

# 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. 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 \$50,000 of new charges for services, beginning in FY2020 associated with the anticipated opening of the Kiddie Pool. Corresponding new operating expenses are also included (see note below).
2. Grants – The detail for FY2018 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 in the General fund is \$926,049 in FY2019. 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 \$5.3 million is included in the CIP Fund over FYs 2019 – 2020. There parcels include 20th St., A-13&12, and A-8. 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.

As previously noted, the M&O contract at LANL is currently under procurement. The projection below assumes that the new contract is for-profit. Should that assumption be incorrect and a non-profit be awarded the contract, the projection would be approximately 50% lower.

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

(in \$millions)												
Actual 2016	Actual 2017	Projected										
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
45	41	45	45	47	47	47	48	48	49	50	51	52
%Change	-8.0%	8.4%	1.5%	3.0%	0.2%	0.7%	1.7%	0.7%	1.7%	1.7%	1.7%	1.7%

# LONG RANGE FINANCIAL PROJECTION

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 1.5% over projected revenues for 2018.

5. The average annual valuation increases are estimated to be 3%.
6. If not specifically addressed, revenues are projected to follow either historical trends or historical averages.

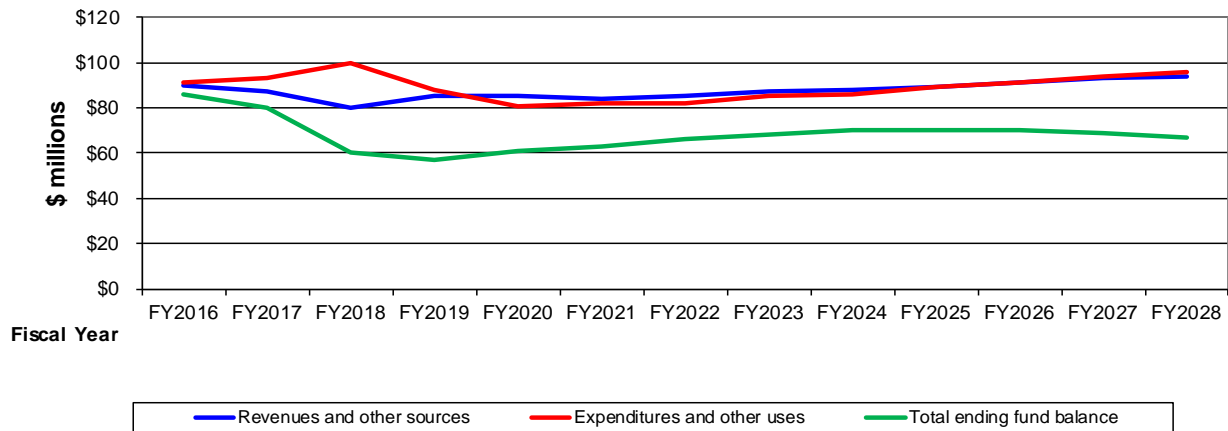
## Operating Expenditure Assumptions:

1. In FY2021 and beyond, General Fund Expenditures are estimated to inflate annually at an average of 3%.
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, \$370,000 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.

# LONG RANGE FINANCIAL PROJECTION

The following table and graph illustrate the projected outcomes.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total beginning fund balance	\$ 87	86	80	60	57	61	63	66	68	70	70	70	69
Revenues and other sources	90	87	80	85	85	84	85	87	88	89	91	93	94
Expenditures and other uses	(91)	(93)	(100)	(88)	(81)	(82)	(82)	(85)	(86)	(89)	(91)	(94)	(96)
Total ending fund balance	86	80	60	57	61	63	66	68	70	70	70	69	67



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 future years. 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.

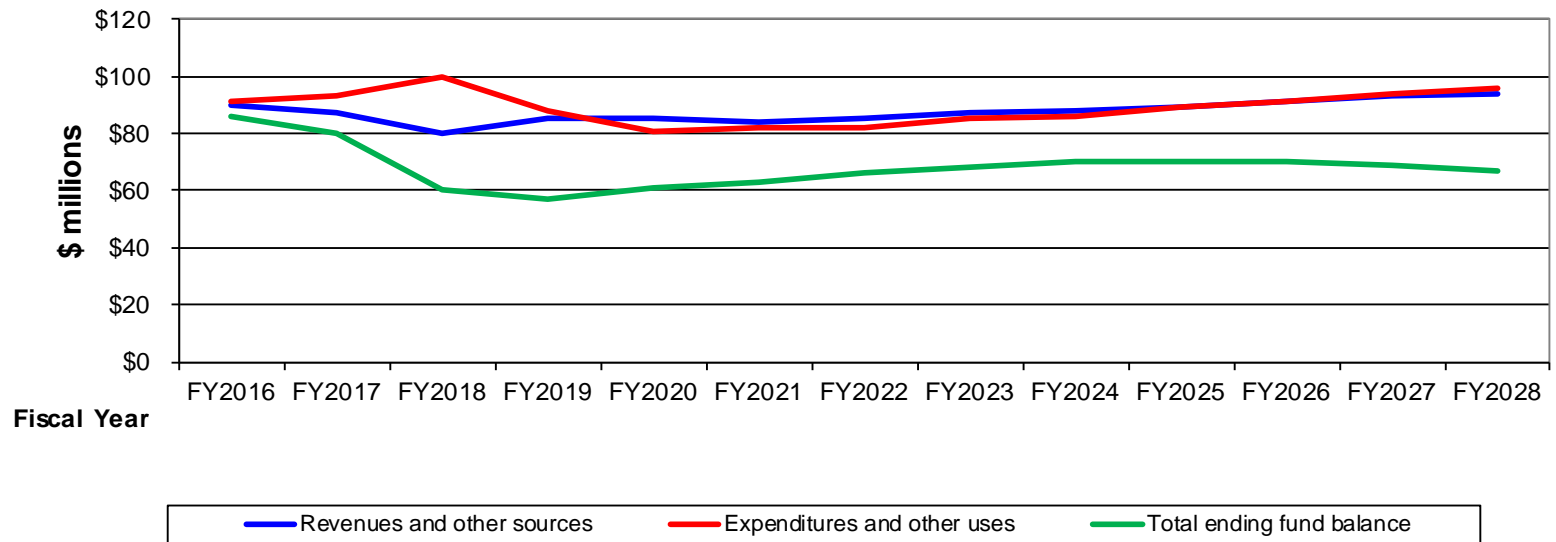
## SUMMARY

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.

## LONG RANGE FINANCIAL PROJECTION

### 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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**GENERAL FUND LONG RANGE PROJECTION BUDGET SUMMARY**

	<u>2019</u> Proposed	<u>2020</u> Projected	<u>2021</u> Projected	<u>2022</u> Projected	<u>2023</u> Projected	<u>2024</u> Projected	<u>2025</u> Projected	<u>2026</u> Projected	<u>2027</u> Projected	<u>2028</u> Projected
<b>Beginning fund balance:</b>										
Nonspendable	1,551,437	1,601,437	1,655,891	1,670,982	1,686,224	1,701,619	1,717,168	1,732,871	1,748,732	1,764,751
Restricted for Cash Requirements	4,445,285	4,301,713	4,453,453	4,900,652	5,037,768	5,178,785	5,324,201	5,473,933	5,628,230	5,787,175
Other Restricted/Assigned	1,773,670	773,670	1,075,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Revenue Stabilization	0	0	0	0	0	0	0	0	0	0
Unassigned	14,274,646	15,577,093	16,876,128	17,343,678	17,701,911	17,085,090	15,952,966	13,689,372	11,183,305	7,393,432
<b>Total beginning fund balance</b>	<b>22,045,038</b>	<b>22,253,913</b>	<b>24,060,471</b>	<b>24,915,312</b>	<b>25,425,903</b>	<b>24,965,494</b>	<b>23,994,335</b>	<b>21,896,176</b>	<b>19,560,267</b>	<b>15,945,358</b>
<b>Revenues:</b>										
Gross Receipts Taxes	40,988,000	42,215,000	42,301,000	42,611,000	43,328,000	43,632,000	44,377,000	45,129,000	45,900,000	46,687,000
Property Taxes	7,142,776	7,357,000	7,578,000	7,805,000	8,039,000	8,280,000	8,528,000	8,784,000	9,048,000	9,319,000
Interdepartmental charges	6,994,640	7,205,000	7,421,000	7,644,000	7,873,000	8,109,000	8,352,000	8,603,000	8,861,000	9,127,000
User Charges	2,260,970	2,377,000	2,448,000	2,521,000	2,597,000	2,675,000	2,755,000	2,838,000	2,923,000	3,011,000
Investment income	1,471,576	1,303,887	1,684,000	1,744,000	1,780,000	1,748,000	1,680,000	1,533,000	1,369,000	1,116,000
Grants	926,049	937,049	965,000	994,000	1,024,000	1,055,000	1,087,000	1,120,000	1,154,000	1,189,000
Other	1,361,314	1,368,554	1,410,000	1,452,000	1,496,000	1,541,000	1,587,000	1,635,000	1,684,000	1,735,000
<b>Revenues:</b>	<b>61,145,325</b>	<b>62,763,490</b>	<b>63,807,000</b>	<b>64,771,000</b>	<b>66,137,000</b>	<b>67,040,000</b>	<b>68,366,000</b>	<b>69,642,000</b>	<b>70,939,000</b>	<b>72,184,000</b>
<b>Transfers from other funds</b>	<b>2,555,860</b>	<b>2,631,868</b>	<b>2,691,000</b>	<b>2,723,000</b>	<b>2,772,000</b>	<b>2,804,000</b>	<b>2,855,000</b>	<b>2,906,000</b>	<b>2,959,000</b>	<b>3,012,000</b>
<b>Total sources of funds</b>	<b>85,746,223</b>	<b>87,649,271</b>	<b>90,558,471</b>	<b>92,409,312</b>	<b>94,334,903</b>	<b>94,809,494</b>	<b>95,215,335</b>	<b>94,444,176</b>	<b>93,458,267</b>	<b>91,141,358</b>
<b>Expenditures:</b>										
	2019	2020	2021	2022	2022	2022	2022	2022	2022	2022
County Council	419,546	419,546	432,000	445,000	458,000	472,000	486,000	501,000	516,000	531,000
Municipal Court	522,517	536,976	553,000	570,000	587,000	605,000	623,000	642,000	661,000	681,000
County Manager	3,540,784	4,466,258	4,600,000	4,738,000	4,880,000	5,026,000	5,177,000	5,332,000	5,492,000	5,657,000
County Assessor	407,201	409,481	422,000	435,000	448,000	461,000	475,000	489,000	504,000	519,000
County Attorney	703,539	705,414	727,000	749,000	771,000	794,000	818,000	843,000	868,000	894,000
County Clerk	568,528	571,376	589,000	607,000	625,000	644,000	663,000	683,000	703,000	724,000
Probate Court	5,906	5,906	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
County Sheriff	15,510	15,510	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Community Development	1,878,307	1,887,989	1,945,000	2,003,000	2,063,000	2,125,000	2,189,000	2,255,000	2,323,000	2,393,000
Administrative Services	7,469,690	7,527,491	7,753,000	7,986,000	8,226,000	8,473,000	8,727,000	8,989,000	9,259,000	9,537,000
Community Services	10,582,995	11,130,324	11,464,000	11,808,000	12,162,000	12,527,000	12,903,000	13,290,000	13,689,000	14,100,000
Fire	5,207,149	5,207,149	5,363,000	5,524,000	5,690,000	5,861,000	6,037,000	6,218,000	6,405,000	6,597,000
Police	8,601,047	8,642,167	8,901,000	9,168,000	9,443,000	9,726,000	10,018,000	10,319,000	10,629,000	10,948,000
Public Works	11,697,841	11,915,843	12,273,000	12,641,000	13,020,000	13,411,000	13,813,000	14,227,000	14,654,000	15,094,000
<b>Expenditures</b>	<b>51,620,560</b>	<b>53,441,430</b>	<b>55,044,000</b>	<b>56,696,000</b>	<b>58,395,000</b>	<b>60,147,000</b>	<b>61,951,000</b>	<b>63,810,000</b>	<b>65,725,000</b>	<b>67,697,000</b>
<b>Transfers to other funds</b>	<b>11,871,750</b>	<b>10,147,370</b>	<b>10,599,159</b>	<b>10,287,409</b>	<b>10,974,409</b>	<b>10,668,159</b>	<b>11,368,159</b>	<b>11,073,909</b>	<b>11,787,909</b>	<b>11,503,628</b>
<b>Ending fund balance:</b>										
Nonspendable	1,601,437	1,655,891	1,670,982	1,686,224	1,701,619	1,717,168	1,732,871	1,748,732	1,764,751	1,780,931
Restricted for Cash Requirements	4,301,713	4,453,453	4,900,652	5,037,768	5,178,785	5,324,201	5,473,933	5,628,230	5,787,175	5,950,851
Other Restricted/Assigned	773,670	1,075,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	15,577,093	16,876,128	17,343,678	17,701,911	17,085,090	15,952,966	13,689,372	11,183,305	7,393,432	3,208,948
<b>Total ending fund balance</b>	<b>22,253,913</b>	<b>24,060,471</b>	<b>24,915,312</b>	<b>25,425,903</b>	<b>24,965,494</b>	<b>23,994,335</b>	<b>21,896,176</b>	<b>19,560,267</b>	<b>15,945,358</b>	<b>11,940,730</b>
<b>Total uses of funds</b>	<b>85,746,223</b>	<b>87,649,271</b>	<b>90,558,471</b>	<b>92,409,312</b>	<b>94,334,903</b>	<b>94,809,494</b>	<b>95,215,335</b>	<b>94,444,176</b>	<b>93,458,267</b>	<b>91,141,358</b>
<b>Operating Surplus / (Shortfall)</b>	<b>208,875</b>	<b>1,806,558</b>	<b>854,841</b>	<b>510,591</b>	<b>(460,409)</b>	<b>(971,159)</b>	<b>(2,098,159)</b>	<b>(2,335,909)</b>	<b>(3,614,909)</b>	<b>(4,004,628)</b>
Unassigned as a % of Revenue	25.48%	26.89%	27.18%	27.33%	25.83%	23.80%	20.02%	16.06%	10.42%	4.45%
Unassigned Target (20% of Rev)	12,229,065	12,552,698	12,761,400	12,954,200	13,227,400	13,408,000	13,673,200	13,928,400	14,187,800	14,436,800
\$ over (under) target	3,348,028	4,323,430	4,582,278	4,747,711	3,857,690	2,544,966	16,172	(2,745,095)	(6,794,368)	(11,227,852)