



AGENDA

City Council Finance Committee

May 23, 2024

8:15am (Est. duration 30 minutes)

Members: Mike Davis (Chairman), Dave Johnson, Aaron Smith, Megan Wiles

<i>Est. 10 minutes</i>	Claims Docket Review	Conference Room A213
	Caitlin Moss	

<i>Est. 20 minutes</i>	Update – 2025 Budget Preliminary Revenue Forecast	Conference Room A213
	<i>Review of preliminary revenue forecast for the upcoming 2025 budget development cycle and newest version of the City Fiscal Plan (2025 Budget v1 – Budget Prep).</i>	
	<i>Document(s): 2025 Budget Preliminary Revenue Forecast Packet</i>	
	Jeff Spalding	

Fiscal & Debt Actions on Council Meeting Agenda – May 28

- *None*

<i>Est. 0 minutes</i>	Review of Agenda Addendum	Conference Room A213
	<i>No substantive changes from prior meeting.</i>	
	Jeff Spalding	

<i>Est. 5 minutes</i>	Other Business at Discretion of Chairman	Conference Room A213
	Mike Davis	

Additional Instructions

Supporting documents to be reviewed at the meeting:

- Claims Docket (*sent separately to members*)
- All documents for Fiscal & Debt Actions on Council Meeting Agenda
- 2025 Budget Preliminary Revenue Forecast Packet
- Agenda Addendum

Potential Future Ordinances/Resolutions and Other Fiscal Matters

- **Midyear & Year-end Budget Modifications** – *The City Administration is continuing a shift toward organizing and bundling most budget modification requests for consideration by the Council on a semi-annual basis. The intent is to provide more clarity regarding competing fiscal needs so that the City Council may consider them together, in context. Typically, these bundled fiscal actions will entail tapping of contingency funds and/or appropriation transfers between departments. Additional appropriation requests and other significant or urgent fiscal actions may continue to be presented for consideration outside this semi-annual cycle, as deemed necessary.*
 - **Update on Financial Management Assessment by Crowe, LLP** – *At a future meeting, OFA will present an update on steps taken Crowe, LLP's completion of the City's Financial Management Assessment in December 2020.*
 - **New Annual Budget Ordinance** – *Beginning with the 2023 annual budget ordinance, OFA will replace the Department of Local Government (DLGF) budget ordinance template with a more customized ordinance that more clearly presents the City's proposed budget, yet still meets the DLGF requirements.*
 - **Administration of Debt Service Funds Ordinance** – *Establish in City code the authority of the Controller to create and terminate debt service funds, as necessary, to properly account for the receipt and expenditure of debt levy tax revenue.*
 - **Administration of Debt Proceed Funds Ordinance** – *Establish in City code the authority of the Controller to create and terminate debt proceed funds, as necessary, to properly account for the receipt and expenditure of proceeds from tax-supported (e.g. property tax, LIT, etc.) bond issues.*
 - **City Code Revision: OFA Matters** – *Topics include: a) update credit card use authorization/restrictions; b) establish travel policy; and c) update procurement process requirements.*
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2025 Budget – Preliminary Revenue Forecast

Overview

Prior fiscal plan update (2024 Budget v4 – Final Budget Order) revealed very strong revenue growth through 2028. This preliminary 2025 revenue forecast (and new fiscal plan update) SUSTAINS that strong revenue growth projection.

This forecast indicates a SMALL INCREASE in 2025 projected revenue, as compared to prior fiscal plan update, due primarily lowered property tax circuit breaker loss estimate. Similar effects occur through 2028...versus prior fiscal plan update. HIGH RISK that actual results will lag this forecast in the out years.

Key Results

- **≈\$4.4M YOY growth in 2025 core operational revenue**
 - ✓ 5.0% YOY growth rate overall.
 - 7.1% YOY growth rate in Non-Debt Regular LIT (≈\$2.1M).
 - 25.7% YOY decline rate in Catch-up LIT (≈\$2.1M)
 - 11.3% YOY growth rate in Non-Debt Property Tax Net Levy (≈\$3.8M).
 - Remaining \$0.6M revenue growth is net effect of projected year-over-year changes from multiple/various sources (including MVH Distribution, interest income, etc).
 - ✓ Compares to \$3.9M YOY growth in 2025 core operational revenue as estimated in prior fiscal plan update.
- **≈\$38.1M unrestricted capital project funds available in 2025**
 - ✓ ≈\$8.3M from 2024 One Year Bond.
 - ✓ ≈\$29.8M Excess Reserves (if 100% spend down).
 - ✓ Compares to \$34.3M unrestricted capital project funds available as estimated in prior fiscal plan update.
- **≈\$58.7M Excess Reserves by YE 2028 (≈\$66.9M by YE 2029)**
 - ✓ Assumes no interim spend down of reserves.
 - ✓ Compares to \$46.1M Excess Reserves by YE 2028 as estimated in prior fiscal plan update.

Key Factors

- **Significantly LOWER Property Tax Circuit Breaker Credit Loss than Previously Projected**
 - ✓ Pay 2024 total levy loss of 11.9% actual vs 14.6% estimated (non-debt levy loss of 16.4% actual vs 20.0% estimated).
 - ✓ This forecast assumes a permanently lower levy loss trend going forward despite SIGNIFIGANT uncertainty regarding the future for homestead property tax laws.



- **Max Levy Adjustments Essentially Unchanged versus Previous Projection**
 - ✓ This forecast estimates \$7.5M of High AV Max Levy adjustments cumulatively for 2025 – 2028 vs \$7.4M previously estimated.
 - ✓ Uncertainty over changes to state laws and/or (subjective) enforcement of existing laws keeps the risk profile on this revenue source high.
- **LIT Revenue Essentially Unchanged versus Previous Projection**
 - ✓ 2022 actual LIT collections were just 0.5% higher than previously estimated.
 - ✓ That result was reflected in the actual 2024 Certified LIT distributions.

Risks

- 1) **All Actual Revenue Increases in 2024 are Treated as Permanent Base Changes**
- 2) **No Recession through 2029** (or other adverse exogenous events)
- 3) **No State Law Changes through 2029**
 - Most risk is associated with Property Tax projections.
 - Heightened legislative scrutiny of max levy adjustments by growing communities.
 - Heightened legislative anxiety regarding homestead property tax burden adds uncertainty regarding property tax laws.

Outlook Trends for Unchanged Prior or New Estimates

- **Building Permits – positive outlook for 2024**
- **Local Road & Street (LRS) Distribution – positive outlook for 2024**
- **Net Assessed Value (NAV) – positive outlook for 2025**
 - ✓ Due to a legislated phase-down of the Supplemental Homestead Deduction that is not factored into this revenue forecast due to complexity of interactions.
 - ✓ Effect may increase unrestricted capital funding (i.e. OYB proceeds).

Fiscal Plan Comparison

As of May 23, 2023

2025 Budget v1 vs 2024 Budget v4

Core Operational Revenue Growth:	2024 Adj Budget	2025 Projection	2025 Add'l \$	New Money Cumulative 2025-2028 (above 2024 Base)	Revenue Cumulative 2025-2028	Fiscal Plan Difference 2024 Budget + 2025-2028 Projections
Regular LIT (Non-Debt)	11.1%	7.1%	\$ 2,137,373	\$ 25,348,324	\$ 145,451,360	\$ 961,651
Property Tax Levy (Non-Debt)	15.7%	11.3%	\$ 3,860,838	\$ 33,713,182	\$ 170,433,714	\$ 8,371,009
MVH Distribution	-2.4%	0.0%	\$ -	\$ -	\$ 11,702,268	\$ -
LRS Distribution	-4.2%	0.0%	\$ -	\$ -	\$ 6,738,288	\$ -

Unrestricted Capital Project Funds:	2024 Adj Budget	2025 Projection	2025 Available \$	Available \$ Cumulative 2025-2028	Fiscal Plan Difference 2024 Budget + 2025-2028 Projections
Annual Capital Improv Bond Proceeds	14.7%	-23.1%	\$ 8,340,234	\$ 19,602,465	\$ (1,568,531)
Excess Reserves - GF/RDF Combined	-6.9%	38.8%	\$ 29,782,972	\$ 58,756,905	\$ 12,621,714

Notes:

Annual Cap Improv Bond amount reflects total debt proceeds NOT reduced by issuance costs.

Excess reserves represent cash balances above level necessary to maintain recommended reserve level.

Primary Reserve Balances:	2024 Adj Budget	2025 Projection	2025 YE Balance	2028 YE Balance	Fiscal Plan Difference 2028 YE
Combined GF/RDF	-5.3%	26.3%	\$ 43,600,987	\$ 73,879,184	\$ 12,798,712
Combined MVH/Park	-37.4%	-0.7%	\$ 5,151,286	\$ 6,498,709	\$ (338)

Key Assumptions:

Reserve balance for MVH Fund and Park Fund maintained at Min Cash Balance level or higher.

Revenue Growth Summary

As of January 24, 2024

2024 Budget v4 - Final Budget Order (for comparision to subsequent year fiscal plan)

Core Operational Revenue Growth:	2024 Budget	2025 Projection	2025 Add'l \$	New Money Cumulative 2025-2028 (above 2024 Base)	Revenue Cumulative 2025-2028	Comments
Regular LIT (Non-Debt)	11.1%	6.9%	\$ 2,064,747	\$ 24,386,673	\$ 144,489,709	
Property Tax Levy (Non-Debt)	10.7%	11.3%	\$ 3,701,686	\$ 32,740,648	\$ 163,542,400	
MVH Distribution	-2.4%	0.0%	\$ -	\$ -	\$ 11,702,268	
LRS Distribution	-4.2%	0.0%	\$ -	\$ -	\$ 6,738,288	

Unrestricted Capital Project Funds:	2024 Budget	2025 Projection	2025 Available \$	Available \$ Cumulative 2025-2028	Comments
Annual Capital Improv Bond Proceeds	14.7%	-21.1%	\$ 8,557,763	\$ 21,170,996	
Excess Reserves - GF/RDF Combined	-14.8%	28.2%	\$ 25,766,991	\$ 46,135,191	Assumes NO spend down of excess reserves.

Notes:

Annual Cap Improv Bond amount reflects total debt proceeds NOT reduced by issuance costs.

Excess reserves represent cash balances above level necessary to maintain recommended reserve level.

Primary Reserve Balances:	2024 Budget	2025 Projection	2025 YE Balance	2028 YE Balance	Comments
Combined GF/RDF	-10.2%	21.4%	\$ 39,714,653	\$ 61,080,472	Assumes NO spend down of excess reserves.
Combined MVH/Park	-39.2%	2.3%	\$ 5,150,959	\$ 6,499,047	

Key Assumptions:

Reserve balance for MVH Fund and Park Fund maintained at Min Cash Balance level or higher.

Fiscal Plan Surplus/Deficit Analysis Core Operational Funds (formerly Max Levy & LIT Funds) Fiscal Plan: 2025 Budget v1.0 - Budget Prep (Revised 05/23/2024)								
Year	Spending	Spending % Growth	Revenue ¹	Revenue Growth %	Upper Band	Lower Band	Surplus/Deficit	
2021 Actual	\$ 61,516,196	N/A	\$ 68,460,890	N/A	\$ 68,460,890	\$ 68,460,890	\$	6,944,694
2022 Actual	\$ 71,498,225	16.2%	\$ 69,111,877	1.0%	\$ 69,111,877	\$ 69,111,877	\$	(2,386,348)
2023 Actual	\$ 74,367,458	4.0%	\$ 79,604,831	15.2%	\$ 79,604,831	\$ 79,604,831	\$	5,237,373
2024 Adjusted	\$ 86,847,992	16.8%	\$ 89,071,312	11.9%	\$ 89,071,312	\$ 89,071,312	\$	2,223,320
2025 Projected	\$ 84,405,747	-2.8%	\$ 93,486,492	5.0%	\$ 95,356,222	\$ 91,616,762	\$	9,080,745
2026 Projected	\$ 88,801,557	5.2%	\$ 98,603,354	5.5%	\$ 102,547,488	\$ 94,659,220	\$	9,801,797
2027 Projected	\$ 93,841,501	5.7%	\$ 104,777,743	6.3%	\$ 111,064,408	\$ 98,491,078	\$	10,936,242
2028 Projected	\$ 98,121,126	4.6%	\$ 109,127,162	4.2%	\$ 117,857,335	\$ 100,396,989	\$	11,006,036
2029 Projected	\$ 102,662,154	4.6%	\$ 111,596,367	2.3%	\$ 122,756,004	\$ 100,436,730	\$	8,934,213
'21-24 Avg. Growth		12.2%		9.2%	9.2%	9.2%		
'24-29 Avg. Growth		3.4%		4.6%	6.6%	2.4%		
'21-29 Avg. Growth		6.6%		6.3%	7.6%	4.9%		

¹ Normalized for: A) \$868K wastewater payment shifted from 2020 to 2021 and B) CARES Act funding received in 2020 and 2021 that was reimbursed to the General Fund
Core Operational Funds: 101 - General; 106 - MVH; 108 - Parks; 112 - D'town Dev; 114 - FCC; 118 - LIT Debt Sinking; 163 - RDF

