# General Fund Five-Year Financial Forecast

December 17, 2013

# Purpose of the Five-Year Forecast

- Precursor to the budget process
- Provides long-term impacts of current year budget decisions
- Details the identified structural deficit

# Forecast Methodology - Overall

- Revenues:  moderate growth
- Expenditures:  continuation of current services, contractual obligations, personnel cost increases, cost of business increases, debt service
- Contingency:  5% of total revenue

# Forecast Methodology - Revenue

- Modest sales tax growth rates
- Expiration of the $0.007 temporary sales tax
- Moderate State-Shared Revenue increases - continued statewide economic recovery
- Primary property tax levy increases at 2% allowable by state law
- Maintenance of inter-fund support (approximately 5.6% of total revenue/year)

# Forecast Methodology - Expenditures

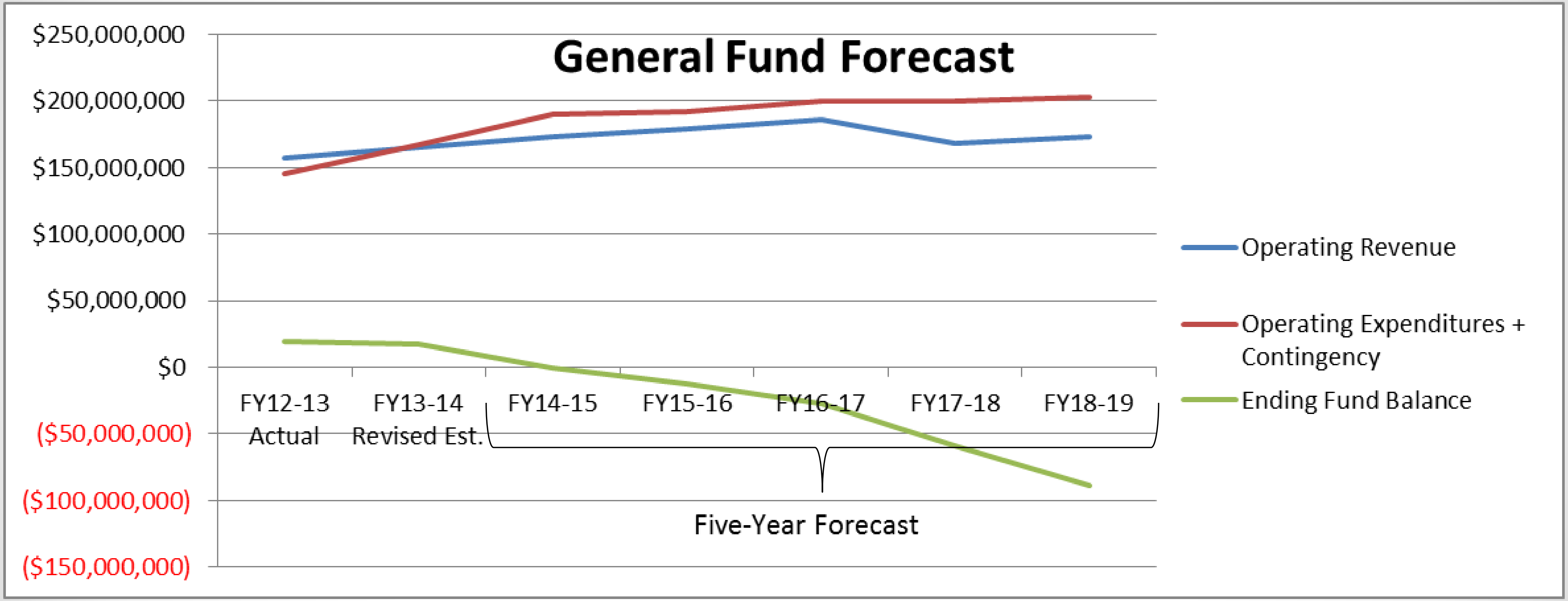
- Debt service support
- Arena & Camelback Ranch operating and capital costs
- Lease payments and inter-fund loan repayments
- Super Bowl support of approximately $1.7 million
- Salary Adjustments – Anticipated MOU costs and 2.5%/year for non-represented employees
- Health insurance increases
- Compression of non-represented employee pay ranges (60% to 40%)
- ASRS/PSPRS increases
- Stabilization of Risk & Workers' Comp. funds
- 5% contingency funding *

# General Fund Structural Deficit

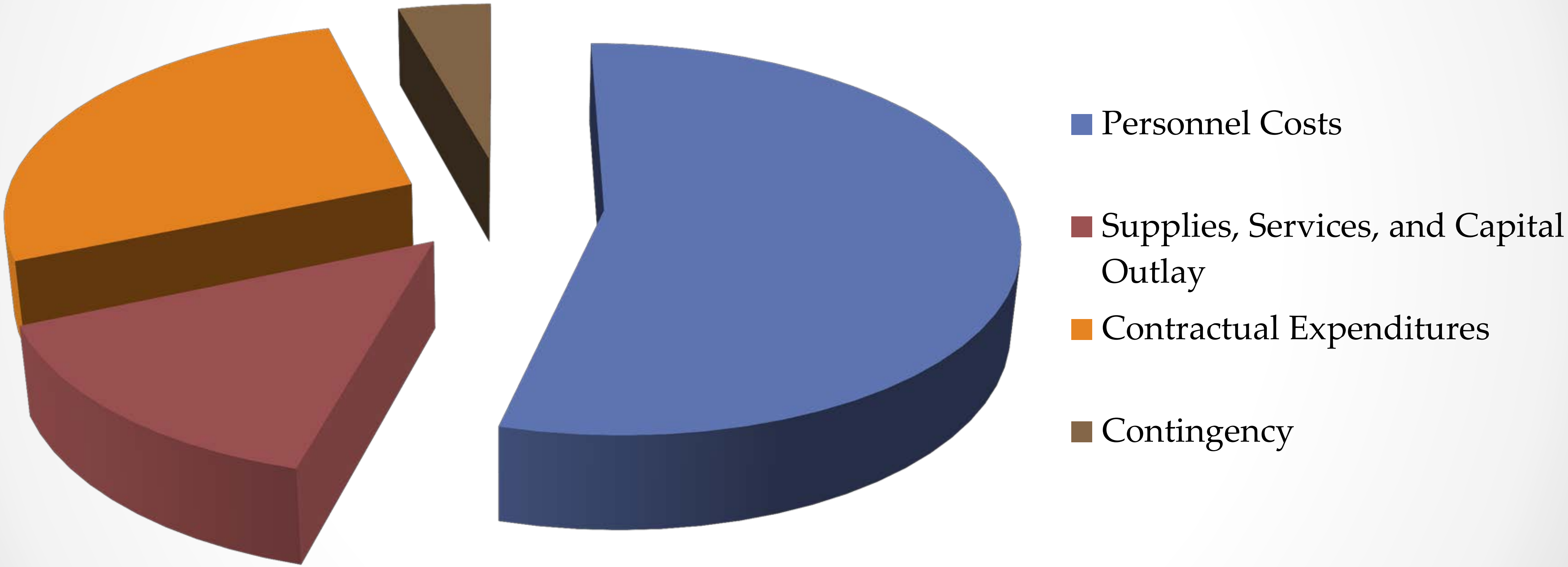
- Approximately $14 million annually in FY14-15 – FY16-17
- Grows to approximately $30 million annually in FY17-18 and beyond
- At June 30, 2015, the ending fund balance is a deficit $0.2 million
- Can the fund balance carry the structural deficit? No

| | FY14-15 | FY15-16 | FY16-17 | FY17-18 | FY18-19 |
|---|---|---|---|---|---|
| **Beginning Fund Balance** | $17,003,850 | ($241,058) | ($12,707,661) | ($27,026,856) | ($58,769,992) |
| | | | | | |
| Operating Revenue | 172,453,862 | 178,838,480 | 185,769,581 | 168,163,763 | 172,766,038 |
| Operating Expenditures | (181,076,077) | (182,363,159) | (190,800,298) | (191,498,710) | (193,806,382) |
| Contingency | (8,622,693) | (8,941,924) | (9,288,479) | (8,408,188) | (8,638,302) |
| **Total Surplus/(Deficit)** | (17,244,908) | (12,466,603) | (14,319,195) | (31,743,135) | (29,678,646) |
| | | | | | |
| **Ending Fund Balance** | ($241,058) | ($12,707,661) | ($27,026,856) | ($58,769,992) | ($88,448,638) |

# General Fund Structural Deficit



# Where does the money go?



# Addressing the Structural Deficit

- Increase revenue, decrease expenditures, or a combination of the two
- Previously, like most cities, the City has created new revenue and implemented cuts in personnel, supplies, training, and other controllable costs without impacting services
- Going forward, new revenue should be pursued while making necessary cuts. Those cuts will most likely impact services and may require alternative service delivery models.
- How quickly should we begin to address this?
  - Staff recommends the City take a dual approach to implement short-term solutions while pursuing/researching long-term solutions for Council consideration

# Options Available

- Short-Term Options
  - Reduce or eliminate contingency funding
  - Adjust or remove expenditures such as salary increases
  - Increase administrative inter-fund charges to enterprise funds
  - Immediately reduce or eliminate services or service levels
  - Liquidate assets (one-time cash inflows only)

- Long-Term Options
  - Seek new revenue sources
  - Review of current property and sales tax which could include continuation of the sales tax increase at predetermined levels
  - Reinvent Glendale City government, through stakeholder input and evaluation of alternative service delivery models including liquidation of additional assets
  - Reevaluate/renegotiate current contractual obligations and debt structure

# Next Step

- If Council supports a dual approach, staff will schedule a series of Council budget workshops to further discuss specific areas, options, and potential solutions
- Staff believes this is manageable and requires a strategic approach

# Questions/Discussion