

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
Sales and Use Tax revenue assumes a 3 to 3.5% growth rate
Property Tax revenue assumes a 5% growth rate in the year following assessment years, on top of the 1.9% growth rate in other years
1.5% to 4% revenue growth for other revenues
Employee compensation increases at a rate of 2.25% of total salary
Healthcare costs increase by 6.7% annually
Pension costs for sworn and civilian increase by 3.7% annually
Operating expenditures and Capital Outlay do not increase until 2026, then an increase of just under 1% is included
The Capital Improvements Program (CIP) projected funding is based on the 5-year plan; the CIP program is fluid and as other funding mechanisms are identified, projects may drop off, and as new priorities are determined, new projects may be added.
Actual expenditures are typically 1.0% under budget each year, which is factored into the projected Fund Balance
In years 2022-2025, it is likely that the eligible General Fund revenue will exceed the TABOR limit
Budget reductions will be implemented as needed to ensure that expenditures match the TABOR allowed revenue retention

In 2020, the City received CARES Act funding of \$37.5 million from El Paso County (originating as federal funding) that generated expenditure savings, of which \$15.7 million is utilized as Rebudgeted funds in the 2021 budget. Expenditure savings also resulted from budgetary reductions put in place during 2020 due to the economic shutdown and revenue loss associated with the COVID-19 pandemic.

While forecasts are based upon historic trends, current conditions, and expectations regarding the future, the City is also dependent upon a complex local, national and world economy. Because sales tax is the largest source of City revenue, there is a consistent level of uncertainty, as sales tax revenue is very reactive to even the slightest economic downturn or change in consumer sentiment. 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 outcomes 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, continued effects from the COVID-19 pandemic, significant changes to primary employers, unavoidable cost increases, unforeseen legal settlements, and sales outside City limits.

As shown on the following page, with the set of assumptions above, the % of fund balance based on the following year's expenditures would decline each year through 2025 (though not below 19%), and then increase in 2026 back to the 20% fund balance goal of Mayor Suthers. In any given year, adjustments can be made to expenditures during the budget process to prevent the fund balance from declining.

General Fund Five-Year Financial Forecast

	2021 Budget	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Unrestricted Beginning Fund Balance	\$75,062,021	\$78,508,171	\$72,803,277	\$71,909,122	\$72,662,163	\$74,070,649
Revenue						
Taxes - Sales and Use Tax	186,200,000	192,623,900	198,787,865	204,751,501	210,894,046	217,220,867
Taxes - Property Tax	23,626,916	25,257,173	25,737,059	27,512,916	28,035,661	29,970,122
Taxes - Other	3,967,056	4,030,529	4,095,017	4,160,537	4,227,106	4,294,740
Charges for Services	18,373,933	18,649,542	18,929,285	19,213,224	19,501,422	19,793,943
Fines	10,948,210	11,386,138	11,841,584	12,315,247	12,807,857	13,320,171
Intergovernmental	21,421,156	24,063,791	24,785,705	25,529,276	26,295,154	27,084,009
Licenses and Permits	3,655,780	3,728,896	3,803,474	3,879,543	3,957,134	4,036,277
Miscellaneous Revenue	9,218,942	9,495,510	9,780,375	10,073,786	10,376,000	10,687,280
Other Financing Sources	51,502,027	53,047,088	54,638,501	56,277,656	57,965,986	59,704,966
Rebudgeted	15,701,020	0	0	0	0	0
Total Revenue	\$344,615,040	\$342,282,567	\$352,398,865	\$363,713,686	\$374,060,366	\$386,112,375
Expenditures						
Prior Year Salaries and Benefits	227,565,234	242,396,856	249,152,086	256,137,635	263,363,559	270,840,454
Pension increases/(decreases)	6,462,959	908,631	942,159	976,925	1,012,974	1,050,353
Healthcare cost increases/(decreases)	1,797,367	1,456,294	1,554,303	1,658,908	1,770,553	1,889,711
Changes in compensation	6,571,296	4,390,305	4,489,087	4,590,091	4,693,368	4,798,969
Total Salaries and Benefits	242,396,856	249,152,086	256,137,635	263,363,559	270,840,454	278,579,487
Operating Expenditures	93,769,102	93,769,102	93,769,102	93,769,102	93,769,102	94,519,255
Capital Outlay (Operating)	1,462,841	1,462,841	1,462,841	1,462,841	1,462,841	1,474,544
Capital Improvements (CIP)	8,380,008	7,960,286	6,748,341	6,366,018	5,704,418	6,704,418
General Fund Projects	1,223,857	1,023,857	1,023,857	1,023,857	1,023,857	1,023,857
Internal Services Charges	2,771,876	2,827,314	2,883,860	2,941,537	3,000,368	3,060,375
TABOR retention/refund	0	707,000	236,000	1,100,000	615,000	0
Budget reductions to balance	(5,389,500)	(5,400,000)	(5,400,000)	(3,400,000)	0	0
Total Expenditures	\$344,615,040	\$351,502,486	\$356,861,636	\$366,626,914	\$376,416,040	\$385,361,936
Budget to Budget \$ Change	17,625,031	6,887,446	5,359,150	9,765,278	9,789,126	8,945,896
Budget to Budget % Change	5.3%	2.0%	1.5%	2.7%	2.7%	2.4%
Expenditure savings - 1.0%	3,446,150	3,515,025	3,568,616	3,666,269	3,764,160	3,853,619
(Draw from)/Contribution to Fund Balance	3,446,150	(5,704,894)	(894,155)	753,041	1,408,486	4,604,058
Unrestricted Ending Fund Balance	\$78,508,171	\$72,803,277	\$71,909,122	\$72,662,163	\$74,070,649	\$78,674,707
Unrestricted F.B. as a % following year Expenditures	22.3%	20.4%	19.6%	19.3%	19.2%	20.0%
Mayor Suthers' Fund Balance Policy	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%