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.

2. Grants – The detail for FY2020 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 $2.2 million is included in the CIP Fund for FY2020, $340,000 for FY2021 and $680,000 for FY2022. The parcels include A-13 & A-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										
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
46	55	56	59	60	61	63	65	66	68	71	73	75
% Change	16.4%	1.8%	5.1%	1.7%	1.6%	3.2%	3.1%	1.5%	2.9%	4.2%	2.7%	2.7%

   The increase projected beginning in FY2021 is consistent with higher LANL budgets, increased hiring and spending at LANL, and with YTD receipts in FY2020.

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5. 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.

6. Due to the COVID-19 emergency and the associated impact to the economy, the County is conservatively projecting a 0% investment income for FY2020. The investment income projection for FY2021 is 3% and in FY2022 forward it is 3.5%.

7. If not specifically addressed, revenues are projected to follow either historical trends or historical averages.

Operating Expenditure Assumptions:

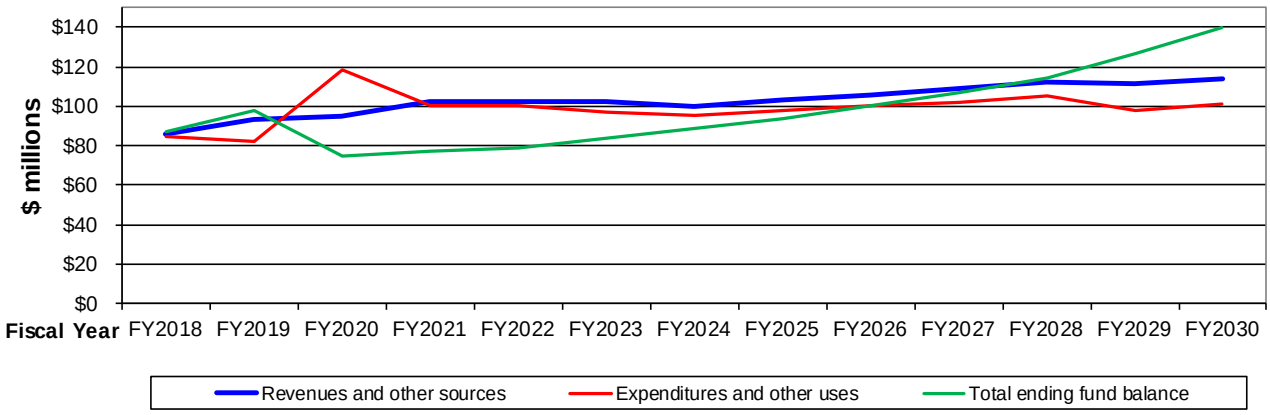
1. In FY2023 and beyond, General Fund Expenditures are estimated to inflate annually at an average of 3%.

2. Expenditures in other special revenue funds inflate at varying rate of 1% to 3% annually.

The following table and graph illustrate the projected outcomes.

Governmental Activities Summary (in $ millions)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Total beginning fund balance	86	87	98	75	77	79	84	89	94	100	107	114	127
Revenues and other sources	86	93	95	102	102	102	100	103	106	109	112	111	114
Expenditures and other uses	(85)	(82)	(118)	(100)	(100)	(97)	(95)	(98)	(100)	(102)	(105)	(98)	(101)
Total ending fund balance	87	98	75	77	79	84	89	94	100	107	114	127	140



The projected fund balance growth is primarily due to projected growth in the General Fund, CIP and CIP Permanent Funds.

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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 and has alleviated the risk associated with the tax status of the LANL contractor. Under the new law, any federal or state lab contractor with 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.