



DATE: September 20, 2021

AGENDA ITEM # 3

TO: Financial Commission
FROM: Jon Maginot, Deputy City Manager
SUBJECT: Preliminary Five-year financial projection

RECOMMENDATION:

Receive a preliminary five-year projection, provide feedback as appropriate and defer further consideration to after completion of the FY 2020/21 audit

BACKGROUND

The City of Los Altos has two major financial review points in a given 12-month period; during the adoption of the budget and the mid-year financial review. It is beneficial during these times to briefly consider potential future revenue and expenditures to ensure proper planning. However, it should be noted that events will occur that will disrupt any financial projections.

DISCUSSION

Staff has developed a basic five-year financial projection to help as the Financial Commission makes recommendations to the City on future budgeting and financial matters. The numbers provided in this projection are staff's best determinations based on known information at this point. As more data becomes available, these estimations can be updated and refined. The City is currently in the process of closing the FY 2020/21 books which includes an audit of the City's finances. As such, the numbers represented for FY 2020/21 are taken from the mid-year financial review dated March 23, 2021. Once the audit is completed, these numbers can be replaced with actuals for the past Fiscal Year. Likewise, the numbers for FY 2021/22 and FY 2022/23 are taken from the two-year budget adopted in June 2021.

Attached is a table that shows the various revenue and expenditure categories for the prior three fiscal years and five upcoming fiscal years. To develop the five-year projection, staff used very conservative assumptions including modest revenue growth and realistic expenditure growth. As indicated earlier, any number of factors, including outside forces and actions taken by City, will cause these numbers to be adjusted and vary.

The preliminary five-year projection shows that as circumstances return to pre-COVID-19 levels, the City will begin to realize additional funds that can be used for needed maintenance on City facilities and other important City functions.

Staff recommends that the Commission review the preliminary five-year financial projection, provide feedback as appropriate and continue further discussion to after completion of the FY 2020/21 audit.

Attachment: Preliminary five-year financial projection

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Revenues	Actual	Actual	Projected	Budget	Budget	Projected	Projected	Projected
Taxes	\$34,510,795	\$35,596,861	\$34,526,236	\$36,665,070	\$37,983,388	\$40,811,534	\$42,975,086	\$44,690,902
Interest/Rental Income	\$1,932,911	\$2,257,576	\$365,000	\$359,000	\$356,300	\$356,300	\$356,300	\$356,300
Fees	\$9,076,778	\$7,946,708	\$6,629,204	\$7,848,500	\$8,696,225	\$9,581,228	\$9,763,878	\$9,951,120
Miscellaneous Revenue	\$195,369	\$235,603	\$105,293	\$99,000	\$99,000	\$99,000	\$99,000	\$99,000
One-Time Revenues	\$0	\$0	\$10,382,530	\$3,598,964	\$3,598,964	\$0	\$0	\$0
Transfers In	\$166,430	\$111,850	\$100,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000
Total	\$45,882,283	\$46,148,598	\$52,108,263	\$48,800,534	\$50,963,877	\$51,078,062	\$53,424,264	\$55,327,321

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Expenditures	Actual	Actual	Projected	Budget	Budget	Projected	Projected	Projected
Legislative	\$281,850	\$369,547	\$297,547	\$368,572	\$369,875	\$380,971	\$392,400	\$404,172
Executive	\$3,935,061	\$5,994,973	\$6,441,209	\$6,593,329	\$6,726,421	\$6,928,214	\$7,136,060	\$7,350,142
Finance	\$1,456,339	\$2,150,798	\$1,620,366	\$2,049,301	\$1,753,182	\$1,805,777	\$1,859,951	\$1,915,749
Community Development	\$3,132,945	\$3,157,421	\$3,137,595	\$4,278,005	\$4,298,163	\$4,427,108	\$4,559,921	\$4,696,719
Engineering	\$2,333,452	\$2,664,951	\$2,856,220	\$3,847,984	\$3,981,301	\$4,100,740	\$4,223,762	\$4,350,475
Maintenance Services	\$5,283,007	\$5,168,016	\$5,118,324	\$5,821,229	\$5,926,799	\$6,104,603	\$6,287,741	\$6,476,373
Public Safety	\$18,117,843	\$18,795,500	\$19,033,858	\$21,662,657	\$22,918,053	\$23,605,595	\$24,313,762	\$25,043,175
Recreation & Community Services	\$2,468,894	\$2,313,247	\$1,695,041	\$2,471,738	\$2,691,761	\$2,772,514	\$2,855,689	\$2,941,360
Transfers Out	\$6,523,798	\$17,806,518	\$10,789,490	\$1,707,719	\$2,298,322	\$817,784	\$842,318	\$867,587
Total	\$43,533,189	\$58,420,971	\$50,989,650	\$48,800,534	\$50,963,877	\$50,943,306	\$52,471,605	\$54,045,753

Revenues over Expenditures	\$2,349,094	-\$12,272,373	\$1,118,613	\$0	\$0	\$134,757	\$952,659	\$1,281,569
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