Long Term Financial Forecast

Amended for Covid-19 Emergency

Assumptions Used to Build Forecast

General Assumptions

The Covid-19 virus forced a significant shutdown of the economy. This will have direct impacts on reducing sales tax, Measure A funding, SB-1 Funding, Gas Tax, charges for services and development related permits and fees. These impacts will impact the last 4 months of FY 2020. Further, impacts on each of these revenue areas will be felt during FY 2021. Since the State has authorized the deferral of sales tax payments and the filing of sales and use tax returns, cash flows will be delayed. Further, it is prudent to expect a reasonable level of non-payment from businesses.

This model assumes the impacts of the massive economic shutdown are felt through FY 2021 and have lingering impacts on FY 2022 in the form of reductions is property values and resulting reductions in property tax collections. Sales tax and other revenues start to rebound in FY 2022 with more robust growth in FY 2023.

Revenues

- **Sales Tax** – FY 2020 finishes at $4.9 million which is down from FY 2019 at $5.6 million (12% drop). This is in-line with the HDL forecast. FY 2021 forecast is $4.3 million which is a further (8%) drop. This is lower than the HDL forecast of $4.8 million. FY 2023 and FY 2024 have strong growth and the rest of the forecast is for moderate 4% growth.
- **Property Tax**– FY 2021 is not impacted by the recession and finishes the year at $6.1 million. FY 2022 is impacted as unemployment and continued economic challenges drive consumer demand down – (5%) reduction. The housing market rebounds in FY 2023 with 7% growth. 5% growth expected for the remainder of the forecast period
- **Motor Vehicle in Lieu** – rides with property tax – same forecast methodology
- **Utility User Tax** – flat in FY 2021 due to continued economic disruption, normal growth in FY 2022 with 2% growth throughout the forecast period.
- **Other Taxes** – flat in FY 2020, 2% growth assumed for the remainder of the forecast
- **Permits and Fees** – permits and development related charges have been very volatile over the past several years. In FY 2018, they totaled $4.5 million. In FY 2019, they totaled $5.5 million. The forecast for FY 2021 is approximately $2.9 million. This reflects the absence of large projects such as Amazon and a reduction in planned residential permit activity. 3% growth is forecasted for the remainder of the model.
- **Charges for Services** – are expected to drop in FY 2021 due to reduction in services available. They are expected to rebound in FY 2022 and then have a general 2% growth for the remainder of the forecast.
- **Gas Tax** – drops from $1.1 million in FY 2020 to $976K in FY 2021. Increases begin in FY 2022 with strong growth in FY 2023 and then 4% growth through the rest of the forecast period.

- **CFD Transfer** – growth is lower in FY 2022 then 5% through the remainder of the forecast.
- **Admin Transfer** – from Wastewater and Transit – set to grow with the increase in expenditures – 4% average annual increase.

Expenses

- Salaries – 4% annual increase (includes both COLA and merit increases)
- Pensions – 7% increase year over year/ adjustments for Covid-19 losses
- Health Insurance – 5.4% year over year increase (demonstrated as covered by the City)
- Other personnel costs – up significantly in FY 2020, workers comp is the largest driver. 2% increases year over year for the forecast period.
- Contractual Services – large increase to FY 2020 budget driven by legal costs increases - $650K, fire contract increases $175K and other operating increases $200K – 4% increases through the forecast period – higher than average due to fire contract
- All other expenses – same as old forecast
- Model works off FY 2020 proposed budget – therefore a savings factor is used for personnel and operating costs to estimate the expected actual costs.