



City of Tempe

LONG-RANGE FINANCIAL FORECAST

CITY COUNCIL WORK STUDY SESSION NOVEMBER 3, 2016

Highlights of the Forecast



- Continued moderate economic growth
- Sufficient funding to improve programs/services and to continue fair compensation adjustments

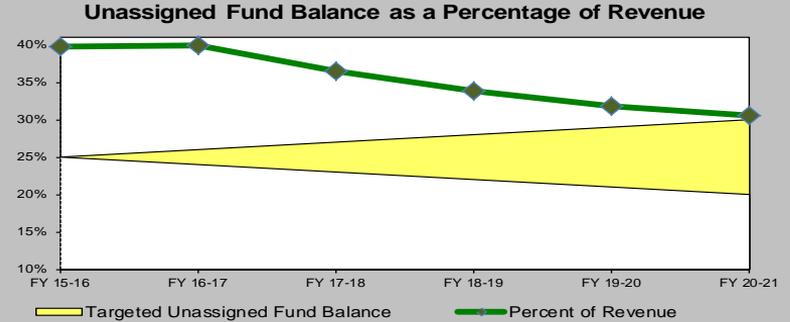
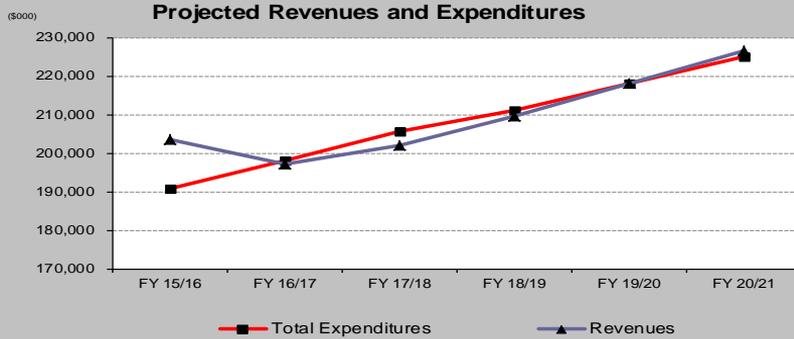
FORECAST ASSUMPTIONS

- Continued funding of Arizona Department of Revenue operational costs
- Continued HURF sweeps by the State for DPS funding
- 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 adjustments to construction sales tax
- Changes to PSPRS resulting from pending State Supreme Court case (Hall v EORP)

GENERAL FUND OUTLOOK



| <i>Expressed in thousands (\$000)</i> | FY 15/16 Projected | FY 16/17 Projected | FY 17/18 Projected | FY 18/19 Projected | FY 19/20 Projected | FY 20/21 Projected |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues | 203,732 | 197,347 | 202,080 | 209,810 | 218,142 | 226,570 |
| Total Expenditures | 190,893 | 198,288 | 205,701 | 211,285 | 218,307 | 225,310 |
| Surplus (Deficit) | 12,839 | (941) | (3,622) | (1,474) | (165) | 1,260 |
| Recurring Personnel Cost Increases | | 2.83% | 1.67% | 2.13% | 2.20% | 2.45% |
| One-time Personnel Costs (bonus) | | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% |
| Change in Number of Positions | | - | 4 | - | - | - |
| Recurring Adjustments to Non-personnel Costs | | | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| One-time Adjustments to Non-personnel Costs | | \$0 | \$1,500 | \$1,500 | \$1,500 | \$1,500 |
| CIP "PAYGO" % of GF Revenue | 1.59% | 1.64% | 2.00% | 2.00% | 2.00% | 2.00% |
| Change to Assigned Fund Balance | (3,325) | (1,279) | (1,308) | (1,340) | (1,372) | (1,407) |
| Unassigned Fund Balance | 80,993 | 78,774 | 73,844 | 71,030 | 69,492 | 69,345 |
| % of Revenue | 40% | 40% | 37% | 34% | 32% | 31% |

HIGHLIGHTS OF ENTERPRISE FUNDS

- **Water/Wastewater**

- Implementation of rate adjustments per comprehensive analysis (including water conservation rate structure)
- Use of cash and short-term debt to fund capital projects

- **Solid Waste**

- Stable after spend-down of fund balance and first rate increase in 6 years

- **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/land owners

- **Transportation (HURF)**

- Assume stable State funding of HURF with no change in State funding sweeps

- **Performing Arts**

- Funding and/or operational changes will be required by 2020-21 when the Performing Arts Tax expires, creating a \$2.5+ million annual deficit

REVENUE RESTRICTED BY THE CITY COUNCIL

- GPLET Lease and Parking Revenue from Liberty, ZarCalRes and Grigio Developments – \$700k - \$1.2m/yr. (thru 2043)
- Liberty land sale proceeds – (variable depending on market)
- Current balance approximately \$1.7m
- \$700k temporary pledge for McClintock pool upgrades

DIRECTION, COMMENTS & QUESTIONS



- Recommended changes to financial strategies?
- Direction to pursue operational changes?