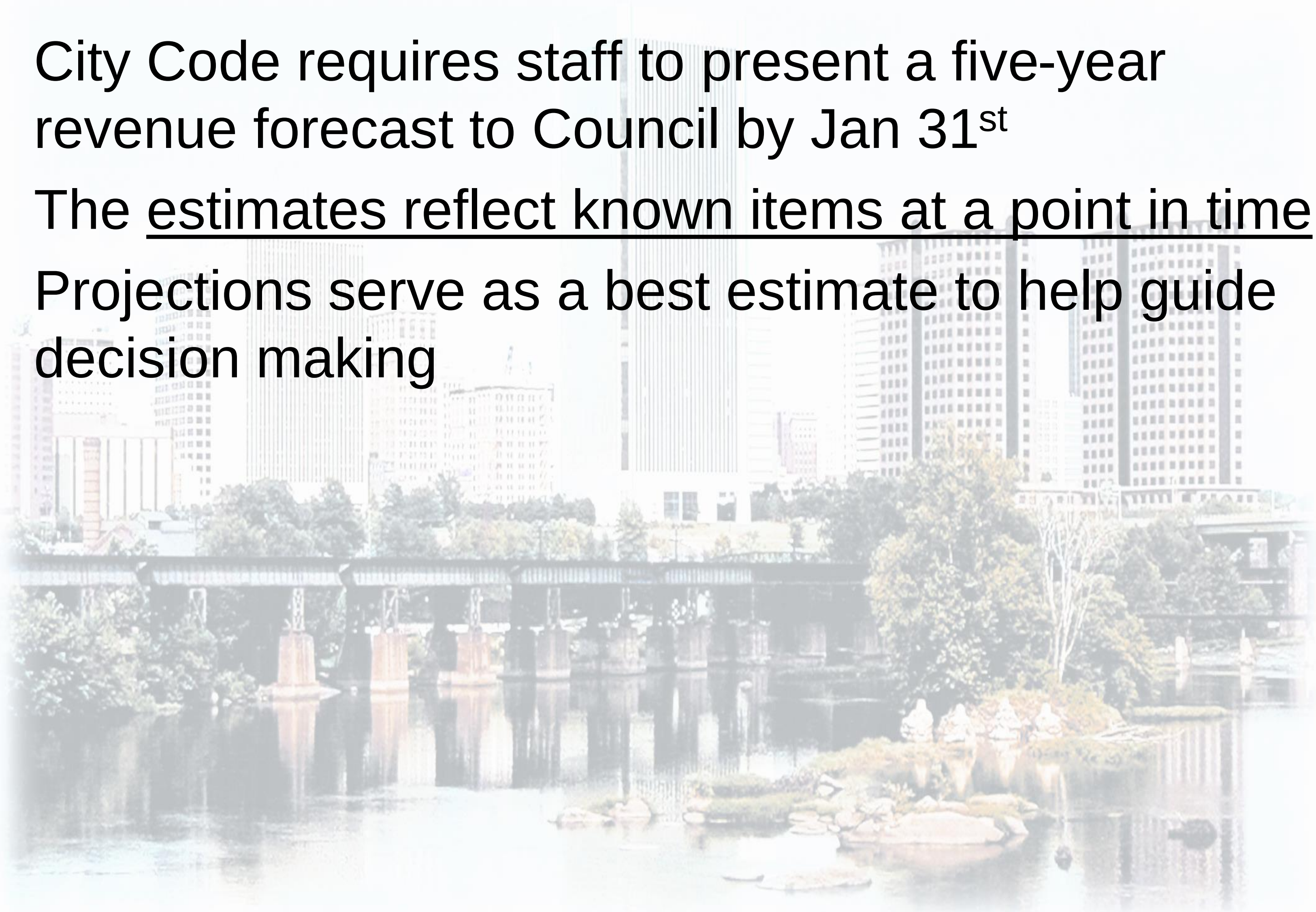
Five Year Forecast
FY 2022 – 2026

January 25, 2021

Multi-Year Forecast

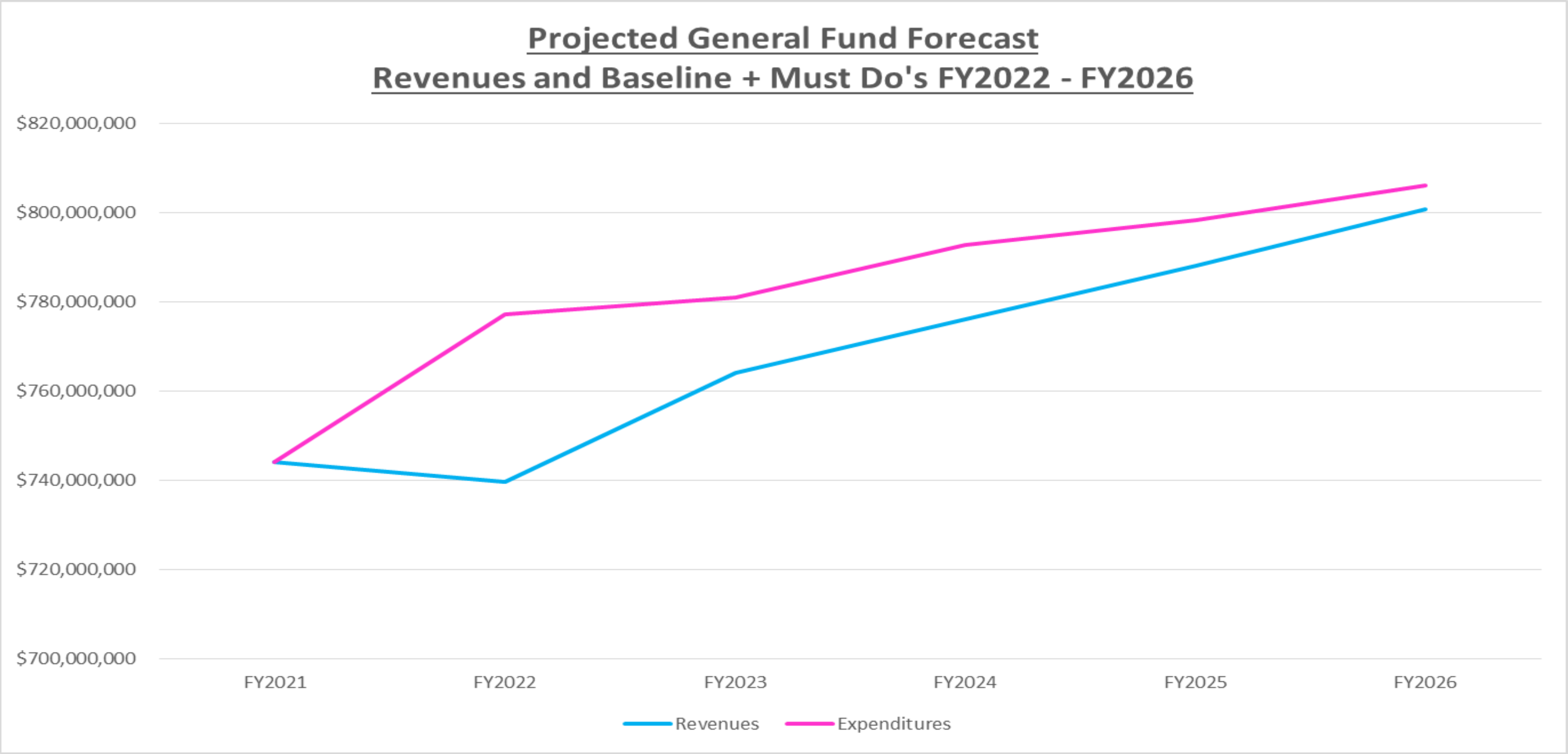
- City Code requires staff to present a five-year revenue forecast to Council by Jan 31st
- The <u>estimates reflect known items at a point in time</u>
- Projections serve as a best estimate to help guide decision making



Multi-Year Forecast

- Major FY 22 impacts include:
  - Non-Discretionary items (ex. Debt, recent revenue designations)

Deficit Between General Fund Revenues and Projected Baseline + “Must Do’s” FY2022 – FY2026



	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Revenues	$744,050,117	$739,658,331	$764,063,361	$775,929,301	$788,015,536	$800,606,638
Expenditures	$744,050,117	$777,208,371	$780,932,563	$792,589,030	$798,308,532	$806,112,406
	(0)	($37,550,040)	($16,869,202)	($16,659,729)	($10,292,996)	($5,505,768)

All Projected Figures are estimates that are subject to change

Revenue Forecast
FY2022 to FY2026

Revenue Forecast Methodology

- Reflect the impacts of COVID-19 and trends in prior year collections over the next 5 years

Revenue Overview for FY2022

- General fund revenues projected **to** **decrease from FY21 to FY22 by $4.4M** **followed by modest growth in the out years**.

- Assumed that FY2023 will reflect a return to the pre-pandemic baseline year of FY2019 and then moderate growth rebounds in the out years

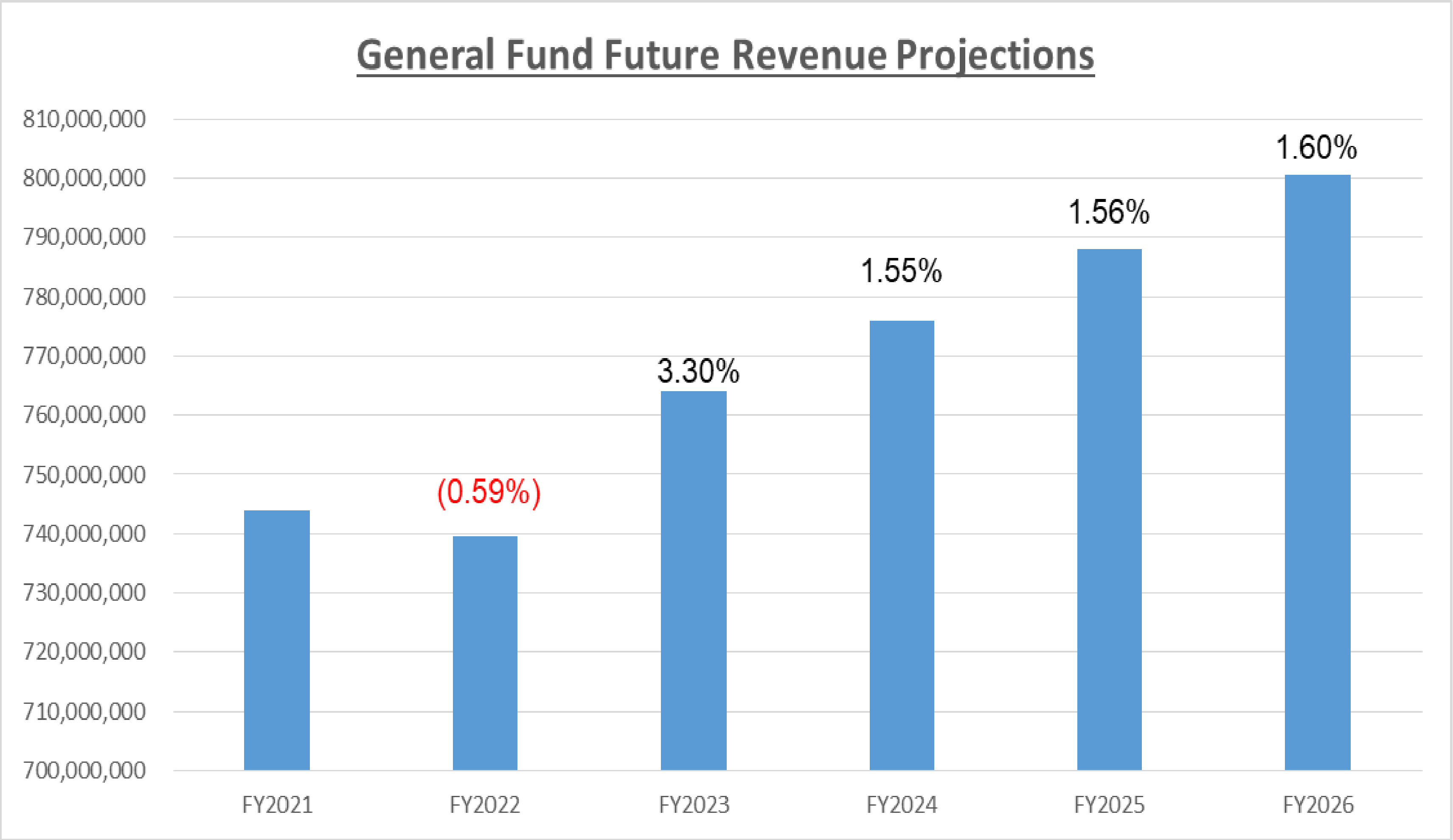
Five Year General Fund Revenue Forecast

Projected Revenue:

(Adopted) 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
$744,050,117	$739,658,331	$764,063,361	$775,929,301	$788,015,536	$800,606,638

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

Revenue Projection Trends



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FY2022 Revenue Highlights – Projected Increases

- **Real Estate** – Moderate growth in taxable assessed values, consistent with the Assessor's projections and recent collection rates

- **Payment In Lieu of Taxes (PILOT)** – Reflects an increase from the Department of Public Utilities' (Despite a reduction in the Federal income tax payment)

- **Transfers In** – Reflects a draw from the Assigned Fund Balance for:
  - Capital Maintenance Reserve usage
  - Planned usage of school facilities funding (funded through (prior approved) meals tax increase)

All Projected Figures are *<u>estimates that are subject to change</u>*

FY 2022 Revenue Highlights – Projected Decreases

- **Personal Property Taxes** – recent decline in collection rates
- **Permits and Other Licenses** – slower building activity
- **Consumer Driven Taxes – COVID 19 Impacts** (not projected to return to pre-pandemic baseline until FY 23)
  - Sales Tax
  - Meals Tax
  - Lodging Tax
  - Admissions
- **Removal of $3.6M draw from Fund Balance** for capital & Schools

All Projected Figures are <u>estimates that are subject to change</u>

Future Revenue Negative Impacts

- City legislation restricting revenue use is a huge constraint in balancing the budget to address basic needs.
- Nearly **55% of general revenue is restricted (must be used for specific purposes) creating extreme** pressure to fund minimum service obligations.
- Examples of specific city legislation include:
  - **57.7% of real estate** tax to School Operations
  - **100% of expiring real estate tax rehab credits** to Affordable Housing Trust Fund (est. of $2.5M in FY 22' and compounding each year thereafter)
  - **100% of meals tax** to School/Cultural Arts debt service (**loss of revenue but still must fund debt service**)
  - **100% of lodging tax** dedicated to GRCCA (**loss of revenue but still must fund GRCCA)**

All Projected Figures are estimates that are subject to change

Future Revenue Negative Impacts

These dedications leave just 45% of General Fund Revenue to cover all other service departments and significant and climbing cost areas of:

- Increasing Debt Service
- Increasing RRS ARC
- Increasing VRS ARC
- Increase to OPEB ARC

All Projected Figures are estimates that are subject to change

Future Revenue Negative Impacts

To put this in perspective…..

- Out of the FY22 GF revenue estimate of $740M… an estimated $433M is dedicated **leaving just $307M** for discretionary allocation among the various service areas of the City.

Expenditure Forecast
FY2022 to FY2026

Expenditure Overview

- General fund expenditures projected **to grow steadily**.
- FY 2021 adopted at **$744,050,117**
- FY 2022 projected at **$777,208,371**
- **Anticipated increase of nearly $33.1M**
- **Projection includes FY21 Adopted levels + known Must Do's**

All Projected Expenditures are estimates that are subject to change

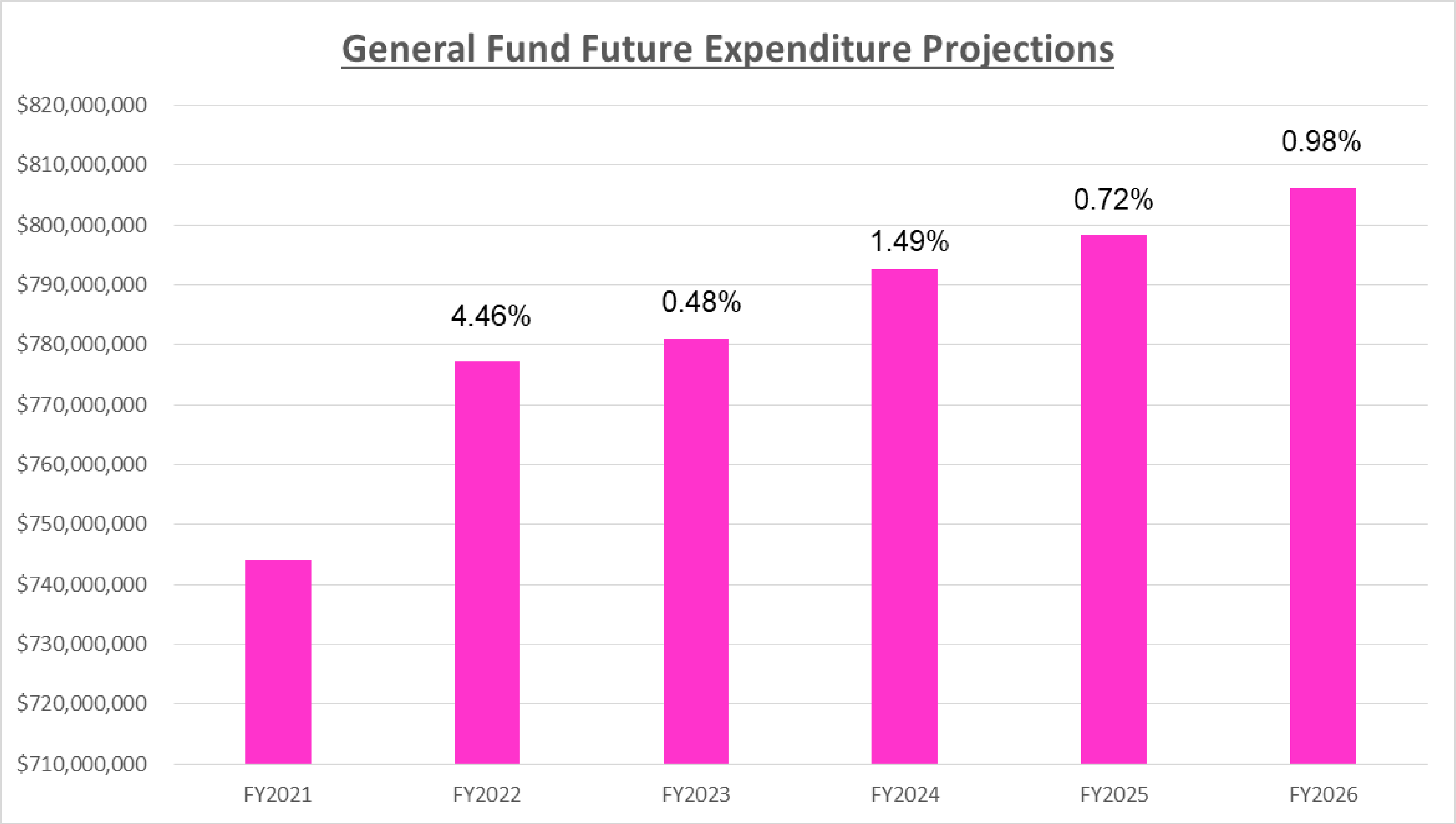
Five Year General Fund Expenditure Forecast

Projected Expenditures:

(Adopted) 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
$744,050,117	$777,208,371	$780,932,563	$792,589,030	$798,308,532	$806,112,406

All Projected Expenditures are estimates that are subject to change

Expenditure Projection Trends



All Projected Figures are estimates that are subject to change

Expenditure Forecast Assumptions

Personnel:

- Assumes no new funding for critical vacant positions (continued freeze of est. $40M)
- Overtime and temps – Level funded
- Retirement:
  - **Required to fund City's ARC**
  - General Employee Contribution Rate Increases from **84.31% to 84.74%**
  - Police and Fire Contribution Rate Increases from **38.40% to 39.47%**
  - Rates to increase in out years of forecast
  - **$750k** increase (from FY21 to FY22) due to rate increases

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

Personnel:

- Health Insurance
  - 3% est. increase in every year of forecast
  - HR rate adjustment to be received in late Jan/early Feb
  - **$885k** increase (from FY21 to FY22)

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

<u>Operating:</u>

- Debt – Driving the Budget!

  - Increase of $2.2M in FY22 and increases nearly every year beyond
    - FY21 = $75.3M
    - FY22 = $77.5M
    - FY23 = $78.3M

  - Projected increases for CIP projects to include the construction of schools

All Projected Expenditures are <u>estimates that are subject to change</u>

Expenditure Forecast Assumptions

<u>Operating:</u>

- Non Departmental (memberships, contributions, economic incentive grants)
  - Remains relatively flat
  - Except Economic incentives (coming on and off line)

All Projected Expenditures are <u>estimates that are subject to change</u>

Expenditure Forecast Assumptions

<u>Operating</u>

- RPS (City's contribution)
- **$18.5M increase in local funding in FY20**
- **$5.5M increase in local funding in FY21** (exclusive of their use of fund balance)
- **FY22 forecast increase of $4.7M** – per **<u>Res. 2019-R009</u>** based on preliminary RE tax projection growth
- While **RE increases** resulting in an **increasing dedication to Schools….** **Other Local Taxes are declining** due to COVID (Meals, Lodging, Sales, Admissions) **leaving deficits for other City services**

All Projected Expenditures are <u>estimates that are subject to change</u>

Expenditure Forecast Assumptions

Operating

- Per recent Ord. 2020-214 – expiration of partial R.E. tax exemption dedicated to the Affordable Housing Trust Fund (AHTF)

- Estimate of **$2.5M will not be available in FY 22' compounding the dedication each year to $10M in FY 26'** and diverting revenue needed to fund city operations

All Projected Expenditures are estimates that are subject to change

Expenditure Forecast Assumptions

Operating:

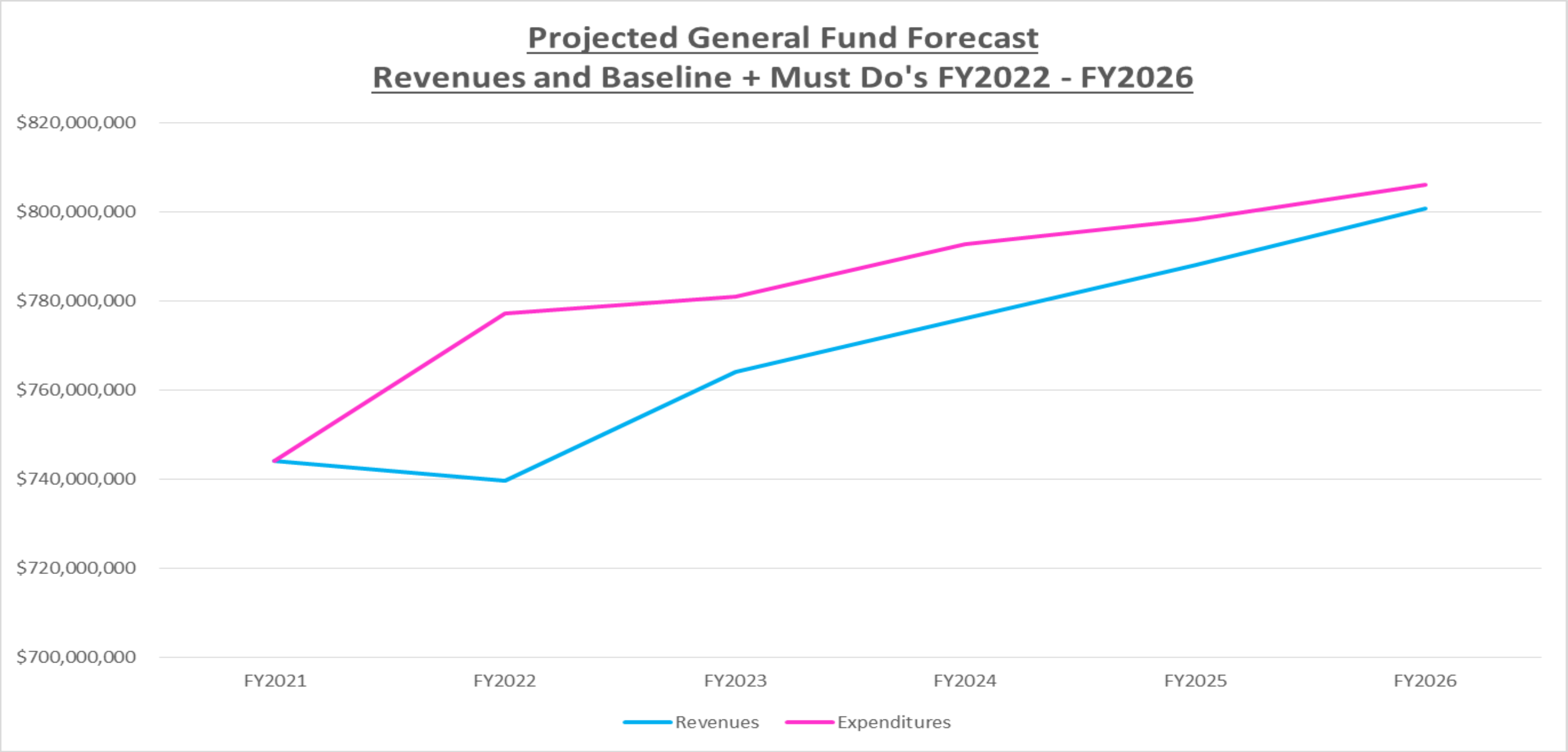
- Contractual increases in Departments for lease agreements, security upgrades, software fees, etc.
- Internal Service Fund charges IT and Risk
- Retiree Health Insurance (OPEB) ARC funding – increase of $10.7M (recommendation from Auditor)

All Projected Figures are estimates that are subject to change

Needed Items NOT Included

- Cost of Living Adjustment (COLA) for general employees
- Step increase for RPD and Fire
- Implementation of the Classification and Compensation Study
- COLA for Retirees

Deficit Between General Fund Revenues and Projected Baseline + Must Do's FY2022 – FY2026



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Final Thoughts

- **Current path shows deficit of $37.5M before addressing many important needs in the City**
- Slight decline in revenues in FY22 followed by growth in FY23 and beyond related to COVID impacts.
- Real estate taxes continue to show healthy growth throughout the 5 year forecast.
- Growth in expenditures outpace revenues in all years of the forecast based on current legislative constraints and declines in consumer driven revenues due to COVID.
- Forecast includes Non-Discretionary expense drivers of designated revenues, debt, and personnel benefit requirements.
- Working closely with Mayor/CAO/Depts. to balance and present the budget in March

QUESTIONS