



# **Five Year Forecast FY 2021 – 2025**

January 27, 2020

# Multi-Year Forecast

- Per City Code, Sec. 12-15.1. Requirement to submit and present five-year plan to Council by Jan 31<sup>st</sup>
  - This presentation serves to meet that requirement
- City staff start projections in late September through January and work with numerous departments
- Figures are estimates and are subject to change.  
Reflects known items at a point in time
- Projections serve as the basis for upcoming budgets and help guide decision making
- Staff have performed this task every year

# Multi-Year Forecast

- What is it?
  - Process of aligning financial capacity with long-term service obligations needs
- Benefits?
  - Stimulates discussion and engenders a long-range perspective for decision makers
  - Facilitates long-term and strategic thinking
  - Useful for communications with stakeholders
  - A tool to anticipate and prevent financial challenges
  - GFOA and ICMA best practice



# Multi-Year Forecast

- Why is it a Best Practice
  - Good policy – Making financial decisions using reliable long-term financial trends and information
  - When long-term planning is used (especially spending and revenue decisions) it can:
    - Improve government's financial awareness
    - Improve financial outcomes
    - Lead to improved citizen satisfaction

# Multi-Year Forecast

- Preliminary FY21 Forecast presentation was given at the November Organizational Development (OD) meeting
- Key themes/drivers known (at that time) - Non-Discretionary items anticipated to impact the upcoming FY21 budget were presented
- Subsequent to that presentation, additional information has been obtained
- This updated multi-year forecast takes into consideration more known information

A scenic view of a city skyline reflected in a river. In the foreground, there is a bridge with several stone pillars and a landscaped island with rocks and greenery. The city buildings are reflected in the water. The text "Revenue Forecast FY2021 to FY2025" is overlaid in the center.

# Revenue Forecast FY2021 to FY2025



# Revenue Forecast Methodology

- Reviewed current year (FY20) projections
- Monitored trends in prior year collections
- Obtained feedback from key departments
- ***Assumed no tax or fee increases***
- Results compiled over a period of 5 years

# Revenue Overview for Biennium

- **Historically**, general fund revenues have **grown at a modest rate.**
- **Future** general fund revenues projected **to grow modestly with slower projected growth in out years.**
- General Fund Revenues for fiscal year 2020 are adopted at **\$746,161,605**
- Total General Fund Revenues for fiscal year 2021 are currently projected at **\$760,695,837**
- **Preliminary** net increase of **\$14.5M**

All Projected Figures are *estimates that are subject to change*



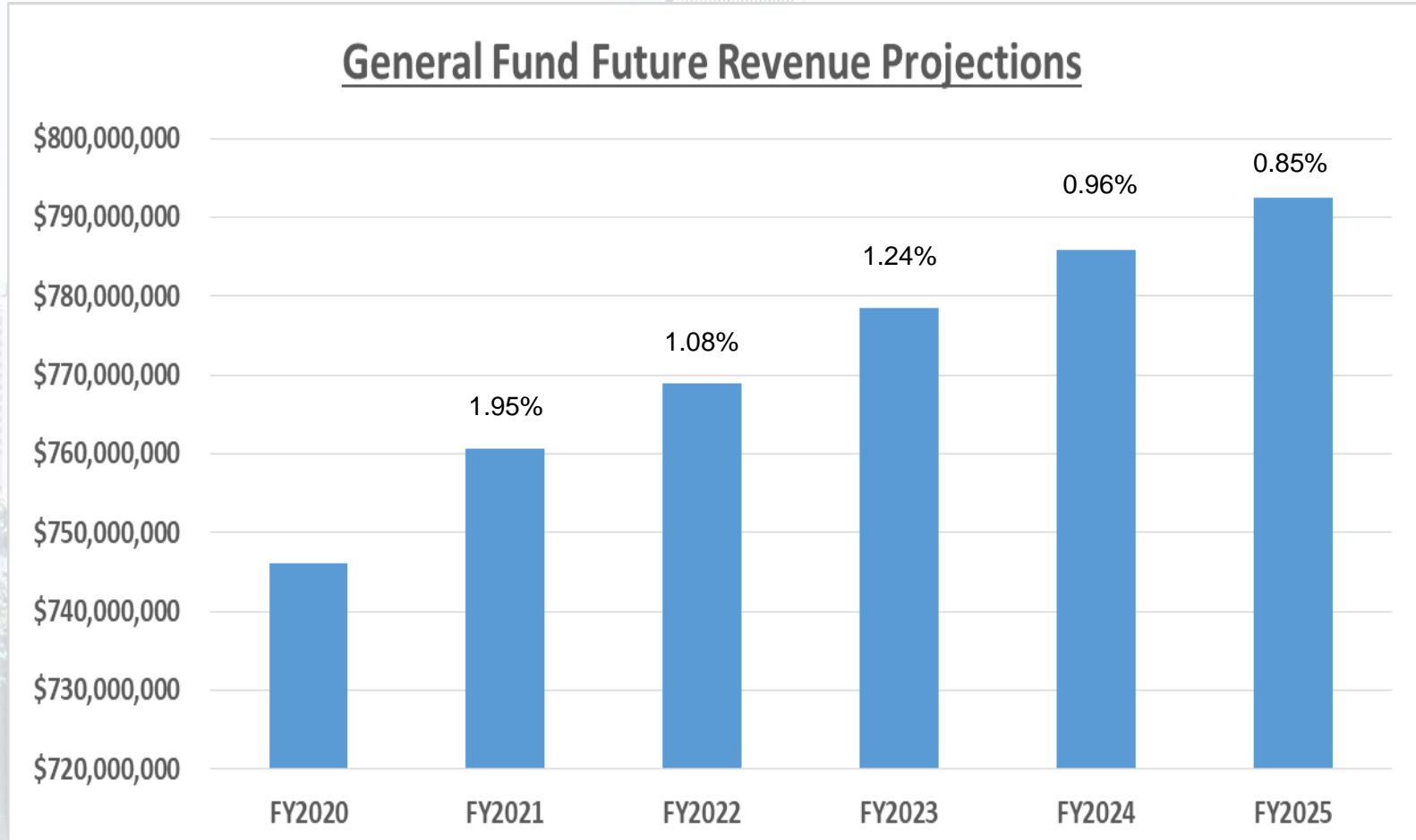
# Five Year General Fund Revenue Forecast

Projected Revenue:

| (Adopted)<br>2020 | Forecast<br>2021 | Forecast<br>2022 | Forecast<br>2023 | Forecast<br>2024 | Forecast<br>2025 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| \$746,161,605     | \$760,695,837    | \$768,874,177    | \$778,442,049    | \$785,900,375    | \$792,574,056    |

All Projected Figures are estimates that are subject to change

# Revenue Projection Trends



All Projected Figures are estimates that are subject to change

# Revenue Highlights

## Local Taxes

- **Real Estate** – Projected increase - Realizing healthy growth. Result of City Assessor’s taxable assessment value projections in Land book paired with higher recent year current real property collection rates
- **Lodging** – Projected increase – Due to current trends and status of City as an attractive location
- **Penalty and Interest (Penalty)** – Projected decrease – FY2021 budget expected to be less than FY2020 adopted budget (consistent with recent year actuals), then stable for future years
- **Personal Property Taxes** – Projected increase – Aligning more with recent year collection rates paired with historic assessment rate trend analysis



# Revenue Highlights

## Local Taxes cont'd.

- **Personal Property Delinquent Taxes** – Projected decrease – FY2021 budget expected to be less than FY2020 adopted budget (consistent with recent actuals), then stable for future years
- **Real Estate Delinquent** – Projected decrease as the rate of real property taxes current improves. Also projected decrease corresponds to updates from City Attorney's Office regarding fewer years of tax delinquencies on properties sold via tax sale
- **Local Sales Taxes** – Projected increase – Due to current trends and status of City as an attractive location

All Projected Figures are estimates that are subject to change

# Revenue Highlights

## Other Revenue Sources

- **Permits and Licenses** – Projected increase – Primarily due to projected increase in building inspection fees
  - HB 1966 - Specific permit and license revenues can only be used to support the functions of the local building department (Planning & Development Review), to include the permits and inspections division
- **DPU PILOT – As provided by DPU** - Projected decrease in the Federal Income Tax (downward trend continuing in out years for eventual full elimination)
- **Social Services** – Projected decrease – Due to less reimbursement from State (likely due to recent trend in lower overall expenditures in DSS)

All Projected Figures are estimates that are subject to change

# Revenue Highlights

## One-Time Resources (in FY20)

- Removal of \$2.2M in one time cash funding:
  - \$2.2M use of assigned fund balance to fund capital improvements
  - There's a corresponding elimination of this same amount in the expenditure forecast

All Projected Figures are estimates that are subject to change



A scenic view of a city skyline with a river and a bridge. The text "Expenditure Forecast FY2021 to FY2025" is overlaid on the image.

# **Expenditure Forecast FY2021 to FY2025**

# Expenditure Forecast Methodology

- Utilized FY2020 Adopted Budget as base
- Known, non-discretionary items were added to the base
- Known one-time items (and funding) were removed
- Known obligations were added

# Expenditure Overview

- **Historically**, general fund expenditures have **grown**.
- **Future** general fund expenditures projected **to grow steadily**.
- Total General Fund Expenditures for fiscal year 2020 are adopted at **\$746,161,605**
- Total General Fund Expenditures for fiscal year 2021 are projected at **\$764,016,351**
- **Preliminary net increase of nearly \$17.9M**

All Projected Expenditures are *estimates that are subject to change*



# Five Year General Fund Expenditure Forecast

Projected Expenditures:

| (Adopted)<br>2020 | Forecast<br>2021 | Forecast<br>2022 | Forecast<br>2023 | Forecast<br>2024 | Forecast<br>2025 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| \$746,161,605     | \$764,016,351    | \$775,160,418    | \$782,193,859    | \$789,417,772    | \$797,342,589    |

All Projected Expenditures are estimates that are subject to change

# Expenditure Forecast Assumptions

## ■ Personnel Highlights

- Assumes Adopted FY2020 vacancy funding levels
  - Current projections assume level vacancy funding at \$15.7M out of estimated need of \$37M (citywide – general fund)
  - Overtime and temps – Level funded

All Projected Expenditures are estimates that are subject to change

# Expenditure Forecast Assumptions

## ■ Personnel Highlights

### ■ Benefits

- Retirement – Budget Driver (Continuation from OD meeting)
  - General Employee Rate – Increase From 53.46% to 84.31%
  - Police and Fire – Decrease From 41.66% to 38.40%
  - Trend is projected to increase in out years
  - Est. of \$5.3M increase (from FY20 to FY21)
- Health Insurance – Budget Driver (Continuation from OD meeting)
  - City currently on a calendar year for health insurance plan
  - Projection includes 2.5% est. increase in every year of forecast
  - HR will provide final estimated rate adjustment in late Jan/early Feb
  - Trend is projected to continue in out years
  - Est. of \$750k increase (from FY20 to FY21)



# Expenditure Forecast Assumptions

- Operating Highlights
- Debt – Budget Driver (Continuation from OD meeting)
  - Projecting an increase of \$1.8M in FY21 and increases in every year beyond
    - FY20 = \$74.3M (includes one time cash funding of \$2.2M for CIP)
    - FY21 = \$76.2M (includes est. cash funding of +\$900k to conform with planned out years of CIP)
    - FY22 = \$81M
  - Increases are due to payment schedule of approved CIP projects to include the construction of schools

All Projected Expenditures are estimates that are subject to change

# Expenditure Forecast Assumptions

- Operating Highlights
- Non Departmental
  - Remains relatively flat against approved budget
  - Exceptions (as of now)
    - Economic incentives (coming on and off line)
    - Removal of the budgeted VRIP savings (\$3M) – which results in a net increase to the projections

All Projected Expenditures are estimates that are subject to change

# Expenditure Forecast Assumptions

- Operating
  - RPS (City's contribution)
  - RPS received \$18.5M increase in local funding in FY20
  - FY21 forecast assumes level funding for RPS

All Projected Expenditures are estimates that are subject to change



# Other (operating) Items

## Items Included in the Projections

- **Contractual obligations**
  - Increases in contractual obligations identified (and still being confirmed) by Departments
    - Ex. Sheriff Inmate medical = \$1.5M
- **Life/Health/Safety and other Non discretionary**
  - Lease agreements, security upgrades, software fees, etc.

All Projected Figures are estimates that are subject to change

# Expenditure Drivers (included in forecast)

## Non-Discretionary Items

(Themes noted at Nov. OD meeting)

- Debt service
- Retirement and Health Care
- Increases in Contractual Obligations (and other Non-Discretionary items)
- Removal of budgeted VRIP savings

# Other Items

## Items **Not** Included in the Projections

- Cost of Living Adjustment (COLA) for general employees
- Step increase for RPD and Fire
- COLA for Retirees
- Additional RPS local contribution

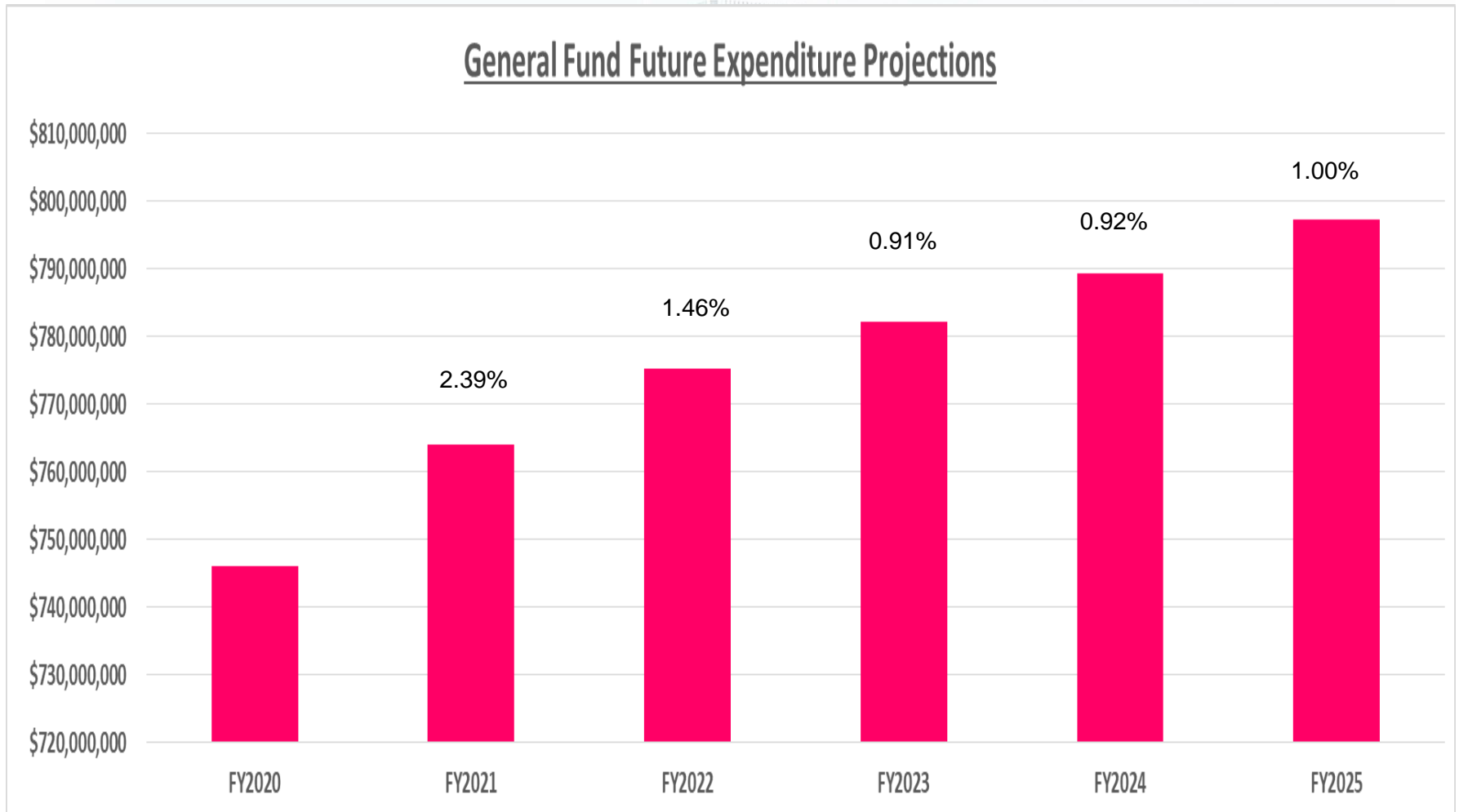


# Other Items

## Items **Not** Included in the Projections

- Funding required to fully implement the Gallagher classification and compensation study prepared and presented to City Council in FY19

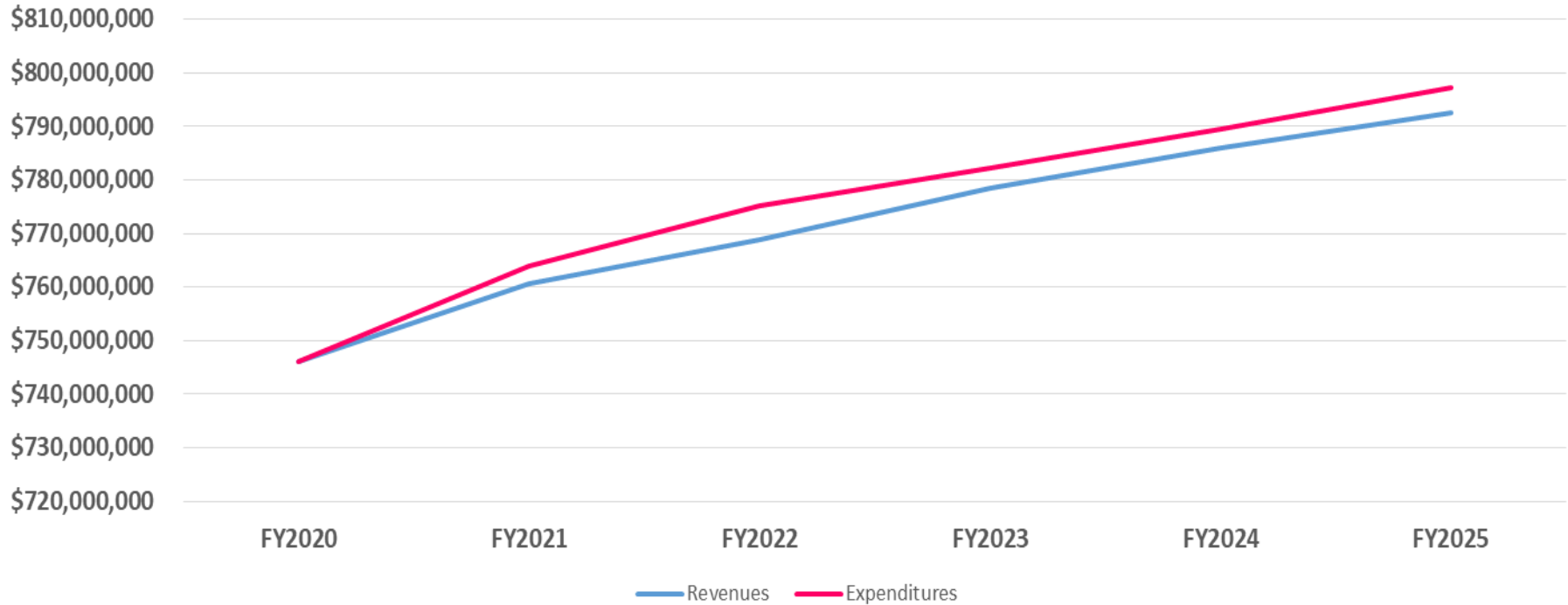
# Expenditure Projection Trends



All Projected Figures are estimates that are subject to change

# Preliminary Base Forecast - General Fund Revenues and Expenditures FY2021 – FY2025

Projected General Fund Forecast  
Revenues and Expenditures FY2021 - FY2025



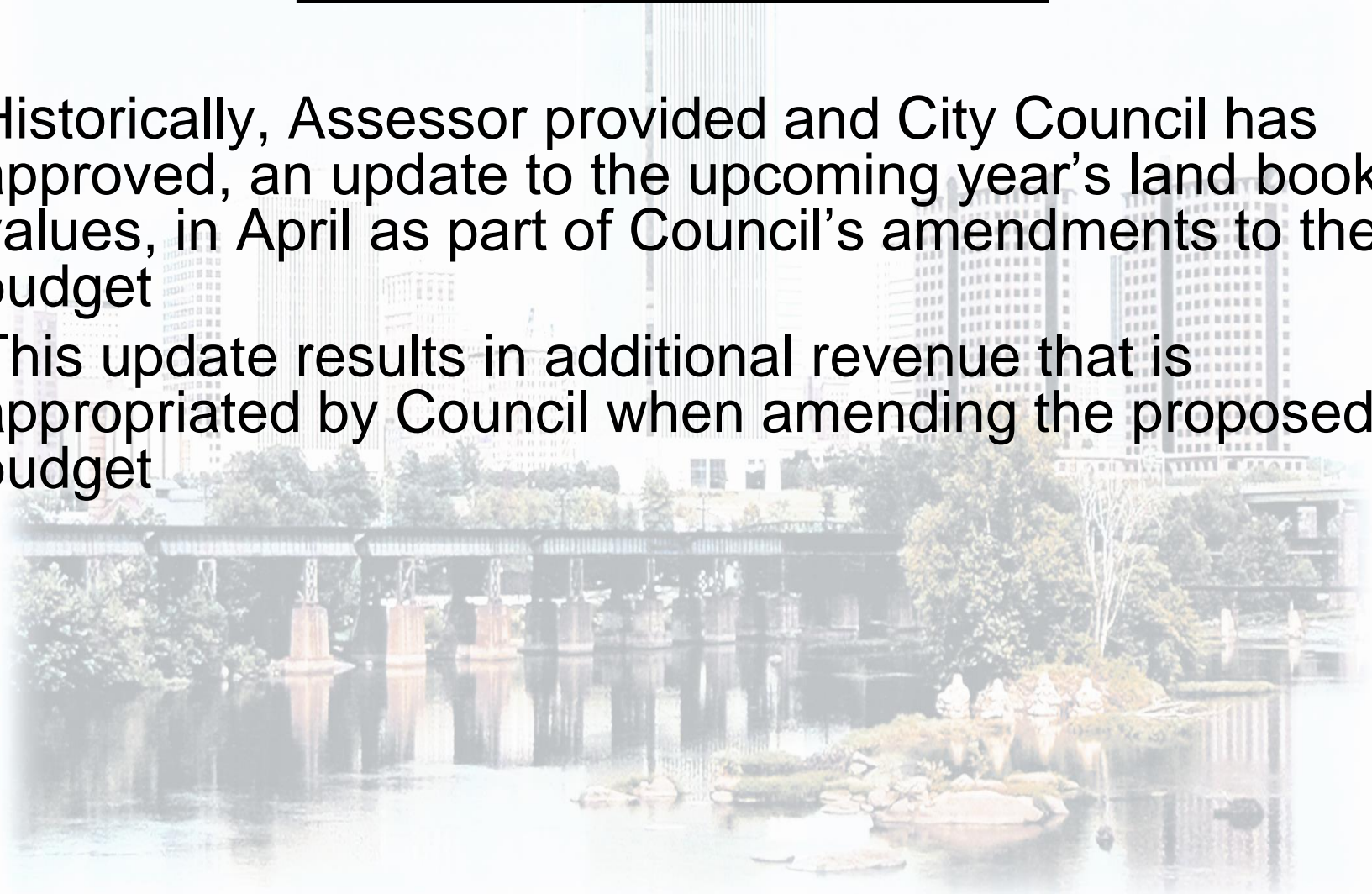
|              | FY2020        | FY2021        | FY2022        | FY2023        | FY2024        | FY2025        |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues     | \$746,161,605 | \$760,695,837 | \$768,874,177 | \$778,442,049 | \$785,900,375 | \$792,574,056 |
| Expenditures | \$746,161,605 | \$764,016,351 | \$775,160,418 | \$782,193,859 | \$789,417,772 | \$797,342,589 |
|              | (0)           | (3,320,515)   | (6,286,241)   | (3,751,811)   | (3,517,396)   | (4,768,533)   |

All Projected Figures are estimates that are subject to change



# Preliminary Base Forecast w/Est. Higher Assessments

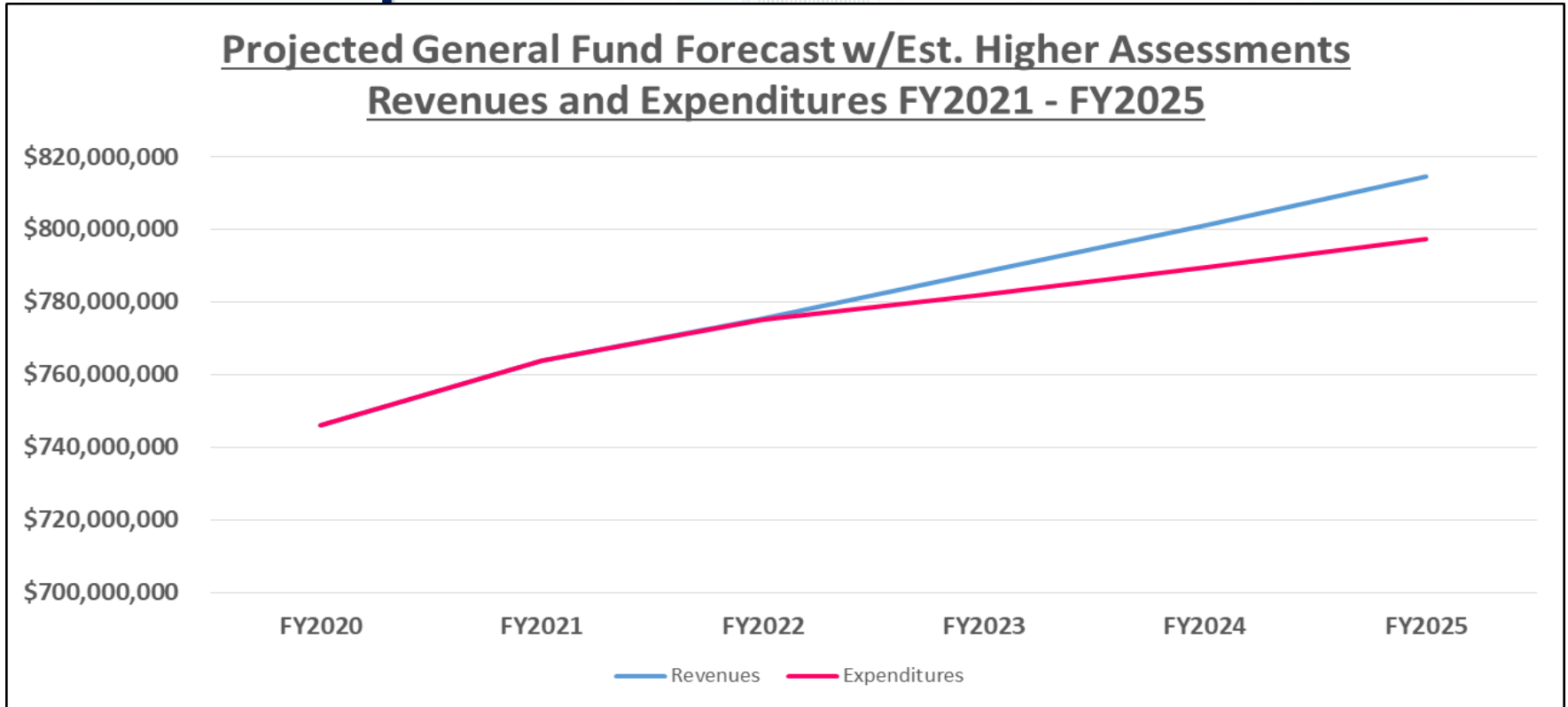
- Historically, Assessor provided and City Council has approved, an update to the upcoming year's land book values, in April as part of Council's amendments to the budget
- This update results in additional revenue that is appropriated by Council when amending the proposed budget



# Preliminary Base Forecast w/Est. Higher Assessments

- The average, updated increase in revenues annually, using 4 years of history, equates to an est. additional 1-2% (on top of what is originally provided by the Assessor in Nov/Dec timeframe.) in taxable values.
  - This update is provided after the development and presentation of the Mayor's budget
- Using the historical trend of the Assessor providing an update to his assessments in April, a secondary revenue projection can be provided
- This equates to an estimated 3% increase in real estate revenues

# Preliminary Base Forecast w/Est. Higher Assessments - General Fund Revenues and Expenditures FY2021 – FY2025



|              | FY2020        | FY2021        | FY2022        | FY2023        | FY2024        | FY2025        |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues     | \$746,161,605 | \$763,955,837 | \$775,569,030 | \$788,431,548 | \$801,037,172 | \$814,510,632 |
| Expenditures | \$746,161,605 | \$764,016,351 | \$775,160,418 | \$782,193,859 | \$789,417,772 | \$797,342,589 |
|              | (0)           | (60,515)      | 408,612       | 6,237,689     | 11,619,400    | 17,168,043    |



# Final Thoughts

- Projecting healthy revenue growth beyond FY20. However, growth in expenditures projected to outpace revenues in all years of the forecast based on current/as of today revenue projections to include Assessor's provided land book values
- Forecast includes Non-Discretionary Drivers which will take priority in the upcoming budget prior to additional enhancements
- Working closely with Mayor/CAO/Depts. to balance and present a structurally balanced budget in March

# QUESTIONS

