

CITY OF LEAGUE CITY LONG-TERM FINANCIAL FORECAST PRESENTATION

May 25, 2010



Long-Term Financial Planning Cycle

- ▶ Five Year Financial Forecast – FY 2011–15
 - Economic and demographic assumptions
 - Revenue and expenditure assumptions
- ▶ Capital Improvement Plan
 - Prioritization of projects
 - Evaluate project scope and estimates
 - Schedule projects by phase
 - Allocate available funds
 - Reschedule projects/funding
- ▶ Performance Based Budget
 - Set overall priorities
 - Prepare annual work plan
 - Use measures to express budget in terms of performance

What is the Forecast (LRFF)?

- ▶ Projections not *predictions*: Based on assumptions and best available information
- ▶ Change the assumptions and the forecast end results will change
- ▶ Early warning device to implement strategies to avoid future financial problems
- ▶ Project revenue and expenditure five years out

What is the Forecast (LRFF)?

- ▶ Based on commitments and mandates
 - Decisions previously made by Mayor and Council
 - CIP projects coming online with M&O costs
 - State and Federal mandates
- ▶ Consider economic and demographic factors
- ▶ Compare expenditures and revenue results
 - Gap analysis
 - Identify strategies to prevent problems
- ▶ Highlight strategic issues confronting the City
- ▶ Initiate FY 2011 Budget process

Economic Issues

- ▶ Nationally:
 - Unstable financial markets
 - Economic uncertainty both nationally and internationally
 - High sovereign debt at home and abroad
 - High unemployment
 - Unstable housing market despite homebuyer tax credits which expired in April
 - Lagging energy demand and prices

Economic Issues

- ▶ Statewide and regionally:
 - State & region have fared better than the nation
 - Energy sector dependent on return of growth in natural gas prices and worldwide demand for oil
 - 100,000 jobs lost in metropolitan area in 2009
 - Job recovery not projected until 2011 or 2012
 - Potential impact of FY 2011 Federal Budget cuts on NASA employment and further job loss

Economic Issues

▶ Locally:

- Economy parallels that of metropolitan area
- Population growth projected at 3.4% for League City
- New home starts out-performed the region with 770 starts in 2009
- Consumer retail sales expected to return to 2008–09 levels after decline this fiscal year
- Inflation projected to remain below 3%
- Insurance consultants project increases of 10%+ in health care costs
- State and federal mandates driving water & sewer costs
- Interest rates expected to climb only 1% during the next 18 months

LONG RANGE FINANCIAL FORECAST RESULTS

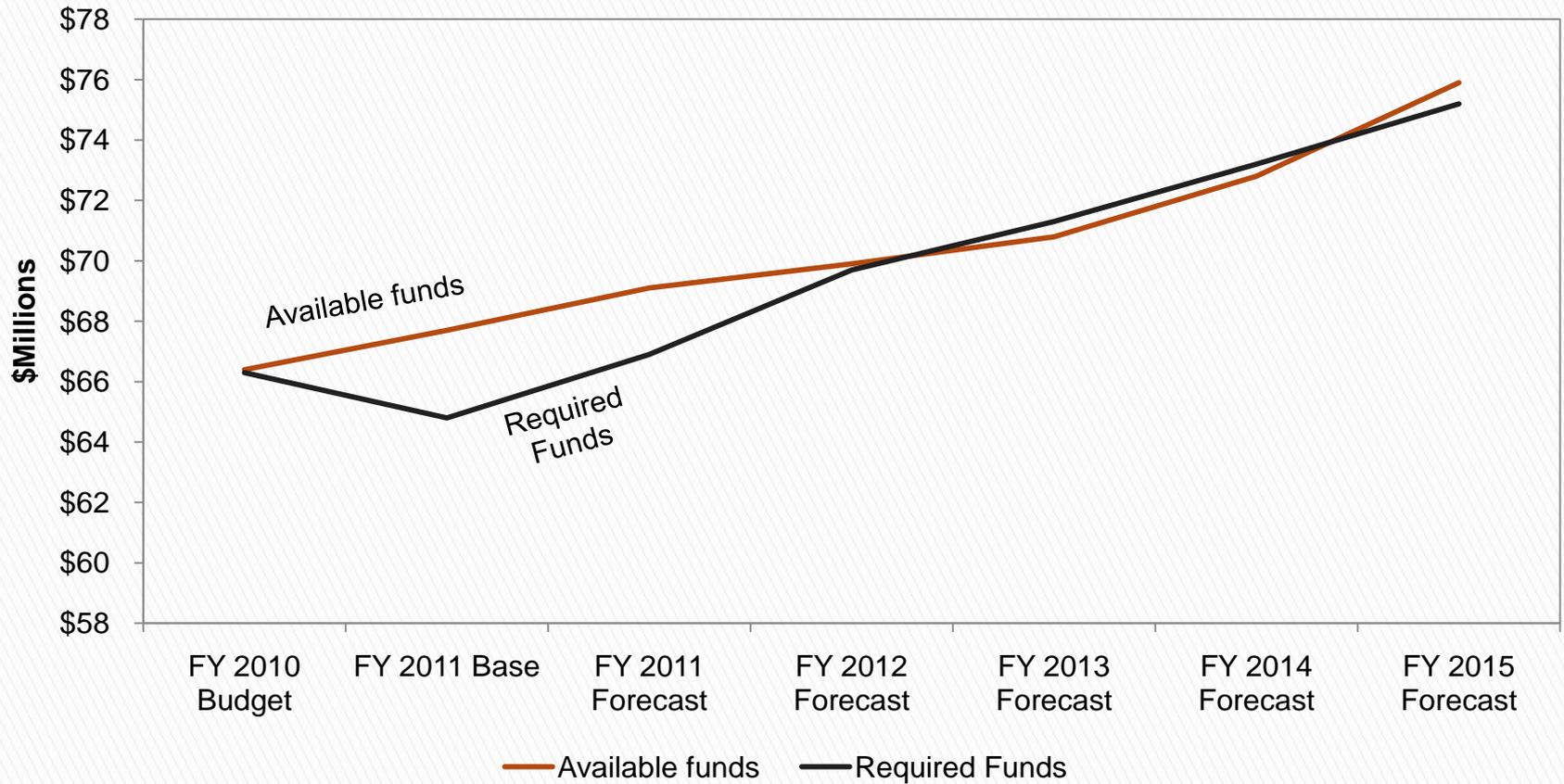
Major Economic and Demographic Assumptions

	2009	2010	2011	2012	2013	2014
REVENUE INDICATORS						
Metro Employment (000's)	2,530.3	2,510.1	2,542.7	2,588.5	2,640.3	2,693.1
Employment Annual Pct Chg	-2.3%	-0.8%	1.3%	1.8%	2.0%	2.0%
New Homes	770	796	823	851	880	910
Metro Home Sales	64,200	64,800	66,100	68,100	70,800	73,600
Oil Price per barrel	\$58.37	\$75.00	\$76.00	\$77.00	\$78.00	\$79.00
Natural Gas Price per mcf	\$3.77	\$4.00	\$4.50	\$5.00	\$5.00	\$5.00
<i>Water Customers Annual % Chg</i>	<i>3.15%</i>	<i>3.20%</i>	<i>3.25%</i>	<i>3.30%</i>	<i>3.35%</i>	<i>3.40%</i>
EXPENDITURE INDICATORS						
Population	71,530	73,960	76,470	79,070	81,760	84,540
Population Pct Change	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Inflation (Fiscal Year)	-0.3%	2.0%	2.2%	2.5%	3.0%	3.0%
Energy Inflation (FY)	0.0%	5.0%	5.5%	6.3%	7.5%	7.5%
Health Care Inflation (FY)	7.0%	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>	<i>10.0%</i>

NOTE: Changes from the March Presentation to Council are in bold and italics.

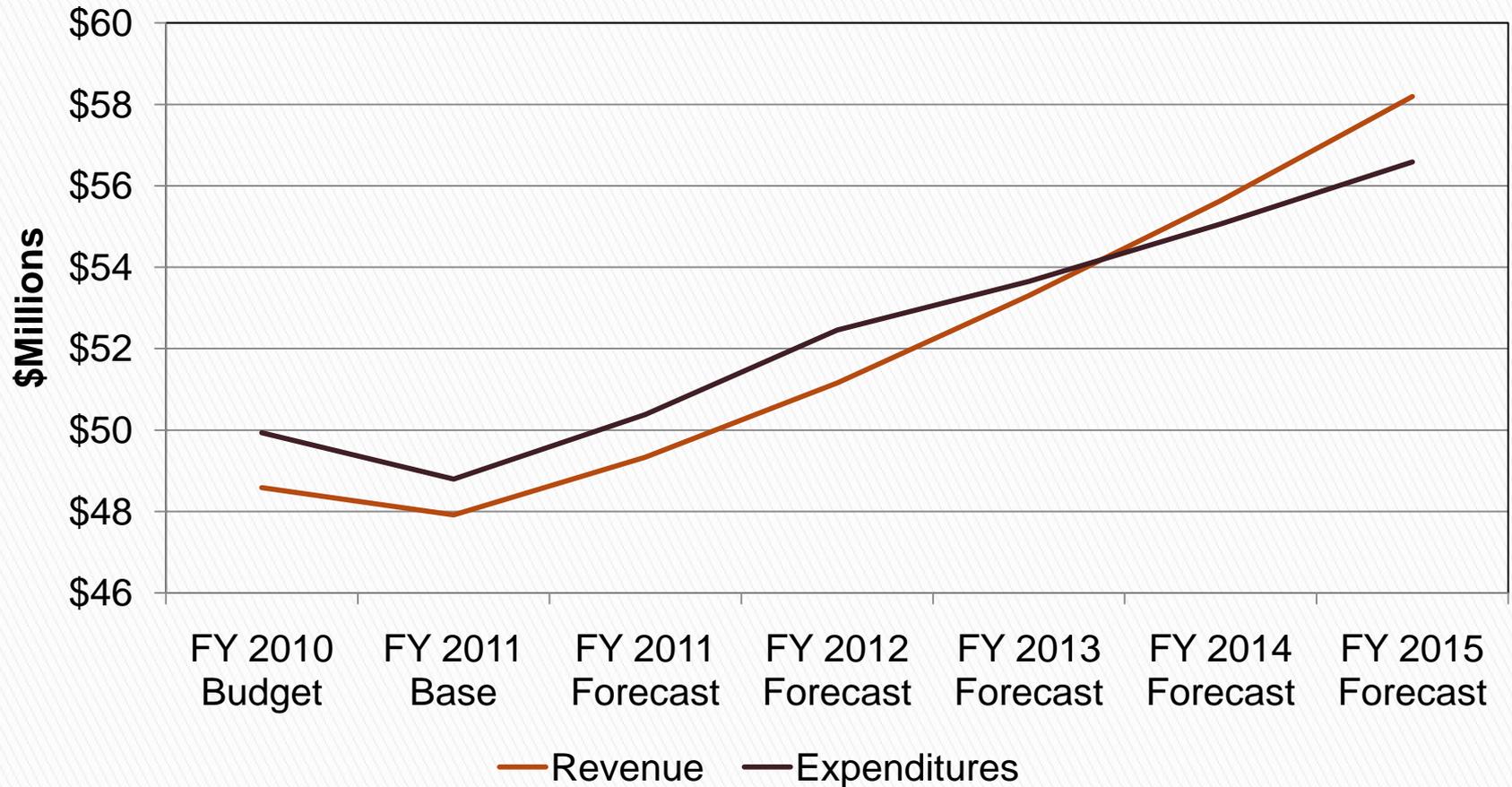
General Fund Baseline with Fund Balance

Expenditures and Working Capital Requirement Outstrip Available Funds in FY 2013



General Fund Baseline: Income vs Expense

Revenue Lags Behind Expenditure Until FY 2014

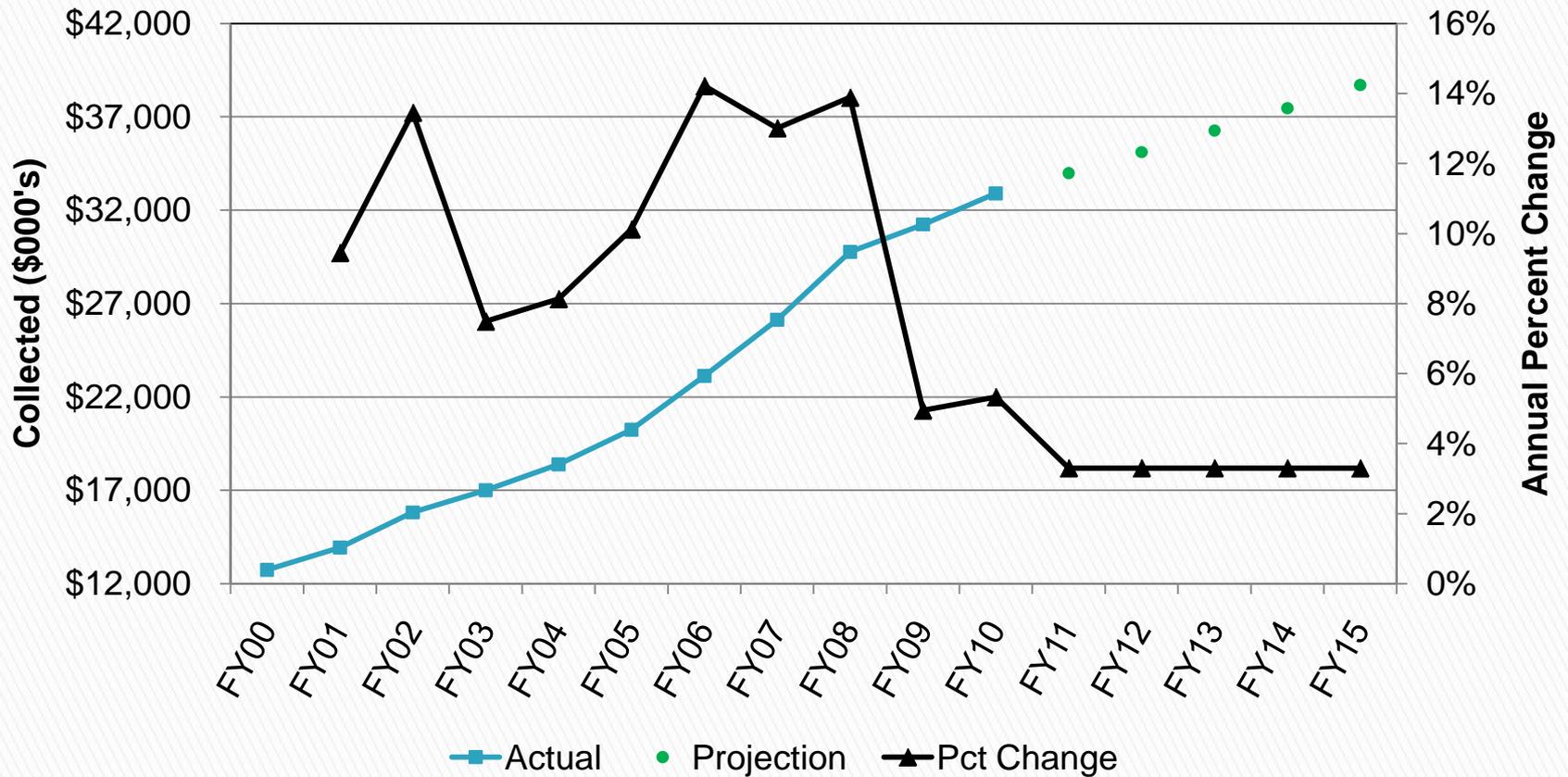


GENERAL FUND UPDATE (\$000's)

	FORECAST	REVISED	DIFFERENCE
Beginning Balance	\$20,554	\$19,807	(\$747)
Revenue	\$48,332	\$49,331	\$999
Expenditures	\$50,008	\$50,379	\$371
Revenue Over/(Under) Expenditures	(\$1,676)	(\$1,048)	\$628
Ending Balance	\$18,878	\$18,759	(\$119)
Less 120 Days of Working Capital	(\$16,441)	(\$16,563)	(\$122)
Forecast Over (Under) 120 Days	\$2,437	\$2,196	(\$241)
Days Working Capital Over/(Under) 120	18	16	(2)

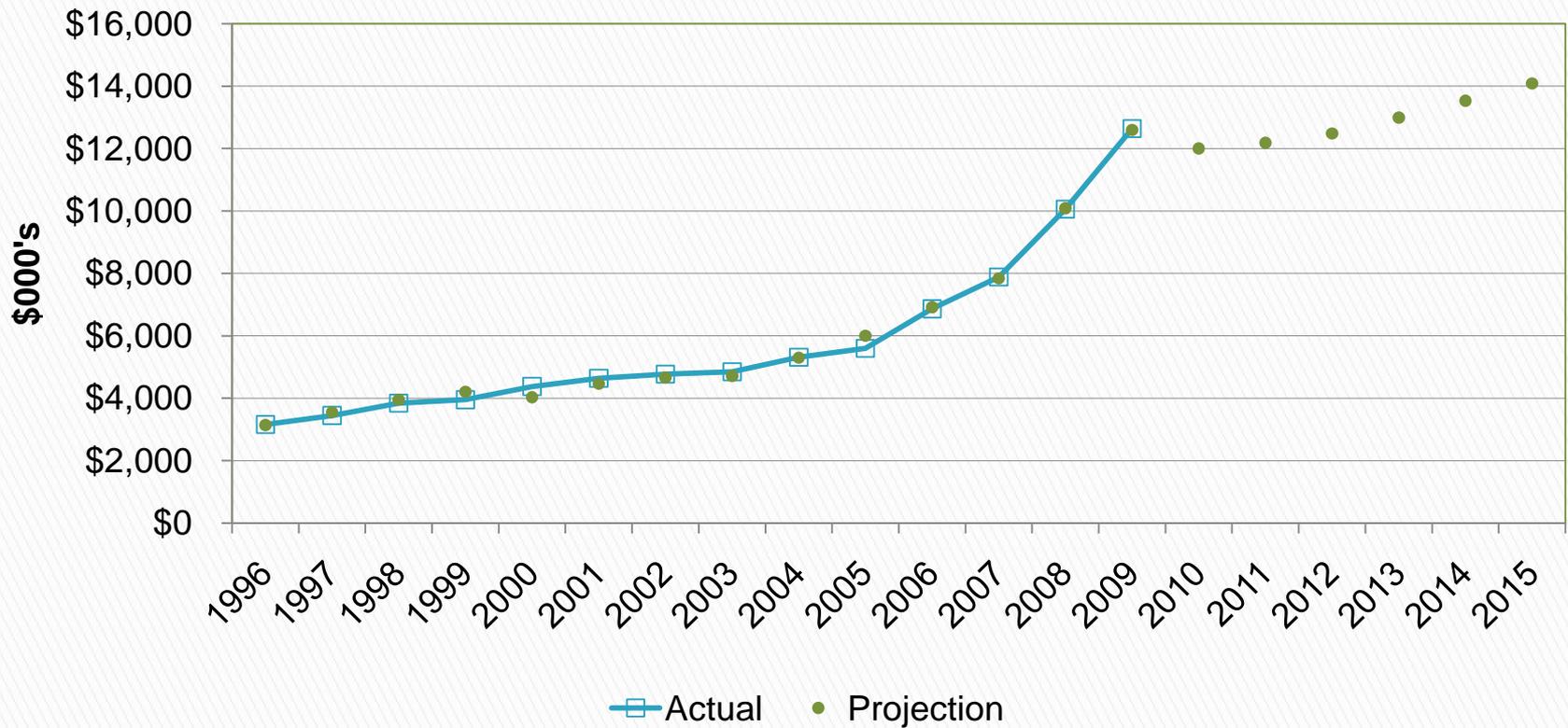
Property Tax Revenue Growth Slows

Property Tax Revenue, FY 2000-2015
Total Collected (\$000's) and Annual Rate of Change



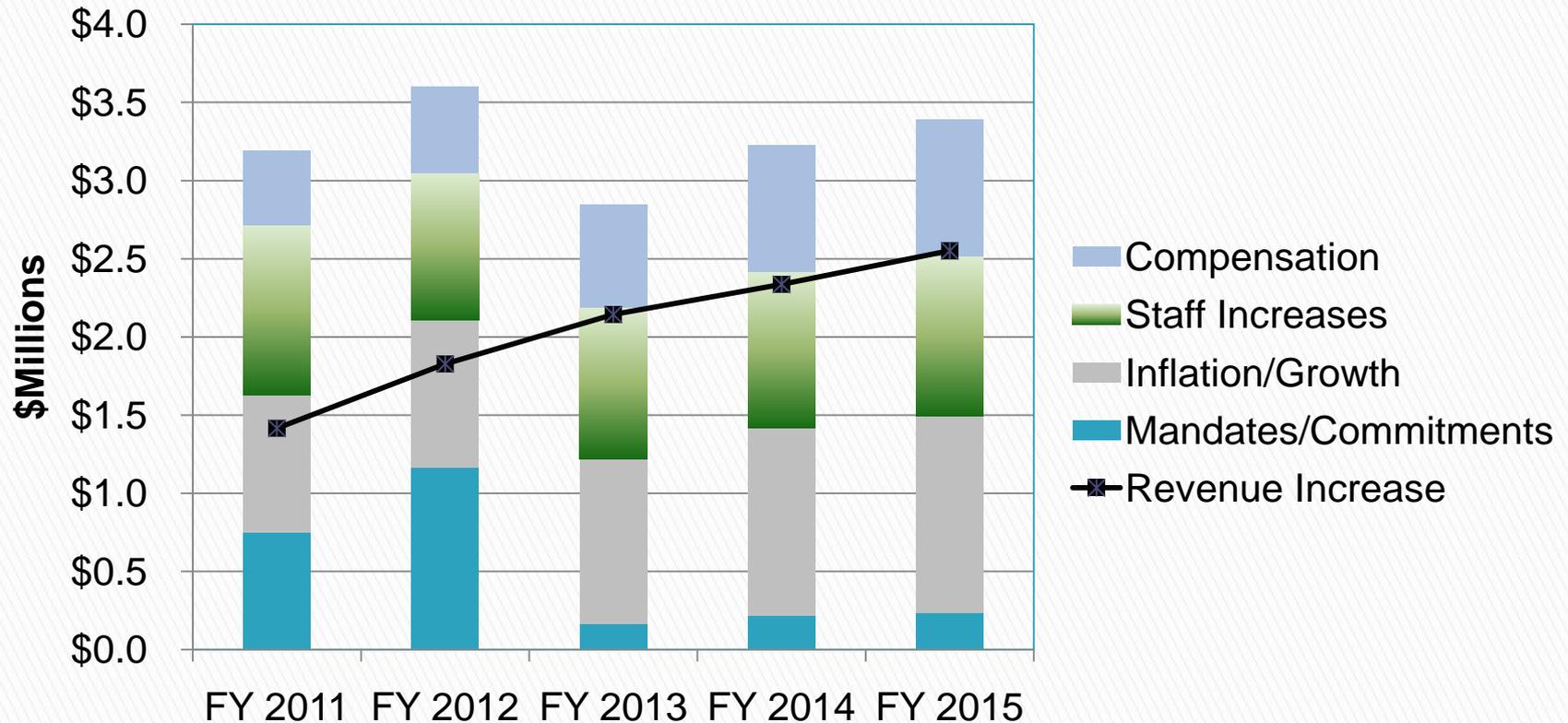
Sales Taxes: Slow Recovery Starts in FY 2011

Based on Local and Regional Economy: Water Customers, Energy Jobs, Ike, SH 646 Retail



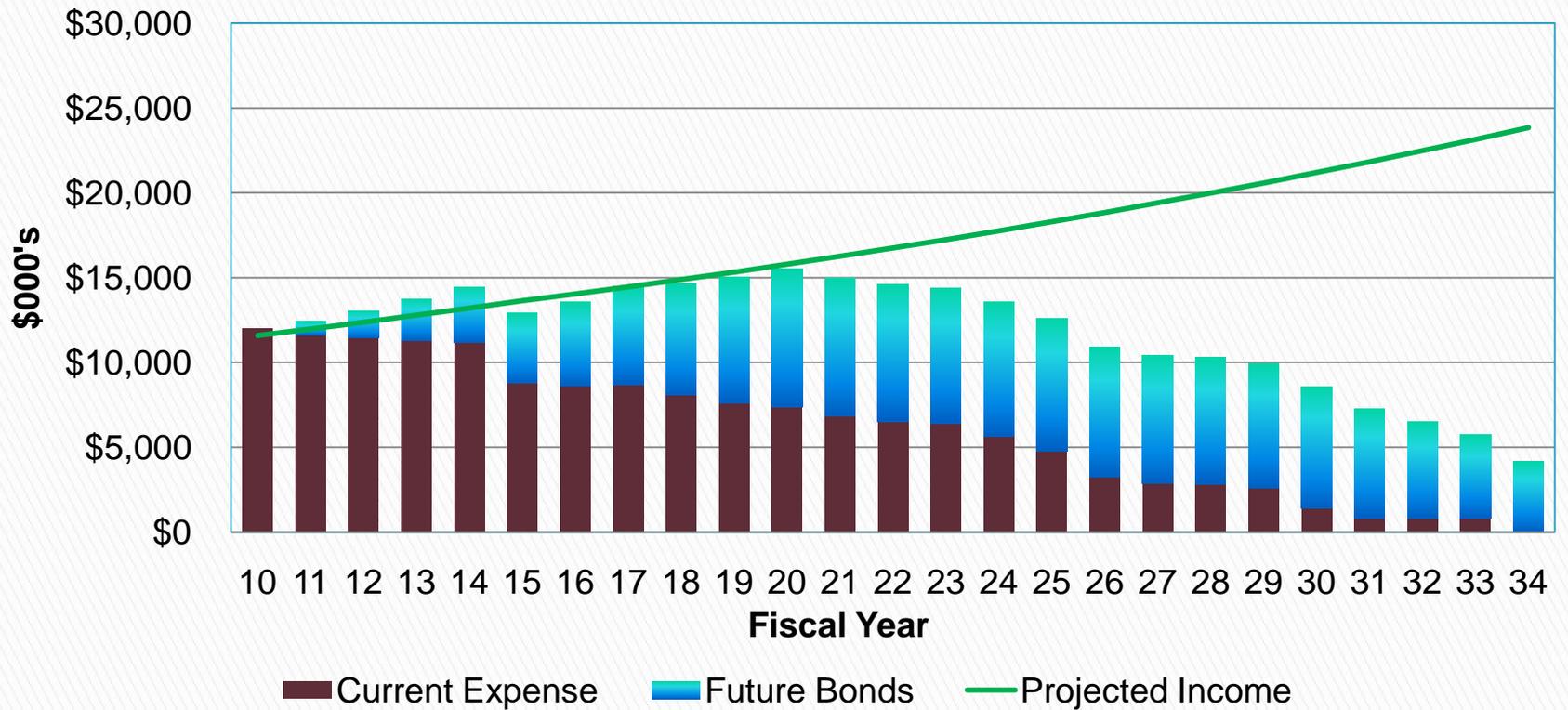
General Fund: Annual Increases

Costs Potentially Rise Faster than Revenue Every Year



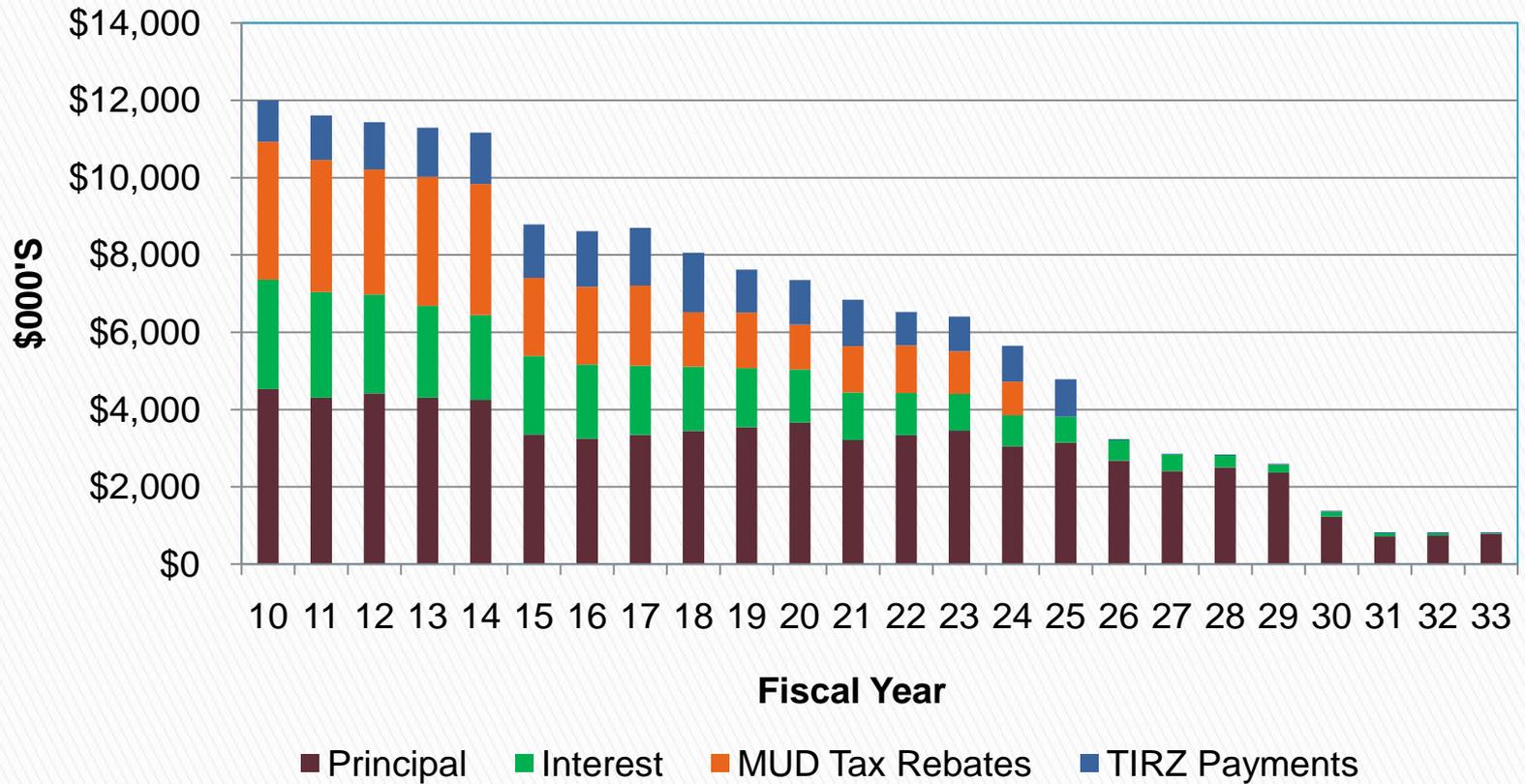
Debt Service Capacity at Current Tax Rate: \$8.3 Million in Projects/Year

Debt Service Income and Expense with \$8.3M Bond Sale Every Year for Ten Years



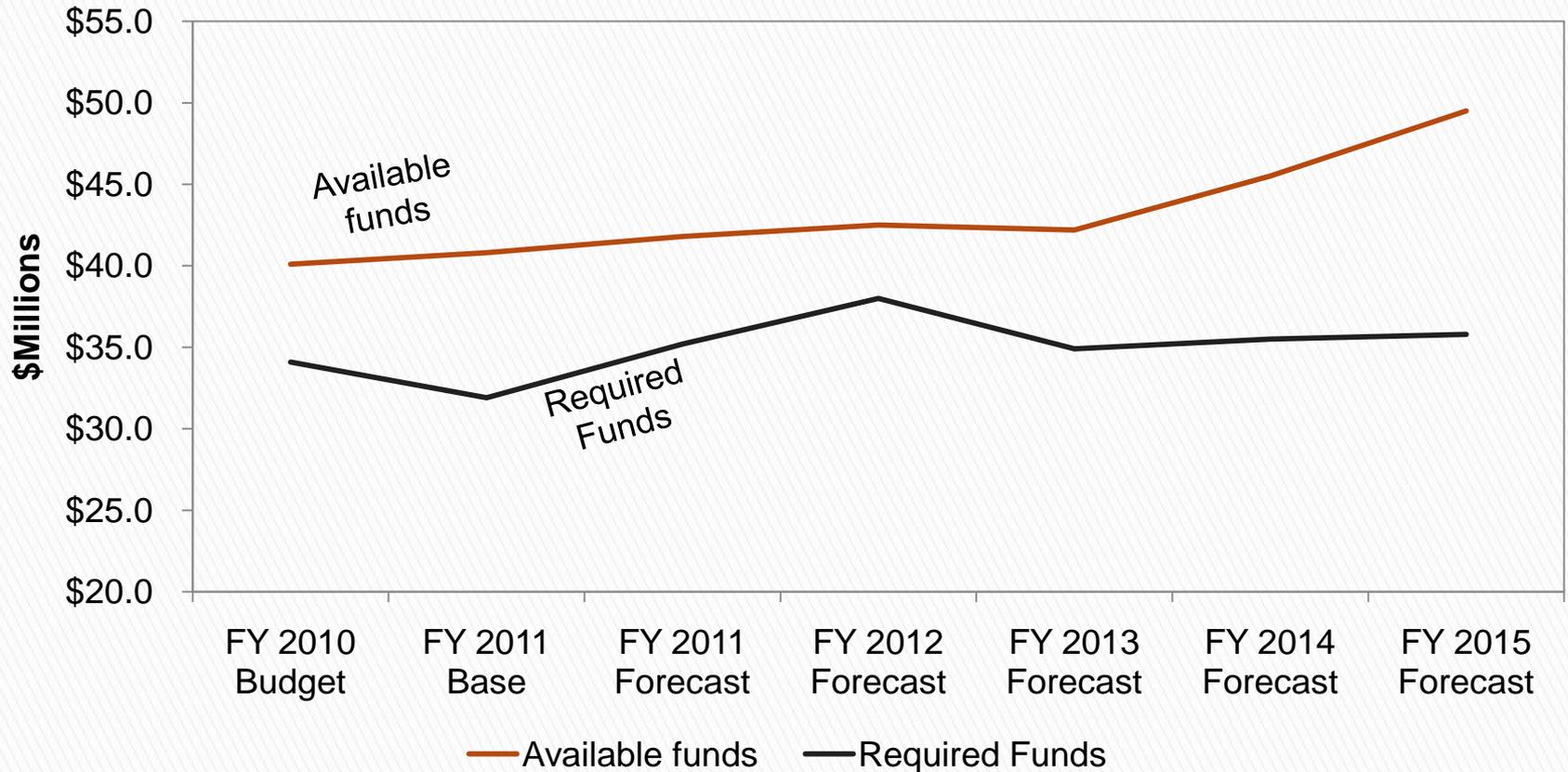
Debt Service: Current Expenses Decline

Current Debt, MUD Tax Rebates & Tax Increment Reinvestment Zone Tax Payments



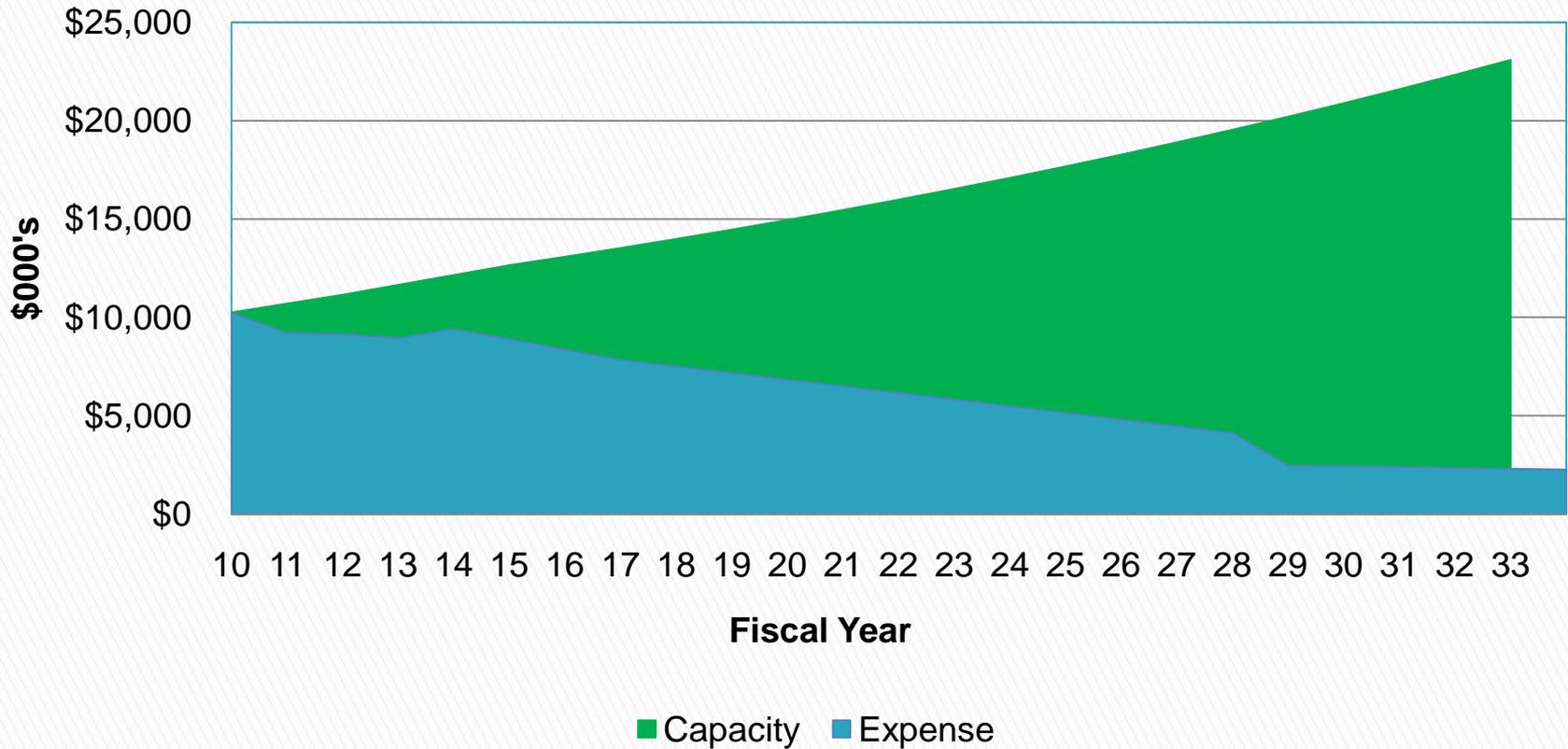
Utility Fund: Current Rates & No New Bonds

Available Funds Cover Baseline Expenditures and Working Capital Requirement



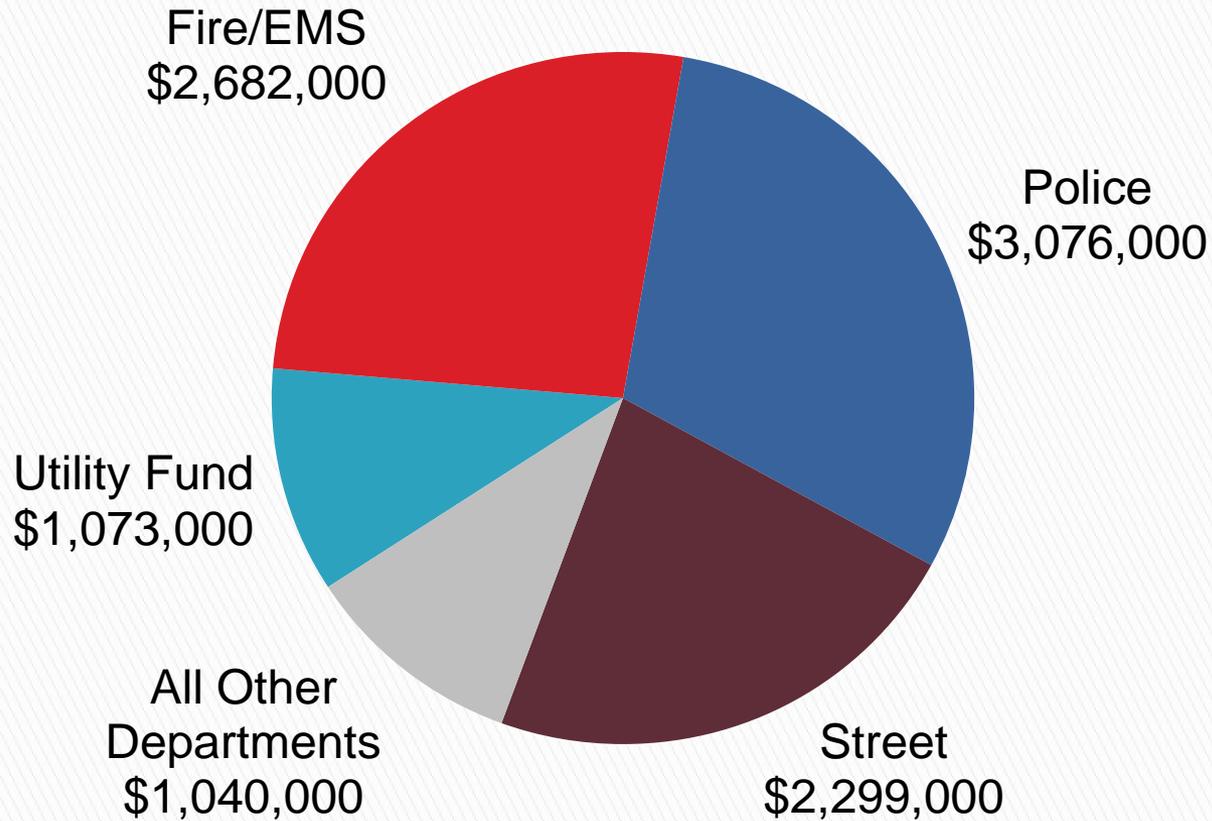
Utility Fund Potential for New Bonds

If Current Share of Water Rates (40%) for Debt Is Held Constant



Motor Pool Fund

Projected Vehicle Replacement Costs \$10.6 Million for FY2011-2015 Forecast Period



STRATEGIC ISSUES

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