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
4% 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.
1.1% to 8% revenue growth for other revenues
Funding in 2017 to staff Fire Station #22
Beginning in 2017 fund employee pay for performance at a rate of 2% annually
Fund employee and sworn retiree healthcare cost increases of approximately $500,000 annually
Fund additional staff to meet service demands – $500,000 annually. With this funding we expect the number of City employees per 1,000 citizens to remain constant or even continue to decline.
Recognizes planned savings from the 2017 fuel lock but then expects fuel costs to increase each following year–$500,000 annually
1% inflationary impact to contracts for services and capital outlay - relying on competitive procurement process to keep costs down
Increase vehicle replacement budget by $500,000 in 2017 to $1,000,000 in 2020 as the average age of the City's fleet is 13 years and will need to be replaced
5-year CIP plan, however, reduce the 2017 funding from a planned $24.4 million to $22.4 million
Assume actual expenditures are 1% 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, continued flight to online retail sales, and continued flight to sales outside City limits.

As shown on the following page, with the set of assumptions above, there would be an additional draw from the General Fund unrestricted fund balance in 2017, but the fund balance would begin to grow in the following years to nearly 18% by the end of 2019.

General Fund
Five-Year Financial Forecast

	2014 Actual	2015 Budget	2015 EOY Forecast	2016 Budget	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	Growth Rate Assumptions
Unrestricted Beginning Fund Balance	**$48,751,715**	**$43,257,368**	**$43,257,368**	**$45,574,319**	**$44,588,473**	**$47,717,959**	**$48,223,471**	**$53,110,476**	**$56,132,457**	
Revenue										
Taxes - Sales and Use Tax	**144,886,506**	**147,855,000**	**152,900,000**	**157,319,940**	**163,574,948**	**170,078,654**	**176,840,946**	**183,872,106**	**191,182,823**	4.0%
Taxes - Property Tax	**19,164,390**	**19,811,225**	**19,633,225**	**19,894,550**	**20,112,441**	**20,332,718**	**20,555,408**	**20,780,537**	**21,008,131**	1.1%
Taxes - Other	**2,858,559**	**3,047,406**	**2,978,150**	**2,780,150**	**2,825,674**	**2,871,944**	**2,918,971**	**2,966,769**	**3,015,349**	1.6%
Charges for Services	**13,484,918**	**12,395,649**	**13,488,233**	**12,909,000**	**13,102,635**	**13,299,175**	**13,498,662**	**13,701,142**	**13,906,659**	1.5%
Fines	**5,057,822**	**4,956,073**	**5,290,000**	**5,504,892**	**5,752,612**	**6,011,480**	**6,281,996**	**6,564,686**	**6,860,097**	4.5%
Intergovernmental	**20,994,955**	**20,887,930**	**20,954,848**	**21,197,548**	**21,513,854**	**21,834,880**	**22,160,697**	**22,491,375**	**22,826,987**	1.5%
Licenses and Permits	**1,860,374**	**1,892,389**	**2,161,750**	**1,905,320**	**1,924,373**	**1,943,617**	**1,963,053**	**1,982,684**	**2,002,510**	1.0%
Miscellaneous Revenue	**3,309,028**	**2,620,978**	**2,930,978**	**2,140,612**	**2,311,861**	**2,496,810**	**2,696,555**	**2,912,279**	**3,145,261**	8.0%
Other Financing Sources	**40,791,881**	**43,729,193**	**43,403,144**	**43,108,492**	**43,970,662**	**44,850,075**	**45,747,077**	**46,662,018**	**47,595,258**	2.0%
Budgeted Draw from Fund Balance	**-**	**1,500,000**	**1,500,000**	**1,350,000**	**-**	**-**	**-**	**-**	**-**	
Total Revenue	**$252,408,432**	**$258,695,842**	**$265,240,328**	**$268,110,504**	**$275,089,061**	**$283,719,353**	**$292,663,365**	**$301,933,595**	**$311,543,076**	
	2014 Actual	**2015 Budget**	**2015 Amended Budget**	**2016 Budget**	**2017 Forecast**	**2018 Forecast**	**2019 Forecast**	**2020 Forecast**	**2021 Forecast**	
Expenditures										
Staffing Fire Station #22					959,313					
Pay for performance					3,491,670	3,580,690	3,652,303	3,725,349	3,799,856	2.0%
Healthcare cost increases					500,000	500,000	500,000	500,000	500,000	
Additional staff to meet service demands					500,000	500,000	500,000	500,000	500,000	
Total Salaries and Benefits	**162,218,580**	**172,637,345**	**172,013,645**	**174,583,494**	**180,034,477**	**184,615,166**	**189,267,470**	**193,992,819**	**198,792,676**	
Fuel					(500,000)	500,000	500,000	500,000	500,000	
Inflationary impacts on contracts					649,561	656,057	662,618	669,244	675,936	1.0%
Total Operating Expenditures	**60,884,033**	**60,403,163**	**61,201,157**	**64,956,139**	**65,105,700**	**66,261,757**	**67,424,375**	**68,593,619**	**69,769,555**	
Vehicle Replacement					500,000	700,000	900,000	1,000,000	1,000,000	
Total Capital Outlay	**4,201,327**	**4,244,067**	**4,468,277**	**3,817,072**	**4,355,243**	**5,055,243**	**5,955,243**	**6,955,243**	**7,955,243**	1.0%
CIP/Projects *	**18,081,791**	**11,033,257**	**16,277,200**	**18,274,169**	**22,419,888**	**23,118,443**	**23,585,348**	**23,433,933**	**23,433,933**	
Debt Service	**7,843,450**	**7,838,750**	**7,838,750**	**2,766,750**	**0**	**0**	**0**	**0**	**0**	
Internal Services Charges	**2,541,762**	**2,539,260**	**2,539,260**	**3,712,880**	**3,787,138**	**3,862,880**	**3,940,138**	**4,018,941**	**4,099,320**	2.0%
Total Expenditures	**$255,770,943**	**$258,695,842**	**$264,338,289**	**$268,110,504**	**$275,702,446**	**$282,913,490**	**$290,172,573**	**$296,994,554**	**$304,050,726**	
Budget to Budget $ Change			**-**	**9,414,662**	**7,591,942**	**7,211,044**	**7,259,084**	**6,821,981**	**7,056,171**	
Budget to Budget % Change			**-**	**3.6%**	**2.8%**	**2.6%**	**2.6%**	**2.4%**	**2.4%**	
Expenditure savings - 1%			**2,914,913**	**2,681,105**	**2,757,024**	**2,829,135**	**2,901,726**	**2,969,946**	**3,040,507**	
(Draw from)/Contribution to Fund Balance	**(3,362,511)**	**(1,500,000)**	**(597,961)**	**(1,350,000)**	**(613,385)**	**805,863**	**2,490,792**	**4,939,041**	**7,492,350**	
Unrestricted Ending Fund Balance	**$43,257,368**	**$41,757,368**	**$45,574,319**	**$44,588,473**	**$47,717,959**	**$48,223,471**	**$53,110,476**	**$56,132,457**	**$63,643,334**	
Unrestricted Fund Balance as a % following year budget	**16.4%**	**15.6%**	**17.0%**	**16.2%**	**16.9%**	**16.6%**	**17.9%**	**18.5%**	**20.5%**	
Mayor Suthers' Fund Balance Policy Goal					**20.0%**	**20.0%**	**20.0%**	**20.0%**	**20.0%**	
GFOA Recommendation	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	

***per 2016 5-year CIP plan except reducing the 2017 $ total by $2M**