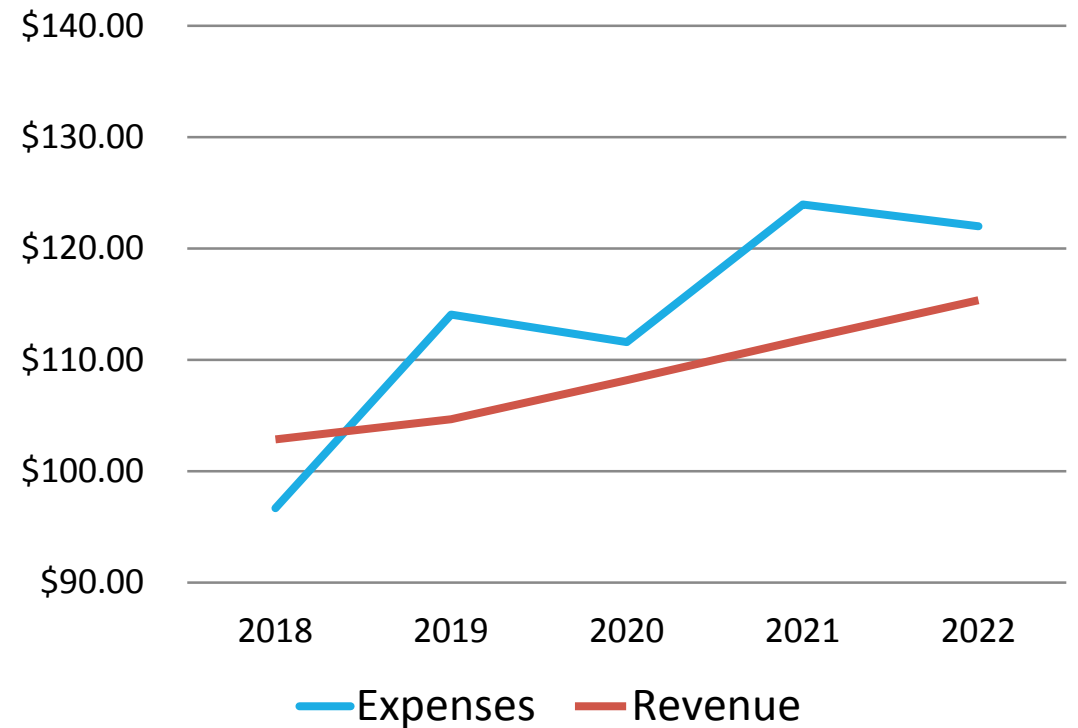
## Operating deficits projected

- Reduced Percentage Rents
- No new leasing in Northern Historic Waterfront

## Capital Policy preserves capital investments

- \$15.6 million average Capital Budget
- Requires tradeoffs in Operating Budget

**Projected Budget Deficits  
(\$ millions)**





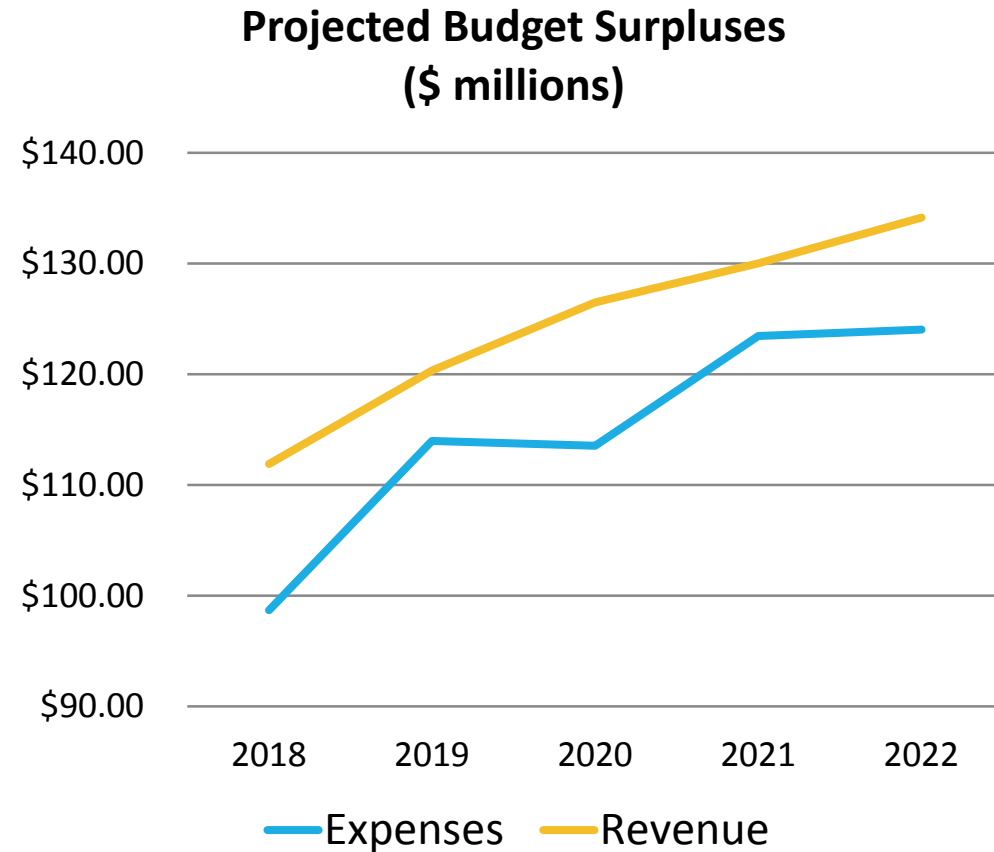
# High Case: Maximizing Potential

## Reduced Spending

- Labor negotiations lower personnel costs

## Enhanced Revenues

- New leasing in Northern Historic Waterfront
- Maximize potential in Maritime operations
  - ✓ Pasha Automotive expansion to Pier 96
  - ✓ Cruise parking and special events
  - ✓ Ship Yard percentage rents
- All development projects are approved



# Strategies: Investment Planning

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## Debt vs. Pay-Go

- Base Case has capacity for \$2 million additional annual debt service
- Estimated \$24 million bond proceeds
- Financial Plan highlights need for sound fiscal planning
  - ✓ Investment decisions *must* look at return on investment
  - ✓ Investments should cover debt service costs early on

## Capital Improvement Plan

- More detail than Capital Plan
- Prepares staff for biennial Capital Budget
- Allows for:
  - ✓ Strategic prioritization of investments
  - ✓ Positioning for external funding sources (e.g. grants and P3s)





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# Thank you

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