

Outline

- **Review integrity of financial analysis**
- **Confirmation of meeting all service levels**
- **Review relationship between annexation and FY18-22 Capital Improvement Program (CIP)**

Various Funding Sources of Annexation

- **Operations**
 - **Debt Reduction Funds (FY17/18)**
 - **Utility fees paid by annexed areas to City (FY18)**
 - **City user fees from annexed areas (FY18)**
 - **City M&O property taxes paid by annexed areas (FY19)**
- **Operations funding related primarily to service levels**

Various Funding Sources of Annexation

- **Debt Service (new and assumed debt)**
 - **District debt service fund balances (FY18)**
 - **Districts 2017 tax levy for debt service (FY18)**
 - **Utility fees paid by annexed areas to City (FY19)**
 - **City property taxes for DS paid by annexed areas (FY19)**
- **Debt Service related to prior / future CIP projects**
 - **Focus of financial analysis tonight**

Review of Integrity of Financial Analysis

Jennifer Brown, Director of Finance

Overview

- **Presentation made by Councilmember on November 7**
 - **Called into question the integrity of the financial analysis**
 - **Presented the annexation in a potentially negative light**
- **Reviewed information presented**
- **Reviewed staff analysis on annexation**
- **Tonight's presentation:**
 - **High level summary**
 - **Detailed review of analysis**

Overview

- **Fully confident in the integrity of the financial analysis as previously presented**
- **Annexation is financially neutral to existing residents**
- **Welcome review by Independent Auditor, if City Council elects to engage**

August 10th Budget Workshop

Annexed Debt					
FY	P-Tax (\$M)	Utilities	GW – Debt	NT - Debt	Cum Bal
2018	*\$7.502	\$ 0	-\$5.003	-\$0.170	\$2.329
2019	4.074	1.632	-4.413	-1.666	1.956
2020	4.196	1.596	-4.433	-1.482	1.833
2021	4.412	1.532	-4.458	-1.168	2.151
2022	4.436	1.526	- 3.087	-0.968	4.058
2023	4.568	1.531	- 3.090	-0.976	6.091
2024	4.706	1.569	-3.129	-0.619	8.618
2025	4.847	-	-3.135	-0.321	10.009
2026	4.993	-	-1.711	-	13.291
Total	\$43.734	\$9.386	-\$32.459	-\$7.370	\$13.291

*Includes fund balance of \$1.6 M

Figure 5 from Review Memo

- Slide intended to show that annexed debt is self-supporting
- Transfers from Utility Fund omitted from slide in error (25/26)
- Transfers were included in Debt Service Fund forecast
- No Debt Service for CIP on this chart as the projects were built into the CIP at this point and this workshop was on Debt Service

Councilmember's Analysis

- **Analysis contained inaccuracies:**
 - **Repetition of omitted transfers from budget workshop**
 - **Failed to use updated debt service from Oct 27, 2016**
 - **Stated that changes in tax revenue assumptions were not communicated during budget workshops**
 - **Stated that CIP projects were removed without mention**
 - **References discussions at budget workshops on topics that were not covered**
 - **Revenue estimates from MUD tax levy cannot be verified**

Detailed Analysis

- **Charts from Councilmember's presentation**
 - **Verified against City records**
 - **Inaccuracies identified and corrected**
- **Timeline of events**
 - **Annexation Workshops**
 - **FY18 Budget preparation**
 - **Updates based on 9 districts and City Council actions**
- **Explanation and display of correct information**

Timeline: 2016

- **Sept 20: Workshop to brief City Council on assumptions and financial impacts of annexation**
 - **Request confirmation of assumptions from Districts**

5 -YEAR FORECAST

- Evaluated Capacity to Ensure Neutral Impact to Current Residents
- Able Maintain Current Service Levels
- Meet Fund Balance Policy Requirements
- Support Capital Needs – PAYG/ Debt
- Cost to Provide Services can be Managed within Resources Available
 - Some Flexibility for Unknowns
- Future Needs will be Evaluated/Prioritized during Budget & CIP Process

UTILITY DISTRICTS

- Are there any other options/assumptions that the Districts are considering that are not shown here?
- Would like to receive confirmation of assumptions from each district before we move forward

Timeline: 2016

- **Oct 6: Mailed letters to each district asking them to advise if their assumptions and expectations differed from the City's. Asked districts to respond by Oct 24, 2016.**
- **Oct 13: First budget workshop on annexation, which was not completed; did not make it to discussion on any financial impacts.**
- **Oct 25: Continuation of budget workshop using slides distributed for Oct 13 workshop- *no changes*.**
 - **Financial assumptions reviewed with City Council; responses from all districts had not yet been received.**

Presented by Staff 10/25/16

10/25/16						
FY	P-Tax (\$M)	Utilities	GW – Debt	NT - Debt	Debt Svc for CIP	Cumulative Balance
2018	10.420	0.000	-5.003	-0.170	-0.546	4.701
2019	4.416	1.632	-4.413	-1.666	-1.158	3.512
2020	4.549	1.596	-4.433	-1.482	-1.671	2.071
2021	4.685	1.532	-4.458	-1.168	-1.773	0.889
2022	4.825	1.526	-3.087	-0.968	-1.876	1.309
2023	4.970	1.531	-3.090	-0.976	-1.926	1.818
2024	5.119	1.569	-3.129	-0.619	-1.926	2.832
2025	5.273	1.296	-3.135	-0.321	-1.926	4.019
2026	5.431	0.682	-1.711	0.000	-1.926	6.495
Total	49.688	11.364	-32.459	-7.370	-14.728	

- **Assumed MUD debt service fund balances of \$5.63M plus tax levy of \$4.78M**

Figure 1 from Review Memo

Presented by Councilmember on 11/7/17

Annexed Debt Service Fund - Presented 10/25/16

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal
2018	\$10.420	\$0	-\$5.003	-\$0.170	-\$0.546	\$4.701
2019	4.416	1.632	-4.413	-1.666	-1.158	3.512
2020	4.548	1.596	-4.433	-1.482	-1.671	2.070
2021	4.685	1.532	-4.458	-1.168	-1.772	0.889
2022	4.825	1.526	-3.087	-0.968	-1.876	1.309
2023	4.970	1.531	-3.090	-0.976	-1.925	1.819
2024	5.119	1.569	-3.129	-0.619	-1.925	2.834
2025	5.273	1.296	-3.135	-0.321	-1.925	4.022
2026	5.431	0.682	-1.711	0.000	-1.925	6.499
Total	\$49.687	\$11.364	-\$32.459	-\$7.370	-\$14.723	\$6.499

* Req CIP = Facility NEEDS triggered by population growth. New Debt for Dispatch/EOC Center, Animal Services Facility.

* Req CIP = Capital Improvements NEEDED Infrastructure in GW & NT.

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Presented to City Council 11-7-17

- **Comparison: with the exception of rounding, the two are consistent**
- **\$6.495 vs \$6.499**

Figure 2 from Review Memo

Updated District Assumptions 10/27/16

10/27/16 FY	P-Tax (\$M)	Utilities	GW – Debt	NT - Debt	Debt Svc for CIP	Cumulative Balance
2018	7.502	0.000	-5.003	-0.170	-0.100	2.229
2019	4.416	1.632	-4.413	-1.666	-0.717	1.481
2020	4.549	1.596	-4.433	-1.482	-1.142	0.569
2021	4.685	1.532	-4.458	-1.168	-1.285	-0.125
2022	4.825	1.526	-3.087	-0.968	-1.529	0.642
2023	4.970	1.531	-3.090	-0.976	-1.723	1.354
2024	5.119	1.569	-3.129	-0.619	-1.835	2.459
2025	5.273	1.296	-3.135	-0.321	-1.937	3.635
2026	5.431	0.682	-1.711	0.000	-1.969	6.068
Total	46.770	11.364	-32.459	-7.370	-12.237	
Diff from 10/25/16	-2.918	-	-	-	2.491	

Figure 3 from Review Memo

- Debt Service fund balance and District tax levy assumptions reduced to \$1.66M & \$5.84M, respectively
- Adjusted Debt Service structure to retain project schedule
- Still positive \$6.06M

Presented by Councilmember 11/7/17

Annexed Debt Service Fund - @ 10/27/16

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal	ANNEX. DEBT SERVICE FUND REDUCTION FROM 10/25/16 TO 10/27/16 (IN MILLIONS OF \$)
2018**	\$7.502	\$0	-\$5.003	-\$0.170	-\$0.546	\$1.783	-\$2.918
2019	4.416	1.632	-4.413	-1.666	-1.158	0.594	-2.918
2020	4.548	1.596	-4.433	-1.482	-1.671	-0.848	-2.918
2021	4.685	1.532	-4.458	-1.168	-1.772	-2.029	-2.918
2022	4.825	1.526	-3.087	-0.968	-1.876	-1.609	-2.918
2023	4.970	1.531	-3.090	-0.976	-1.925	-1.099	-2.918
2024	5.119	1.569	-3.129	-0.619	-1.925	-0.084	-2.918
2025	5.273	1.296	-3.135	-0.321	-1.925	1.104	-2.918
2026	5.431	0.682	-1.711	0.000	-1.925	3.581	-2.918
Total	\$46.769	\$11.364	-\$32.459	-\$7.370	-\$14.723	\$3.581	

* Req CIP = Facility NEEDS triggered by population growth. New Debt for Dispatch/EOC Center, Animal Services Facility.
 * Req CIP = Capital Improvements NEEDED Infrastructure in GW & NT.
 ** FYI memo sent 10/27/16 - GW & NT Property Tax Revenue *Increased* by \$1.053M. In 2 days.
 ** FYI memo sent 10/27/16 - GW & NT Debt Service Fund Balances *Decreased* by \$3.971. In 2 days.
 ** FYI memo sent 10/27/16 - Net Impact is a *Reduced* Debt Service Balance of \$2.918M. In 2 days.

5 Presented to City Council 11-7-17

- Debt Service for CIP was not updated as communicated in the memorandum to Council on 10/27/16
- Results in a negative impact to the analysis

Figure 4 from Review Memo

Annexation Ordinance 11/1/16

- **First Reading of Ordinance No. 2075- Annexing Greatwood & New Territory, Effective December 12, 2017**
- **Advised that assumptions had been revised; pending written confirmation from one district**

WORK DONE TO DATE

- Updated Financial Model
 - Identified Budgetary Impact by Departments
 - Built an Annexation Budget based on Department Identification of Needs and Available Resources
- Workshop with City Council
 - Overview – Sept 20
 - Annexation Budget – Oct 13 & 25

WORK DONE TO DATE

- Annexation Assumptions
 - Shared with MUD Boards via Letter in Early October
 - Asked for Confirmation by October 24
 - Received Clarification from All but One MUD & Adjusted Assumptions
 - Remains Feasible, Net Neutral Impact to the City

Annexation Ordinance 11/15/16

- **Second Reading of Annexation Ordinance No. 2075**
- **Revised financial assumptions highlighted in presentation**
- **Annexation Remains Financially Neutral to the City**

FINANCIAL ASSUMPTIONS

- Annexation Assumptions
 - Shared with MUD Boards via Letter in Early October
 - Asked for Confirmation by October 24
 - At Time of 1st Reading - Received Feedback from All but One MUD & Adjusted Assumptions

FINANCIAL ASSUMPTIONS

- Received Feedback from Last MUD
- Adjusted Assumptions & Modified Ordinance Based on Feedback
 - Districts Will Set a Sufficient 2017 Ad Valorem Tax Rate to Cover Required Debt Payment in FY18

FINANCIAL ASSUMPTIONS

- Remains Feasible, Net Neutral Impact to the City
- Recommend Proceeding with Annexation

Follow Up Meeting 12/16/16

- **Discuss Annexation Assumptions**
 - **At the request of Councilmembers Yeung and Joyce**
 - **Mr. Goodrum, Mr. Callaway and Ms. Brown**
- **Staff reviewed changes in assumptions to the annexation analysis as presented in the October 27, 2016 memo**
- **Councilmembers appeared to understand the changes and why they were made**
- **No follow up questions**

Spring Planning Session 3/28/17

- **Discussion with City Council regarding declining sales tax revenue; led to direction from City Council to shift one cent on the tax rate from Debt Service to General Fund in FY18**
- **Discussion on assumptions for tax revenue based on effective plus 3%**
- **Additional direction to move rehabilitation work from the CIP to the General Fund: allow funding by other revenue sources**

Spring Planning Session 3/28/17

General Fund Property Tax

Slide 62 Property Taxes

- FY18 Assumptions:
 - Stable tax rate to achieve 3% growth
 - 3% Residential revaluation
 - 3% Commercial revaluation
 - Add new construction value
 - No change to Homestead exemption
 - Shift between Debt & Operations
 - No GW & NT Tax Revenue until FY19
 - Any taxes received in FY18 from the districts must be used for debt

CITY OF SUGAR LAND

Debt Service Fund Strategy

Why Open Capacity?

- Shift 1 cent on M&O on the Property tax rate to the General Fund = ~\$1M
 - Can be used to help fund increases to contracts, such as landscape maintenance which will be ~\$700K higher

Slide 68

Debt Service Fund

Strategy:

Preserve Cash in Operations

- Shift Tax Rate Allocation to M&O from Debt Service
 - Reduce dependence on Sales Tax
- Build capacity for PAYG from property tax in lieu of sales tax
- Timing
 - Should be done before potential changes by the Legislature
- CIP Project Adjustments:
 - Priority / Scope / Timing

Slide 67

CITY OF SUGAR LAND

Debt service Fund

How Long?

- Minimum of 2 years:
 - Impact of Legislative Changes
 - Let trends fully materialize
 - Complete Annexation of GW & NT
 - Impact on Tax Base and Service Levels

Slide 69

CITY OF SUGAR LAND

Slide from 8/10/17 Budget Workshop- Corrected

8/10/17 FY	P-Tax (\$M)	Utilities	GW – Debt	NT - Debt	Debt Svc for CIP	Cumulative Balance
2018	7.502	-	-5.003	-0.170		2.329
2019	4.074	1.632	-4.413	-1.666		1.956
2020	4.196	1.596	-4.433	-1.482		1.833
2021	4.322	1.532	-4.458	-1.168		2.061
2022	4.451	1.526	-3.087	-0.968		3.983
2023	4.585	1.531	-3.090	-0.976		6.033
2024	4.722	1.569	-3.129	-0.619		8.576
2025	4.864	1.296	-3.135	-0.321		11.280
2026	5.010	0.682	-1.711	0.000		15.261
Total	43.726	11.364	-32.459	-7.370	0.000	
Diff from 10/27/16	-3.044	-	-	-		

- Tax revenue reflects shift of one cent on tax rate to General Fund
- With the Utility Transfers in 2025 & 2026 the impact is more positive
- Slight variance from actual slide

Figure 6 from Review Memo

Presented by Councilmember 11/7/17

Annexed Debt Service Fund - Presented 8/10/17 Budget

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Cum Bal	Req. CIP*
2018	\$7.502	\$0	-\$5.003	-\$0.170	\$2.329	WHAT HAPPENED TO THE REQ./NEEDED CIP ?? FACILITIES, GW & NT INFRASTRUCTURE. NOT MENTIONED IN MEETING!!!
2019	4.074	1.632	-4.413	-1.666	1.956	
2020	4.196	1.596	-4.433	-1.482	1.833	
2021	4.412	1.532	-4.458	-1.168	2.151	
2022	4.436	1.526	-3.087	-0.968	4.058	
2023	4.568	1.531	-3.090	-0.976	6.091	
2024	4.706	1.569	-3.129	-0.619	8.618	
2025	4.847		-3.135	-0.321	10.009	
2026	4.993		-1.711	0.000	13.291	
Total	\$43.734	\$9.386	-\$32.459	-\$7.370	\$13.291	

NOTE: Revenue for FY2019 - FY2026 has **DROPPED** by another \$3.035M. Not mentioned in this Budget meeting.

NOTE: Revenue # for 2018 **still** reflects 2016 Data. Not mentioned in this Budget meeting.

NOTE: All Required/NEEDED Annexation CIP was **removed without mention**. (@ least \$14.723M in Projects.)

NOTE: Transfer of Utility Funds for 2025 & 2026 eliminated. **WHY?** Not mentioned in this Budget meeting.

These changes are **BEFORE** Hurricane Harvey **AND BEFORE** setting the 2017 Tax Rate on 9/19/17.

- “Not mentioned in budget meeting”
 - Calls into question decrease in tax revenue
- “Revenue # for 2018 still reflects 2016 data”

Figure 7 from Review Memo

FY2017-18 Budget Workshop 8/10/17

Debt Service Fund & Property Tax

FY18 Assumptions:

Slide 11:

- Specifically calls out the shift of one cent on the tax rate to the General Fund
- Property Taxes
 - Effective tax rate plus 3%
 - Shift one cent to General Fund

Slide 12:

- Annexation revenue based on prior assumptions of districts tax levy & fund balances
 - Annexation revenue
 - 2017 Tax Levy for GW & NT districts
 - MUD fund balances
 - No updated info available as of August 10 workshop

Presented by Councilmember 11/7/17

Annexed Debt Service Fund - @ 8/10/2017 with Req. CIP AND Updated 2018 Revenue # Presented @ 9/26/2017 CC Meeting

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal	ANNEX. DEBT SERVICE FUND REDUCTION FROM 10/25/16 TO 9/26/17 (IN MILLIONS OF \$)
2018	\$6.110	\$0	-\$5.003	-\$0.170	-\$0.546	\$0.391	-\$4.310
2019	4.074	1.632	-4.413	-1.666	-1.158	-1.140	-\$4.652
2020	4.196	1.596	-4.433	-1.482	-1.671	-2.934	-\$5.004
2021	4.412	1.532	-4.458	-1.168	-1.772	-4.388	-\$5.277
2022	4.436	1.526	-3.087	-0.968	-1.876	-4.357	-\$5.666
2023	4.568	1.531	-3.090	-0.976	-1.925	-4.249	-\$6.068
2024	4.706	1.569	-3.129	-0.619	-1.925	-3.647	-\$6.481
2025	4.847		-3.135	-0.321	-1.925	-4.181	-\$8.203
2026	4.993		-1.711	0.000	-1.925	-2.824	-\$9.323
Total	\$42.342	\$9.386	-\$32.459	-\$7.370	-\$14.723	-\$2.824	

NOTE: P-Tax(\$M) Revenue Amounts for FY2019 - FY2026 has **DROPPED** by another \$3.035M. Not mentioned in this Budget meeting.

NOTE: Transfer of Utility Funds for 2025 & 2026 eliminated. **WHY?** Not mentioned in this Budget meeting.

These changes are **BEFORE** Hurricane Harvey **AND BEFORE** setting the 2017 Tax Rate on 9/19/17.

NOTE: P-Tax(\$M) Revenue # of **\$6,110,000** for 2018 is **NOT** based on City Tax Rate. It is the expected Property taxes ("District Debt Service Tax Levy") the GW & NT MUDs will collect.

8 Presented to City Council 11-7-17

- Updates Property Tax with a \$6.110 figure that can't be verified
- Revenue was not discussed at 9/26/17 Council meeting
- Continues prior errors
- With those corrected the analysis would be positive

Figure 9 from Review Memo

Councilmember's slide with Corrected CIP and Utility Transfers

8/10/17						
	FY P-Tax (\$M)	Utilities	GW – Debt	NT - Debt	Debt Svc for CIP	Cumulative Balance
2018	6.11	-	-5.003	-0.170	-0.100	0.837
2019	4.074	1.632	-4.413	-1.666	-0.717	-0.253
2020	4.196	1.596	-4.433	-1.482	-1.142	-1.518
2021	4.322	1.532	-4.458	-1.168	-1.285	-2.575
2022	4.451	1.526	-3.087	-0.968	-1.529	-2.182
2023	4.585	1.531	-3.090	-0.976	-1.723	-1.855
2024	4.722	1.569	-3.129	-0.619	-1.835	-1.147
2025	4.864	1.296	-3.135	-0.321	-1.937	-0.380
2026	5.010	0.682	-1.711	0.000	-1.969	1.632
Total	\$42.334	\$11.364	-32.459	-7.370	-12.237	
Diff from 10/27/16	-4.436	-	-	-	-	

- Even with \$1.4M missing from FY18 revenue, the impact is still positive with updated Debt Service for CIP
- Rest of negatives due to shift in tax rate to general fund (non-annexation)

Figure 10 from Review Memo

FY18 Budget Amendment 10/17/17

- **Councilmember questioned why the MUD tax revenue and fund balance figures were not updated in the adopted budget**
- **When City Council finalized FY18 budget for adoption:**
 - **Districts had not set 2017 tax rates, and**
 - **Debt service fund balances not yet available**
- **Councilmember requested updated numbers**
- **Calculated each districts tax levy based on their adopted tax rates and certified tax rolls and estimated debt service fund balances based on most current reports**
- **Calculations took a week, staff offer to meet was refused**

Updated Debt Service Impact as of 10/23/17

10/23/17			GW –	NT -	Debt Svc for CIP (adj)	Cumulative Balance
	FY P-Tax (\$M)	Utilities	Debt	Debt		
2018	7.455	0.000	-5.003	-0.170	-0.029	2.253
2019	3.890	1.632	-4.413	-1.666	-0.043	1.653
2020	3.949	1.596	-4.433	-1.482	-0.043	1.240
2021	4.008	1.532	-4.458	-1.168	-0.066	1.088
2022	4.068	1.526	-3.087	-0.968	-0.367	2.260
2023	4.129	1.531	-3.090	-0.976	-0.968	2.886
2024	4.191	1.569	-3.129	-0.619	-0.954	3.944
2025	4.254	1.296	-3.135	-0.321	-0.952	5.086
2026	4.317	0.682	-1.711	0.000	-1.066	7.308
Total	\$40.261	11.364	-32.459	-7.370	-4.488	
Diff from 10/27/16	-6.509	-	-	-	7.749	

- Even assuming ETR +1.5%, the impact of annexation is neutral to the City
- Eliminated one cent increase in FY19 for GO Bonds
- Reduced tax revenue overall required CIP timing adjustments and prioritization

Figure 11 from Review Memo

Review of Municipal Service Levels

James Callaway, Assistant City Manager

Municipal Services

- **Follow-up to November 7 Council presentation**
- **November 14 – Met with all City departments having service obligations**
 - **Status**
 - **Outstanding issues**
 - **Day 1 actions**
- **All City departments ready to provide full municipal service levels**
 - **In current corporate limits AND annexation areas**
 - **Within adopted budget**
 - **No drop-off in current services**
 - **Departments accept accountability and are ready to perform**

Municipal Services

- **Almost all City staff have been involved in annexation planning and preparations**
 - **Many for more than a year**
 - **On top of “full-time” jobs**
 - **With no drop in current service levels**
 - **Highly effective and successful efforts**

Municipal Services

- **Staffing**
- **Vehicles**
- **Equipment**
- **Facilities**
- **On-Call contracts**
- **Service and operations contracts**

Municipal Services

- **Who pays?**
- **All funded by residents/businesses in annexation areas**
 - **Debt reduction fund – FY17**
 - **Debt reduction fund, utility rates, fees – FY18**
 - **Property taxes, utility rates, fees – FY19 and beyond**

Review of Relationship between Annexation & CIP

Jennifer Brown, Director of Finance

Capital Projects Impact

- **Capital projects were identified through the annexation**
 - **Plus infrastructure rehabilitation**
- **Driven by annexation:**
 - **Office space finish out- new positions**
 - **Police temp space- new positions**
 - **3 tier high site – expand into annexed area**
- **Partially driven by annexation:**
 - **EOC/Dispatch center**
 - **Animal Shelter**

CIP- Service Level Impacts

- **Office space finish out**
 - **Completed & occupied**
- **Police temporary space**
 - **Completed & occupied**
- **3 tier high site**
 - **Not needed day one; preliminary study completed; scheduled to be online end of 2nd Quarter of FY18**
- **Infrastructure rehabilitation moved to General Fund as part of the FY18 budget process**
 - **Allows for funding from sources other than sales tax**

CIP- Service Level Impacts

- **EOC/Dispatch Center**
 - **Can provide current service levels to annexed areas**
 - **Increased staffing (8) and console to add call taker**
 - **New building is part of Police/Courts expansion plan**
- **Animal Shelter**
 - **Expansion of current facility provides additional capacity at current service levels**
 - **New facility is an increased level of service**

FY18-22 CIP Prioritization

- **Annexation provides increased tax base to support new debt**
- **Reduced tax revenue overall required CIP timing adjustments and prioritization**
 - **Based on out-year assumptions of ETR + 1.5%**
- **City Council reduced five-year CIP by \$34M**
 - **Prioritized city-wide drainage and streets; resulted in delay of EOC/Dispatch, Animal Shelter, and others**
- **Despite delay in some capital projects, ALL annexation needs will be met day one and moving forward**

CIP Next Steps

- **Revise the Financial Management Policy Statements**
- **Discuss FY19 budget and CIP assumptions at spring retreat in March based on FMPS and City Council direction**
- **Use direction from revised FMPS to develop the FY19-23 CIP**
- **Project prioritization and subsequent timing may change based on updated assumptions and financial conditions**
- **Develop FY19 budget and FY19-23 CIP**

Conclusion

- **The annexation of Greatwood and New Territory remains financially feasible and neutral to existing city residents**
- **Service levels to current and new residents not impacted**
- **As with any forecast, as new information becomes available, assumptions change = changes to the forecast**
- **We stand behind the integrity of this financial analysis and welcome review by an independent party**

Questions?
