

# General Fund Financial Forecast

As a budgeting and financial planning best-practice, the City develops both a five-year Capital Improvement Plan and a five-year financial forecast.

Below are the assumptions that are included in the forecast that follows.

| Forecast Assumptions  |
|---|
| 3.5% Sales and Use Tax revenue growth – which is less than the average revenue growth in recent history when only considering years in which revenue grows and not years in which revenue actually declines. Therefore, the forecast assumes no recession in the next five years. |
| Property Tax revenue assumes an 8% increase in 2018 as it is a reassessment year and a conservative 1.1% growth beyond 2018   |
| 1% to 8% revenue growth for other revenues  |
| Employee pay for performance/compensation update at a rate of 2% of total salary & benefit budget   |
| Funding for changes to actual positions beginning \$800K growing \$200K more each year  |
| Fund employee and sworn retiree healthcare cost increases of \$500K annually  |
| Incremental funding for utility rate increases  |
| Contracts, fuel & other - relying on competitive procurement process to keep costs down plus additional increased for fuel beyond 2018 expecting fuel to rise again in the futures  |
| Increase vehicle replacement budget by \$500K in 2017 to \$1Min 2020 as the average age of the City's fleet is 13 years and will need to be replaced  |
| 5-year CIP plan (excluding stormwater projects)   |
| General Fund Projects including Stormwater – 5-year plan  |
| Actual expenditures are 0.8% under budget each year   |

While forecasts are based upon historic trends, current conditions, and expectations regarding the future there is significant uncertainty as the City is dependent upon a complex local, national and world economy and with sales tax as the major revenue source is dependent upon consumer sentiment and disposable income. The forecast is useful to understand what the future financial condition of the City could be based upon a set of reasonable assumptions. However, actual experience will differ from the assumptions - impacting financial results. The City will make strategic adjustments to changing conditions. For example, if revenue is trending under budget, the City will take actions to modify expenditures mid-year.

The most significant, general risks to the forecast include: economic slowdown/recession, significant changes to primary employers, unavoidable cost increases, and continued flight to sales outside City limits.

As shown on the following page, with the set of assumptions above, the fund balance would begin to grow to approximately 19% by the end of 2022.

**General Fund  
Five-Year Financial Forecast**

|   | 2017<br>Budget       | 2018<br>Forecast     | 2019<br>Forecast     | 2020<br>Forecast     | 2021<br>Forecast     | 2022<br>Forecast     |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Unrestricted Beginning Fund Balance</b>        | \$45,763,996         | \$47,943,543         | \$50,206,747         | \$52,749,997         | \$55,911,037         | \$58,618,382         |
| <b>Revenue</b>                                    |                      |                      |                      |                      |                      |                      |
| Taxes - Sales and Use Tax                         | 162,146,245          | 167,821,364          | 173,695,111          | 179,774,440          | 186,066,546          | 192,578,875          |
| Taxes - Property Tax                              | 20,020,059           | 21,621,664           | 21,858,470           | 22,097,871           | 22,339,893           | 22,584,566           |
| Taxes - Other                                     | 3,197,050            | 3,249,401            | 3,302,609            | 3,356,689            | 3,411,653            | 3,467,518            |
| Charges for Services                              | 14,336,766           | 14,551,817           | 14,770,095           | 14,991,646           | 15,216,521           | 15,444,769           |
| Fines   | 5,051,801            | 5,279,132            | 5,516,693            | 5,764,944            | 6,024,367            | 6,295,463            |
| Intergovernmental                                 | 22,072,272           | 22,401,631           | 22,735,904           | 23,075,165           | 23,419,489           | 23,768,950           |
| Licenses and Permits                              | 1,825,876            | 1,844,135            | 1,862,576            | 1,881,202            | 1,900,014            | 1,919,014            |
| Miscellaneous Revenue                             | 3,316,324            | 3,581,630            | 3,868,160            | 4,177,613            | 4,511,822            | 4,872,768            |
| Other Financing Sources                           | 40,477,016           | 41,286,556           | 42,112,287           | 42,954,533           | 43,813,624           | 44,689,896           |
| Budgeted Draw from Fund Balance                   |                      |                      |                      |                      |                      |                      |
| <b>Total Revenue</b>                              | <b>\$272,443,409</b> | <b>\$281,637,329</b> | <b>\$289,721,906</b> | <b>\$298,074,103</b> | <b>\$306,703,928</b> | <b>\$315,621,819</b> |
| <b>Expenditures</b>                               |                      |                      |                      |                      |                      |                      |
| <b>Total Salaries and Benefits</b>                | <b>185,256,684</b>   |                      |                      |                      |                      |                      |
| Pay for performance/comp update                   |                      | 3,705,134            | 3,805,236            | 3,911,341            | 4,023,568            | 4,142,039            |
| Changes to cost of positions/addl positions       |                      | 800,000              | 1,000,000            | 1,200,000            | 1,400,000            | 1,600,000            |
| Healthcare cost increases                         |                      | 500,000              | 500,000              | 500,000              | 500,000              | 500,000              |
| <b>Total Salaries and Benefits</b>                | <b>185,256,684</b>   | <b>190,261,818</b>   | <b>195,567,054</b>   | <b>201,178,395</b>   | <b>207,101,963</b>   | <b>213,344,002</b>   |
| <b>Total Operating Expenditures</b>               | <b>64,590,873</b>    |                      |                      |                      |                      |                      |
| Utility rate changes                              |                      | 250,000              | 250,000              | 250,000              | 250,000              | 250,000              |
| Contract changes, fuel, other                     |                      | 650,000              | 906,500              | 1,163,065            | 1,169,696            | 1,176,393            |
| <b>Total Operating Expenditures</b>               | <b>64,590,873</b>    | <b>65,490,873</b>    | <b>66,647,373</b>    | <b>68,060,438</b>    | <b>69,480,134</b>    | <b>70,906,526</b>    |
| <b>Total Capital Outlay</b>                       | <b>4,163,889</b>     |                      |                      |                      |                      |                      |
| Additional vehicle replacement                    |                      | 500,000              | 1,000,000            | 1,000,000            | 1,000,000            | 1,000,000            |
| <b>Total Capital Outlay</b>                       | <b>4,163,889</b>     | <b>4,705,528</b>     | <b>5,752,583</b>     | <b>6,810,109</b>     | <b>7,878,210</b>     | <b>8,956,992</b>     |
| <b>CIP/Projects</b>                               | <b>7,993,087</b>     | <b>8,018,271</b>     | <b>8,313,936</b>     | <b>7,464,512</b>     | <b>7,744,363</b>     | <b>7,744,363</b>     |
| <b>General Fund Projects including Stormwater</b> | <b>7,350,000</b>     | <b>10,000,000</b>    | <b>10,000,000</b>    | <b>10,500,000</b>    | <b>10,900,000</b>    | <b>11,000,000</b>    |
| <b>Debt Service</b>                               | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Internal Services Charges</b>                  | <b>3,088,876</b>     | <b>3,150,654</b>     | <b>3,213,667</b>     | <b>3,277,940</b>     | <b>3,343,499</b>     | <b>3,410,369</b>     |
| <b>Total Expenditures</b>                         | <b>\$272,443,409</b> | <b>\$281,627,143</b> | <b>\$289,494,613</b> | <b>\$297,291,394</b> | <b>\$306,448,168</b> | <b>\$315,362,252</b> |
| <b>Budget to Budget \$ Change</b>                 | <b>5,682,905</b>     | <b>9,183,734</b>     | <b>7,867,470</b>     | <b>7,796,781</b>     | <b>9,156,774</b>     | <b>8,914,084</b>     |
| <b>Budget to Budget % Change</b>                  | <b>2.1%</b>          | <b>3.4%</b>          | <b>2.8%</b>          | <b>2.7%</b>          | <b>3.1%</b>          | <b>2.9%</b>          |
| <b>Expenditure savings - 0.8%</b>                 | <b>2,179,547</b>     | <b>2,253,017</b>     | <b>2,315,957</b>     | <b>2,378,331</b>     | <b>2,451,585</b>     | <b>2,522,898</b>     |
| <b>(Draw from)/Contribution to Fund Balance</b>   | <b>0</b>             | <b>10,186</b>        | <b>227,293</b>       | <b>782,709</b>       | <b>255,760</b>       | <b>259,567</b>       |
| <b>Unrestricted Ending Fund Balance</b>           | <b>\$47,943,543</b>  | <b>\$50,206,747</b>  | <b>\$52,749,997</b>  | <b>\$55,911,037</b>  | <b>\$58,618,382</b>  | <b>\$61,400,847</b>  |
| <b>Unrestricted Fund Balance as a %</b>           | <b>17.0%</b>         | <b>17.3%</b>         | <b>17.7%</b>         | <b>18.2%</b>         | <b>18.6%</b>         | <b>19.1%</b>         |
| <b>Mayor Suthers' Fund Balance Policy Goal</b>    | <b>20.0%</b>         | <b>20.0%</b>         | <b>20.0%</b>         | <b>20.0%</b>         | <b>20.0%</b>         | <b>20.0%</b>         |
| <b>GFOA Recommendation</b>                        | <b>25.0%</b>         | <b>25.0%</b>         | <b>25.0%</b>         | <b>25.0%</b>         | <b>25.0%</b>         | <b>25.0%</b>         |