



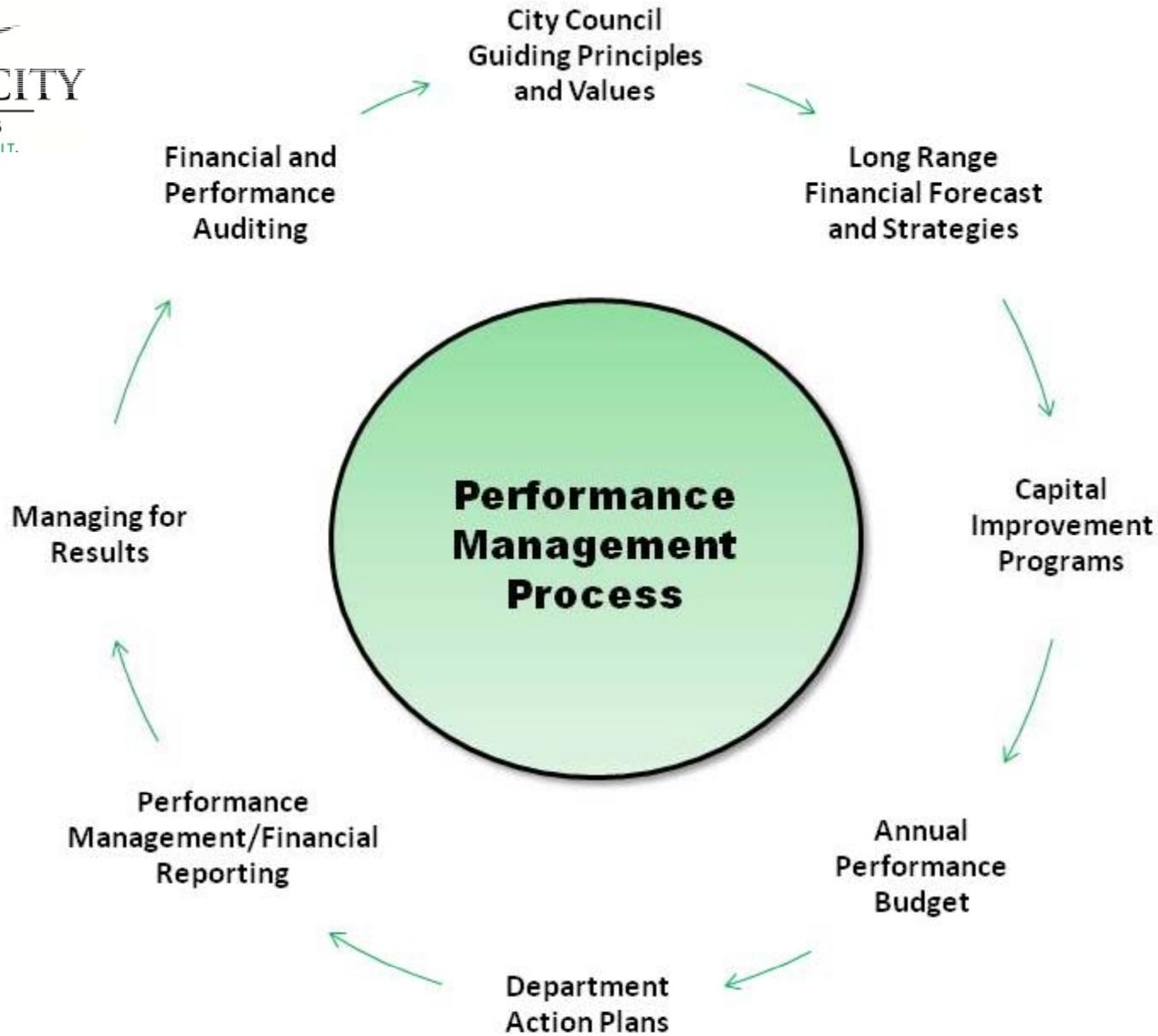
Long Range Financial Forecast

Results and Recommendations

July 12, 2011

Mike Loftin

Assistant City Manager

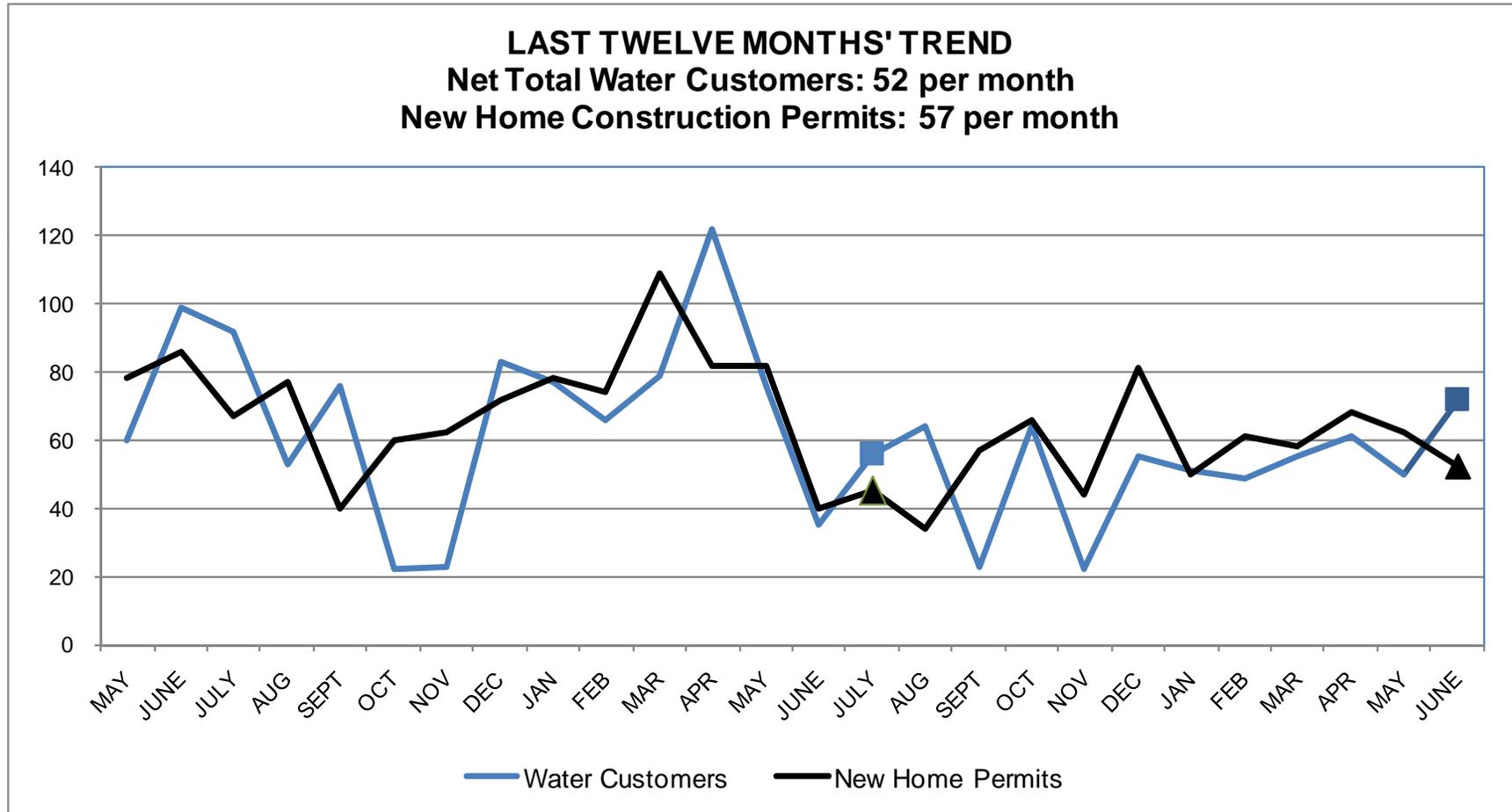


Budget Forecast?

- Projections not *predictions of revenue and expenditures*
 - Using best available information when prepared
- Baseline projections reflect decisions previously made by City Council including current tax and water rates
- Economic and demographic trends
- Interpret expenditure and revenue results
- ***Address issues one year at a time in Budget***
- ***Update five year forecast every year***



Recent Growth Trend: 2.3% Since July 2010

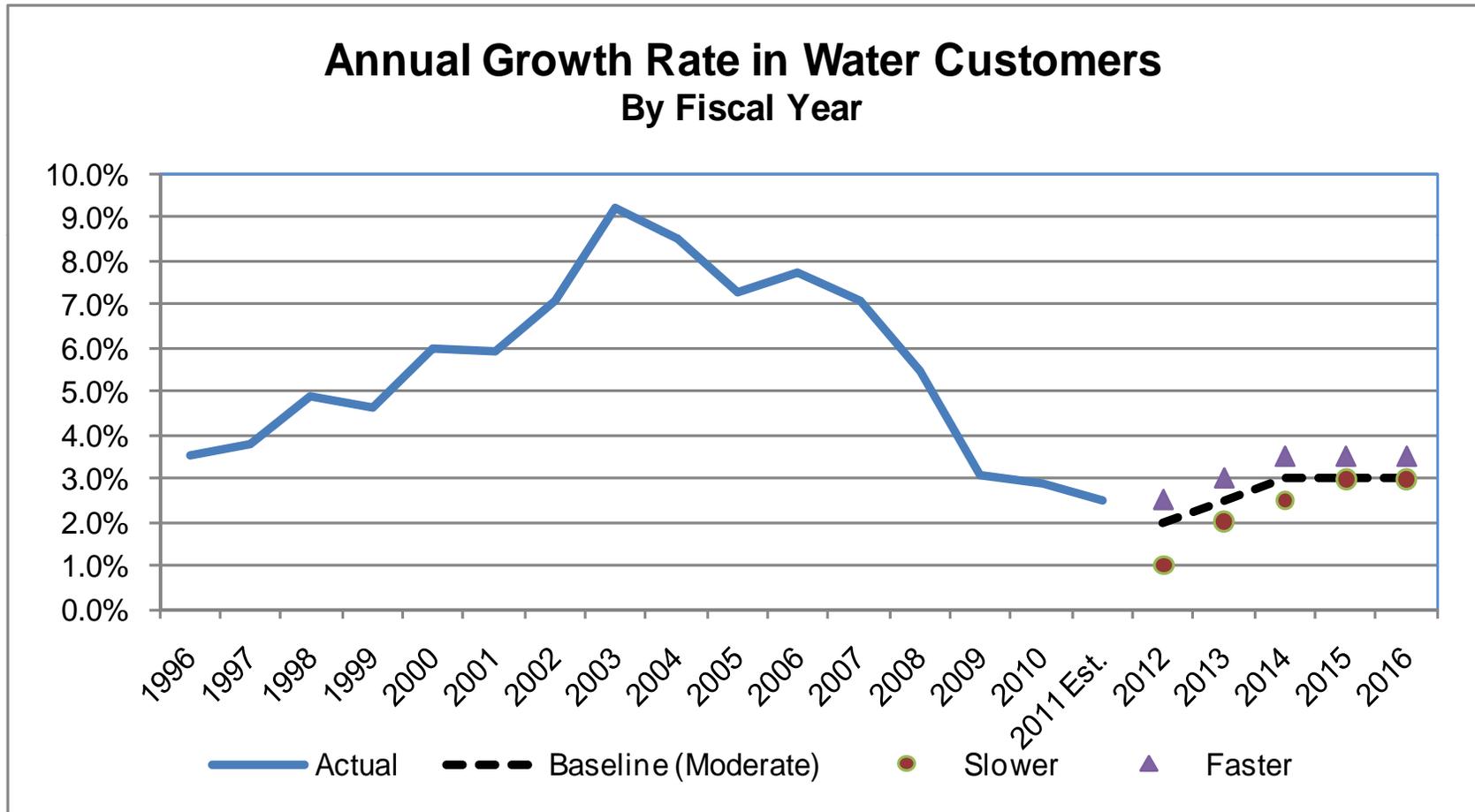




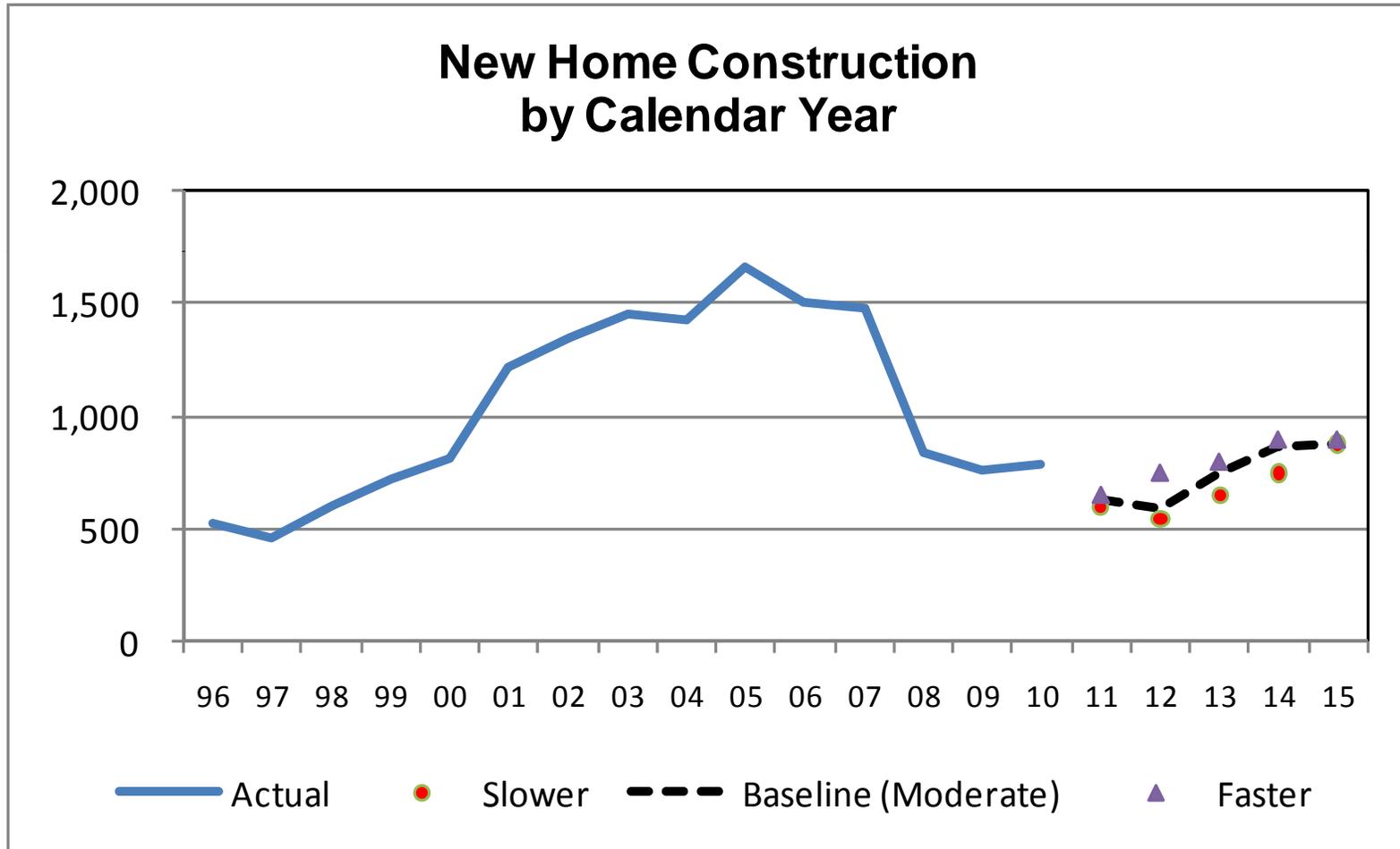
Major Assumptions & Scenarios

SCENARIO/INDICATOR	FY 2012 FORECAST	FY 2013 FORECAST	FY 2014 FORECAST	FY 2015 FORECAST	FY 2016 FORECAST
MODERATE GROWTH					
Water Customer (Pct Change)	2.0%	2.5%	3.0%	3.0%	3.0%
New Construction (\$Mil - Prior CY))	\$176	\$125	\$117	\$150	\$177
New Homes (Prior CY)	792	631	586	747	871
SLOWER GROWTH					
Water Customer (Pct Change)	1.0%	2.0%	2.5%	3.0%	3.0%
New Construction (\$Mil - Prior CY))	\$176	\$119	\$110	\$131	\$152
New Homes (Prior CY)	792	600	550	650	750
FASTER GROWTH					
Water Customer (Pct Change)	2.5%	3.0%	3.5%	3.5%	3.5%
New Construction (\$Mil - Prior CY))	\$176	\$129	\$149	\$161	\$183
New Homes (Prior CY)	792	650	750	800	900

History and Alternative Growth Rates



History and Alternative Growth Rates

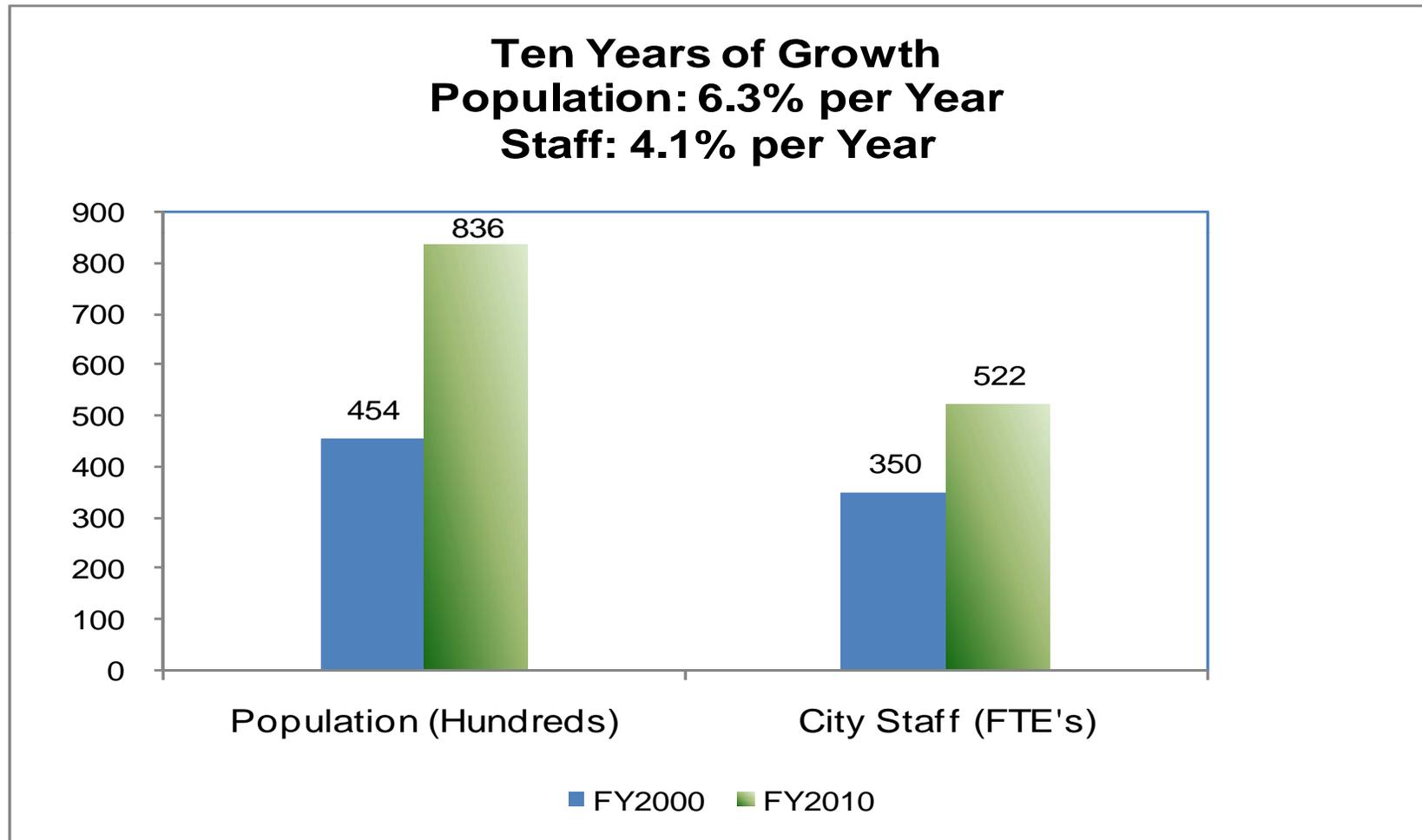




Baseline Revenue and Expense Assumptions

- 2% growth rate – Affects all major revenues and demand for major services
- General inflation rate of 3%
- Notable exceptions in FY 2012:
 - Health insurance – 10% increase
 - Fuel prices – At or near current level (FY 2011 is 50% higher than FY 2010)
 - Electricity – Savings (approx. 30%) begin November 1, 2011
- No staffing or compensation increases

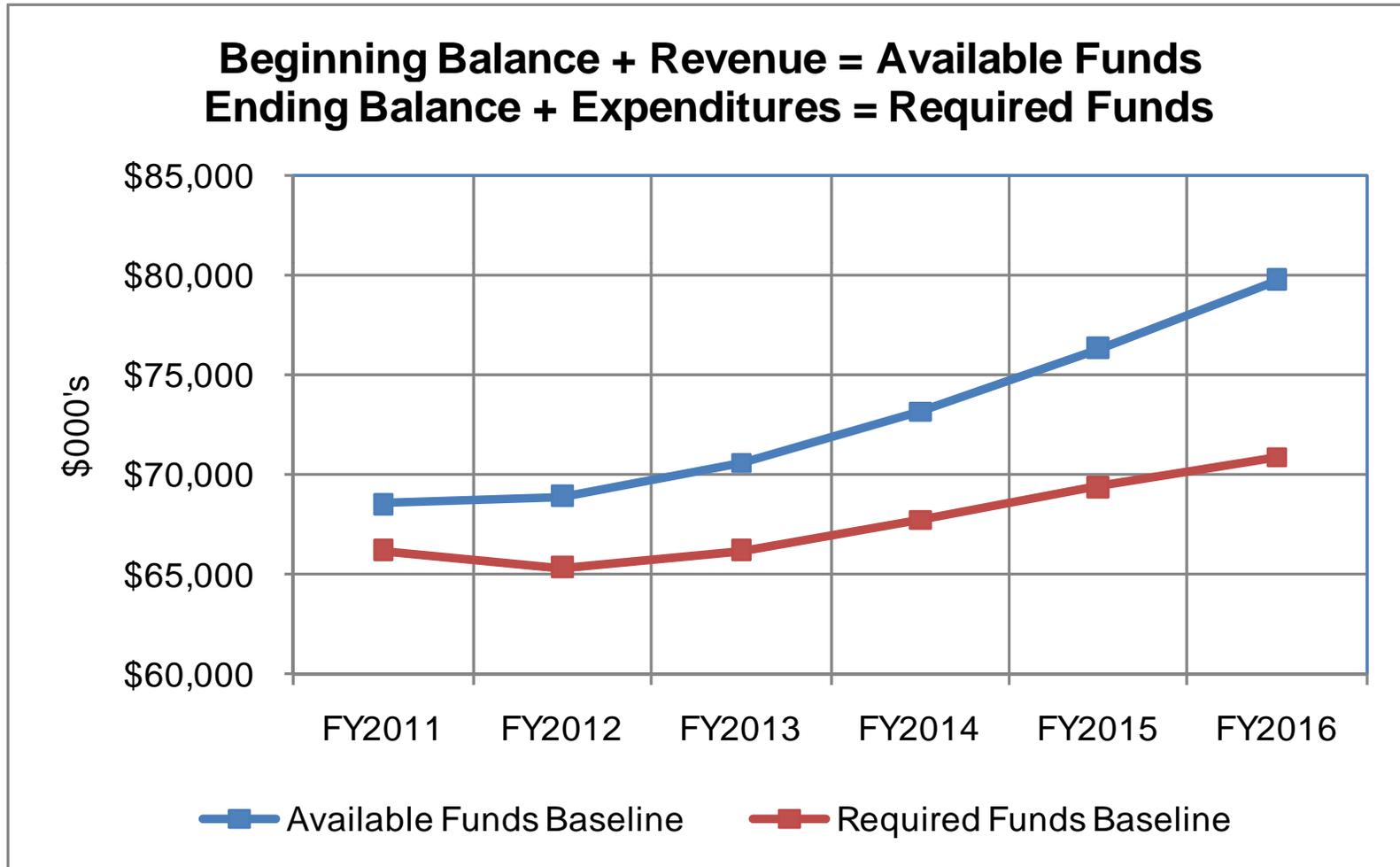
Population versus Staff Growth





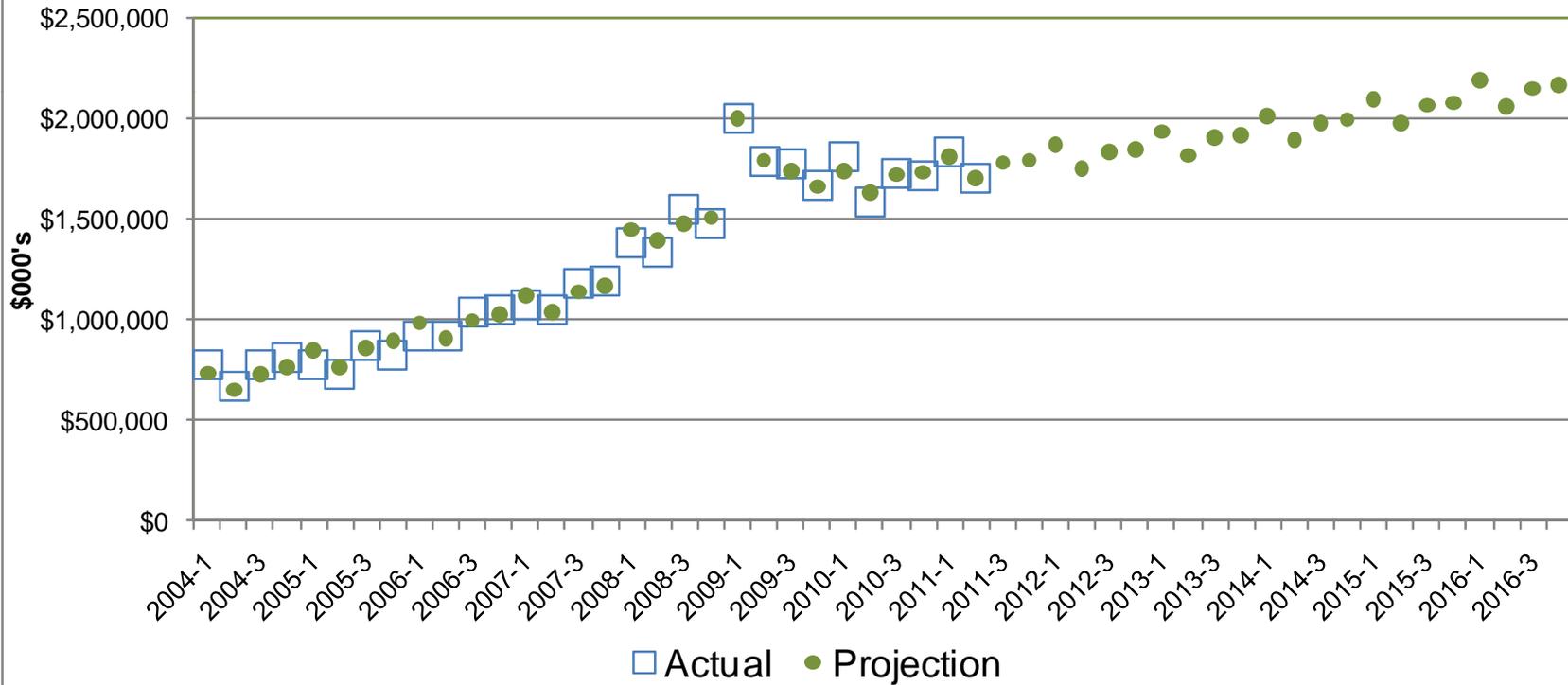
FORECAST RESULTS

General Fund Baseline Forecast

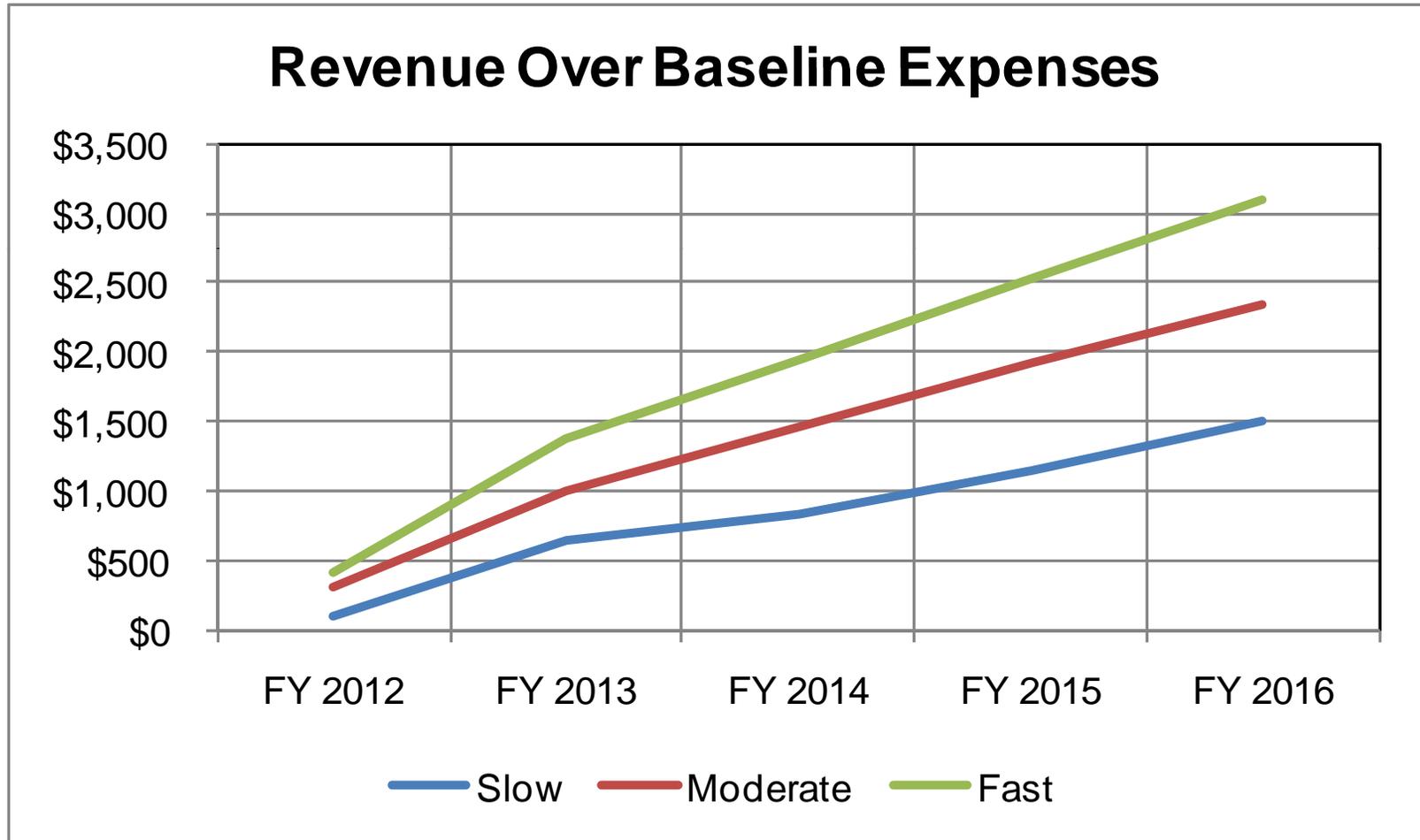


Sales Tax Forecast

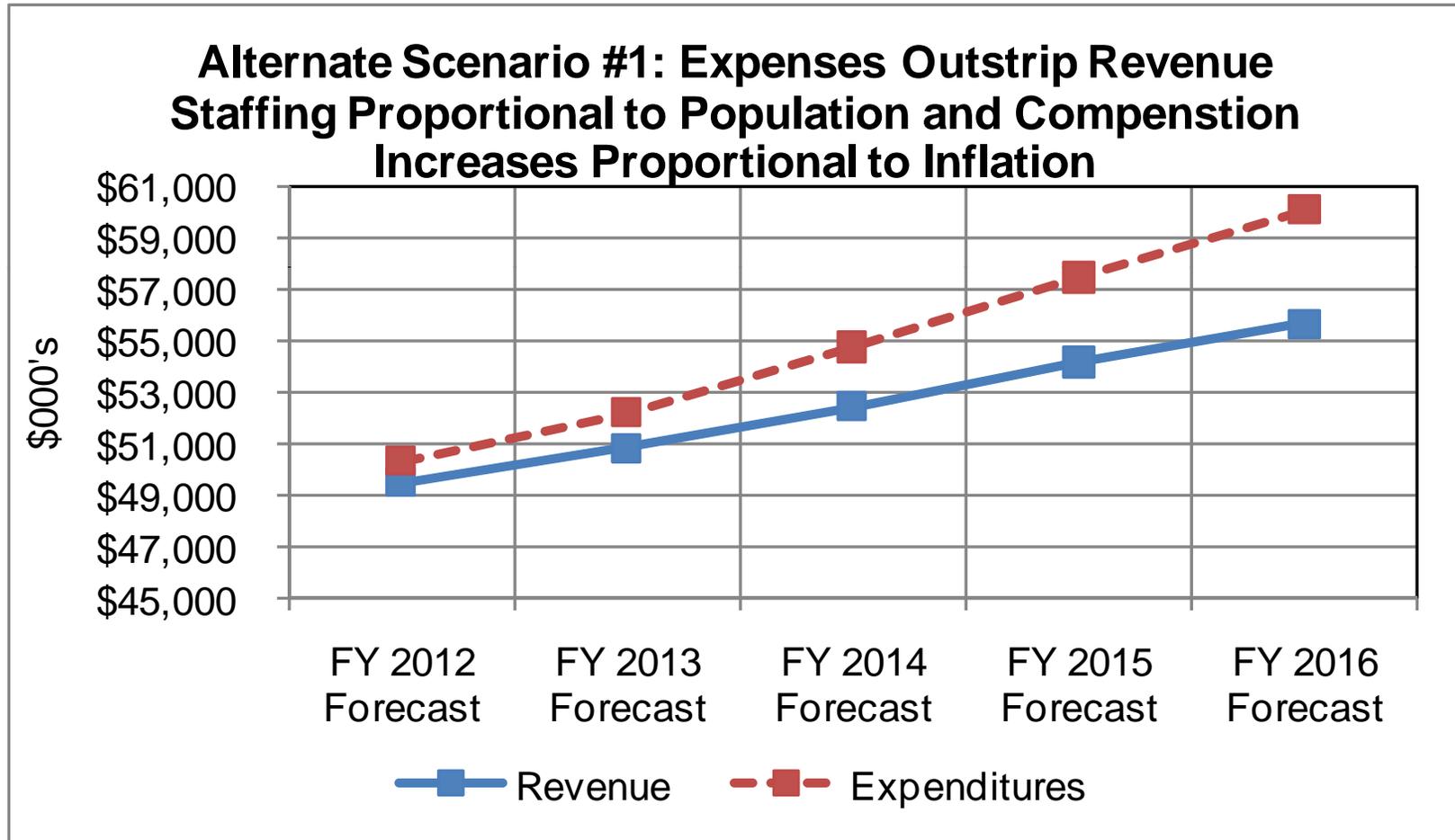
**Sales Tax by Fiscal Quarter, FY2004 to Present
Estimated with Water Customers, Ike, 646 Retail,
and Seasonal Buying**



General Fund Effect of Alternate Economic Scenarios



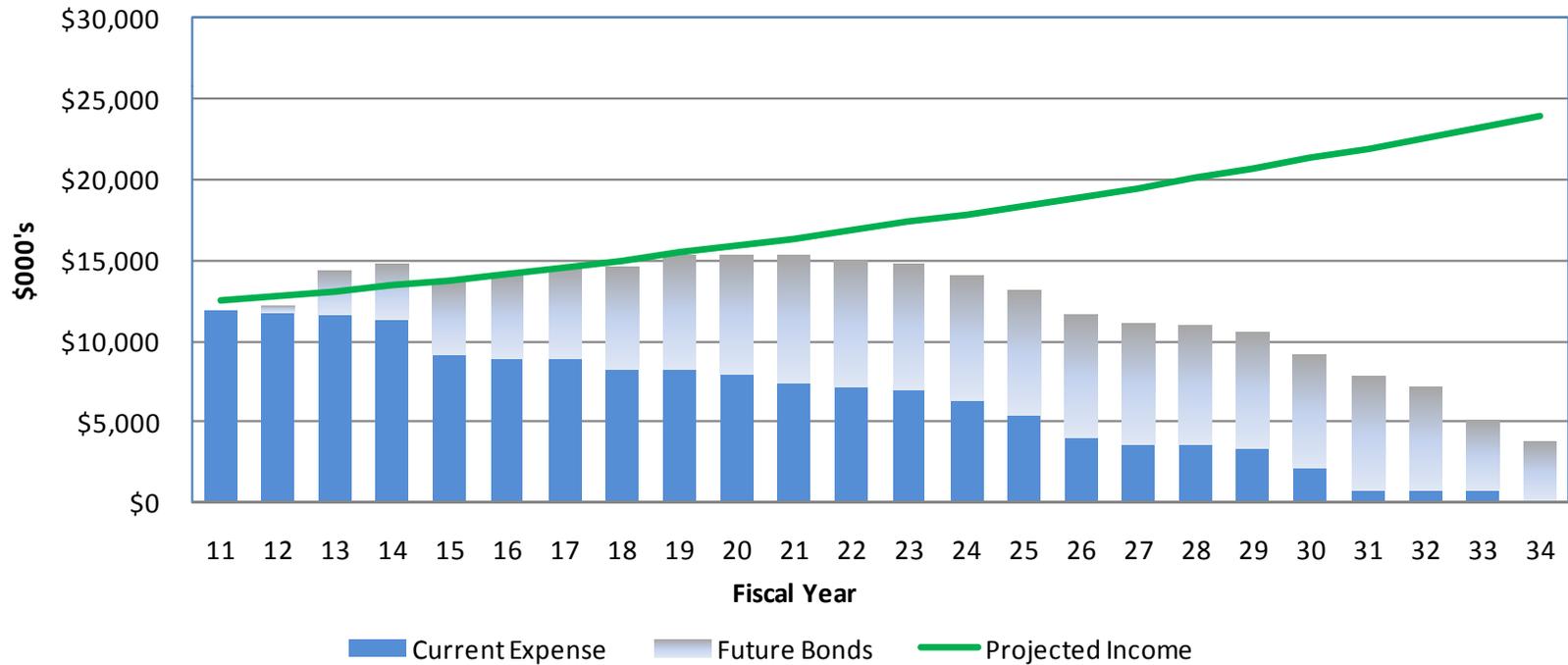
General Fund with Staff and Compensation Growth





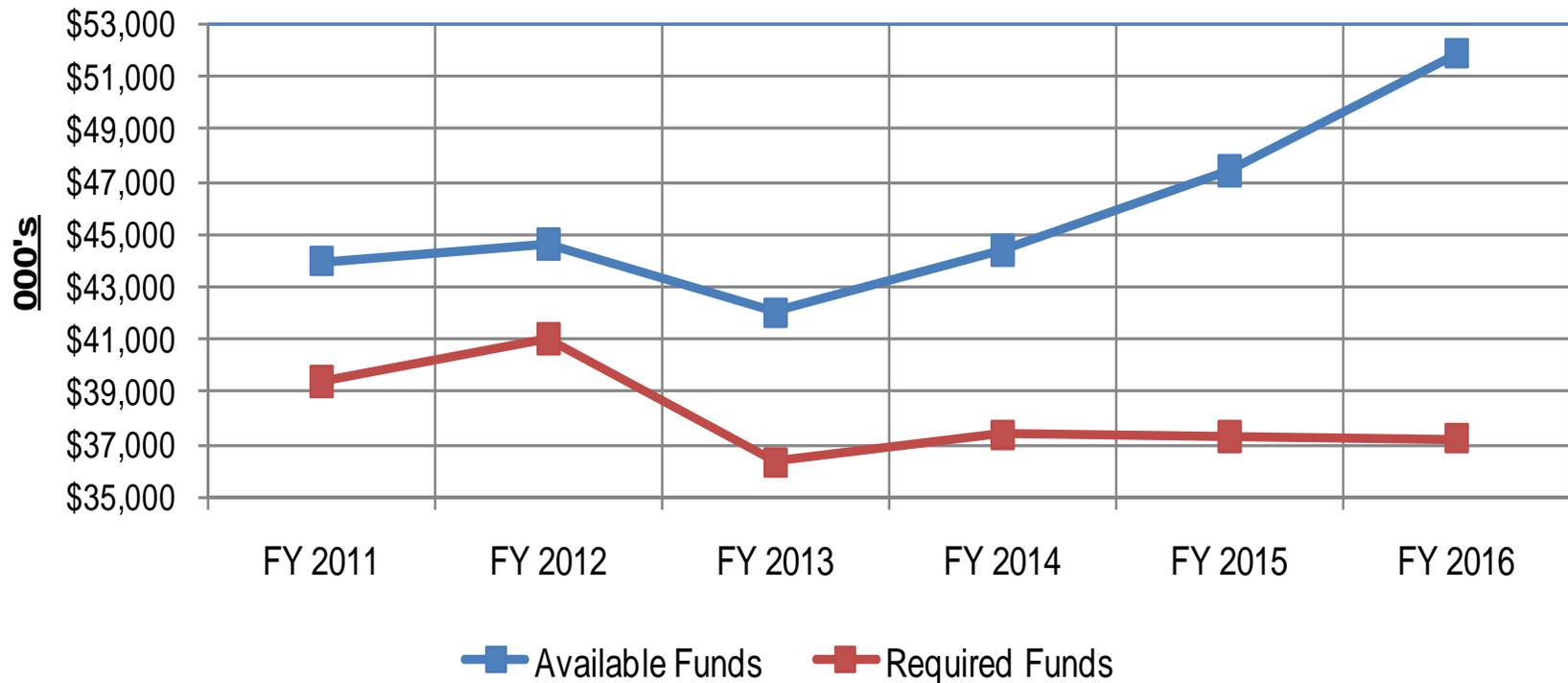
General Debt Service Fund Supports \$60M in New Bonds Over Five Years

Debt Service Income and Expense
with \$7.5M Bond Sale Every Year for Ten Years+\$23.3M More in FY13



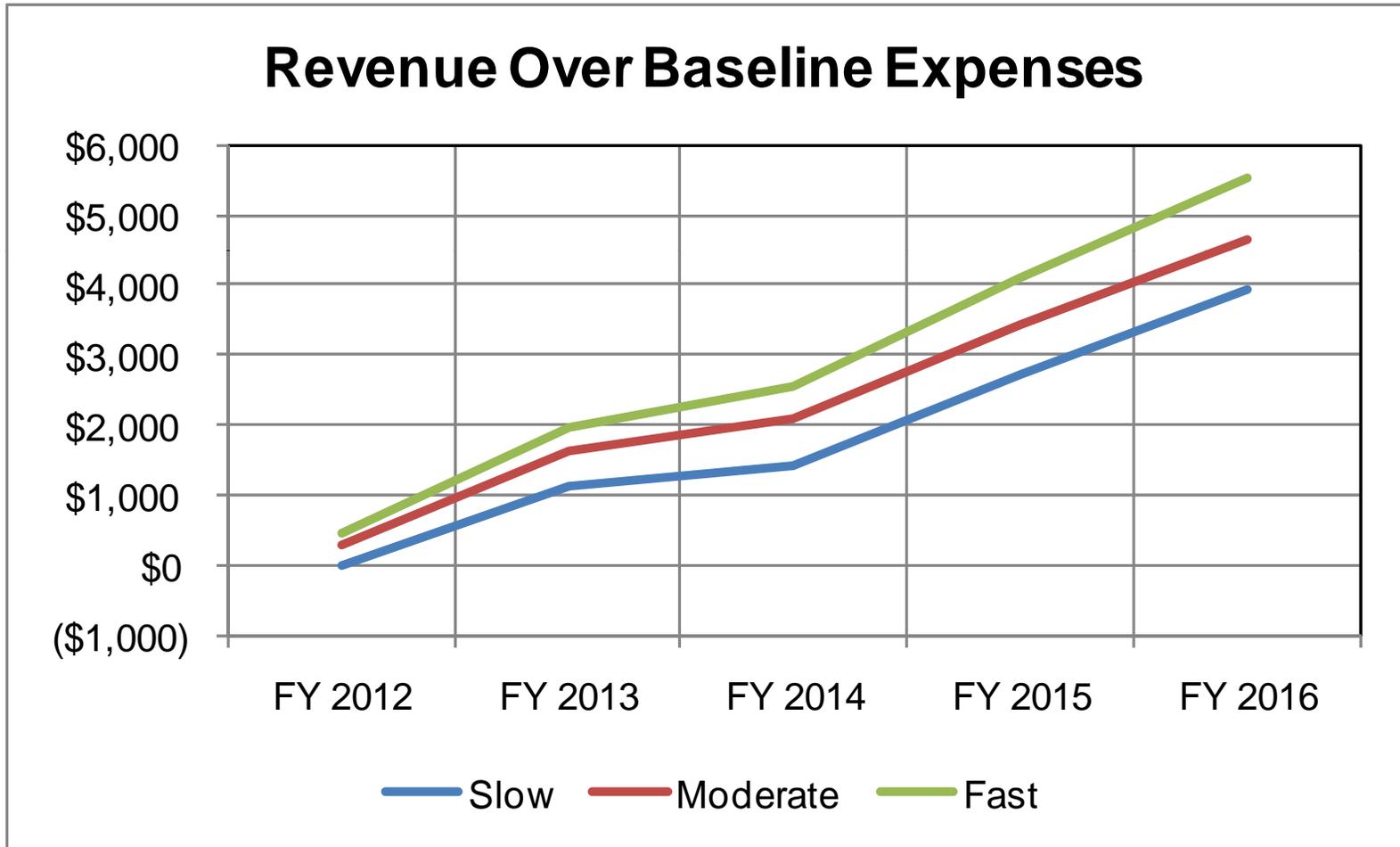
Utility Fund Baseline Forecast

Beginning Balance + Revenue = Available Funds
Ending Balance + Expenditures = Required Funds

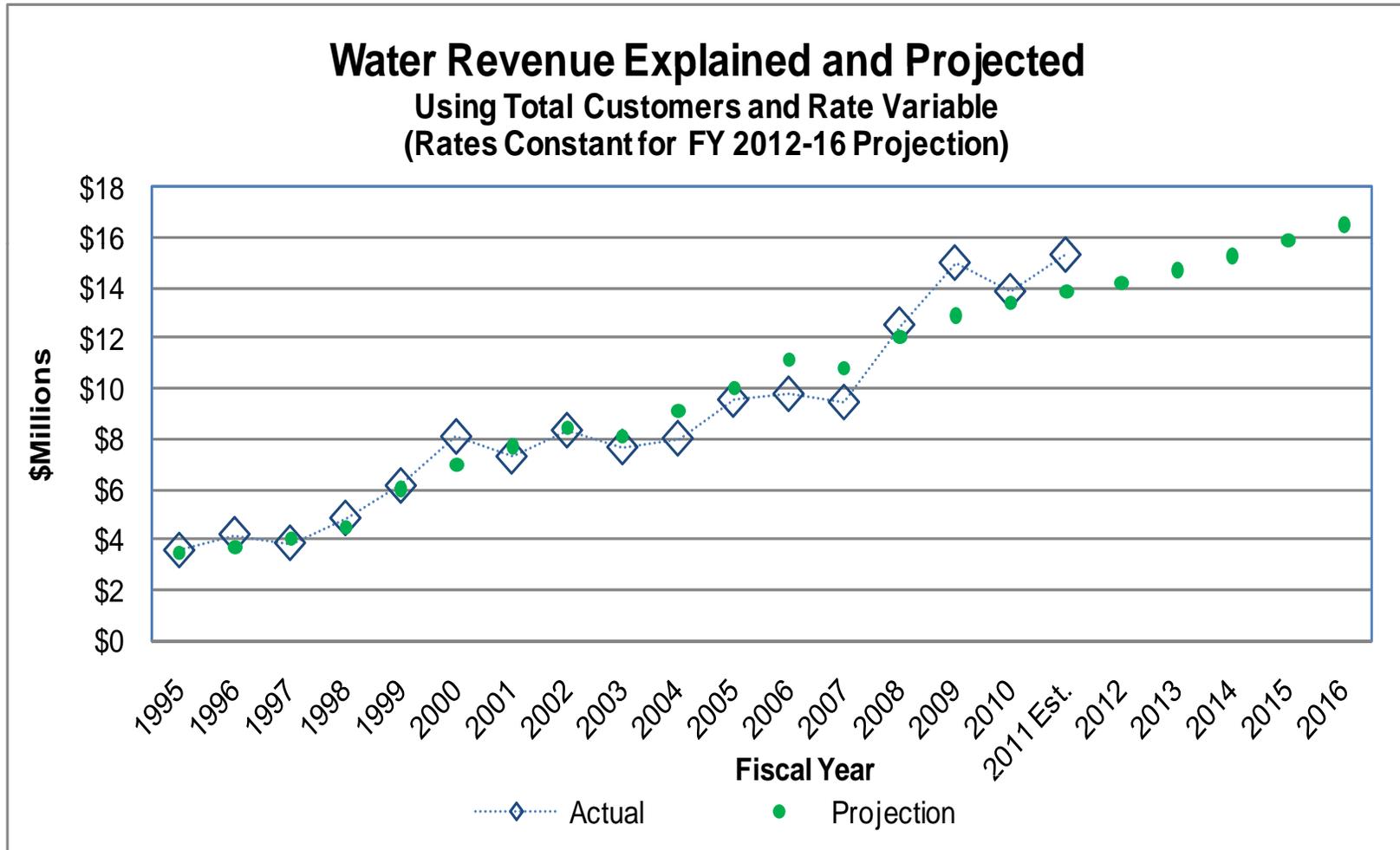




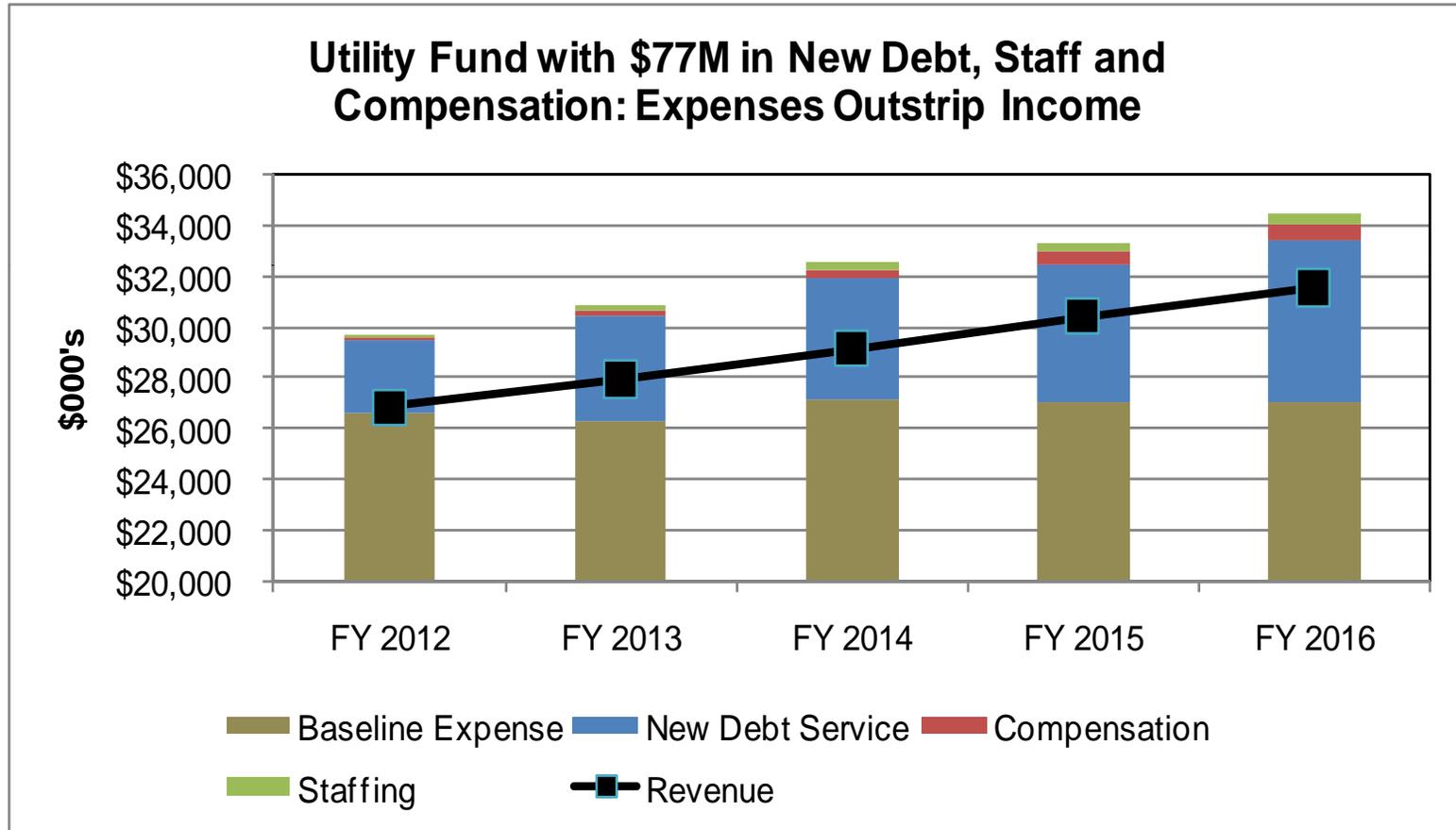
Utility Fund Effect of Alternate Economic Scenarios



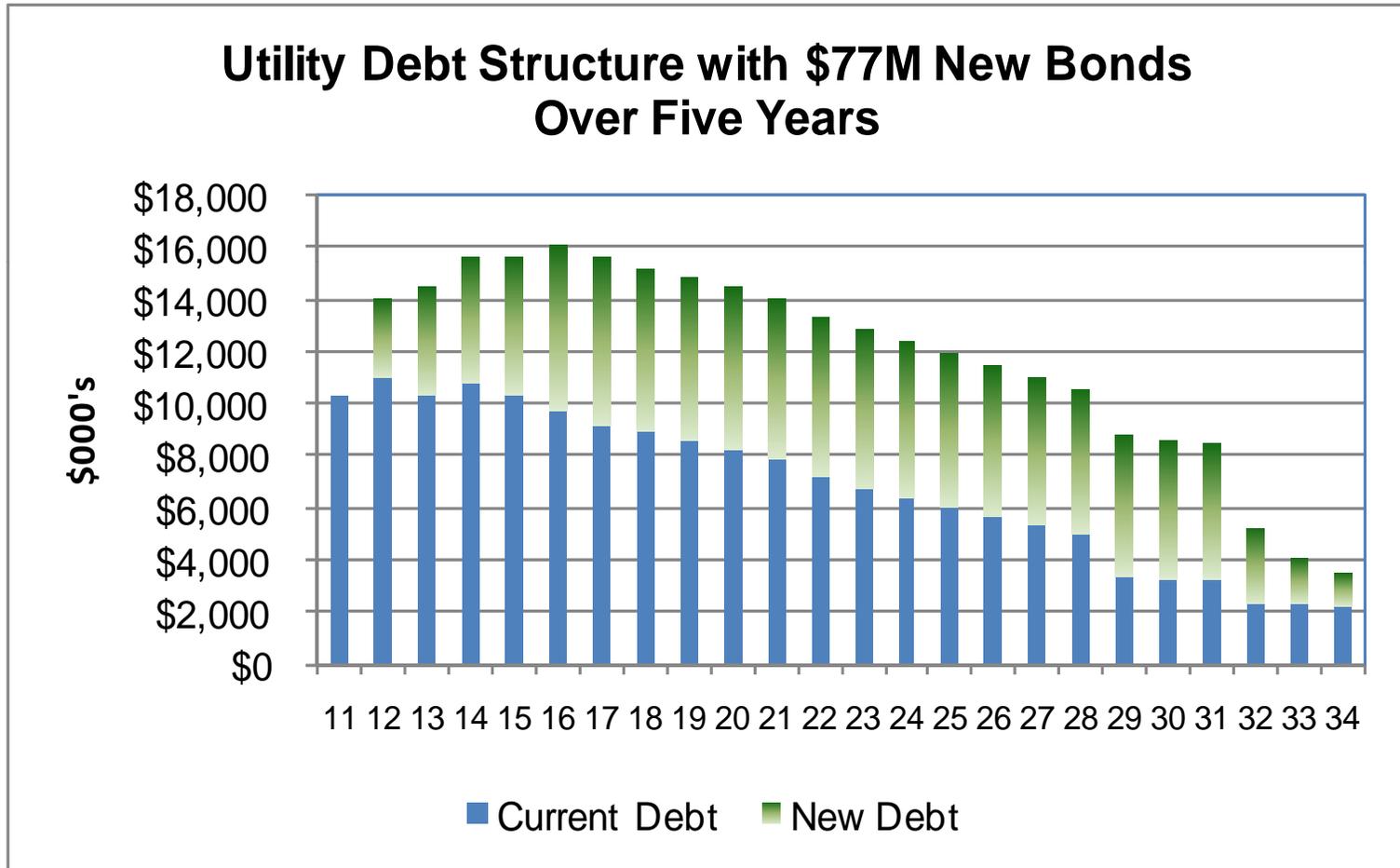
Water Revenue Forecast



Utility Fund: New Debt Service to Meet Water Needs Is Major Factor in Forecast

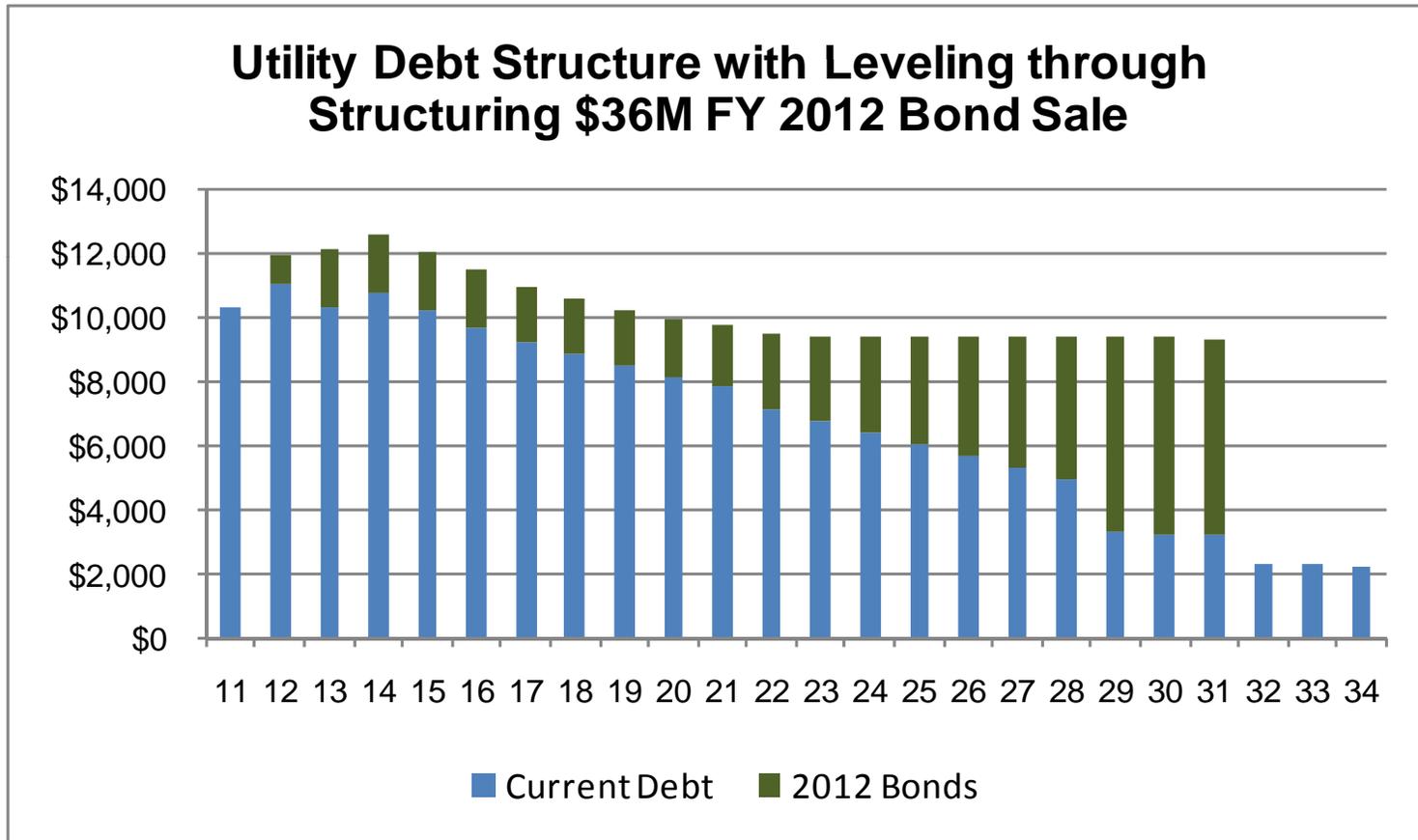


Utility Debt Peaks in 2012 and 2014: Makes New Debt Inclining Instead of Declining

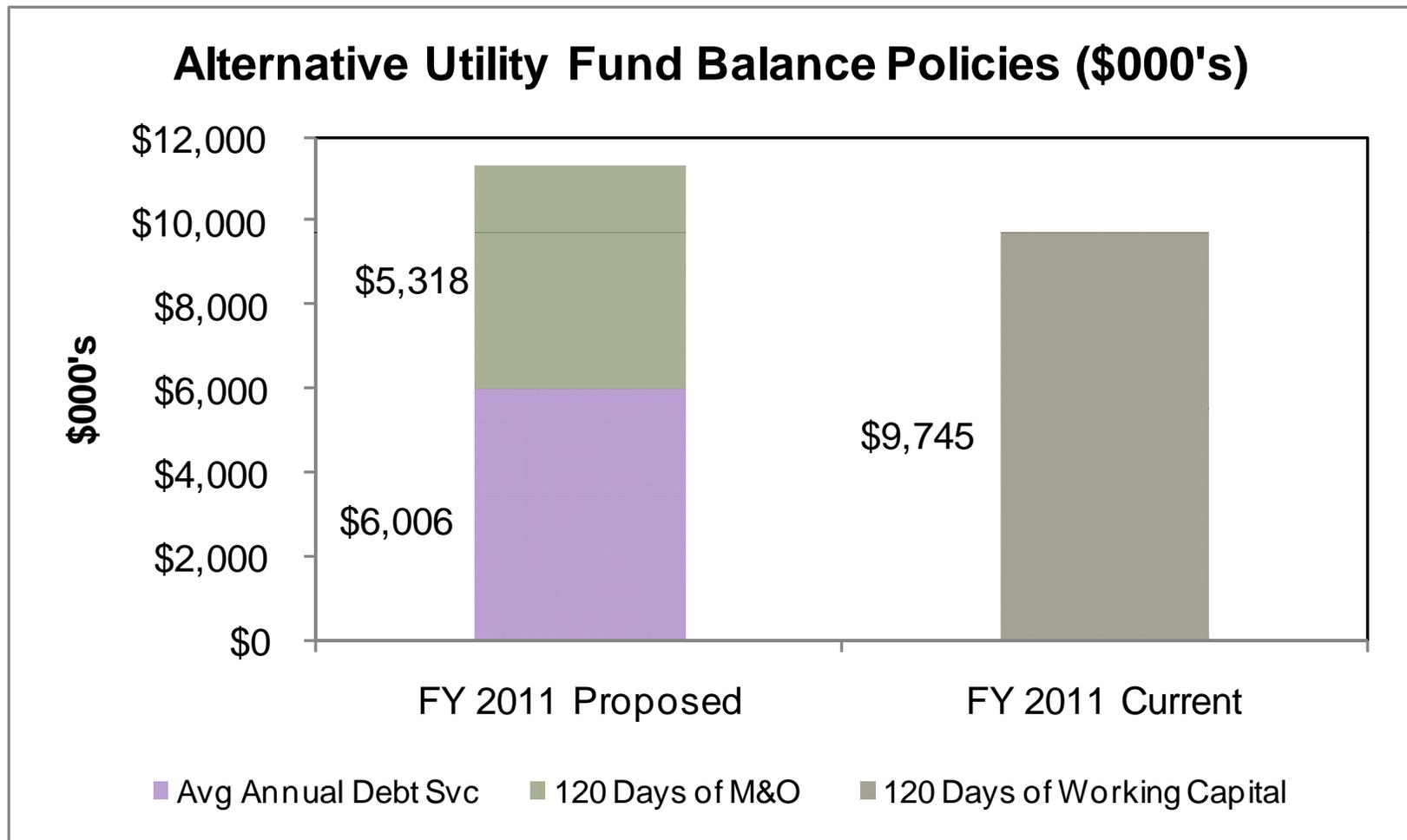




Alternative Utility Debt Scenario: Level Debt Service



Utility Fund Balance Policy: Revise to Recognize Bond Covenants



Financial Issues

- Eastern Regional Park - 4B sales tax revenue and park fees appear to cover M&O expense through FY 2016 and possibly beyond
- Pension funding rate – New actuarial approach by Texas Municipal Retirement System will require a gradual increase of approx. 1.2% over several years time to fund projected costs at current benefit levels
- 5 year vehicle replacement schedule - \$8.8 million is funded as part of baseline forecast
- Make a major investment (\$900,000) in technology to improve productivity and customer service



Strategic Issues

- Water
- Economic Development
- League City as an Employer
- Infrastructure Planning and Investment
- Performance Management
- Unfunded State and Federal Mandates



Questions and Discussion