

Five-Year Financial Forecasts

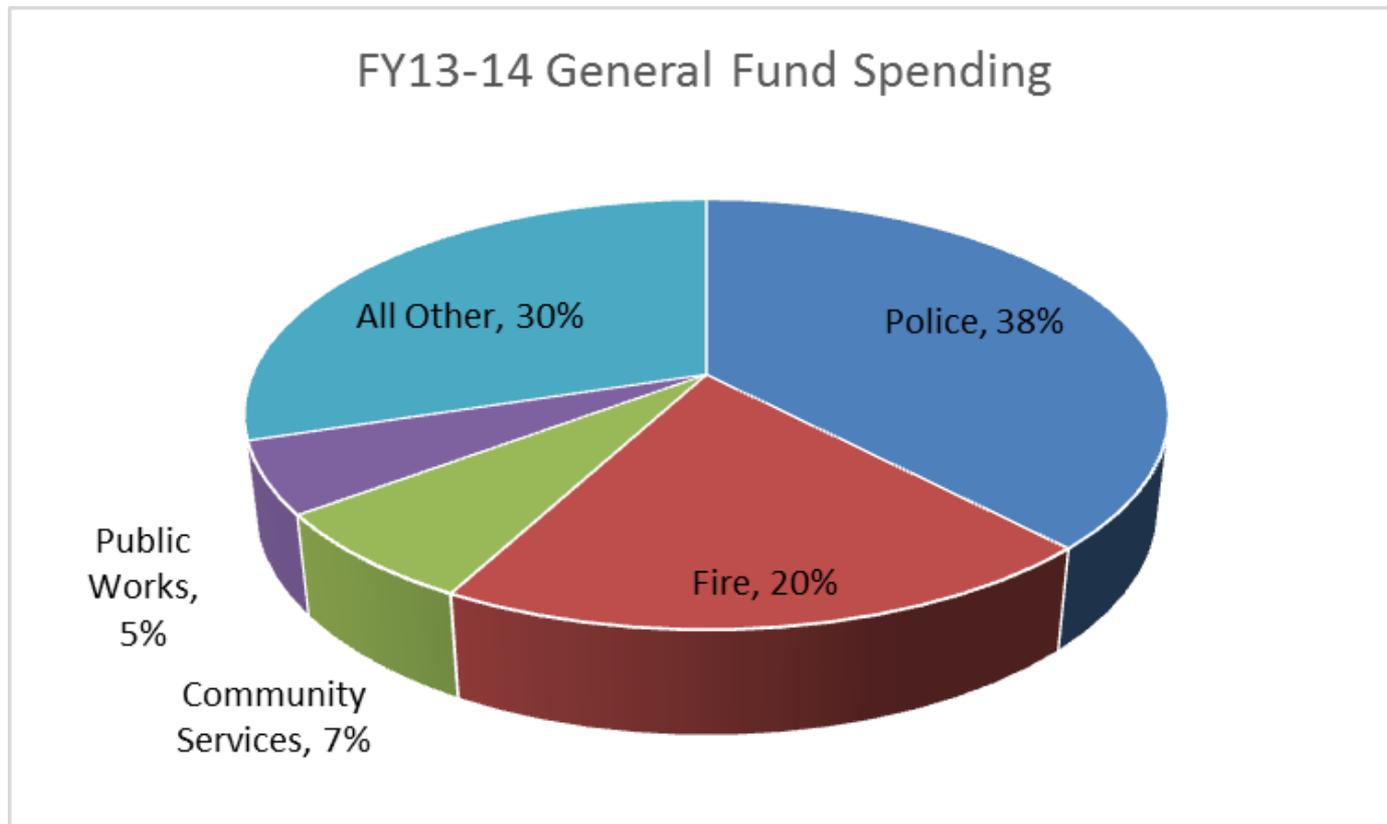
Glendale City Council Workshop
December 16, 2014

Purpose of the Five-Year Forecasts

- Precursor to the budget process
- Provides long-term impacts of current year budget decisions
- Details projected financial trends
 - General Fund
 - Enterprise Funds (3 total)
 - Special Revenue Funds (4 total)
- Forecasts are not detailed budget discussions
 - Forecasts are high level overviews
 - Details are discussed during the budget process

General Fund

- Accounts for all sources of revenue not designated for a specific purpose
- Largest operating fund of the City



Forecast Methodology - Overall

- Revenues: moderate growth
- Expenditures: \$3 million increases in police and fire services and continuation of remaining services, continued contractual obligations, personnel cost increases, modest cost of business increases, maintenance of current and projected future debt service
- Contingency Line Item: General Fund, \$5 million, all other funds dependent upon financial condition of the fund

Forecast Methodology - Revenue

- Modest sales tax growth rates
- Beginning July 1, 2015, annual reductions in the General Fund sales tax rate of 0.025% per year (reduced from 1.9% to 1.775% over five years)
- Assumes no impact from HB2111
- Moderate State-Shared Revenue increases - continued statewide economic recovery
- Primary property tax levy increases at 2% allowable by state law (increased revenue of \$107,283 for FY15-16)
- Maintenance of level inter-fund support (approximately 4.4% of total revenue per year)
- Nominal enterprise fund revenue growth/no rate adjustments

Forecast Methodology - Expenditures

- Sub-fund costs absorbed
- Debt service support
- Refunding savings
- Arena & Camelback Ranch operating and capital costs
- Lease payments and inter-fund loan repayments
- Increased police and fire services
- Salary Adjustments – Anticipated MOU costs and 2.5%/year for non-represented employees
- Health insurance increases
- ASRS/PSPRS increases
- Contingency line item

General Fund Forecast

- Deficit in FY16-17 & FY17-18
 - FY16-17 - Final \$5 million NHL payment, \$1 million NCAA Final Four Costs
 - FY17-18 - Final \$3.4 million lease payment

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	30,175,492	30,222,973	24,390,988	20,784,141	21,557,774
Operating Revenue	208,010,787	213,814,538	219,951,035	226,305,286	232,886,057
Operating Expenditures	(205,263,432)	(213,333,337)	(211,298,792)	(211,754,398)	(215,835,109)
Net Transfers	2,300,126	(1,313,187)	(7,259,089)	(8,777,255)	(9,196,229)
Contingency	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Total Surplus/(Deficit)	47,481	(5,831,986)	(3,606,846)	773,633	2,854,719
Ending Fund Balance	30,222,973	24,390,988	20,784,141	21,557,774	24,412,493

Total Surplus/Deficit	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
December 16, 2014	47,481	(5,831,986)	(3,606,846)	773,633	2,854,719
December 17, 2013	(12,466,603)	(14,319,195)	(31,743,135)	(29,678,646)	N/A

General Fund Summary

- Hold the line on costs
- Watch revenues/economy closely
- Monitor the impacts of HB2111
- No new services throughout the five-year period unless costs are offset by additional cuts or sustainable revenues
- Continue with asset sales & alternative service delivery
 - Rebuild CIP
 - Seek to streamline and improve operations
- Continue to examine contractual obligations, per Council direction

Enterprise Funds

1. Water & Sewer

2. Sanitation

3. Landfill

- Supported primarily from user fees or charges
- Funds operate much like a business
- More capital intensive operations
 - Capital Outlay Conservatively Estimated
- No indications rate adjustments are necessary in FY15-16

Water & Sewer

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	58,550,113	48,246,778	25,624,350	5,566,689	(9,996,505)
Operating Revenue	81,645,039	82,073,669	82,855,981	83,617,363	84,441,411
Operating Expenditures	(73,254,879)	(74,940,093)	(76,056,902)	(77,133,000)	(77,862,681)
Capital Outlay	(16,693,495)	(27,656,004)	(24,756,740)	(19,947,557)	(18,521,225)
Contingency	(2,000,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)
Total Surplus/(Deficit)	(10,303,335)	(22,622,428)	(20,057,661)	(15,563,194)	(14,042,495)
Ending Fund Balance	48,246,778	25,624,350	5,566,689	(9,996,505)	(24,039,000)

Sanitation

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	1,044,392	1,173,971	628,021	(353,409)	(1,687,546)
Operating Revenue	15,076,637	15,223,101	15,308,271	15,392,611	15,470,455
Lease Proceeds	4,070,000	3,635,000	1,925,000	1,470,000	2,739,000
Operating Expenditures	(14,197,048)	(15,009,052)	(15,529,701)	(15,966,748)	(16,615,963)
Capital Outlay	(4,070,010)	(3,635,000)	(1,925,000)	(1,470,000)	(2,739,000)
Contingency	(750,000)	(760,000)	(760,000)	(760,000)	(770,000)
Total Surplus/(Deficit)	129,579	(545,951)	(981,430)	(1,334,137)	(1,915,508)
Ending Fund Balance	1,173,971	628,021	(353,409)	(1,687,546)	(3,603,055)

Landfill

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	7,154,475	3,809,217	1,244,522	190,699	(185,701)
Operating Revenue	11,033,194	11,513,397	11,670,865	11,823,034	11,940,152
Bond Proceeds	15,000,000	5,000,000	5,000,000	-	-
Operating Expenditures	(8,925,559)	(10,403,262)	(11,008,378)	(11,609,434)	(11,775,102)
Capital Outlay	(19,902,893)	(8,094,830)	(6,136,310)	-	(785,341)
Contingency	(550,000)	(580,000)	(580,000)	(590,000)	(600,000)
Total Surplus/(Deficit)	(3,345,258)	(2,564,695)	(1,053,823)	(376,400)	(1,220,290)
Ending Fund Balance	3,809,217	1,244,522	190,699	(185,701)	(1,405,991)

Enterprise Fund Summary

- Hold the line on costs
- Watch revenues/economy closely
- Manage Capital Outlay to minimize debt service costs and ensure responsible timing rate adjustments
- Plan for future debt issuance in Landfill Fund
- Determine optimal financing for sanitation capital outlay primarily for sanitation vehicles

Special Revenue Funds

1. Highway User Revenue Fund (HURF)
 2. Transportation Sales Tax
 3. PSST - Police
 4. PSST – Fire
- Funds are legally restricted
 - Transportation & HURF Funds are capital intensive

Highway User Revenue Fund (HURF)

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	11,283,009	8,234,602	1,591,331	1,891,597	2,149,506
Operating Revenue	14,053,939	13,184,478	13,316,322	13,449,486	13,583,981
Bond Proceeds	10,000,000	-	-	-	-
Operating Expenditures	(10,452,346)	(10,167,749)	(10,346,055)	(10,521,578)	(10,699,997)
Capital Outlay	(16,000,000)	(9,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Contingency	(650,000)	(660,000)	(670,000)	(670,000)	(680,000)
Total Surplus/(Deficit)	(3,048,407)	(6,643,271)	300,267	257,908	203,984
Ending Fund Balance	8,234,602	1,591,331	1,891,597	2,149,506	2,353,489

Transportation Sales Tax

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	18,537,460	5,756,074	10,225,123	11,477,456	12,987,645
Operating Revenue	25,981,737	26,724,749	27,680,772	28,507,456	29,525,874
Bond Proceeds	-	15,000,000	-	-	-
Operating Expenditures	(21,198,302)	(20,480,233)	(22,030,356)	(22,267,063)	(22,504,180)
Capital Outlay	(16,364,821)	(15,575,468)	(3,098,083)	(3,430,204)	(9,591,954)
Contingency	(1,200,000)	(1,200,000)	(1,300,000)	(1,300,000)	(1,300,000)
Total Surplus/(Deficit)	(12,781,386)	4,469,048	1,252,333	1,510,189	(3,870,260)
Ending Fund Balance	5,756,074	10,225,123	11,477,456	12,987,645	9,117,385

PSST - Police

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	7,427,075	6,527,075	5,627,075	4,727,075	3,827,075
Operating Revenue	15,045,955	15,557,517	16,102,030	16,665,601	17,248,897
Net Transfers Out	(15,945,955)	(16,457,517)	(17,002,030)	(17,565,601)	(18,148,897)
Total Surplus/(Deficit)	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)
Ending Fund Balance	6,527,075	5,627,075	4,727,075	3,827,075	2,927,075

PSST - Fire

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Beginning Fund Balance	936,645	836,645	736,645	636,645	536,645
Operating Revenue	7,576,332	7,833,927	8,108,114	8,391,898	8,685,614
Net Transfers Out	(7,676,332)	(7,933,927)	(8,208,114)	(8,491,898)	(8,785,614)
Total Surplus/(Deficit)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Ending Fund Balance	836,645	736,645	636,645	536,645	436,645

Special Revenue Fund Summary

- Hold the line on costs
- Watch revenues/economy closely
- Manage Capital Outlay to minimize debt service costs and ensure responsible timing rate adjustments
- Plan for future debt issuance in HURF and Transportation Sales Tax Funds

Overall

- Hold the line on costs
- Watch revenues/economy closely
- Monitor the impacts of HB2111
- No new services throughout the five-year period unless costs are offset by additional cuts or sustainable revenues
- Continue with asset sales & alternative service delivery
 - Rebuild CIP
 - Seek to streamline and improve operations
- Continue to examine contractual obligations, per Council direction
- Manage Capital Outlay to minimize debt service costs and ensure responsible timing rate adjustments

Next Steps

- Staff will begin the operating budget process
- Staff will prepare and bring back a balanced FY15-16 General Fund Budget for Council's consideration and input
- A series of Council Budget Workshops will be held