

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 growth – 2.5% growth in years 2020 through 2024
Property Tax revenue assumes a conservative 1.1% growth beyond 2019
1.5% to 4% revenue growth for other revenues
Employee pay for performance/compensation update at a rate of 2.25% of total salary
Healthcare costs increase of 6.7% annually
Pension costs for sworn and civilian increase by 3.7% annually
Operating expenditures increase by 2.0% annually; Capital Outlay expenditures increase by 0.5% annually
5-year Capital Improvements Program (CIP) plan
General Fund Projects – 5-year plan
Actual expenditures are 1.0% under budget each year, which is factored into the projected Fund Balance
In 2019, Changes in Compensation was unusually high due to getting sworn personnel salaries to market
In 2020, we anticipate that Capital Improvements (CIP) will be higher than normal, and in future years will be funded at a level consistent with prior years
There was a one-time overall decrease in pension expenditures in 2019 based on actuarial reports for sworn pensions

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, 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 fund balance would decline slightly before growing in 2024.

General Fund Five-Year Financial Forecast

	2019 Budget	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Unrestricted Beginning Fund Balance	\$56,300,952	\$59,381,781	\$58,452,642	\$59,211,172	\$61,069,899	\$62,850,500
Revenue						
Taxes - Sales and Use Tax	182,334,000	186,892,350	191,564,659	196,353,775	201,262,620	206,294,185
Taxes - Property Tax	20,480,000	20,704,303	20,931,062	21,160,305	21,392,059	21,626,351
Taxes - Other	3,794,464	3,856,597	3,919,748	3,983,933	4,049,169	4,115,473
Charges for Services	15,823,697	16,061,052	16,301,968	16,546,498	16,794,695	17,046,616
Fines	5,148,210	5,354,138	5,568,304	5,791,036	6,022,678	6,263,585
Intergovernmental	23,572,148	24,279,312	25,007,692	25,757,923	26,530,660	27,326,580
Licenses and Permits	3,170,770	3,234,185	3,298,869	3,364,846	3,432,143	3,500,786
Miscellaneous Revenue	7,617,234	7,845,751	8,081,124	8,323,557	8,573,264	8,830,462
Other Financing Sources	46,142,376	47,526,647	48,952,447	50,421,020	51,933,651	53,491,660
Budgeted Draw from Fund Balance	0	0	0	0	0	0
Total Revenue	\$308,082,899	\$315,754,335	\$323,625,873	\$331,702,893	\$339,990,939	\$348,495,698
Expenditures						
Prior Year Salaries and Benefits	193,680,990	211,609,729	218,732,737	225,304,027	232,116,287	239,180,398
Pension increases/(decreases)	(33,611)	949,284	984,871	1,021,828	1,060,218	1,100,076
Healthcare cost increases/(decreases)	2,955,185	2,662,639	1,996,365	2,119,622	2,250,490	2,389,437
Changes in compensation	15,007,165	3,511,085	3,590,054	3,670,810	3,753,403	3,837,854
Total Salaries and Benefits	211,609,729	218,732,737	225,304,027	232,116,287	239,180,398	246,507,765
Operating Expenditures	82,527,376	84,177,924	85,861,482	87,578,712	89,330,286	91,116,892
Capital Outlay (Operating)	2,425,992	2,438,850	2,451,776	2,464,770	2,477,833	2,490,966
Capital Improvements (CIP)	7,599,840	10,559,905	8,484,480	7,184,233	6,750,000	6,750,000
General Fund Projects	1,273,857	1,273,857	1,273,857	1,023,857	1,023,857	1,023,857
Internal Services Charges	2,646,105	2,699,027	2,753,008	2,808,068	2,864,229	2,921,514
Total Expenditures	\$308,082,899	\$319,882,300	\$326,128,630	\$333,175,927	\$341,626,603	\$350,810,994
Budget to Budget \$ Change	21,365,765	11,799,400	6,246,330	7,047,297	8,450,677	9,184,390
Budget to Budget % Change	7.5%	3.8%	2.0%	2.2%	2.5%	2.7%
Expenditure savings - 1.0%	3,080,829	3,198,823	3,261,286	3,331,759	3,416,266	3,508,110
(Draw from)/Contribution to Fund Balance	0	(929,139)	758,530	1,858,727	1,780,602	1,192,815
Unrestricted Ending Fund Balance	59,381,781	\$61,651,465	\$62,472,458	\$64,401,658	\$66,266,767	\$67,551,425
Unrestricted F.B. as a % following year Expenditures	18.6%	17.9%	17.8%	17.9%	17.9%	18.1%
Mayor Suthers' Fund Balance Policy	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%