

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 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 FY2021 associated with the anticipated opening of the Kiddie Pool. Corresponding new operating expenses are also included (see note below).
2. Grants – The detail for FY2019 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 \$673,000 in FY2020. 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 \$3.2 million is included in the CIP Fund over FYs 2020 – 2021. The parcels include A-13&12, and A-16. 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.

The M&O contract at LANL has been awarded to Triad National Security, LLC. Based upon recent state legislative changes, the projection below assumes that the new contractor will be paying GRT in a manner similar to prior years.

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

(in \$millions)												
Actual Actual		Projected										
<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>	<u>2028</u>	<u>2029</u>
42	46	54	56	56	57	59	60	62	64	66	68	70
%Change	8.7%	14.8%	3.6%	0.0%	1.8%	3.4%	1.7%	3.2%	3.1%	3.0%	2.9%	2.9%

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The increase projected beginning in FY 2019 is consistent with higher LANL budgets, increased hiring and spending at LANL, and with YTD receipts in FY 2019.

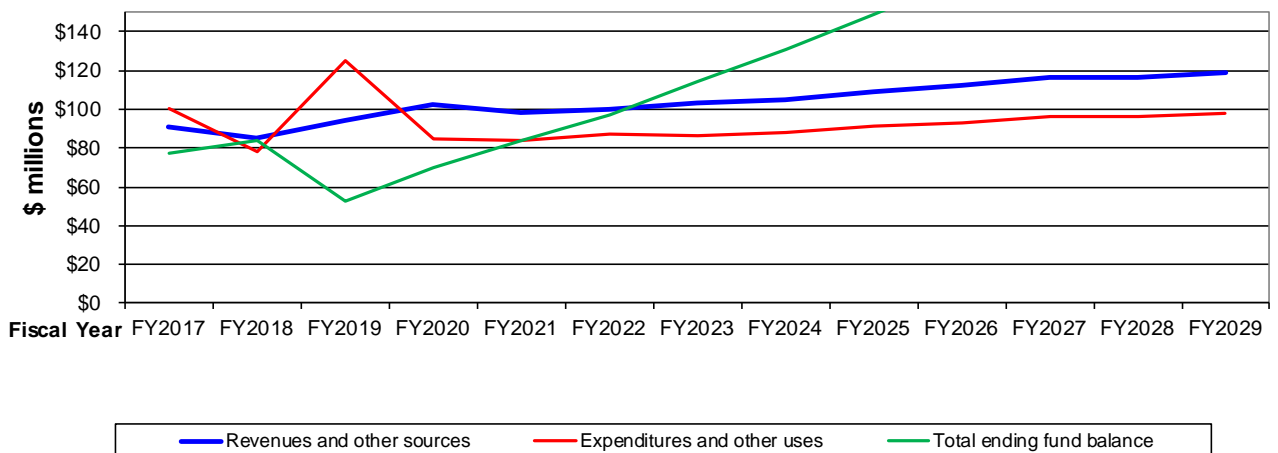
- There are no specific property tax rate adjustments projected. **NOTE** – the state's yield control formula will impact the calculated levied rate, so Council and the public should expect to see some minor rate changes from the state calculation when the rates are certified from the state in September and presented to the Council for adoption.
- If not specifically addressed, revenues are projected to follow either historical trends or historical averages.

Operating Expenditure Assumptions:

- In FY2021 and beyond, General Fund Expenditures are estimated to inflate annually at an average of 3%.
- Expenditures in other special revenue funds inflate at varying rate of 1% to 3% annually.
- In FY2021, \$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.

The following table and graph illustrate the projected outcomes.

	<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>	<u>FY2029</u>
Total beginning fund balance	86	77	84	53	70	84	97	114	131	149	168	188	208
Revenues and other sources	91	85	94	102	98	100	103	105	109	112	116	116	119
Expenditures and other uses	(100)	(78)	(125)	(85)	(84)	(87)	(86)	(88)	(91)	(93)	(96)	(96)	(98)
Total ending fund balance	77	84	53	70	84	97	114	131	149	168	188	208	229



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The projected fund balance growth is primarily due to projected growth in the General Fund, 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 taxable status of the contractor changes and/or the nature and size of LANL operations changes, and/or State tax law changes unfavorably).

The Council's regional strategy to pursue a State legislative change was successful this past year and has alleviated the risk associated with the tax status of the LANL contractor. Under the new law, any federal or state lab contractor will be subject to GRT, regardless of non-profit status. Another element used by the County is to have a relatively conservative policy for fund balance targets. This enables the County to have some lead time to react to unexpected GRT changes. 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.

GENERAL FUND BUDGET SUMMARY

	FY2019 Projected	FY2020 Proposed	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected	FY2025 Projected	FY2026 Projected	FY2027 Projected	FY2028 Projected	FY2029 Projected
Beginning Fund Balance											
Nondisposable	1,520,487	1,546,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799
Restricted for Cash Requirements	4,648,574	4,723,595	4,827,900	4,563,569	4,700,476	4,841,491	4,986,735	5,136,338	5,290,428	5,449,141	5,612,615
Other Restricted/Assigned	5,957,305	2,293,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670
Unassigned	13,177,552	23,710,443	34,867,999	45,017,710	55,082,624	65,706,375	76,466,340	87,823,852	99,808,181	112,438,489	125,749,807
Total beginning fund balance	25,303,918	32,274,507	43,801,368	53,686,748	63,888,569	74,653,335	85,558,544	97,065,659	109,204,078	121,993,099	135,467,891
Revenues											
Gross Receipts Taxes	48,999,000	50,458,000	50,831,000	52,098,000	53,641,000	54,819,000	56,461,000	58,156,000	59,893,000	61,688,000	63,540,000
Property Taxes	7,200,000	7,507,880	7,733,116	7,965,110	8,204,063	8,450,185	8,703,691	8,964,801	9,233,745	9,510,758	9,796,080
Interdepartmental Charges	6,994,640	7,612,336	7,840,706	8,075,927	8,318,205	8,567,751	8,824,784	9,089,527	9,362,213	9,643,079	9,932,372
Investment Income	1,621,000	1,865,000	1,603,000	1,949,000	2,306,000	2,648,000	3,030,000	3,432,000	3,857,000	4,305,000	4,776,000
Grants	1,624,980	673,000	693,190	713,986	735,405	757,467	780,191	803,597	827,705	852,536	878,112
User Charges	2,290,000	2,290,000	2,340,000	2,390,000	2,440,000	2,490,000	2,540,000	2,590,000	2,640,000	2,690,000	2,740,000
Other	1,240,000	1,240,000	1,277,200	1,315,516	1,354,981	1,395,631	1,437,500	1,480,625	1,525,044	1,570,795	1,617,919
Total Revenues	69,969,620	71,646,216	72,318,212	74,507,539	76,999,655	79,128,035	81,777,166	84,516,551	87,338,707	90,260,168	93,280,483
Transfers from other funds	2,555,860	2,971,868	3,061,000	3,153,000	3,248,000	3,345,000	3,445,000	3,548,000	3,654,000	3,764,000	3,877,000
Total sources of funds	97,829,398	106,892,591	119,180,580	131,347,287	144,136,224	157,126,370	170,780,710	185,130,210	200,196,785	216,017,267	232,625,374
Expenditures											
County Council	395,547	419,546	432,132	445,096	458,449	472,203	486,369	500,960	515,989	531,468	547,412
County Assessor	387,252	428,500	441,355	454,596	468,234	482,281	496,749	511,651	527,001	542,811	559,095
County Clerk	578,084	612,747	631,129	650,063	669,565	689,652	710,342	731,652	753,602	776,210	799,496
County Sheriff	15,510	15,510	15,975	16,455	16,948	17,457	17,980	18,520	19,075	19,648	20,237
Municipal Court	529,228	560,563	577,380	594,701	612,542	630,919	649,846	669,342	689,422	710,104	731,408
Probate Court	5,906	5,906	6,083	6,266	6,454	6,647	6,847	7,052	7,264	7,482	7,706
County Manager	3,523,010	3,630,747	3,739,669	3,851,859	3,967,415	4,086,438	4,209,031	4,335,302	4,465,361	4,599,322	4,737,301
County Attorney	668,774	726,299	748,088	770,531	793,647	817,456	841,980	867,239	893,256	920,054	947,655
Administrative Services	7,307,634	7,645,544	7,874,910	8,111,158	8,354,492	8,605,127	8,863,281	9,129,179	9,403,055	9,685,146	9,975,701
Community Development	1,841,874	1,935,756	1,993,829	2,053,644	2,115,253	2,178,710	2,244,072	2,311,394	2,380,736	2,452,158	2,525,723
Community Services	10,278,735	10,798,194	11,522,140	11,867,804	12,223,838	12,590,553	12,968,270	13,357,318	13,758,038	14,170,779	14,595,902
Fire	5,012,562	5,207,149	5,363,363	5,524,264	5,689,992	5,860,692	6,036,513	6,217,608	6,404,136	6,596,261	6,794,148
Police	8,733,061	8,784,830	9,048,375	9,319,826	9,599,421	9,887,404	10,184,026	10,489,546	10,804,233	11,128,360	11,462,211
Public Works	14,405,964	11,901,362	12,368,403	12,739,455	13,121,639	13,515,288	13,920,746	14,338,369	14,768,520	15,211,575	15,667,923
Total Expenditures	53,683,141	52,672,653	54,762,833	56,405,718	58,097,889	59,840,826	61,636,051	63,485,132	65,389,686	67,351,377	69,371,918
Transfers to other funds	11,871,750	10,418,570	10,731,000	11,053,000	11,385,000	11,727,000	12,079,000	12,441,000	12,814,000	13,198,000	13,594,000
Ending fund balance											
Nondisposable	1,546,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799	1,571,799
Restricted for Cash Requirements	4,723,595	4,827,900	4,563,569	4,700,476	4,841,491	4,986,735	5,136,338	5,290,428	5,449,141	5,612,615	5,780,993
Other Restricted/Assigned	2,293,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670	2,533,670
Unassigned	23,710,443	34,867,999	45,017,710	55,082,624	65,706,375	76,466,340	87,823,852	99,808,181	112,438,489	125,749,807	139,772,994
Ending fund balance	32,274,507	43,801,368	53,686,748	63,888,569	74,653,335	85,558,544	97,065,659	109,204,078	121,993,099	135,467,891	149,659,456
Total uses of funds	97,829,398	106,892,591	119,180,580	131,347,287	144,136,224	157,126,370	170,780,710	185,130,210	200,196,785	216,017,267	232,625,374
Operating Surplus / (Shortfall)	6,970,589	11,526,861	9,885,380	10,201,821	10,764,766	10,905,209	11,507,115	12,138,419	12,789,021	13,474,792	14,191,566
Unassigned as a % of Revenue	33.89%	48.67%	62.25%	73.93%	85.33%	96.64%	107.39%	118.09%	128.74%	139.32%	149.84%
Unassigned Target (20% of Rev)	13,993,924	14,329,243	14,463,642	14,901,508	15,399,931	15,825,607	16,355,433	16,903,310	17,467,741	18,052,034	18,656,097
\$ over (under) target	9,716,519	20,538,756	30,554,067	40,181,116	50,306,444	60,640,733	71,468,419	82,904,871	94,970,748	107,697,773	121,116,898