



**Long-Term Financial Plan**

**2008-2013**

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## **City of Lakewood Long Term Financial Plan**

### **Executive Summary**

The current economic conditions being faced nationwide have yielded some slowdown in the overall economic activity of the region, but as a whole, new construction in the City of Lakewood is strong. This is an encouraging sign for future increases to economic activity as well.

Regardless of the increased economic activity, the City of Lakewood's long term financial outlook is challenging. The City has a number of economic development initiatives in place that will help grow the revenue for needed services in the future. However, the city also faces a number of issues with cost inflators that will yield difficult budgeting decisions.

As a whole, it is the most likely scenario that overall revenue growth will be able to handle the City's current level of services based on current methods of budgeting and operations. Some incremental changes may be necessary to ensure that revenues and expenditures are balanced. However, there are some areas of expenditure that will need to be addressed both in the short-run and in the long run. These areas represent significant risk to the City's current operational strategies, and failure to address them in a prompt manner could yield far larger problems in the future.

Among the challenges faced by the city are:

- The upward cost pressure of energy and fuel
- The upward cost pressure of insurance and risk management
- Long term solutions for capital asset depreciation, maintenance and replacement
- Unfunded mandates from the state and federal level
- Finding ways to invest in future livability and sustain service levels for the City.

The overall financial condition based on current operations, strategies, and methodologies is one of average strength. It is by no means a strong picture, but neither is it a picture that is immediately precarious. As the City engages in budgeting for 2009 and beyond, it needs to make strategic decisions to both help meet current levels of service demands as well as invest in the future needs of the City.

## **City of Lakewood Long Term Financial Plan**

### **Purpose**

This document is designed to be the City of Lakewood's first formal examination of its long range financial condition. The City, as it was developing from its incorporation in 1996, grew its services and offerings based upon the goal of establishing a high-service municipal government. As the City is maturing, it is necessary to look at longer range financial goals to support the strategic and policy goals of the City Council.

### **Methodology**

The financial plan includes projections of both revenues and expenditures for a five year period. It is designed to help policy makers narrow the wide range of choices of strategic and policy positions and to allow decisions to be made in light of the future fiscal implications of those decisions.

This document focuses on the General fund because the General Fund accounts for a high proportion of the discretionary expenditure and revenue for the City. Other funds are discussed as they pertain to long-range fiscal issues, but the majority of effort is focused upon the General Fund.

The plan is based on a series of assumptions about the economic conditions of the region, state, and country, as well as some assumptions about future cost increases. These assumptions are spelled in more detail in the relevant sections of the document.

### **Economic Environment**

#### ***State of Washington***

The State Department of Economic Forecasting has finished their new projections for 2008 and beyond. These projections are showing the state's overall economic activity slowing in 2008, but increasing again in 2009.

The State of Washington's revenue forecast for the 2007-2009 Biennium is \$29.4B, and for the 2009-2011 biennium, the forecast is for \$31.9B. This is an 8.5% increase biennium over biennium. An excerpt from the February 2008 official State of Washington Revenue Forecast is:

The February 2008 revenue forecast for the 2007-09 budget period is weaker than assumed in November. The outlook [for the] national economy has deteriorated in the wake of the housing recession, plunging consumer confidence and stress in financial markets. Many economists, including those at Global Insight Inc., are expecting a recession.

Washington's economy continues to outperform the nation due to strength [in] Washington's two key industries: aerospace and software, but it also is slowing. The February 2008 forecast expects economic growth to continue to slow in the

2007-09 biennium in response to the national recession and weakness in the state's housing sector.

### ***The City of Lakewood***

Converse to state and national trends, the City of Lakewood is seeing continued strength in the building sector.

The City of Lakewood is seeing a steady growth in building permit values for 2008 from the same point in year 2007. In fact, the dollar value of building permits for the 1<sup>st</sup> quarter of 2008 is the highest since 2005, but nearly doubles that year's intake.

| Building Permit Revenue (1 <sup>st</sup> quarter only) per year. |          |           |          |          |           |
|--|----------|-----------|----------|----------|-----------|
| 2003   | 2004     | 2005      | 2006     | 2007     | 2008      |
| \$122,126  | \$75,596 | \$155,045 | \$71,581 | \$62,844 | \$300,760 |

This data points to a less severe building downturn in the immediate future for the City of Lakewood than in the state or nation as a whole. Building permits have a high correlation with other income sources for the city because of the sales tax revenue associated with construction activity, as well as increased valuation base for property tax revenue.

In addition, no substantive changes to the destination-based sales tax system were enacted by the legislature during the 2008 legislative session, so projections of increased revenue to the City of Lakewood from this new system remain intact.

Long term economic growth in Lakewood hinges on the success of a number of current initiatives. Among them are the Tillicum/American Lake Gardens Sewer project and the redevelopment of the Pacific Highway corridor. Recent company openings such as Lakewood Ford show the potential for enhanced economic activity outside of the Town Center core.

## **Current Financial Status**

### ***Fund Balances***

### ***Long Term Debt***

The city has very low debt. The only debt that the City has employed to date is

- LID Bonds in the amount of \$3.56M, which have a defined revenue source in the form of LID assessments on the properties within each LID.
- Loans from the Public Works Trust Funds in the amount of \$1.7M that are for the design and build-out of the Tillicum Sewer Project. This amount is the portion of the total \$7.840M in Public Works Trust Fund loans that the City has available for the Tillicum/American Lake Gardens sewer project.
- A privately held debt to a landowner for the purchase of a portion of 59<sup>th</sup> Street in the amount of \$873,000

- Leases for equipment for a total of approximately \$817,000 payable in installments until 2011.
- A contemplated \$5.2M bond to be sold in 2008 to finance the City of Lakewood Police Station.

### ***Long Term Assets***

The City's Long-Term assets are chiefly tied to facilities and land ownership. The city owns a City Hall and several parks, and has a Police Headquarters building under construction.

### **Current Issues**

There are a number of issues facing the City and impinging on its financial situation over the next few years. Each of these areas is investigated further in the following sections, but a synopsis of the main issues is given here. The main concept is that there are issues that are driving costs higher, while other factors are putting downward pressure on revenue streams, at least in the short term.

### ***Inflationary Pressures***

#### **Fuel Costs**

Fuel costs, and other energy related expenditures, are increasing much faster than the rate of inflation. For 2008, the City projected fuel expenses based on \$2.75 per gallon, and that rate was set while the rate was approximately \$2.50 per gallon. Currently, the cost of fuel is in excess of \$3.25 per gallon, and this represents a significant shock to the current year's expenditures as well as future budgets.

#### **Labor Costs**

Labor costs represent the largest proportion of expenditure for the general fund. The details of expenditure patterns is outlined elsewhere in this document, but the overall issue of labor costs and their associated growth is a highly important issue with developing a sustainable fiscal plan for the City. In many cases, there are external issues such as health insurance premiums that play a role in the labor cost issues.

#### **Insurance/Risk Costs**

Overall Risk Management issues are continuing to weigh on the City's fiscal plans. The rising rate of insurance premiums and the costs for doing risk mitigation are important issues for the city's short and medium-term future.

#### ***Unfunded Mandates***

Unfunded mandates are another avenue through which flexibility in the City's overall financial strategy are challenged. Currently, the City is tracking mandates or proposed mandates in several areas that could have definite fiscal impacts. Among those issues are electronic records retention, the shoreline management act master plan that must be renewed. Other items that either are currently or have the potential to increase costs due to mandates are the public records disclosure requirements and the proposed rules to require certain levels of staffing at the municipal court.

### **Capital Maintenance, Depreciation and Replacement**

Capital Items Depreciation Funds, such as fund 501 for equipment and vehicle replacement are not being adequately funded to fulfill all the demands of equipment replacement over the next five years. This is due to higher than predicted rates of usage for vehicles.

In 2004, The City set aside a sum of dollars in order to help with the sudden increase in fleet size from the start-up of the Police Department. This was designed to help with setting up a regular replacement cycle for police vehicles. Since then, however, there has been more rapid depreciation and replacement than projected, and the original inflation assumptions for the price of vehicles have been shown to be inadequate.

### **Revenue Forecasts**

#### **Property Tax**

Due to Initiative 747, and the legislative action that occurred once the Initiative was found to be unconstitutional, the collection of property tax for the City of Lakewood is limited to 1% increases, with new assessments allowed to increase the tax base at the appropriate assessed values. This puts a cap on collections so that growth beyond 1% per year is highly unlikely. In 2008, property tax represents approximately \$5.6M in general fund revenue, or about 17.5%. The further implication of this cap on increases to property tax collection means that percentage of General Fund Revenue that is represented by property tax will go down over time.

| Property Tax Revenue Per Year (1% per year increase) |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
|  | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     |
|  | \$5,670M | \$5,727M | \$5,784M | \$5,842M | \$5,901M | \$5,960M |

#### **Sales Tax**

General sales tax represents approximately \$8.5M in revenue for the city, or approximately 26.6% of the general fund revenue for 2008. Sales tax revenue is highly dependent on the general economic activity of the City, both in terms of cyclical expenditures, as well long term growth from economic expansion.

Because of this, there is no realistic way to forecast revenues this far in advance without giving a range of numbers based on difference scenarios. The following scenarios are used to give a variety of probable conditions, all based on underlying currents in the overall economy in the first half of 2008.

What is true however, that the General Fund is made up of three fundamental components: Sales Tax, Property Tax, and miscellaneous other taxes, fees and revenue. Based on the current 2008 weightings of the proportion of these components in the general fund, Sales tax accounts for 26.6%, Property Tax accounts for 17.5% and all other revenue accounts for 55.9% of the total fund. In order for overall revenue to increase by a specific percentage, Sales Tax and other revenues must grow at a much higher percentage.

| Required Growth Rates for Targeted General Fund Revenue Increases |       |       |       |       |        |
|---|-------|-------|-------|-------|--------|
| Overall Target  | 5%    | 6%    | 7%    | 8%    | 9%     |
| Property Tax  | 1%    | 1%    | 1%    | 1%    | 1%     |
| Sales Tax + Other   | 5.84% | 7.06% | 8.27% | 9.48% | 10.69% |

### **Utility Taxes and Franchise Fees**

Utility and franchise fees make up another of the major areas of revenue for the city's general fund. Although the full revenue is split between the various street maintenance and capital funds as well as the general fund, a majority of the revenue is earmarked for the general fund. Based on current conditions, increases of 3-5% in utility taxes and franchise fees are seen as sustainable for the future.

The following chart extrapolates utility tax revenues for the general fund, assuming constant percentage shares in the utility tax distribution to the general fund, the streets fund and the arterials fund.

| Utility Tax & Franchise Fee Revenue – General Fund Portion |          |           |          |           |           |           |
|--|----------|-----------|----------|-----------|-----------|-----------|
| Growth   | 2008     | 2009      | 2010     | 2011      | 2012      | 2013      |
| 3%   | \$6,414M | \$6,606M  | \$6,804M | \$ 7,008M | \$ 7,219M | \$ 7,435M |
| 5%   | \$6,414M | \$ 6,734M | \$7,071M | \$ 7,425M | \$ 7,796M | \$ 8,186M |

### **License, Fees and Fines**

Overall revenue to the city from licenses, fees, and fines has increased over the last few years. For the general fund, the overall increase from 2005 to 2007 averaged 18% per year. These increases are mainly in traffic, parking, and other non-criminal code offenses.

It is highly unlikely that these increases will continue in the future. For 2008, those items were budgeted for an increase of approximately 7%, and that was in line with previous yearly realized increases. Based on current conditions, it is likely that increases of 5-7% could be sustained.

| Fees, Fines, Licenses and Other – General Fund Portion |          |          |          |          |          |           |
|--|----------|----------|----------|----------|----------|-----------|
| Growth   | 2008     | 2009     | 2010     | 2011     | 2012     | 2013      |
| 5%   | \$7,313M | \$7,679M | \$8.063M | \$8.466M | \$8.889M | \$9.334M  |
| 7%   | \$7,313M | \$7.825M | \$8.373M | \$8.959M | \$9.586M | \$10.257M |

These expected increases have already been taken into account in the revenue scenarios presented in the following sections.

### **Scenarios**

The following scenarios represent a range of possible outcomes for the next five years. In order, scenarios A and D represent the extremes, within reason, of the low and high

end of revenue growth. Scenarios B and C represent the likely outcomes based on current economic activity and status. In each revenue scenario, the expected increase in Property Tax is 1% per year. These scenarios also assume that there will be no change to tax rates over the entirety of the outlook horizon.

The expenditures that are shown for comparison are based on two baseline assumptions of moving the current activities of the city forward with no programmatic changes. The two baselines are adjusted for inflation only, with Expenditure Scenario A representing approximately 5.5% overall expenditure growth rate, and Expenditure B representing approximately 4.5% overall expenditure growth rate. These amounts are used for baseline comparison of the revenue streams, not to indicate an assumption that the programmatic choices of the City will not alter in the future.

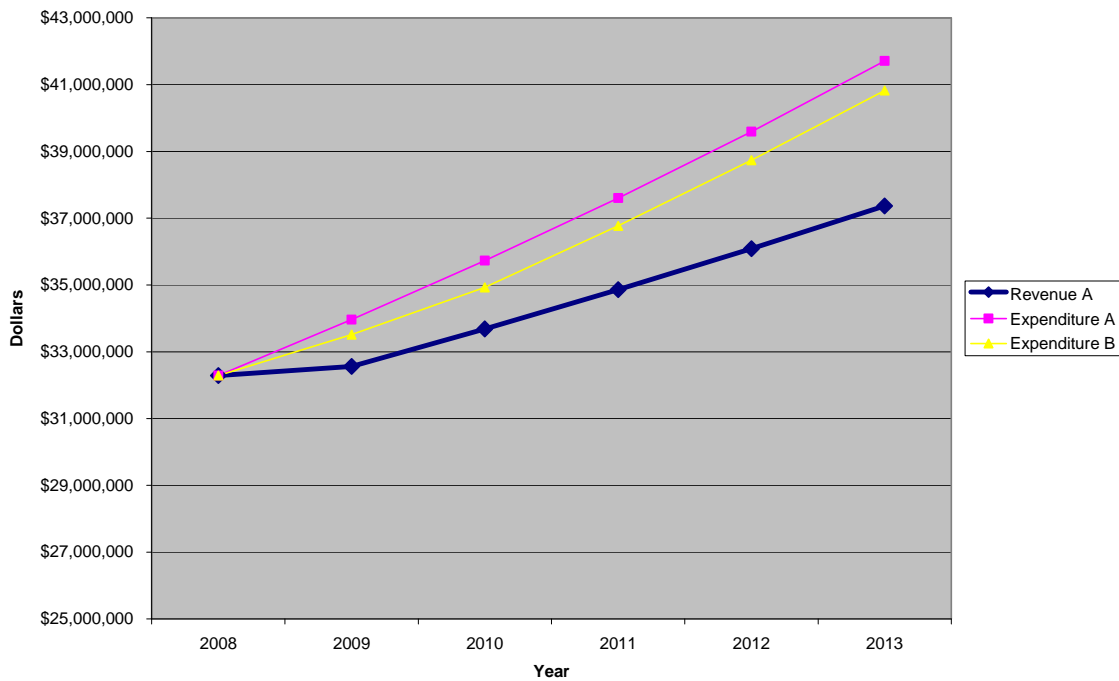
**Scenario A – Recession in 2008-2009, Reduced Growth thereafter**

This scenario represents a large reduction in sales tax revenue in 2009, with growth representing only the growth from inflation on products. This is represented by a 3% growth rate for sales tax in 2009. Thereafter, the recession lowers overall sales tax growth to 6% per year, representing only a 3% real increase over the baseline inflation rate.

Scenario A assumes a 1% annual increase in property tax revenue, and a 3% annual increase in all other revenue sources.

| Sales Tax Revenue Per Year (Scenario A) |          |          |          |           |           |
|---|----------|----------|----------|-----------|-----------|
| 2008                                    | 2009     | 2010     | 2011     | 2012      | 2013      |
| \$8,552M                                | \$8,808M | \$9,337M | \$9,897M | \$10,491M | \$11,121M |

Revenue Scenario A

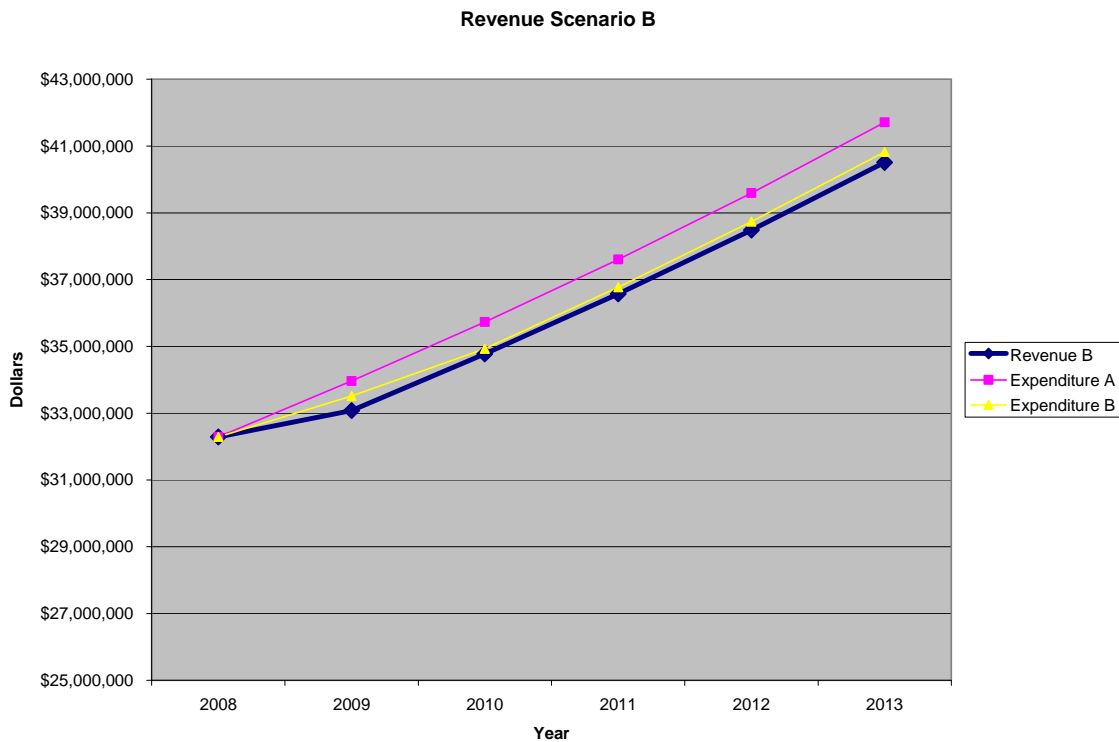


**Scenario B – Small Recession 2008-2009, Recovery 2010, Steady Growth thereafter**

This scenario represents a likely scenario with low growth in 2009 but a steady recovery thereafter. This assumes a 5% nominal increase to sales tax in 2009, but increases to a steady 8% nominal increase thereafter. Assuming a 3% inflation rate, this amounts to 5% real growth in the sales tax revenue.

Scenario B assumes a 1% annual increase in property tax revenue, and a 5% annual increase in all other revenue sources.

| Sales Tax Revenue Per Year (Scenario B) |          |          |           |           |           |
|---|----------|----------|-----------|-----------|-----------|
| 2008                                    | 2009     | 2010     | 2011      | 2012      | 2013      |
| \$8,552M                                | \$8,979M | \$9,697M | \$10,473M | \$11,311M | \$12,216M |

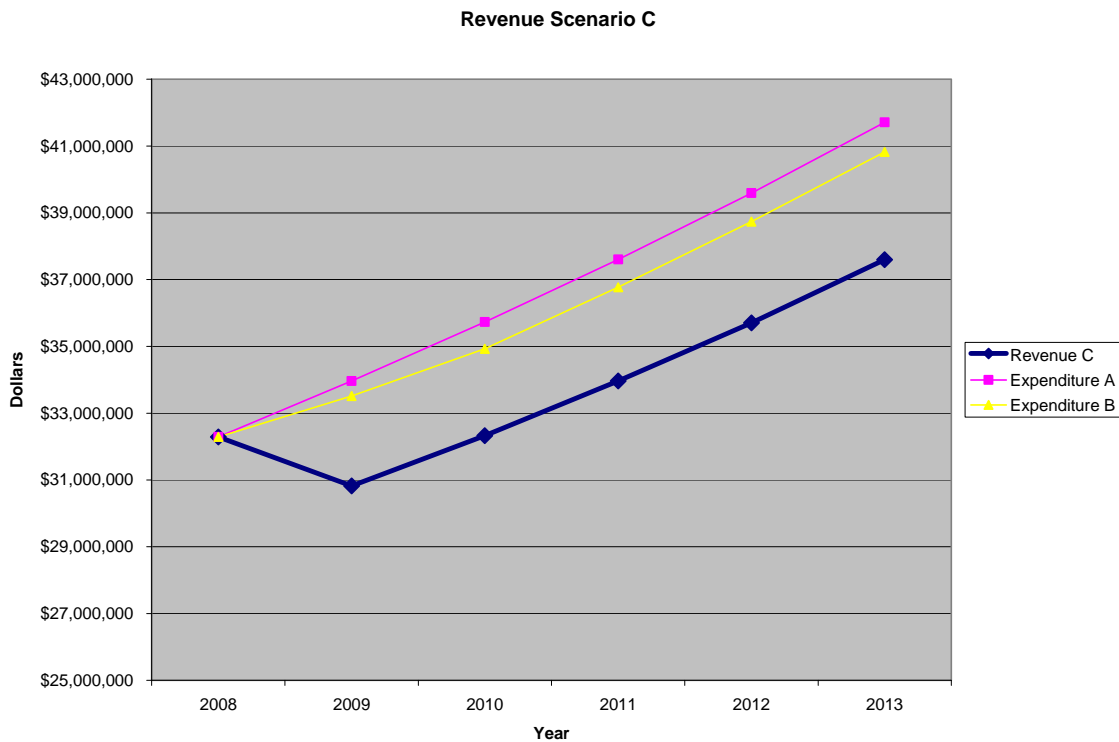


**Scenario C – Same as Scenario B, but with abrupt decrease in Gambling Tax in 2009**

While this scenario does not represent any change in overall sales tax forecast from scenario B, it does represent an overall major decrease in revenue due to the loss of gambling tax revenue beginning in 2009. Thus, the chart below is no different from Scenario B, but the overall revenue figures are significantly different.

Scenario C assumes a 1% annual increase in property tax revenue, and a 5% annual increase in all other revenue sources.

| Sales Tax Revenue Per Year (Scenario C) |          |          |           |           |           |
|---|----------|----------|-----------|-----------|-----------|
| 2008                                    | 2009     | 2010     | 2011      | 2012      | 2013      |
| \$8,552M                                | \$8,979M | \$9,697M | \$10,473M | \$11,311M | \$12,216M |

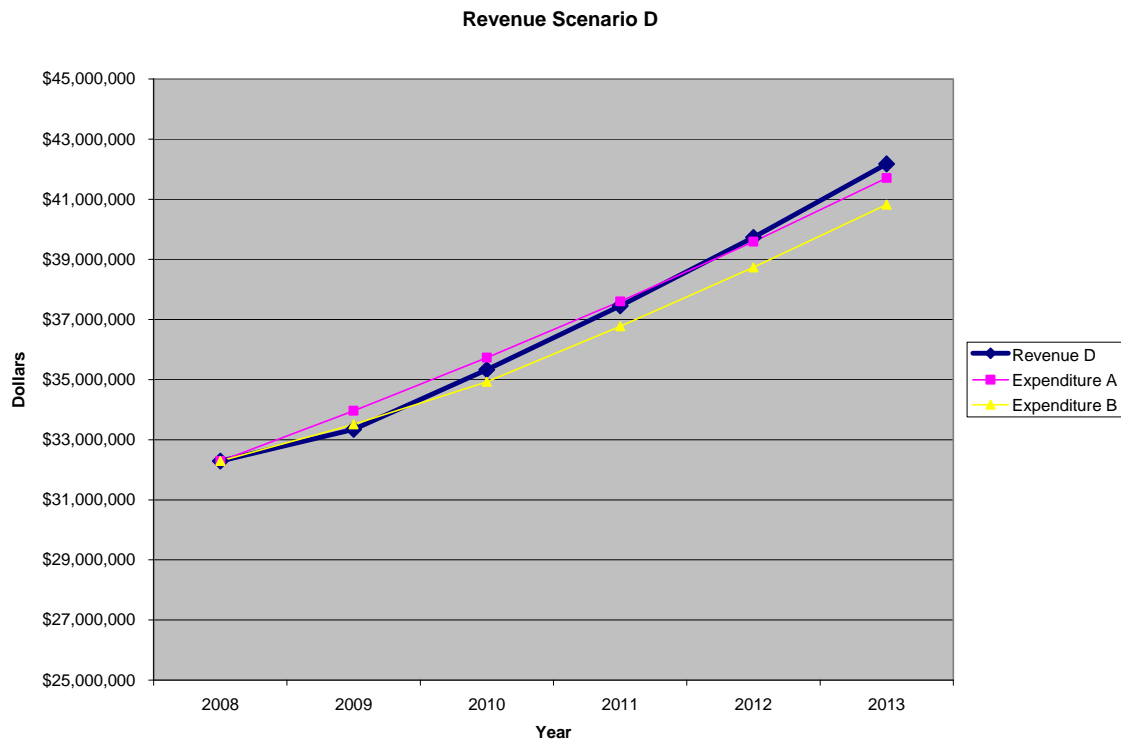


**Scenario D – Higher Levels of Growth**

This scenario represents a high level of growth of sales tax, at 9% nominal in the future. However, in 2009, growth will be held to 6% nominal. This represents a likely scenario if the national recession is short-lived and the effect on the State of Washington is delayed into 2009. Overall, this scenario is basically the same as the State of Washington’s revenue and economic forecast, which predicts an approximate 8.5% average annual increase from 2009-2011.

Scenario B assumes a 1% annual increase in property tax revenue, and a 6% annual increase in all other revenue sources.

| Sales Tax Revenue Per Year (Scenario D) |          |          |           |           |           |
|---|----------|----------|-----------|-----------|-----------|
| 2008                                    | 2009     | 2010     | 2011      | 2012      | 2013      |
| \$8,552M                                | \$9,065M | \$9,880M | \$10,770M | \$11,739M | \$12,796M |



## Expenditure Forecasts

### *Employee Salaries and Benefits*

#### **Salaries**

The financial outlook for employee salaries is based upon the fiscal year 2008 budget. General Fund expenditures on salaries excluding benefits for 2008 are projected to be more than 40% of the total expenditure in that fund. Including benefits, the total expenditure is projected to be 66% of the general fund.

There are currently two unions representing employees of the City, representing approximately 45% of the entire workforce. The Lakewood Police Independent Guild represents the commissioned law enforcement officers, up to and including the rank of Sergeant. A local affiliate of the Teamsters represents the Community Service Officers of the Police Department. These two unions will both negotiate labor contracts with the City in 2008; the LPIG will renegotiate an expiring contract and the Community Service Officers will negotiate a contract for the first time since certifying a new union in 2007.

The current structure for salaries and salary increases for those employees who are not represented by a collective bargaining agency is that there is the possibility of a COLA adjustment and a Merit Increase annually. The amount of these adjustments is based upon the amounts approved by the City Council during the budget process. For 2008, the COLA amount for non-management staff was funded at 3.05% and the Merit Increase range was set at 1.5-4.5%. For senior management staff, the COLA amount was 2% and the Merit Increase range was set at 1%-2%.

With the assumption that future increases to costs of salaries will be 5% annually, including COLA, merit, and step increases, the City's requirements for increased expenditures on salaries will be approximately \$800,000 to \$950,000 per year through 2012. This estimate does not take into consideration any growth in the size of the workforce. While the Police Guild Contract does have an annual cap of 4.5% for any COLA adjustment, recent trends in overall inflation indicate that the annual cap will be met. If this happens for an extended period of time, then the overall increase in salary costs will be even higher than the assumptions being made here.

| Salary Costs Per Year (5% Per Year Increase) (Columns may not add due to rounding) |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      |
| Union  | \$8.065M  | \$8.468M  | \$8.892M  | \$9.336M  | \$9.803   | \$10.293M |
| Non-Union  | \$8.203M  | \$8.613M  | \$9.043M  | \$9.496M  | \$9.971M  | \$10.469M |
| Total  | \$16.268M | \$17,081M | \$17,936M | \$18,833M | \$19,774M | \$20,763M |

## **Benefits**

Of any single expenditure area, Medical Insurance Benefit costs are increasing at a higher percentage rate than any other major category of expenditure for the City. In the past, the City has dealt with the upward cost pressure by both increasing its budgeted expenditures as well as changing health insurance plans. Preliminary discussion during the deliberations for the 2008 budget also brought forward ideas related to increasing the cost sharing percentage for employees.

Other benefit costs that are increasing rapidly include the Labor and Industries premiums for Worker's Compensation Insurance. These premiums are determined by both the overall environment and the specific claims history of the City. The City's risk management program will continue to monitor and provide suggestions for the most appropriate ways to decrease overall risk mitigation costs for the City.

Since 2004, the average increase in benefit costs to the City has been approximately 9% per year.

| Benefit Costs Per Year (10% Per Year Increase) |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
|  | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     |
| Union  | \$2.472M | \$2.719M | \$2.991M | \$3.290M | \$3.619M | \$3.980M |
| Non-Union                                      | \$2.572M | \$2.829M | \$3.112M | \$3.423M | \$3.765M | \$4.143M |
| Total  | \$5.044M | \$5.548M | \$6.103M | \$6.713M | \$7.384M | \$8.123M |

## ***Operational Goods and Services***

### **Office Supplies**

The City's expenditures on office supplies, furniture, and other supplies related to day-to-day operations of the City's functions have increased markedly each year. This fluctuation can be chiefly attributed to startup costs for the new police department. However, over the past two years, expenditures for office supplies has increased by approximately 5%, at a time when overall operations of the city has remained a fairly constant size.

### **Fuel**

The steady increase in the cost of gasoline and diesel fuels for the City's vehicle is producing substantial pressure to increasing operational costs. These costs are most obvious in the Police Department, but have a large effect on the Court Department, Parks Department and Community Development as well.

If the city were to budget fuel at \$3.50 per gallon, the 2009 budget for fuel would be greater than \$112,000 higher than the budget for 2008. This increase represents a large shock to the direct expenditures of the city.

The nature of fuel cost increases is that they are borne by the city in indirect ways as well. The city is expecting increases in its contract costs for street maintenance and sweeping, delivery services, and other supplies because of pass-through costs that the city pays its suppliers.

**Insurance Premiums/Risk Management**

There has been acceleration in the cost of insurance premiums for the City. This is also true of all other governmental agencies over the last decade. The premium increases for both property and liability insurance is shown below. From 2003 to 2007, the overall premium increased by 165%. Even after the police force was fully in place, the increase from 2005 to 2007 has been approximately 19% per year.

| Actual Insurance Premium |           |           |           |           |           |            |
|--------------------------|-----------|-----------|-----------|-----------|-----------|------------|
|                          | 2003      | 2004      | 2005      | 2006      | 2007      | 2008 (Est) |
| Premium                  | \$112,393 | \$201,776 | \$215,972 | \$264,514 | \$298,340 | \$330,000  |

While the city has undertaken many steps to decelerate the growth in premiums, including the shifting of internal resources to create a Risk Management department, the overall outlook is that it will slow down the increases in premiums. It is highly unlikely that overall conditions will make premiums decrease for the City of Lakewood or any other municipality.

**Fixed Assets**

**Depreciation and Replacement Funds**

Capital Items Depreciation Funds, such as fund 501 for equipment and vehicle replacement are not being adequately funded to fulfill all the demands of equipment replacement over the next five years. This is due to higher than predicted rates of usage for vehicles. In 2004, The City set aside a sum of dollars in order to help with the sudden increase in fleet size from the start-up of the Police Department. This was designed to help with setting up a regular replacement cycle for police vehicles.

Since then, two factors have increased the annual depreciation costs: mileage per vehicle each year is higher than predicted, and the number of vehicles needing early replacement is higher than predicted. In addition, cost saving measures have yielded reductions in estimates for inflation which have not held true; the hope was that additional cost savings could be uncovered in the future for fleet replacement so that the replacement fund could be reduced. Combined, the higher than expected costs and lower than needed replacement rate is creating a situation where the funds being held in reserve in the equipment replacement fund will not be adequate to cover needed replacements in 2009 and 2010, unless the fund is depleted to levels lower than what would be needed for future sustainability.

The following table shows the anticipated needs in the fund, based on the depreciation schedule for the vehicles in the city’s overall fleet.

| Vehicle/Equipment Depreciation Funds |          |          |           |           |           |          |
|--------------------------------------|----------|----------|-----------|-----------|-----------|----------|
|                                      | 2008     | 2009     | 2010      | 2011      | 2012      | 2013     |
| Replacement Vehicles                 | 8        | 6        | 30        | 25        | 31        | 9        |
| Earmarked to date                    | 190,483  | 149,432  | 777,380   | 602,514   | 750,874   | 360,314  |
| Anticipated Expenses                 | 249,600  | 204,000  | 1,080,000 | 950,000   | 1,240,000 | 405,000  |
| Net                                  | (59,117) | (54,568) | (302,620) | (347,486) | (489,126) | (44,686) |

The negative net amounts are the needed makeup dollars to fully replace all the vehicles each year based upon a 6% inflation factor for vehicles, which is the average inflation for the city's vehicle purchases over the past 3 years.

The City faces this same issue with additional maintenance items. The City Hall maintenance fund is lower than projected replacement costs for major systems over the life span of the building, and the Road Maintenance fund is currently spending down reserves for the annual maintenance of the streets.

### Road Maintenance

The City of Lakewood faces a challenge in the maintenance of its road infrastructure. While previously the street maintenance fund was able to meet the overall needs of the city, the current status of the street maintenance fund is that the fund is projected to need more than the projected income in order to preserve the roadways at their current standard, rather than improving them. Revenue estimates are based upon an assumption of 6% growth in the overall revenues for the Street Maintenance Fund (Fund 101).

The city has been dropping its fund balance in the Street Fund over the past few years. This fund will no longer be able to do so in 2010, as all funds will be depleted.

| Street Maintenance, Operations and Pavement Preservation Projections (\$Millions) |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
|   | 2009      | 2010      | 2011      | 2012      | 2013      |
| Revenue (7%)  | \$2.153   | \$2.304   | \$2.465   | \$2.638   | \$2.822   |
| Revenue (5%)  | \$2.153   | \$2.261   | \$2.374   | \$2.492   | \$2.617   |
| Fund Bal Reduction  | \$0.295   | \$0.000   | \$0.000   | \$0.000   | \$0.000   |
| Expenses  | \$2.767   | \$2.933   | \$3.109   | \$3.296   | \$3.493   |
| Net (7% Rev Growth)   | (\$0.319) | (\$0.629) | (\$0.644) | (\$0.658) | (\$0.671) |
| Net (5% Rev Growth)   | (\$0.319) | (\$0.672) | (\$0.735) | (\$0.803) | (\$0.876) |

**APPENDIX A  
RAW DATA FROM PROJECTIONS**

**Revenue and Expenditure Projections**

|           | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         |
|-----------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue A | \$32,291,938 | \$32,559,801 | \$33,686,313 | \$34,861,330 | \$36,087,247 | \$37,366,588 |
| Revenue B | \$32,291,938 | \$33,080,827 | \$34,775,178 | \$36,573,506 | \$38,482,712 | \$40,510,179 |
| Revenue C | \$32,291,938 | \$30,820,327 | \$32,325,340 | \$33,963,020 | \$35,705,280 | \$37,593,876 |
| Revenue D | \$32,291,938 | \$33,341,340 | \$35,327,425 | \$37,454,288 | \$39,732,549 | \$42,173,665 |

|                          | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Expenditure A (5.5% Inf) | \$32,291,938 | \$33,965,593 | \$35,728,011 | \$37,600,026 | \$39,589,714 | \$41,705,823 |
| Expenditure B (4.5% Inf) | \$32,291,938 | \$33,512,950 | \$34,927,234 | \$36,773,196 | \$38,735,925 | \$40,824,139 |