



DATE: November 16, 2015

AGENDA ITEM #3

TO: Financial Commission

FROM: Kim Juran-Karageorgiou, Administrative Services Director

SUBJECT: Ten Year Financial Forecast

RECOMMENDATION:

Receive presentation of the City Ten Year Financial Forecast Model and provide input on budget assumptions used in the forecast

BACKGROUND

The Government Finance Officers Association (GFOA) recommends long-term financial planning as a best practice among government agencies. Long-term financial planning is the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of service objectives and financial challenges.

DISCUSSION

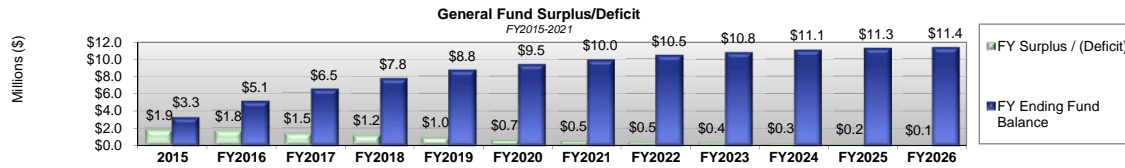
At the direction of the City Council, staff developed a comprehensive long-term financial planning model that can be used as a tool to stimulate long-term and strategic thinking (Attachment 1). The ten year model that was developed provides a “what-if” analysis to evaluate the City’s financial sustainability in varying situations. The model was developed utilizing past financial performance and trends along with anticipated changes in the coming years as an indicator of future budget projections.

The model starts with a baseline forecast built on the most current information that the City has about its finances. This baseline forecast anticipates the City’s financial position on a carry-forward basis over the next ten years and assumes continuation of current programs and financial policies without corrective action. It is important to note that while the City’s baseline budget is balanced over the ten year term, it does not reflect the impact of setting aside revenue for long-term unfunded liabilities such as deferred capital maintenance and replacement of City facilities.

The baseline model can be modified to evaluate the impact of future initiatives. Some examples of initiatives that could impact the baseline model include the following:

- Economic changes – changes to revenues as well as the impact of future market returns and actuarial assumptions on PERS rates
- Council decisions on spending – changes to the baseline budget including the number of staff to provide services, new services or expanded programming, and funding of long-term liabilities
- Voter approved taxes or assessments - local-option taxes must be approved by voters, and could include sales tax, hotel tax, utility users tax, or business license tax
- Attraction and expansion of businesses in the City – expansion of retail sales outlets or hotels

The key assumptions used in the forecast will be discussed in further detail at the Financial Commission meeting on November 16, 2015. The commission will receive a detailed overview of the growth assumptions and will be asked to provide input for further refinement of the ten year model.



		2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Combined Forecast		Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
E148	Elections	45,120	46,022	46,943	47,882	48,839	49,816	50,812	51,829	52,865	53,923	55,001	56,101
E149	Community Promotion	124,500	126,990	129,530	132,120	134,763	137,458	140,207	143,011	145,872	148,789	151,765	154,800
E150	Recruitment	34,650	35,343	36,050	36,771	37,506	38,256	39,022	39,802	40,598	41,410	42,238	43,083
E151	Liability Insurance	330,600	337,212	343,956	350,835	357,852	365,009	372,309	379,755	387,351	395,098	403,000	411,060
E152	Other Services	1,337,406	1,364,154	1,391,437	1,419,266	1,447,651	1,476,604	1,506,136	1,536,259	1,566,984	1,598,324	1,630,290	1,662,896
Total Services		11,061,916	11,360,028	11,777,526	12,212,890	12,666,951	13,140,583	13,634,703	14,150,271	14,688,293	15,249,827	15,835,980	16,447,914
Other													
E153	Miscellaneous	13,820	13,820	13,820	13,820	13,820	13,820	13,820	13,820	13,820	13,820	13,820	13,820
E154	Contingency	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
E155	Taxes	800	800	800	800	800	800	800	800	800	800	800	800
Total Other		39,620	39,620	39,620	39,620	39,620	39,620	39,620	39,620	39,620	39,620	39,620	39,620
Transfers Out													
E156	Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
E157	Transfer - Equip Replacement	0	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
E158	Transfer - Storm Drain	257,480	257,480	257,480	257,480	257,480	257,480	257,480	257,480	257,480	257,480	257,480	257,480
E159	Transfer - Workers Comp	0	0	0	0	0	0	0	0	0	0	0	0
E160	Transfer - Capital Improvement	0	0	0	0	0	0	0	0	0	0	0	0
E161	Transfer - Community Development	0	0	0	0	0	0	0	0	0	0	0	0
E162	Transfer - GO Bond	167,300	168,568	164,892	166,060	171,880	224,625	224,625	224,625	224,625	224,625	224,625	224,625
Total Transfers Out		424,780	626,048	622,372	623,540	629,360	682,105	682,105	682,105	682,105	682,105	682,105	682,105
Total Expenditures		32,754,805	34,284,891	35,547,748	36,733,742	37,975,693	39,318,450	40,494,023	41,668,851	42,894,110	44,172,496	45,506,866	46,900,255
Net Operating Balance		1,870,565	1,765,535	1,470,857	1,246,735	991,550	674,411	549,462	467,135	378,048	281,385	176,245	61,641
Ending Fund Balance		3,303,480	5,069,015	6,539,871	7,786,607	8,778,156	9,452,567	10,002,030	10,469,164	10,847,212	11,128,597	11,304,843	11,366,484