



# MEMORANDUM

TO: Cliff Moore, City Manager

FROM: Steve Groom, Finance Department

DATE: January 22, 2019

RE: Three-Year Plan to Reach Fund Balance Target

This projection is in follow-up to City Council's January 2019 Strategic Plan deliberations. Based on current preliminary estimate for 2018 Actuals and 2019 Budget, if we can achieve savings of \$675,000 per year we would arrive at the Policy Target of 16.7% of General Fund expenditures at the end of 2022. As the table below illustrates, this includes a revenue increase forecast of 1% per year.

	Actual 2017	Projected 2018	Budget 2019		Projected 2020	Projected 2021	Projected 2022	Projected 2023
Beginning Fund Balance	8,264,910	8,462,926	9,204,160		9,458,240	10,133,240	10,808,240	11,483,240
Revenues	66,210,691	67,576,969	67,436,673	1.0%	68,111,000	68,792,000	69,480,000	70,175,000
Expenditures	(66,012,675)	(66,835,735)	(67,182,593)	0.4%	(67,436,000)	(68,117,000)	(68,805,000)	(69,975,000)
Savings	198,016	741,234	254,080		675,000	675,000	675,000	200,000
Ending Fund Balance	8,462,926	9,204,160	9,458,240		10,133,240	10,808,240	11,483,240	11,683,240
	12.8%	13.8%	14.1%		15.0%	15.9%	16.7%	16.7%
Expenses	66,012,675	66,835,735	67,182,593		67,436,000	68,117,000	68,805,000	69,975,000
Target %	16.67%	16.67%	16.67%		16.67%	16.67%	16.67%	16.67%
Target \$	11,004,313	11,141,517	11,199,338		11,241,581	11,355,104	11,469,794	11,664,833
Shortfall	(2,541,387)	(1,937,357)	(1,741,098)		(1,108,341)	(546,864)	13,447	18,408

In this scenario, achieving a savings of \$675,000 in the first year would be the most difficult, as it represents only a 0.4% increase in total expenditures. Once we realize these savings, expenses increasing at the same rate as revenues (each increasing 1%) would achieve the desired result.

This is a highly simplified model. Many revenue and expense components will each affect the outcome and will certainly deviate from projection. Nevertheless, this is proposed as a management tool to achieve a policy target and the ability to achieve seems to rely on the first year.