Major Assumptions:

- Conservative 2% annual revenue growth which includes a revenue tax base of $149.3M in 14/15.

- Utility Users Tax (UUT) telecom revenues continue to decline in 2013-14 and 2014-15

- Salary increases forecasted (2% per year 2015/16 through 2017/18 and 3.25% in 2018/19).

- Estimated pension costs in anticipation of Public Employee Retirement System actuarial forecast (5-year estimated cost: $104.8M 2014/15 to 2018/19).

- Health care cost increases as recommended by Personnel

- Water transfer reduction of $1.2M in 2014/15 and $2.4M 2015/16 through 2018/19

- 2% increase for inflation in commodities in 2015/16 thru 2018/19
Prior 5-year Forecast
(Presented September 2013)
Revised 5-year Forecast
January 2014

Major Assumptions:

• Moderate 3% annual revenue growth which includes a higher revenue tax base of $153.5M in 14/15. Important: Higher tax base equates to $4.2M in additional revenue throughout the forecast.

• UUT revenues stabilize (previous 2013-14 value of $24.1M, revised to $24.6M)

• No service level or salary schedule changes forecasted

• Public Employee Retirement System actuarial forecast reflects current pension formulas w/ increases absorbed (5-year estimated cost: $98M which is $6.8M less than originally anticipated).

• Revised lower health care costs as recommended by Personnel

• Water transfer will remain at current Council approved level pending study updates

• 2% increase for inflation in commodities in 2015/16 thru 2018/19

• 1% ongoing innovation and efficiency savings ($1.4M annually)

• Includes funding to implement the 5-year Strategic Plan ($2M annually 2014/15 - 2018/19)
Revised 5-year Forecast
January 2014
## 2nd Quarter GF Major Revenue Performance

### Variances vs. Projections

(Cumulative July 1 to December 31, 2013)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$508K</td>
<td>5.0%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$632K</td>
<td>4.3%</td>
</tr>
<tr>
<td>Property Tax In-Lieu VLF</td>
<td>$204K</td>
<td>155.8%</td>
</tr>
<tr>
<td>UUT</td>
<td>$446K</td>
<td>4.4%</td>
</tr>
<tr>
<td>Business License</td>
<td>$137K</td>
<td>6.0%</td>
</tr>
<tr>
<td>Hotel Visitors Tax</td>
<td>$460K</td>
<td>14.3%</td>
</tr>
</tbody>
</table>
General Fund Reserves
(Unassigned Balance)

*Unassigned reserve level of 20% achieved
The General Fund is recovering from recession lows.
City of Santa Ana:
- Auto sales are significantly higher
  - Automall - New auto sales tax numbers are up 74.7% from 2011 (1)
  - Transportation represent 26% of City’s Sales Tax (1)
- Downtown sales tax up 7.9% (1)
- Total Assessed Valuation increased 3.7%
  - $21.1 Billion 2013/14 vs. $20.3 Billion 2012/13 (2)
- Building Permits up 3.8%
- Unemployment rate dropped to 8.5% in Dec 2013 (peak of 15% in 2010) (3)

Positive Economic Outlook for California:
- Moderate economic growth in 2013 and Accelerated economic growth in 2014 (4)
- 3% economic growth for 2014 (5)
- Unemployment rate expected to decline to 6% by the end of 2015 (5)
February 8, 2014 – Conduct Community Meeting to discuss draft Strategic Plan

February 2014 – Conduct meeting(s) with City Council Members

February 22, 2014 – City Council Workshop

March 2014 – City Council review and adoption of Strategic Plan

April 2014 – Approval of funding for Strategic Plan

2014-15 through 2018/19 - Implementation of Strategic Plan
Budget Modification

- Action Items:
  - Adopt the revised forecast
Next Steps

- March/April – Revise the budget
- May/June – Adopt changes for fiscal year 2014-15