A photograph of a residential yard with a gravel path, yellow and blue flowers, and a house in the background. The text is overlaid on the image.

General Fund FY2019 & FY2020 Revenue Estimates Early FY2020 Outlook & Five-Year Forecast

Agenda



GENERAL FUND

- FY2019 and FY2020 Revenue and Initial Outlook
- Five-Year Forecast
 - Ongoing
 - One-time
- Financial Policies and Revenue Categorization Discussion

Earlier Look at FY2020



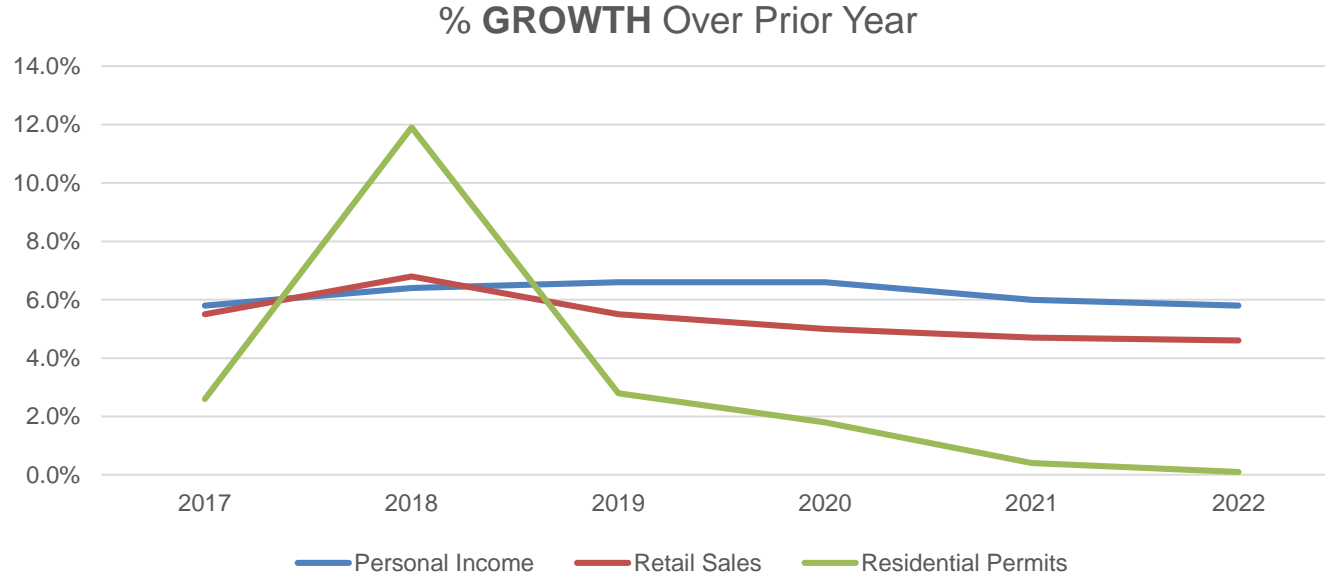
ADJUSTMENT WILL OCCUR IN CITY MANAGER RECOMMENDED BUDGET

- Revenues
 - More months actual data (sales tax, development, state shared)
 - Information on state shared estimates from others
 - Assessed valuations – new construction
 - Review department based revenues
 - Revenues associated with CIP projects or supplementals
- Expenditures
 - Base budget adjustments
 - Salaries and benefits
 - Asset Management plans

Arizona Economic Forecast Data For Metro Phoenix



SOURCE: *ECONOMIC AND BUSINESS RESEARCH CENTER, THE UNIVERSITY OF ARIZONA*



- Slow down in growth rates
- No declines or recession.



FY2019 Revenue Trends

NEARLY 95% OF ONGOING REVENUE, BASED ON FIVE MONTHS

- Non-Construction Sales Taxes, estimated at \$47.5M are \$1.6M over budget
 - Ahead of budget thru five months
 - Estimate: 5.5% above prior year actual
- Construction Sales Tax, on budget
 - \$4.5M has been collected as of five months, rest of year to one-time

FY2019 Revenue Trends

NEARLY 95% OF ONGOING REVENUE, BASED ON FIVE MONTHS

- State Shared Revenues, down \$0.4M from budget
 - Sales tax below budget, prior year below estimate
 - Estimate: 4.5% above prior year actual
- Primary Property Tax
 - Consistently near, but slightly below budget
- Development Related – up \$1.0M from budget
 - Conservative at \$8M compared to \$10.4M and \$9.1M in FYs2018 & 2017 respectively

FY2019 Initial Estimates

Beginning of Budget Process



IN MILLIONS

	Budget	Estimate	Change	Comments
<u>RESOURCES COMING IN</u>				
Beginning Balance	\$ 47.5	\$ 64.9*	\$ 17.4*	\$7.6M revenue, \$9.8M expenditure savings
Revenue & Transfers In	104.3	110.0	5.7	
Sub-total	\$ 151.8	\$ 174.9	\$ 23.1	
<u>USES GOING OUT</u>				
Base Budget	(85.4)	(84.1)	1.3	Assumes 1.5% savings
One-time	(27.0)	(19.0)	8.0	Adds \$1M development related, Remove \$9M
Debt	(1.4)	(1.4)	-	remaining in CIP Contingency Project
Contingency Reserve Account	(14.6)	-	14.6	
Transfers Out	(23.4)	(23.4)	-	
Sub-total	\$ (151.8)	\$ (127.9)	\$ 23.9	
SAVINGS TO FY2020	\$ -	\$ 47.0	\$ 47.0	

*Actual based on CAFR

FY2020 Revenue Estimates

ONGOING

- Non-Construction Sales Tax
 - 5.5% over FY2019 estimate
- State Shared Revenues
 - Small population assumption
 - Urban Revenue (Income tax); 2 year lag
 - Sales tax – 2.5%
- Primary Property Tax (to update in February)
 - Maximum allowable levy based on 2/2018 forecast
- Development Related - \$7.2M

FY2020 Summary of Revenue Ongoing Estimates



IN MILLIONS

	FY18 ACTUALS	FY19 BUDGET	FY19 ESTIMATE	FY20 INITIAL ESTIMATE
Sales Tax & Franchise	\$ 52.7	\$ 53.6	\$ 55.3	\$ 58.0
State Shared	19.9	20.8	20.4	20.9
Property Tax	8.6	9.1	9.0	9.5
Development Related Fees	10.4	7.0	8.0	7.2
All Other	6.1	6.7	6.8	7.0
Total Ongoing Revenue	\$ 97.7	\$ 97.2	\$ 99.5	\$ 102.6

FY2020 Initial Estimates

Beginning of Budget Process



IN MILLIONS

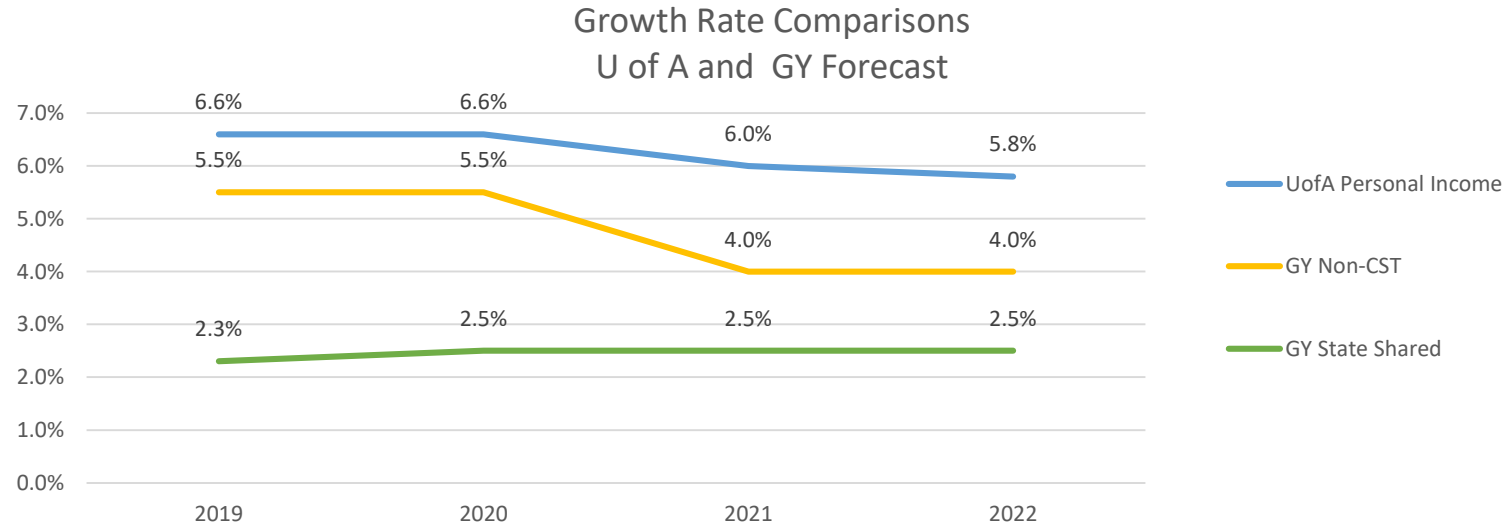
	Total	Ongoing	One-time	Comments
<u>RESOURCES COMING IN</u>				
Beginning Balance	\$ 47.0	\$ 2.1	\$ 44.9	PY Op Cost set-aside to Ongoing
Revenue & Transfers In	111.9	106.4	5.5	One-time is CST above \$4.5M
Op Cost Set-Aside	-	(3.3)	3.3	Based on FY2018 plan
<u>USES GOING OUT</u>				
Base Budget	(88.4)	(88.4)		FY2019 plus 3.5%
One-time	TBD		TBD	From supplemental and CIP process
Debt	(1.4)	(1.4)		
Contingency	(15.4)		(15.4)	15% of ongoing revenue (excludes transfers)
Transfers Out	(23.4)	(14.8)	(8.6)	Ongoing-BP/HURF; 1x-asset mgmt FY2019 plan
<u>AVAILABLE FOR NEW USES</u>				
	\$ 30.3	\$ 0.6	\$ 29.7	

Five-Year Forecast

Conservative Five-Year Forecast



REVENUE GROWTH RATES IN FORECAST ARE CONSERVATIVE



Five-Year General Fund Forecast On-Going



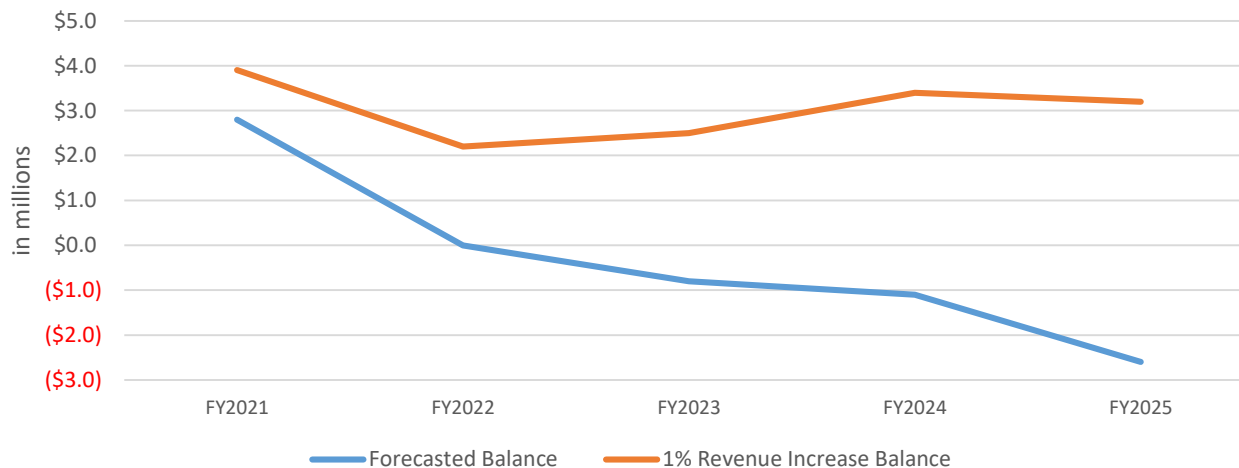
IN MILLIONS

	FY2021	FY2022	FY2023	FY2024	FY2025	Comments
<u>RESOURCES COMING IN</u>						
Beginning Balance	\$ 3.3	\$ 1.1	\$ 0.8	\$ 2.0	\$ 0.0	PY Op Cost Set-aside
Revenue	105.8	109.2	112.7	113.8	117.4	4% sales tax, 2 to 2.5% most others, CST \$4.5M
AZSTA	1.8	1.9	2.1	2.1	2.1	Per AZSTA provided schedule
Transfers In	3.9	4.0	4.2	4.4	4.7	3% growth
Op Cost Set-Aside	(1.1)	(0.8)	(2.0)	0.0	0.0	per FY2018 plan
Subtotal	\$ 113.7	\$ 115.4	\$ 117.8	\$ 122.3	\$ 124.2	
<u>USES GOING OUT</u>						
Base Budget	\$ (91.1)	(97.3)	\$ (101.8)	\$ (104.9)	\$ (110.8)	3% growth + PY Op Costs
Anticipate OP Costs	(3.4)	(1.5)	0.0	(2.7)	0.0	per FY2018 plan
Debt Service	(1.4)	(1.2)	(1.2)	0.0	0.0	
Transfers	(15.0)	(15.4)	(15.6)	(15.8)	(16.0)	3% growth
Subtotal	\$ (110.9)	\$ (115.4)	\$ (118.6)	\$ (123.4)	\$ (126.8)	
BALANCE	\$ 2.8	\$ 0.0	\$ (0.8)	\$ (1.1)	\$ (2.6)	

Impact of 1% Increase in Revenue Growth Rate on Ongoing Forecast



CONSERVATIVE APPROACH COMPOUNDS



- FY2019 Revenue Estimate is 2.4% higher than budget.
- FY2018 actuals exceeded budget by 5+%.
- Forecast would remain positive even with a 0.5% higher revenue growth rate.

Five-Year General Fund Forecast Onetime



IN MILLIONS

	FY2021	FY2022	FY2023	FY2024	FY2025	Comments
RESOURCES COMING IN						
Beginning Balance						
Savings from Prior Years	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0	
PY Contingency	15.4	15.9	16.4	16.9	17.1	
Revenue						
Construction Sales Tax	5.0	5.0	5.0	5.0	5.0	
Op Cost Set Aside	1.1	0.8	2.0	0.0	0.0	per FY2018 plan
USES GOING OUT						
Contingency Reserve Account (15%)	(15.9)	(16.4)	(16.9)	(17.1)	(17.6)	per financial policy
Asset Management	(8.6)	(8.6)	(8.7)	(8.7)	(8.7)	per FY2019 plans
BALANCE	\$ 7.0	\$ 6.7	\$ 7.8	\$ 6.1	\$ 5.8	

Financial Policies and Revenue Categorization for Discussion and Direction

Key Resource Related Financial Policies



- Diversified, stable revenue system
- Maximize Primary Property Tax
- First \$4.5M of Construction Sales Tax is ongoing
- Fund development related consistent with revenue
- Match ongoing expenses with ongoing revenue
- Self sufficient enterprise funds

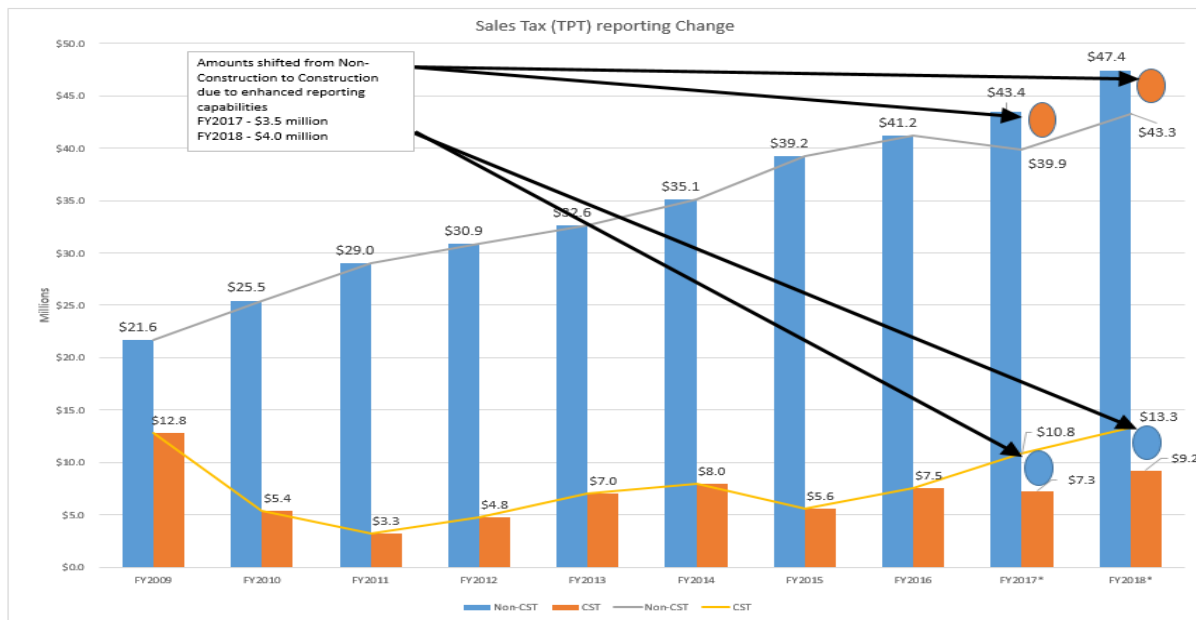
Categorizing Revenue as Ongoing vs. One-time



PERCENT OF ONGOING REVENUE

- Reviewed Significant revenue streams – 90% of revenue
 - Sales Tax, 57% with CST and franchise
 - State Shared, 20%
 - Income, 9%
 - Sales, 8%
 - Property Tax, 9%
 - Development related, 7%
 - AZSTA, New

Construction Sales Tax History



Categorizing Revenue as Ongoing vs. One-time



RECOMMENDATIONS

- Property tax, fully ongoing
- Sales tax, ongoing with the following exceptions
 - Continue allocating construction between 1x and ongoing
 - Monitor Use Tax monthly for large, unusual activity; do not plan for unusual
- State shared, fully ongoing
- Development related
 - Ongoing up to fully loaded cost recovery
 - Estimate is \$7.4M for FY2019
 - Do not plan for one-time except to fund one-time needs
- AZSTA
 - Ongoing

Questions and Discussion