

# LONG RANGE FINANCIAL PROJECTION

This Long Range Financial Projection (LRFP) is prepared in accordance with Financial Policies Section IX, Long Range Financial Projection. The purpose is to provide a longer-term context for the biennial budget, to clarify and illustrate Council's long-range financial policy direction, and to integrate the estimated long-term operating impacts from capital projects into the operating budget projections.

The focus of the LRFP is on the general governmental operations of the County. The Joint Utilities and other proprietary funds are excluded from this analysis.

## **Baseline Scenario**

The key assumptions built into the baseline LRFP are the following:

### Revenue Assumptions:

1. Charges for services, franchise taxes and interfund/interdepartmental charges are estimated using a simple forecast based upon past history and the new increase. The primary assumptions for each of these lines was that the specific mix of revenues would remain stable over time and that there were no significant plans or other revenue interrelationships that would require a more refined projection model. The projection does include \$600,000 of new charges for services, beginning in FY2020 associated with the anticipated opening of the multigenerational pool and the new recreation center. Corresponding new operating expenses are also included (see note below).
2. Grants – The detail for FY2017 was reviewed and those items that were one time in nature or declining were reduced in future years. The base estimate for expected recurring revenues is \$806,179 in FY2018. In subsequent years this amount is inflated annually at a rate of 3%.
3. Land Sales – The County has future plans that would involve sale of County land parcels. Land sales revenue totaling approximately \$5.5 million is included in the CIP Fund over FYs 2018 – 2020. There parcels include 20th St., A-13&12, A-8 and A-9., A-19 (affordable housing), A-3/A-7, A-8 (residential), and A-8 (affordable housing). Any land sales will be subject to future development plans and subject to Council approval.
4. GRT revenue – The two primary sources of input for GRT revenue projections are the federal budget projections and input from LANL regarding projected spending. While the first input drives the other, it is the spending that actually generates GRT.

LANL is currently operating under a congressional continuing resolution, six months into its fiscal year, which restricts their spending levels to match the previous fiscal year's approved budget. Largely due to this fact, GRT revenues for the General Fund are estimated to be approximately \$4 million below what was budgeted in FY2017 and approximately \$2 million below our original forecasts for FY2018.

The GRT revenues are estimated to change as follows (in \$millions):

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(in \$millions)												
Actual	Actual	Projected										
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
45	41	44	46	47	46	47	48	48	49	50	50	51
%Change	-8.0%	7.9%	3.3%	2.3%	-1.9%	1.7%	1.7%	1.0%	1.7%	1.7%	1.7%	1.7%

There has been a significant amount of volatility in GRT and therefore the County is taking a conservative approach to budgeting this revenue source into the future. GRT revenues are projected to increase by 7.9% over projected revenues for 2017, which assumes that the delay in LANL spending has mostly been reversed. For FY2019 and beyond, there is a 2% annual growth factor assumed for GRT revenue growth. In addition, there is a total of \$4.3 million of one-time new GRT related to projected County CIP and new property development over FYs 2019 to 2023. Beginning in FY2018, there is an annual compounding decrease of \$140,000 also included in the projection associated with the phase out of hold harmless GRT payments from the State.

5. The average annual valuation increases are estimated to be 3%. In addition, there is \$374,000 in new property tax revenue associated with projected new property development that phases in over FYs 2020 through 2024.
6. If not specifically addressed, revenues are projected to follow either historical trends or historical averages.

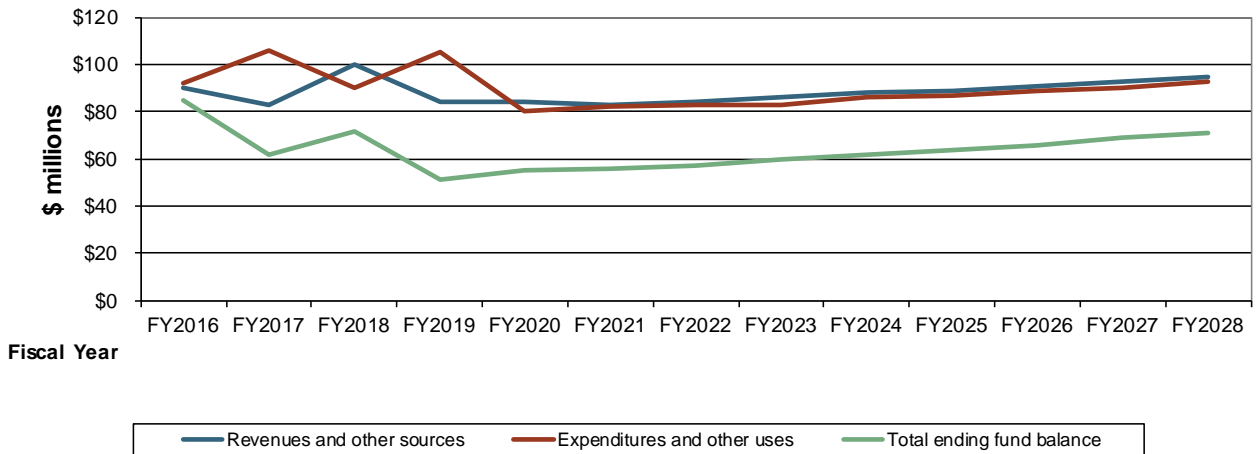
## Operating Expenditure Assumptions:

1. In FY2018 and beyond, General Fund Expenditures are estimated to inflate annually at an average of 2%.
2. Expenditures in other special revenue funds inflate at varying rate of 1% to 3% annually.
3. In FY2020 and beyond, \$425,000 annually is estimated for Economic Development operational expenses to be paid from the General Fund as the Economic Development fund will be out of fund balance and has no identified revenue stream. An additional \$50,000 is also programmed into the Lodgers' Tax Fund in FY2020 for similar programs.
4. In FY2020, \$1.6 million in new operating expenses has been added to the General Fund for CIP project operating costs. This is offset by a planned decrease in debt service expense for the GRT revenue bonds in the General Fund of \$1.7 million and by the new charges for services noted earlier.

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The following table and graph illustrate the projected outcomes.

Governmental Activities Summary (in \$ millions)													
	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Total beginning fund balance	87	85	62	72	51	55	56	57	60	62	64	66	69
Revenues and other sources	90	83	100	84	84	83	84	86	88	89	91	93	95
Expenditures and other uses	(92)	(106)	(90)	(105)	(80)	(82)	(83)	(83)	(86)	(87)	(89)	(90)	(93)
Total ending fund balance	85	62	72	51	55	56	57	60	62	64	66	69	71



It should be noted that the projected fund balance growth is primarily due to projected growth in the CIP and CIP Permanent Funds.

## Financial Risks and Mitigation Strategies

The most significant risk inherent in this LRFP is that projected GRT tax revenue from LANL decreases substantially (either the tax status of the contractor changes and/or the nature and size of LANL operations changes, and/or State tax law changes unfavorably).

The Council has endorsed a regional strategy to pursue State legislative changes that could help alleviate the risk associated with the tax status of the LANL contractor changing. In addition, a basic tenet of the County's ongoing budget development processes is to find efficiencies where possible, realign personnel with changing operations, and eliminate vacant positions when possible, thereby reducing recurring operating costs.

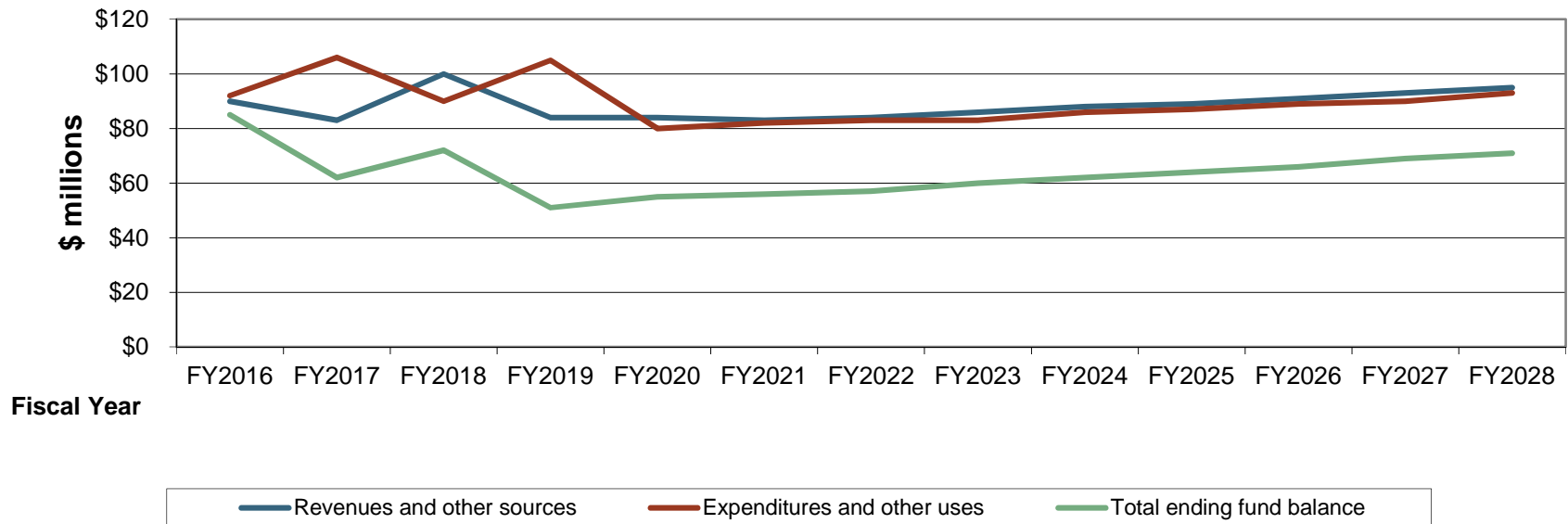
## SUMMARY

The purpose of the LRFP is to illustrate the potential long-term impacts of operating and capital plans from a comprehensive perspective. The Capital Improvement Program, implemented as a whole and based upon the stated assumptions, is projected to generate positive economic benefit and to improve the quality of life for the community, although there are risks that will need to be managed carefully. It also projects that some additional capacity for other projects will be available over the long-term.

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## Governmental Activities Summary (in \$ millions)

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
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Total ending fund balance	85	62	72	51	55	56	57	60	62	64	66	69	71



**GENERAL FUND LONG RANGE PROJECTION BUDGET SUMMARY**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	Projected	Proposed	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Total beginning fund balance \$</b>	19,810,212	18,500,731	20,891,604	21,053,965	22,214,206	21,578,047	21,502,638	21,533,229	21,371,250	21,290,636	21,298,828
<b>Revenues:</b>											
Gross Receipts Taxes	37,261,000	40,208,000	41,515,000	42,475,000	41,659,000	42,357,000	43,064,000	43,487,000	44,225,000	44,976,000	45,748,000
Property Taxes	6,992,560	7,046,531	7,258,000	7,570,000	7,957,000	8,236,000	8,523,000	8,819,000	9,084,000	9,357,000	9,638,000
Interdepartmental charges	6,893,926	6,819,874	7,024,000	7,235,000	7,452,000	7,676,000	7,906,000	8,143,000	8,387,000	8,639,000	8,898,000
User Charges	2,122,353	2,281,520	2,350,000	3,021,000	3,112,000	3,205,000	3,301,000	3,400,000	3,502,000	3,607,000	3,715,000
Investment income	1,300,000	1,338,000	1,045,000	1,053,000	1,111,000	1,079,000	1,075,000	1,077,000	1,069,000	1,065,000	1,065,000
Grants	1,925,337	806,179	830,000	855,000	881,000	907,000	934,000	962,000	991,000	1,021,000	1,052,000
Other	1,429,500	1,366,500	1,407,000	1,449,000	1,492,000	1,537,000	1,583,000	1,630,000	1,679,000	1,729,000	1,781,000
<b>Revenues:</b>	57,924,676	59,866,604	61,429,000	63,658,000	63,664,000	64,997,000	66,386,000	67,518,000	68,937,000	70,394,000	71,897,000
<b>Transfers from other funds</b>	2,546,156	2,613,140	2,644,000	2,703,000	2,688,000	2,736,000	2,785,000	2,822,000	2,874,000	2,926,000	2,979,000
<b>Expenditures:</b>											
County Council \$	367,000	398,546	407,000	415,000	423,000	431,000	440,000	449,000	458,000	467,000	476,000
Municipal Court	505,000	544,275	555,000	566,000	577,000	589,000	601,000	613,000	625,000	638,000	651,000
County Manager	3,702,000	3,402,793	3,471,000	4,015,000	4,095,000	4,177,000	4,261,000	4,346,000	4,433,000	4,522,000	4,612,000
County Assessor	365,000	393,837	402,000	410,000	418,000	426,000	435,000	444,000	453,000	462,000	471,000
County Attorney	652,000	703,539	718,000	732,000	747,000	762,000	777,000	793,000	809,000	825,000	842,000
County Clerk	498,000	574,053	586,000	598,000	610,000	622,000	634,000	647,000	660,000	673,000	686,000
Probate Court	6,000	5,906	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
County Sheriff	15,000	15,510	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Community Development	1,775,000	1,819,685	1,856,000	1,893,000	1,931,000	1,970,000	2,009,000	2,049,000	2,090,000	2,132,000	2,175,000
Administrative Services	7,084,000	7,582,681	7,734,000	7,889,000	8,047,000	8,208,000	8,372,000	8,539,000	8,710,000	8,884,000	9,062,000
Community Services	9,965,000	10,447,712	10,657,000	12,470,000	12,719,000	12,973,000	13,232,000	13,497,000	13,767,000	14,042,000	14,323,000
Fire	4,954,000	5,207,149	5,311,000	5,417,000	5,525,000	5,636,000	5,749,000	5,864,000	5,981,000	6,101,000	6,223,000
Police	8,575,000	8,560,047	8,731,000	8,906,000	9,084,000	9,266,000	9,451,000	9,640,000	9,833,000	10,030,000	10,231,000
Public Works	10,566,000	11,579,841	11,811,000	12,047,000	12,288,000	12,534,000	12,785,000	13,041,000	13,302,000	13,568,000	13,839,000
<b>Expenditures</b>	49,029,000	51,235,574	52,261,000	55,380,000	56,486,000	57,616,000	58,768,000	59,944,000	61,143,000	62,366,000	63,613,000
<b>Transfers to other funds</b>	12,751,313	8,853,297	11,649,639	9,820,759	10,502,159	10,192,409	10,372,409	10,557,979	10,748,614	10,945,808	11,150,055
<b>Ending fund balance:</b>											
Nonspendable	1,567,303	1,607,303	1,702,555	1,718,113	1,733,826	1,749,696	1,765,725	1,781,914	1,798,265	1,814,779	1,831,459
Restricted for Cash Requirements	4,538,151	4,584,553	4,669,663	4,928,540	5,020,338	5,114,128	5,209,744	5,307,352	5,406,869	5,508,378	5,611,879
Other Restricted/Assigned	1,984,000	2,152,000	2,367,697	2,379,294	2,391,907	2,404,536	2,418,181	2,432,843	2,447,521	2,463,216	2,479,928
Unassigned	10,411,277	12,547,748	12,314,050	13,188,259	12,431,976	12,234,278	12,139,579	11,849,141	11,637,981	11,512,455	11,488,507
<b>Total ending fund balance \$</b>	18,500,731	20,891,604	21,053,965	22,214,206	21,578,047	21,502,638	21,533,229	21,371,250	21,290,636	21,298,828	21,411,773
<b>Operating Surplus / (Shortfall)</b>	(1,309,481)	2,390,873	162,361	1,160,241	(636,159)	(75,409)	30,591	(161,979)	(80,614)	8,192	112,945
Unassigned target - 20% of Rev.	11,584,935	11,973,321	12,285,800	12,731,600	12,732,800	12,999,400	13,277,200	13,503,600	13,787,400	14,078,800	14,379,400
\$ over (under) target	(1,173,658)	574,427	28,250	456,659	(300,824)	(765,122)	(1,137,621)	(1,654,459)	(2,149,419)	(2,566,345)	(2,890,893)
Unassigned as a % of Revenue	18%	21%	20%	21%	20%	19%	18%	18%	17%	16%	16%