



City of Tempe

# LONG-RANGE FINANCIAL FORECAST

CITY COUNCIL WORK STUDY SESSION FEBRUARY 18, 2016

# BUDGET CALENDAR

Long-range  
Financial  
Forecast and  
General  
Direction from  
City Council

Updated  
Long-range  
Financial  
Forecast  
& CIP Intro.

City Council  
Review of  
Capital and  
Operating  
Priorities

Review of  
City Mgr.'s  
Recom.  
Budget

Budget  
Adoption

OCT

NOV

DEC

JAN

FEB

MAR

APR

MAY

JUN

Base Budget  
Development

Departments'  
Capital Project  
Proposals

Departments'  
Supplemental  
Budget  
Requests

Public &  
Employee  
Budget  
Forum(s)

# Highlights of the Forecast



- Continued moderate economic growth
- Ability to improve programs/services and continue fair salary/wage increases
- Significant non-recurring revenue in 2015-16 will strengthen General Fund balance
- PSPRS employer costs continue to rise in 2016-17

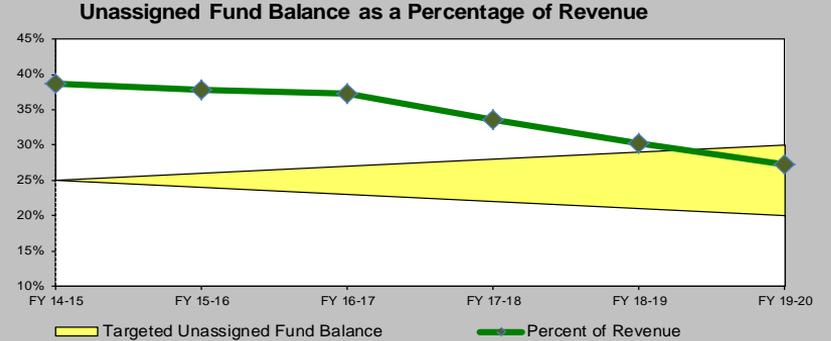
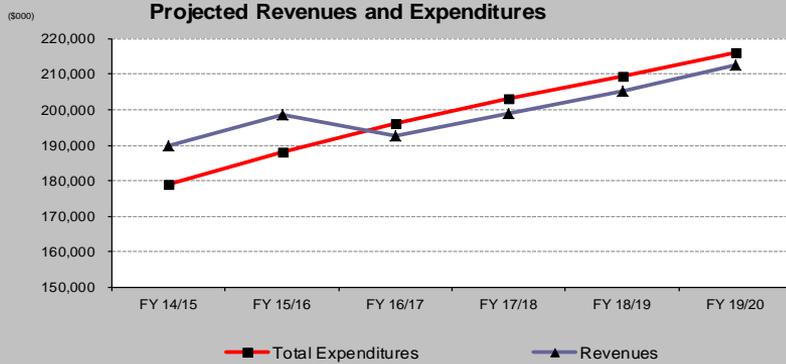
# FORECAST ASSUMPTIONS

- Steady growth in taxable sales offset somewhat by anticipated slowing in construction activity
- Continued HURF sweeps by the State for DPS funding
- Continued funding of State Department of Revenue operational costs
- Detailed economic assumptions provided

# ISSUES EXCLUDED FROM THE FORECAST

- Potential recessionary trends
- Any negative impacts from the transition of sales tax administration to the AZ Department of Revenue
- Legislative reduction/elimination of residential rental tax
- Legislative adjustments to the distribution formula for state-shared revenue

# GENERAL FUND OUTLOOK



Expressed in thousands (\$000)

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
	Actual	Projected	Projected	Projected	Projected	Projected
Revenues	189,988	198,633	192,722	198,851	205,348	212,522
Total Expenditures	178,951	187,929	196,075	203,121	209,505	216,049
Surplus (Deficit)	11,037	10,705	(3,353)	(4,270)	(4,156)	(3,527)
Recurring Personnel Cost Increases		4.20%	3.25%	3.15%	3.00%	3.00%
One-time Personnel Costs (bonus)		0.70%	0.20%	0.15%	0.10%	0.00%
Change in Number of Positions			-	-	-	-
Municipal Arts Contribution (% of CIP)			1%	1%	1%	1%
Recurring Adjustments to Non-personnel Costs			\$1,500	\$1,500	\$1,000	\$750
One-time Adjustments to Non-personnel Costs			\$1,000	\$500	\$750	\$250
CIP "PAYGO" % of GF Revenue		0.25%	0.50%	0.75%	1.00%	1.25%
Unassigned Fund Balance	73,385	75,262	71,765	66,889	62,109	57,944
% of Revenue	39%	38%	37%	34%	30%	27%

# HIGHLIGHTS OF ENTERPRISE FUNDS

- Water/Wastewater
  - Implementation of rate adjustments per comprehensive analysis
  - Use of cash and short-term debt to fund capital projects
- Solid Waste
  - First rate adjustments in 6 years; stable after spend-down of fund balance
- Golf
  - Stable; Rolling Hills irrigation project to generate operational savings

# HIGHLIGHTS OF SPECIAL REVENUE FUNDS

- Transit
  - Stable with Streetcar and Orbit operational costs built-in
  - \$13 million streetcar capital cost assumed to be covered by assessment district
- Transportation (HURF)
  - Assume stable State funding of HURF
- Performing Arts
  - Anticipated operational changes resulting from the development of an Arts Master Plan are not included in this forecast

# REVENUE RESTRICTED BY THE CITY COUNCIL

## Recent Restrictions by the City Council:

- Display Panel Revenue for agency review – \$75k - \$100k/yr.
- Affordable Housing Trust Fund – \$50k
- Downtown Traffic Calming – \$100k
- GPLET Lease and Parking Revenue from Liberty, Zaremba and Grigio Developments – \$700k - \$1.2m/yr. (thru 2043)
- Liberty land sale proceeds – (variable depending on market)

# DIRECTION, COMMENTS & QUESTIONS



- 1% municipal arts funding?
- Employee compensation strategy?
- Supplemental department funding related to strategic management & measurable outcomes?
- Use of restricted cash after 2015-16?
- Recommended changes to financial strategies?