



Five Year Forecast FY 2020 – 2024

January 28, 2019

Multi-Year Forecast

- Per City Code, Sec. 12-15.1. Requirement to submit and present Five-year plan to Council by Jan 31st
 - 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

The background image is a scenic view of a city skyline reflected in a body of water. In the foreground, there is a bridge with multiple stone pillars and a small island with greenery and a few white statues. The city skyline in the background features several tall buildings, including a prominent skyscraper with a glass facade. The text "Revenue Forecast FY2020 to FY2024" is overlaid on the image in a large, bold, black font.

Revenue Forecast FY2020 to FY2024

Revenue Forecast Methodology

- Reviewed current year (FY19) projections
- Compiled prior year results over a period of 5 years
- Monitored trends in prior year collections
- Reviewed local, state and national trends to assess the wider economy
- Obtained feedback from key departments
- Assumed no tax or fee increases

Revenue Overview for Biennium

- **Historically**, general fund revenues have **grown at a slow rate**.
- **Future** general fund revenues projected **to grow at a slow rate**.
- General Fund Revenues for fiscal year 2019 are adopted at **\$719,902,219**
- General Fund Revenues for fiscal year 2020 approved were projected at **\$713,189,118**
- Total General Fund Revenues for fiscal year 2020 are projected at **\$720,403,819**

All Projected Figures are estimates that are subject to change

Five Year General Fund Revenue Forecast

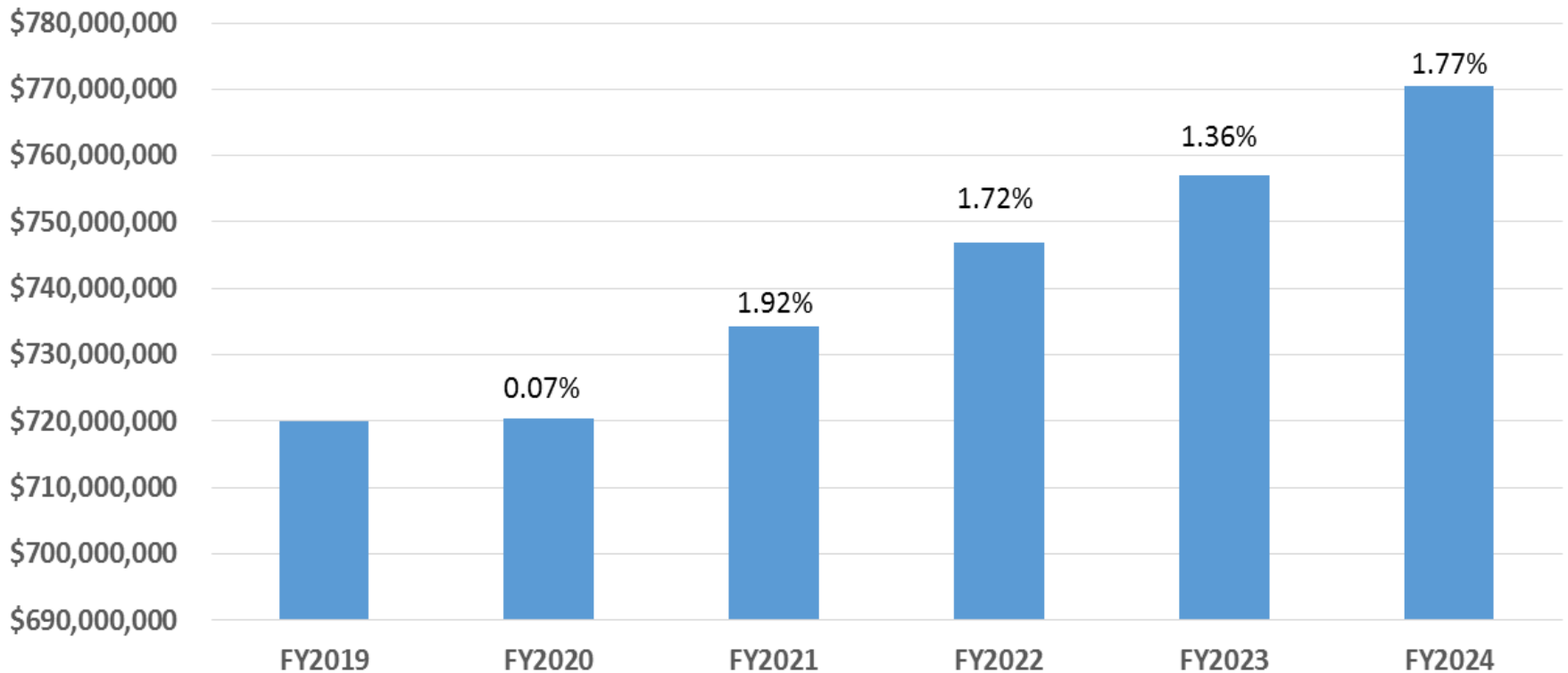
Projected Revenue:

(Adopted) 2019	(Approved) 2020	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
719,902,219	713,189,118	720,403,819	734,237,532	746,898,894	757,052,205	770,421,924

All Projected Figures are estimates that are subject to change

Revenue Projection Trends

General Fund Future Revenue Projections



All Projected Figures are estimates that are subject to change

Revenue Highlights

Local Taxes

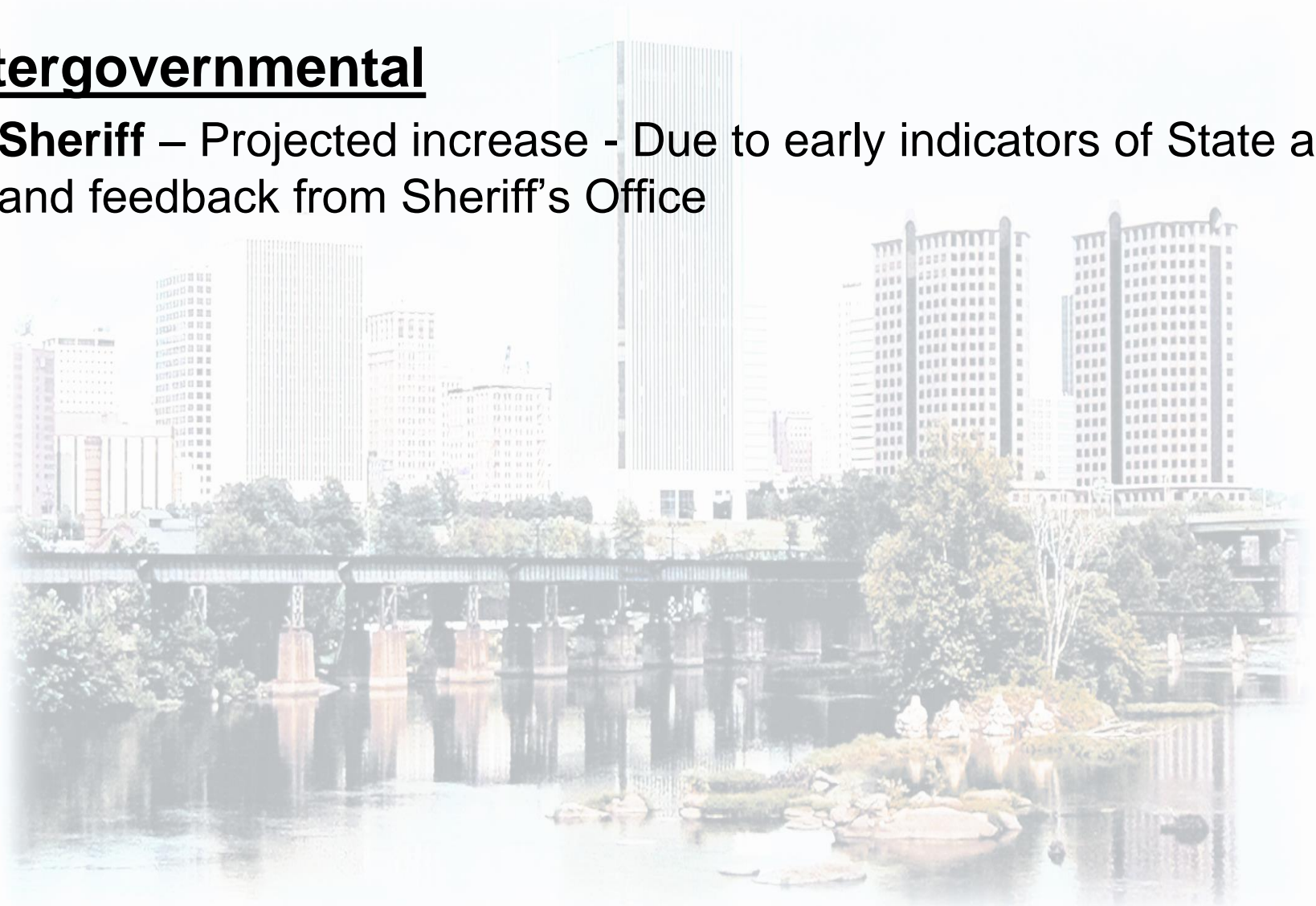
- **Real Estate** – Projected increase - Realizing healthy growth, increase in assessments of est. 5% in FY20 and then 3% in FY21 and FY22 and 2% beyond (as provided by Assessor)
- **Lodging** – Projected increase – Due to current trends and status of City as an attractive location
- **Machinery and Tools** – Projected decrease - based on prior year collections, estimates of equipment purchases, and assessments of purchases
- **Prepared Food/Meals** – Projected increase (including last year's 1.5% tax increase portion) – Due to growth in restaurant demand

All Projected Figures are estimates that are subject to change

Revenue Highlights

Intergovernmental

- **Sheriff** – Projected increase - Due to early indicators of State aid and feedback from Sheriff's Office



All Projected Figures are estimates that are subject to change

Revenue Highlights

PILOT (Payment In Lieu of Taxes)

- **PILOT from Utilities** – Decrease in Utility payments to the General fund (as provided by DPU). Showing reduction in Federal Income Tax projections with the ultimate elimination of this specific revenue by FY2024
- DPU dividend payment is currently level against the FY20 approved budget

All Projected Figures are estimates that are subject to change

Revenue Highlights

One-Time Resources (in FY19)

- Removal of \$17.5M in one time funding:
 - \$12.5M for RPS
 - \$2M use of assigned fund balance for contribution to retirement system
 - \$3M in one-time funding from electric utility
- Revenue was already excluded from the FY20 approved budget

The background image shows a city skyline with several tall buildings. In the foreground, there is a bridge with multiple piers crossing a body of water. The water reflects the buildings and the bridge. There are some rocks and small islands in the water. The overall scene is a cityscape with a natural element in the foreground.

Expenditure Forecast FY2020 to FY2024

Expenditure Forecast Methodology

- Utilized FY2020 Approved Budget as base
- Known, non-discretionary items were added to the base
- Known one-time items (and funding) were removed
- Known obligations were added
- Several prospective expenditures – needing review and approval are included

Expenditure Forecast Methodology

- There are two parts of the forecast
 - Global, baseline projections initiated by Budget
 - Personnel
 - Operating
 - Any Known Departmental Reassessed Projections

Expenditure Overview

- Historically, general fund expenditures have grown at a slow rate.
- Future general fund expenditures projected to grow at a slow rate.
- Total General Fund Expenditures for fiscal year 2019 are adopted at **\$719,902,219**
- Total General Fund Expenditures for fiscal year 2020 approved at **\$713,189,118**
- Total General Fund Expenditures for fiscal year 2020 are projected at **\$735,544,121**

All Projected Expenditures are estimates that are subject to change

Five Year General Fund Expenditure Forecast

Projected Expenditures:

(Adopted) 2019	(Approved) 2020	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
\$719,902,219	\$713,189,118	\$735,544,121	\$748,286,142	\$759,108,577	\$770,883,380	\$778,873,017

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

■ Personnel Highlights

- Assumes Adopted FY2019 vacancy levels
 - Current projections assume level vacancy funding at **\$13.7M out of estimated \$38M** (citywide – general fund) - \$2.0M
- Overtime costs increased back to FY2019 adopted levels - \$2.6M
- Public Safety – Est. costs for Step and raising salaries of recruits up to \$43k (already factored in biennial budget)

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

■ Personnel Highlights

■ Benefits

- Retirement – Budget Driver
 - General Employee Rate – Increase From 50.03% to 53.46%
 - Police and Fire – Increase From 41.02% to 41.66%
 - Trend is projected to continue in out years
 - Est. of \$1.1M
- Health Insurance – Budget Driver
 - City currently on a calendar year for health insurance plan
 - Projection includes 2% 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 \$600k

Expenditure Forecast Assumptions

■ Personnel Highlights

■ Salary Adjustments

- City employees have not received salary increase of **2% in several years**
- To reduce the costs of bringing staff up to the mid range, a 1% salary increase is included in every year of forecast – Est. \$1.3M
- **If approved**, City employees would receive a salary increase of 2% within a 6 month period (1% in January 2019 and 1% July 2019)
- Helps brings employees more inline with new classification/compensation plan
- Excludes constitutionals and sworn staff

Expenditure Forecast Assumptions

- Operating Highlights
- Debt – Budget Driver
 - Projecting a decrease of \$1.6M in FY20 but increases in every year beyond
 - FY20 = \$72.1M (excludes one time cash funding of \$250k)
 - FY21 = \$77.9M
 - FY22 = \$80.1M
 - Increases are due to payment schedule of recent CIP projections

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

- Operating Highlights
- Non Departmental
 - Remains relatively flat (assumes no significant changes) against approved budget
 - Includes economic incentives (coming on and off line)
 - Exceptions include increases to organizations associated with membership fees/dues and changes in municipal population estimates

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

■ Operating

- RPS (City's contribution) –
 - Includes est. increase of \$5M in local funding, each year of forecast
 - Est. based on today's projected growth within the general property tax revenues (category)
 - Preliminary, est. average annual growth of about 9.5M each year of forecast (in this category)
 - Forecast assumes RPS will receive about half of that growth annually

All Projected Expenditures are estimates that are subject to change

Other Items

Items Included in the Projections

- **COLA (retirees)**
 - 1% COLA for Retirees – Est. \$5.7M. Reflects estimated lump sum costs in FY20 only
- **Contractual obligations**
 - Increases in contractual obligations identified (and still being confirmed) by Departments
 - Ex. Sheriff Inmate medical = \$1.2M
- **Life/Health/Safety and other Non discretionary**
 - Lease agreements, security upgrades, software fees, etc.

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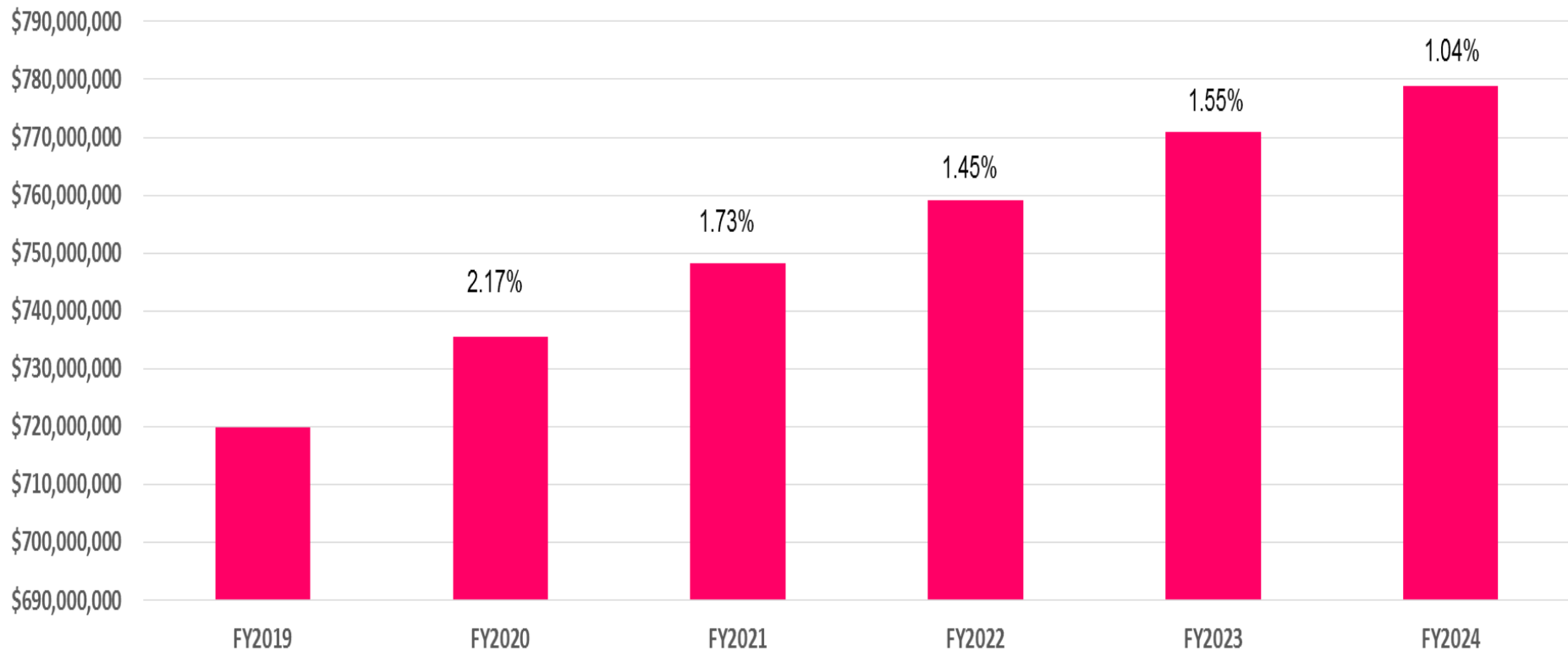
Other Items

Items Not Included in the Projections

- Any added costs as a result of changes to the State Budget
- Other Departmental requests for enhancements
- Estimated costs to bring staff up to the mid range will need to be reviewed and possibly funded as a “phased” approach over multiple years. Not included in projection

Expenditure Projection Trends

General Fund Future Expenditure Projections



All Projected Figures are estimates that are subject to change

Expenditure Drivers

Non-Discretionary Items

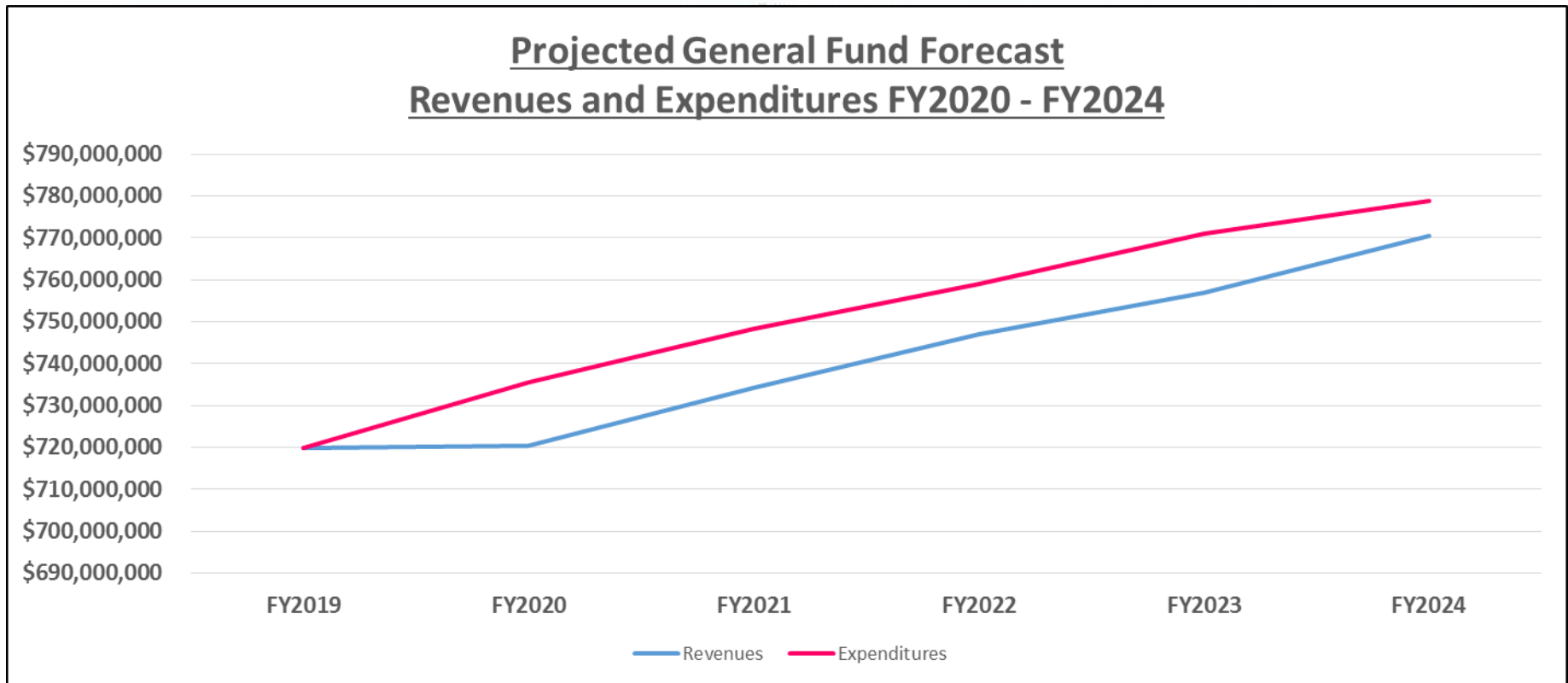
- Debt service
- Retirement and Health Care
- Public Safety (RPD and Fire) salary increases
- Increases in Contractual Obligations

Expenditure Drivers

Discretionary Items but No Less Important

- 1% COLA for Retirees (lump sum)
- Employee Salary Increases
- Additional Local Contribution to RPS

Preliminary Base Forecast - General Fund Revenue and Expenditures FY2020 – FY2024



	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenues	\$719,902,219	\$720,403,819	\$734,237,532	\$746,898,894	\$757,052,205	\$770,421,924
Expenditures	\$719,902,219	\$735,544,121	\$748,286,142	\$759,108,577	\$770,883,380	\$778,873,017
	(0)	(15,140,302)	(14,048,610)	(12,209,683)	(13,831,175)	(8,451,092)

All Projected Figures are estimates that are subject to change

Final Thoughts

- Projecting healthy revenue growth beyond FY20, however, growth in expenditures projected to outpace revenues in all years of the forecast
- Projected revenue growth **will not be sufficient to support** all of the non-discretionary items **and** all of requests from Departments, component units, interest groups, etc.
 - Result in many requests not being funded or delayed implementation
 - Result in some revenue enhancement strategies
 - May result in service delivery challenges
- Non-Discretionary items - Budget Drivers - will take priority in upcoming year
- Working closely with Mayor/CAO/Depts. to balance and present a structurally balanced budget in March

QUESTIONS

