

General Fund Long Term Financial Forecast Assumptions (2021 through 2030)

Recession Model – revised October 8, 2020

This forecast model assumes moderate growth in revenues and expenditures. The model includes a moderate level recession that occurs in FY 2023 with initial impacts on sales tax, then impacts to property tax in FY 2024. The recession is relieved by FY 2025 with stronger than normal growth both before and after the recession. The remainder of the forecast period will have normalized growth.

Revenues

Sales Tax

Sales tax impacted less than expected by Covid-19. Fiscal year 2020 on a normalized basis finished at \$5.4 million. Growth expected in FY 2021 and FY 2022 due to new retail development coming online. Recession impacts felt in 2023 and 2024. Stronger than normal growth out of the recession is expected. Then normalized growth is expected through the remainder of the forecast period.

- 2021 – is increased from \$4.0 million to \$5.7 million as Covid-19 has had less impact than expected. This is in line with the current HDL forecast.
- 2022 – 7% growth
- 2023 – (8%) reduction (recession)
- 2024 – (3)% reduction (lingering impacts of recession)
- 2025 – 8% growth
- 2026, 2027, 2028, 2029, 2030 – 4% growth

Property Tax and Motor Vehicle in Lieu

Growth is projected to slow in future years – reducing the base level of increase down to 7%. This provides for 4% increase in base level valuation and 3% increase for expected new growth. Recession has impact in FY 2024 and FY 2025 with stronger growth in FY 2026 as the City emerges from recession.

- 2021– 7% growth
- 2022, 2023 – 6% growth
- 2024 – (10%) reduction (recession)
- 2025 –0% growth
- 2026 – 8% growth – stronger growth out of recession
- 2027, 2028, 2029, 2030 – 5% growth (housing model projects slower pace of growth)

Utility Users Tax – increases at 3% annually except for FY 2024 which is flat due to the forecasted recession

- Business License** - 3% increases annually except FY 2024 which is flat during the recession
- Other Taxes and Franchise Fees** - increase at 3.0% for all years except FY 2024 which is flat due to the forecasted recession
- Permits and Fees** - stronger growth in FY 2022 (7%) and FY 2023 (9%) due to planned projects, otherwise 4% growth. FY 2024 and FY 2025 held flat due to recession.
- Charges for Services** - expected to stay flat in FY 2021 due to Covid-19, 3.0% growth for remainder of forecast
- Gas Tax** - growth 3% throughout the forecast period
- CFD Transfer** – increase at 4% throughout the forecast period, except for FY 2024 and FY 2025 which increase at 2% due to the forecasted recession.
- Admin Transfer** – from Wastewater and Transit – set to grow at same pace of expenditures annually beginning in FY 2022

Expenses

Personnel Costs

- Salaries – 4.0% annual increase (2.0% merit and 2.0% cost of living)
- Pensions – 7.5% annual increase (costs set to escalate in future years due to unfunded liability)
- Health Insurance – 5.4% annual increase
- Workers Comp – 4% annual increase
- Other personnel costs – 4% annual increase

Operating Costs

- Contractual Services – 5% annual increase (normal costs increase at 4%, fire services contract increases by 6% annually)
- Utilities – 3.5% annual increase
- Insurance Costs – 4% annual increase
- All other costs – 2.5% annual increase (tied to 10 year CPI increase level)
- Vehicles and Furniture – have varied considerably – set at the most recent 3-year average, then increased by 3% annually
 - Vehicles - \$380,000
 - Furniture - \$204,000