

Long-Range Financial Forecast

PURPOSE AND OVERVIEW

The purpose of City’s Long-Range Financial Forecast is to provide long-term context for annual decisions that will be made with the FY2020 Budget and FY2020-2029 Ten Year Capital Plan.

The City’s Long-Range Financial Forecast looks ten years into the future and considers all appropriated funds. The City updates long-term planning activities annually based upon its June Strategic Planning meeting in order to provide direction to the budget process.

The Forecast includes general assumptions regarding future economic conditions, revenue and expenditure forecasts, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms.

The City includes its Long-Range Financial Forecast in its annual budget document. The Forecast is reviewed with, and approved by, the City Council during the month of August each year. The City also includes the Forecast on its website independent of the Budget for easy access to the public.

GENERAL ASSUMPTIONS AND METHODOLOGY USED FOR ALL FUND FORECASTS

Capital Spending – All projects identified and approved in the City’s 10-Year Capital Budget are included in the Long-Range Financial Forecast.

“Pay as you go” – Goods and services are paid with existing funds instead of relying on credit.

Debt – No additional debt will need to be incurred in the next ten years to achieve the City’s Long-Range Financial Forecast. No additional payments will be made above the amount obligated to be paid.

Inflation Rate – The average of all expense line items excluding payroll-related expenditures are forecasted to increase 2% per year due to inflation.

Labor costs – Each year assumes step raises will be granted to all employees, an increase of 2.5% per year to payroll costs.

Balanced Budgets – In years forecasted beyond the current budget, budgets in all funds will be balanced (i.e., current resources will equal or exceed current expenditures).

Targeted Fund Levels – Targeted fund levels are calculated using the City’s Fund Balance Policy approved by Council in 2016. Minimum and Maximum targeted levels are calculated as follows:

	<u>Operating Expenditures</u>		<u>Capital Expenditures</u>		<u>Debt Obligation</u>		<u>Other Reserve</u>
General Fund	50-100%	+	5-10 Years	+	1 Year	+	\$ 1 million emergency funds
Utility Fund	50-100%	+	1-2 Years	+	n/a		
Sanitation Fund	50-100%	+	1-2 Years	+	n/a	+	Landfill closure/post closure

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GENERAL FUND LONG-RANGE FORECAST

(Million \$'s)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues	10.2	10.7	11.0	11.2	11.4	11.6	11.9	12.1	12.3	12.5
Operating Expenditures	(8.1)	(8.3)	(8.5)	(8.6)	(8.8)	(9.0)	(9.2)	(9.4)	(9.6)	(9.8)
Funded Depreciation	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital Expenditures	(2.9)	(1.9)	(1.3)	(1.3)	(1.7)	(1.2)	(1.1)	(4.1)	(0.8)	(1.1)
Debt Payment	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Transfers	-	-	-	-	-	-	-	-	-	-
Change in Fund Balance	(1.5)	(0.1)	0.7	0.7	0.3	0.8	1.0	(2.0)	1.3	1.1
Ending Fund Balance	13.0	12.8	13.5	14.2	14.5	15.3	16.3	14.3	15.7	16.8
Target per Fund Policy:										
Minimum	15.1	13.4	12.7	15.6	15.2	15.3	15.4	15.5	15.6	15.7
Maximum	27.4	27.6	27.8	28.0	28.1	28.3	28.5	28.7	28.9	29.1

Assumptions specific to the General Fund:

- Sales taxes are projected to increase 3% each year & Property taxes are projected to increase 3.5% each year.
- Operating Expenditures include 2.5% annual step raises and 2% inflationary increases on non-labor line items.
- Individual Capital Expenditures over \$500,000 included in the Forecast:
 - Renovation of the EMS Building (\$800,000 in 2020)
 - Repair South Loop 1910 from SW 11th to SW Main Street (\$1,050,000 in 2020)
 - Re-mill and repair south Loop overlay (\$3,292,750 in 2027)

Finding(s) / Discussion:

- Fund balance remains within the City's targeted levels every year of the forecast.

UTILITY FUND LONG-RANGE FORECAST

(Million \$'s)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues	5.1	6.2	5.9	7.9	4.6	5.8	5.7	5.9	6.5	5.7
Operating Expenditures	(3.2)	(3.3)	(3.4)	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)	(3.8)	(3.9)
Funded Depreciation	1.2	1.2	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.5
Capital Expenditures	(1.8)	(2.6)	(2.3)	(5.5)	(0.6)	(1.6)	(1.3)	(1.7)	(1.8)	(0.4)
Transfers	0.4	1.4	1.0	2.9	(0.5)	0.6	0.4	0.4	0.9	0.0
Change in Fund Balance	1.7	3.0	2.6	3.2	1.5	2.6	2.6	2.3	3.3	3.0
Ending Fund Balance	2.6	3.0	3.3	2.3	2.9	3.5	4.3	4.8	5.6	7.1
Target per Fund Policy:										
Minimum	4.2	3.9	7.2	2.3	3.3	3.1	3.5	3.7	2.3	2.3
Maximum	8.0	11.0	9.4	5.5	6.4	6.6	7.2	5.9	10.1	10.1

Assumptions specific to the Utility Fund:

- An automatic 3% rate increase in water rates every year as approved by Council in 2010.
- Operating Expenditures include annual 2.5% step raises and 2% inflationary increases on non-labor line items.
- Transfers represent funds received from Andrews Economic Development Sales Tax for infrastructure costs.
- Capital Expenditures over \$500,000 included in the Forecast:
 - 8 Phase Wellfield Expansion project. (Total of \$7,442,762 between 2020 and 2029)
 - A new water tower in north Andrews (\$4,000,000 in 2023; assumes \$2,000,000 5-year loan)

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Finding(s) / Discussion:

- Fund balances remain below minimum targets for several years due to significant capital investments made between 2015-2023 for a new water treatment facility and water wellfield expansion.

SANITATION FUND LONG-RANGE FORECAST

(Million \$'s)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Revenues	2.1	2.1	2.1	2.1	2.1	2.2	2.3	2.3	2.3	2.3
Operating Expenditures	(1.6)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)
Funded Depreciation	0.2	0.3	0.4	0.5	0.5	0.5	0.4	0.5	0.6	0.6
Capital Expenditures	(0.5)	(0.5)	(0.8)	(0.1)	(0.3)	(0.1)	(0.6)	(0.6)	(0.1)	(0.3)
Change in Fund Balance	0.2	0.2	(0.0)	0.7	0.4	0.9	0.3	0.3	0.9	0.6
Ending Fund Balance	2.4	2.3	1.9	2.1	2.1	2.5	2.4	2.2	2.5	2.6
Target per Fund Policy:										
Minimum	2.2	2.5	1.9	2.1	1.9	2.5	2.5	2.0	2.3	2.4
Maximum	3.8	3.5	3.0	3.1	3.4	3.9	3.5	3.3	4.1	4.6

Assumptions specific to the Utility Fund:

- A 9.75% rate increase in 2025.
- Operating Expenditures include annual 2.5% step raises and 2% inflationary increases on non-labor line items.
- Capital Expenditures over \$500,000 included in the Forecast: none

Finding(s) / Discussion:

- With the exception of FY2019, fund balance remains within the City's targeted levels every year of the forecast.

Year-End Fund Balances
10 years actual + 10 years forecasted

