ATTACHMENT C

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 FY2024 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 an estimated $1,346,000 in FY2024. The inflation rate was set at 3% thereafter.

3. Land Sales – The County has future plans that would involve sale of County land parcels. Land sales revenue totaling approximately $1,500,000 is included in the CIP Fund for FY2024, and $2,200,000 for FY2025. Any land sales will be subject to future development plans and subject to Council approval. 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 subject to tax that generates GRT. There have been discussions with LANL about the timing of tax credits when their spending is subject to manufacturing tax exemptions which would decrease GRT received by the County. This is primarily reflected in projected declines starting in FY26. This is a partial driver for a proposed one-half cent (1/2) GRT increment.

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

Actual			**Projected**									
2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
59	69	72	83	94	105	108	98	93	93	95	98	101
1.7%	17.0%	4.4%	15.3%	13.3%	11.7%	2.9%	-9.3%	-5.1%	0.0%	2.2%	3.2%	3.1%

   The increase projected beginning in FY2022 is consistent with higher LANL budgets, increased hiring and spending at LANL, and with YTD receipts in FY2023.

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5. There are no specific property tax rate adjustments projected. However, if the County chooses to pursue General Obligation Debt for certain purposes, then the associated property tax rate adjustments would be discussed and proposed at that time. **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. If not specifically addressed, revenues are projected to follow either historical trends or historical averages.

Operating Expenditure Assumptions:

1. In FY2025 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 rates of 1% to 3% annually, or match projected revenues for specifically required spending by law.

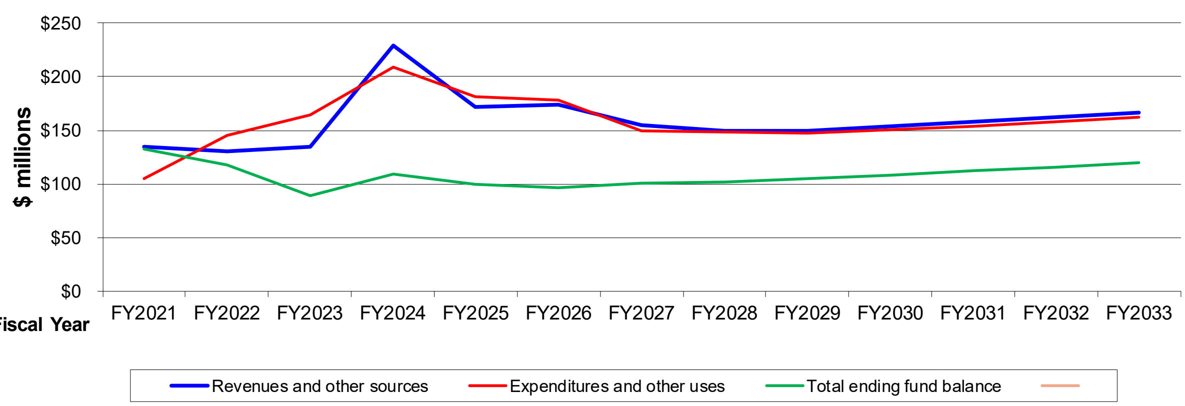
3. The total of $1,600,000 per year transfer from the General Fund to the Economic Development Fund is comprised of $400,000 per year for the housing loan programs and $1,200,000 in grants for the Los Alamos Public Schools and University of New Mexico – Los Alamos. Both transfers are projected to continue until 2033.

4. FY2024 and forward includes planned operational costs within Community Services and Public Works in the General Fund for capital projects under construction and for planned future projects.

The following table and graph illustrate the projected outcomes.

Governmental Activities Summary (in $ millions)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Total beginning fund balance	$ 94	103	133	118	89	109	100	96	101	102	105	108	112	116
Revenues and other sources	$ 94	135	130	135	229	172	174	155	149	150	154	158	162	166
Expenditures and other uses	$ 85	(105)	(145)	(164)	(209)	(181)	(178)	(150)	(148)	(147)	(151)	(154)	(158)	(162)
Total ending fund balance	$ 103	133	118	89	109	100	96	101	102	105	108	112	116	120



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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 or the spending/tax exemption 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 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.