



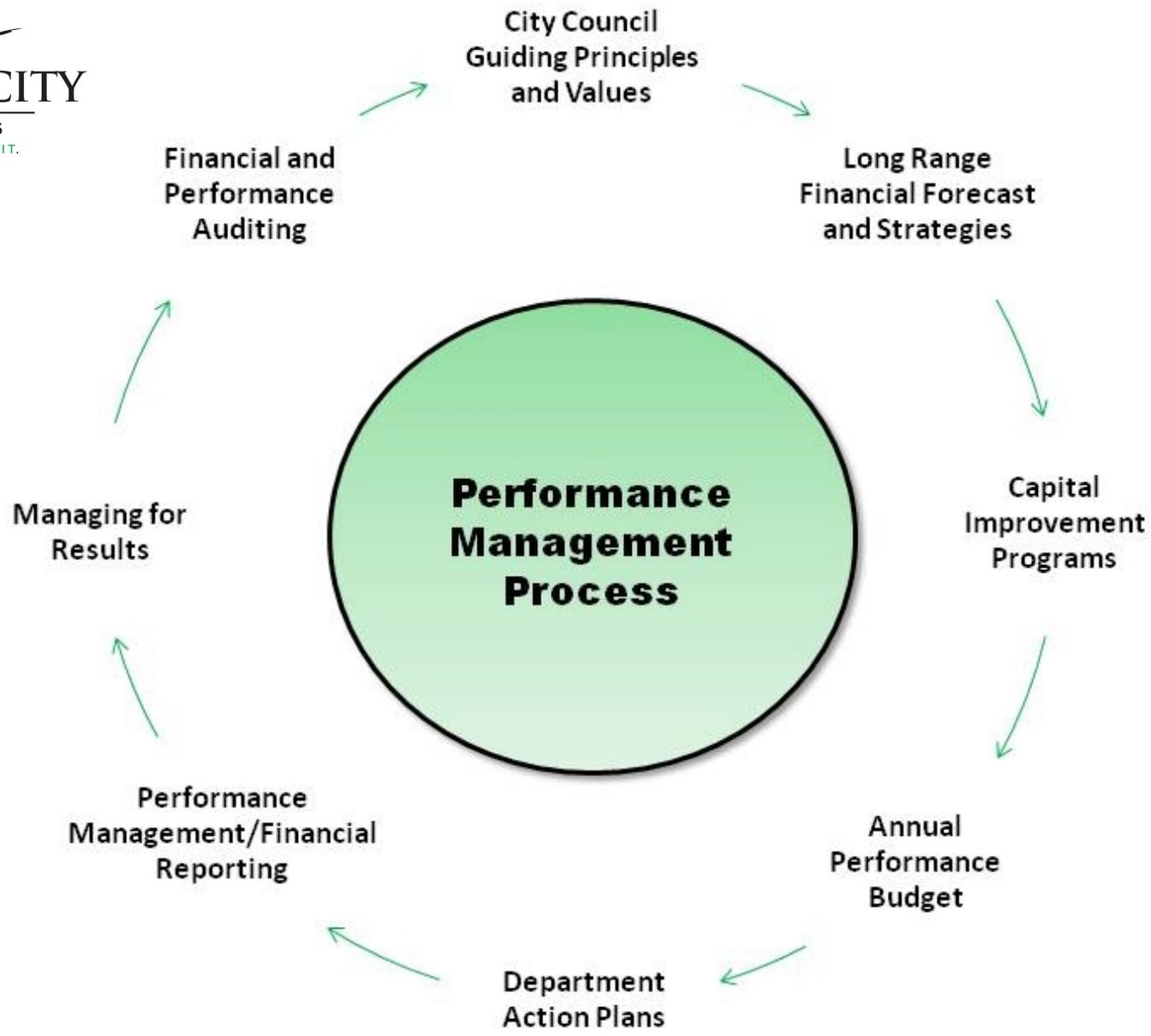
Long Range Financial Forecast

Assumptions and Methodology

June 14, 2011

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Long Range Financial Forecast

- Five Year Budget Forecast – FY 2012-16
 - Economic and demographic assumptions
 - Revenue and expenditure assumptions
- Capital Improvement Plan
- Goals and Performance
- Overall Process



What is a Budget Forecast?

- Projections not *predictions*: Using best available information when prepared
- Project revenue and expenditure five years out
- Baseline projections reflect current commitments: Decisions previously made by Mayor and Council
- Consider economic and demographic factors
- Compare expenditures and revenue results
- Use first year of forecast to prepare FY 2012 Budget and FY 2012-2016 Capital Improvement Plan



How is a Budget Forecast Prepared?

- Establish Base Budget for FY 2012 - City's FY 2011 Budget (current year) for major funds adjusted for annualized and one-time costs, new facilities, mandates, approved contract prices
- Revenue projected considering local, regional and national economic factors – Using current tax and fee rates
- Consider potential impact of inflation and population growth
- Assumptions and adjustments will be disclosed



FY 2012 Budget Process

- June 14 – Forecast assumptions presented
- Mayor and City Council confirm assumptions including economic growth and policy assumptions regarding expenditures
- July 11 - Forecast presented to Mayor and Council
- July 18 - Proposed Capital Improvement Plan presented to Mayor and City Council
- August 1 - Proposed Budget presented to Mayor and City Council
- September 13 or 20 – City Council adopts FY 2012 Budget and CIP



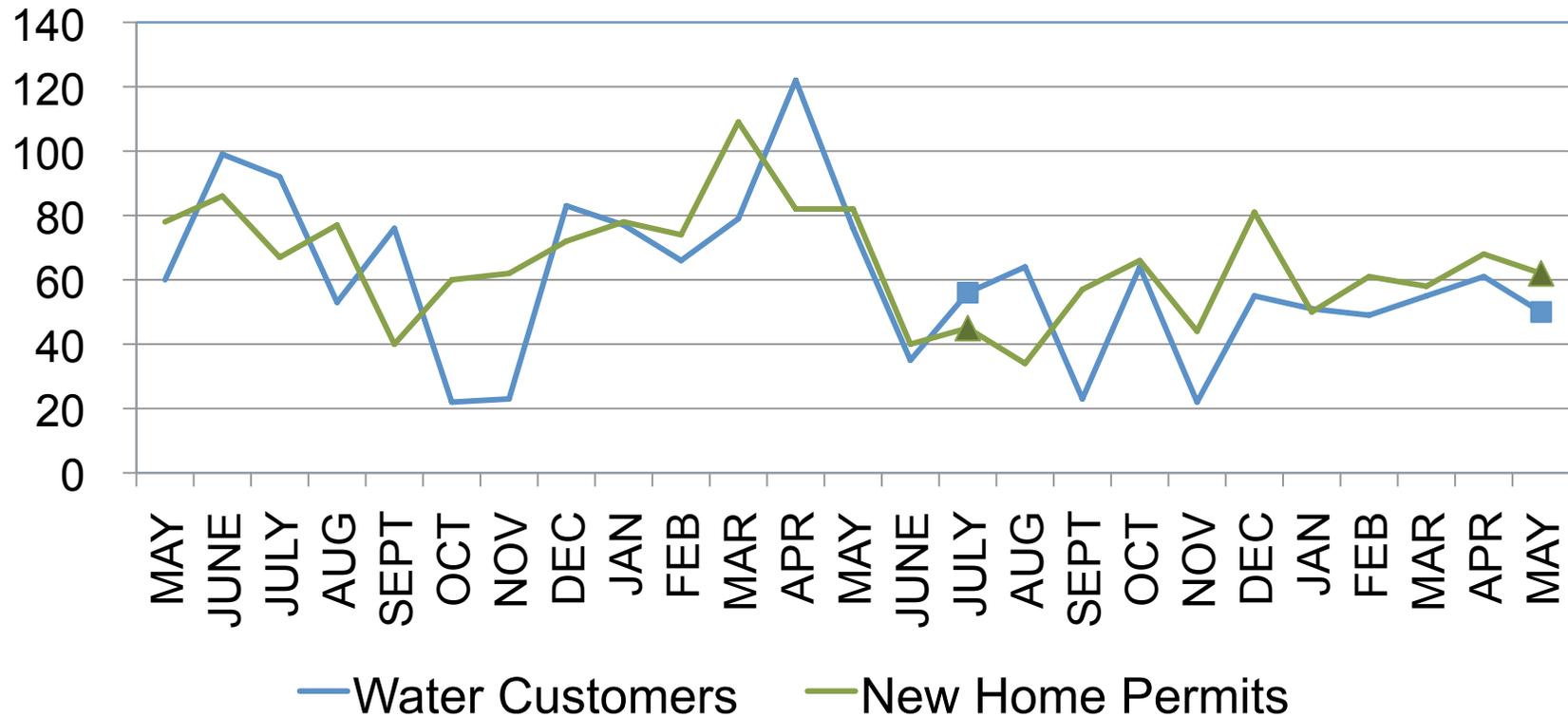
General Economic Assumptions

- League City's economy is growing at a pace that reflects attractiveness of League City in the region net of losses caused by NASA cuts and other factors
 - Net gain of 2% annually
- Metro area is growing at steady pace, recovering from 100,000 jobs lost in 2008-2009 downturn
 - 50,000 jobs regained from April 2010 to April 2011
- Major local indicators tracked
 - New construction, new homes, growth in water customer base, population growth
- Basic economic assumptions
 - Slow growth calendar years 2011 and 2012
 - Slight rebound in 2013
 - Return to long-term growth rate in 2014



Recent Growth Trend: 2.2% Since July 2010

Net Total Water Customers: 50 per month
New Home Construction Permits: 56 per month





Major Economic Indicators

	2011 Est.	2012	2013	2014	2015	2016
Metropolitan Area						
Employment Annual Growth Rate	1.2%	1.5%	1.5%	2.0%	2.0%	2.0%
Energy Employment Growth Rate	2.8%	2.7%	0.5%	1.0%	2.0%	2.0%
Inflation Rate	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Fuel Prices	50.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Health Care Inflation	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
90 Day T-Bill Rate	0.3%	1.1%	2.5%	3.5%	4.5%	4.5%
League City						
Population Growth Rate	2.0%	2.0%	2.5%	3.0%	3.0%	3.0%
City Water Customers Growth Rate	2.0%	2.0%	2.5%	3.0%	3.0%	3.0%
New Home Construction Permits (Number)	631	586	747	871	877	883
New Construction Value (\$millions)	\$128	\$120	\$152	\$177	\$180	\$183
Tax Supported Bonds Total Interest Cost	4.20%	4.50%	4.75%	5.00%	5.25%	5.50%



Revenue and Expense Assumptions

- Two percent 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



Priority Concerns

- Securing additional water supply with current resources
- Total employee compensation
- Cost of opening new facilities late FY 2012
 - Eastern Regional Park
 - Southwest Wastewater Reclamation Facility
- Economic development-related infrastructure
- Others to be identified



Questions and Discussion