A photograph of a residential yard. In the background, there is a light-colored concrete wall and a dark door. The foreground is a garden bed filled with yellow and blue flowers, possibly morning glories, growing in a bed of mulch. The text is overlaid on the center of 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



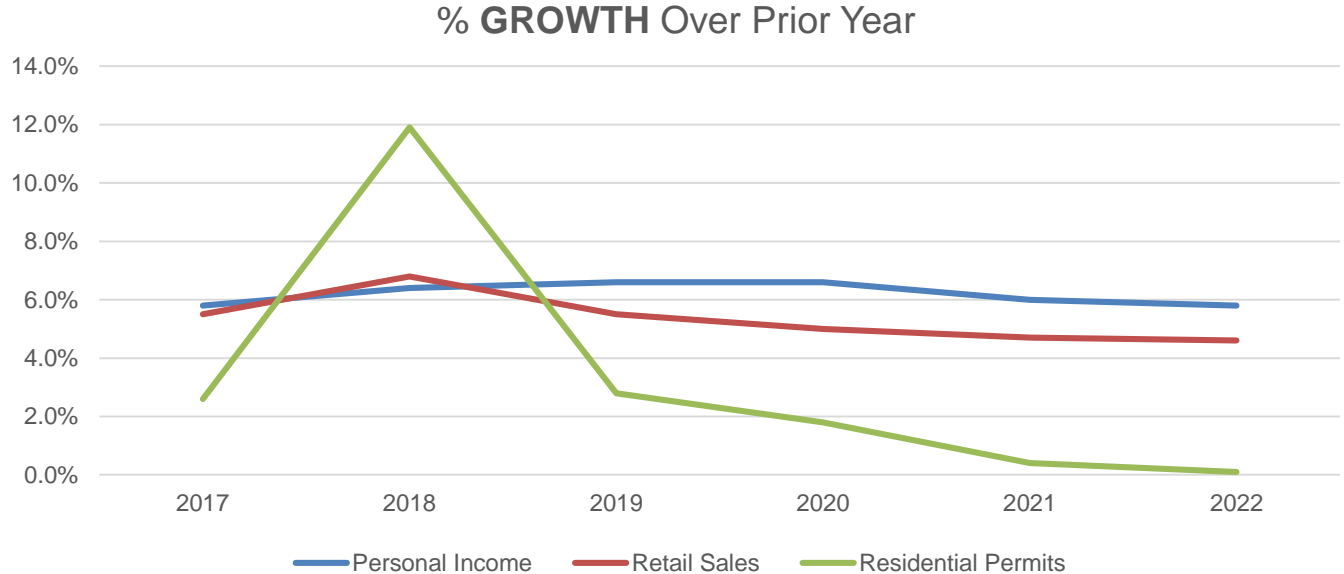
## ADJUSTMENT WILL OCCUR IN CITY MANAGER RECOMMENDED BUDGET

- 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
<b><u>RESOURCES COMING IN</u></b>				
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	
<b><u>USES GOING OUT</u></b>				
Base Budget	(85.4)	(84.1)	1.3	Assumes 1.5% savings Adds \$1M development related, Remove \$9M remaining in CIP Contingency Project
One-time	(27.0)	(19.0)	8.0	
Debt	(1.4)	(1.4)	-	
Contingency Reserve Account	(14.6)	-	14.6	
Transfers Out	(23.4)	(23.4)	-	
Sub-total	\$ (151.8)	\$ (127.9)	\$ 23.9	
<b>SAVINGS TO FY2020</b>	<b>\$ -</b>	<b>\$ 47.0</b>	<b>\$ 47.0</b>	

\*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

	<b>FY18 ACTUALS</b>	<b>FY19 BUDGET</b>	<b>FY19 ESTIMATE</b>	<b>FY20 INITIAL ESTIMATE</b>
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

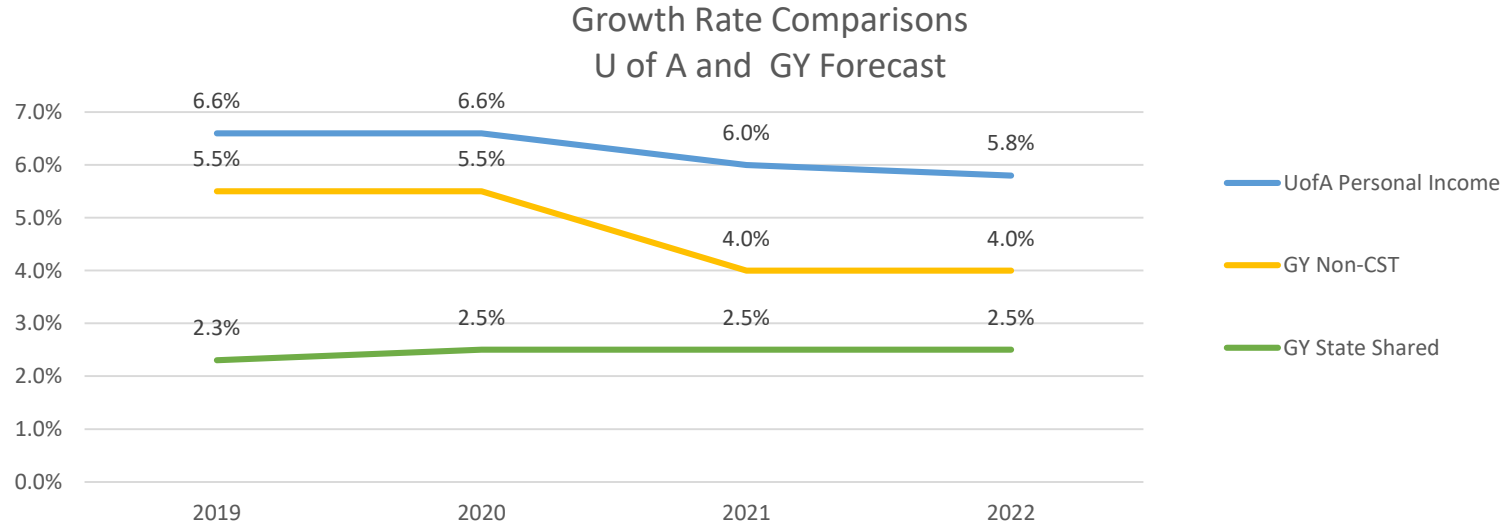
	Total	Ongoing	One-time	Comments
<u>RESOURCES COMING IN</u>				
Beginning Balance	\$ 47.0	\$ 2.1	\$ 44.9	PY Op Cost set-aside to Ongoing
Revenue & Transfers In	111.9	106.4	5.5	One-time is CST above \$4.5M
Op Cost Set-Aside	-	(3.3)	3.3	Based on FY2018 plan
<u>USES GOING OUT</u>				
Base Budget	(88.4)	(88.4)		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>	<u>\$ 30.3</u>	<u>\$ 0.6</u>	<u>\$ 29.7</u>	

# Five-Year Forecast

# Conservative Five-Year Forecast



REVENUE GROWTH RATES IN FORECAST ARE CONSERVATIVE



# Five-Year General Fund Forecast On-Going



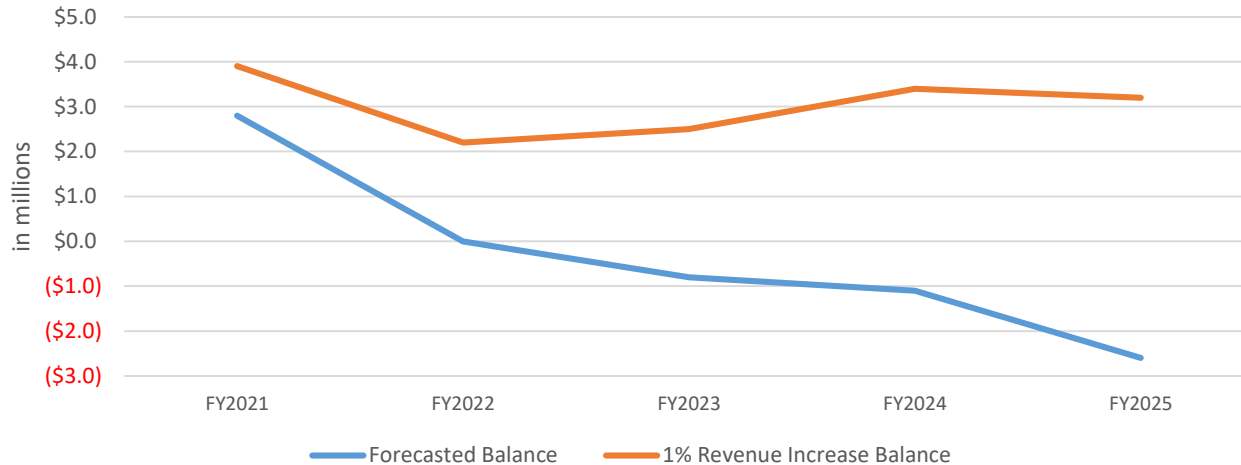
IN MILLIONS

	FY2021	FY2022	FY2023	FY2024	FY2025	Comments
<b><u>RESOURCES COMING IN</u></b>						
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	
<b><u>USES GOING OUT</u></b>						
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)	
<b>BALANCE</b>	<b>\$ 2.8</b>	<b>\$ 0.0</b>	<b>\$ (0.8)</b>	<b>\$ (1.1)</b>	<b>\$ (2.6)</b>	

# 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
<b>RESOURCES COMING IN</b>						
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	
<b>Revenue</b>						
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
<b>USES GOING OUT</b>						
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
<b>BALANCE</b>	<b>\$ 7.0</b>	<b>\$ 6.7</b>	<b>\$ 7.8</b>	<b>\$ 6.1</b>	<b>\$ 5.8</b>	



# 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

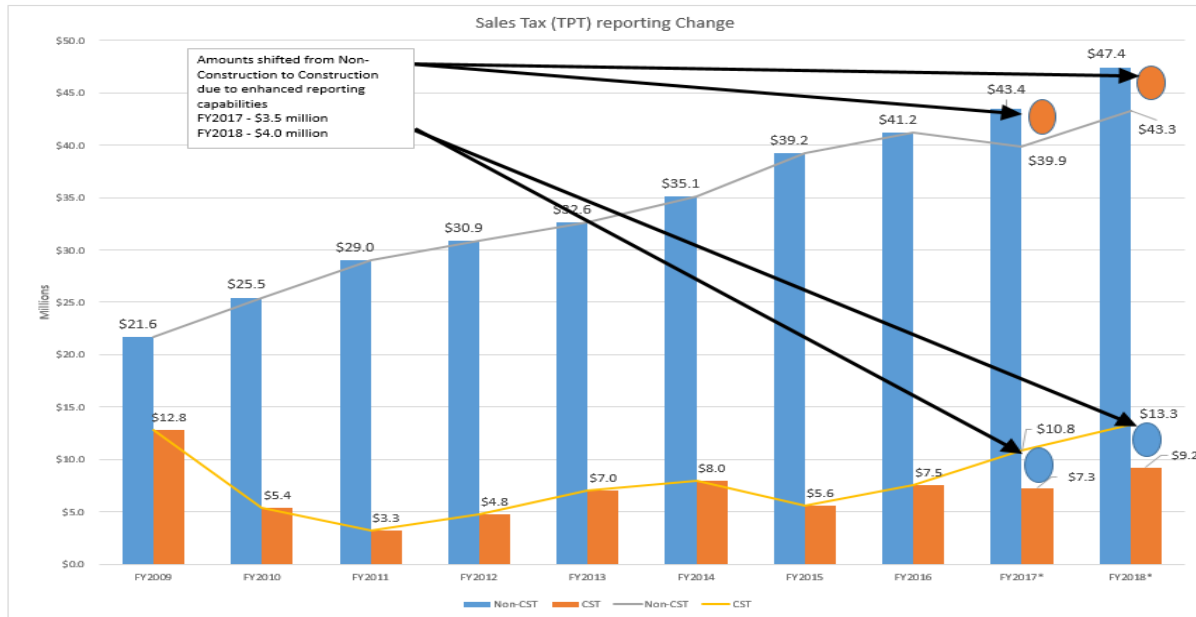
# Categorizing Revenue as Ongoing vs. One-time



## 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