



LONG RANGE
FINANCIAL FORECAST
FY2017 - FY2021



A TRIBUTE FROM
HENRY ROSENBERG

**LONG RANGE FINANCIAL FORECAST
FY 2017-2021**

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FY2017 Budget Calendar

May 5	Distribute 2 nd Quarter Budget Report
June 23	Budget and CIP Council Workshop #1 - Distribute Forecast
July 15	Distribute Proposed CIP
July 28	Budget and CIP Council Workshop #2
August 11	Present Proposed Budget
August 25	Budget and CIP Council Workshop #3 Public Hearing on Budget and Tax Rate
September 8	Council consideration of adoption of the FY 2017 Operating and Capital Budget and any utility rate adjustments. Public Hearing on Tax Rate
September 22	Adopt FY 2017 Property Tax Rate.

Special items to be discussed:

- Long-term financing for CIP
- Collective Bargaining Agreements
- Continuing compensation plan implementation
- Pension Plan funding
- Water and sewer rates
- Operating priorities: Public safety, streets, transportation, water system, sewer system, neighborhood improvements, technology improvements
- Contingent liabilities



Office of the City Manager, Brian Maxwell

823 Rosenberg Suite #203, Galveston, TX 77550

June 20, 2016

Honorable Mayor James D. Yarborough and Members of Council

This is to provide you with the FY 2017-2021 Long Range Financial Forecast. The Forecast includes the General, Debt Service, Waterworks, Sewer, Convention Center Surplus and Island Transit Funds. The purpose is to highlight and provide information on some of the major issues that that will be a part of this year's budget process. When setting the budget for next year, it is important for the City to make best strategic use of its available funds. For that reason, I urge that this Forecast be used as the starting point for discussing those issues with policy makers, city staff, and elected officials.

The premise is to show a baseline set of projections that allow for current economic conditions as well as commitments previously made in the budget process or by other action by the City Council. The FY 2017 Budget and FY 2017-2021 CIP are being prepared based on the projections in the forecast.

Citywide Highlights in this forecast include:

1. Based on preliminary information received from the Galveston County Appraisal District, values are increasing such that the **property tax rate will likely need to be reduced** again to stay under the rollback tax rate that marks the eight percent revenue increase level over last year. Also, **water and sewer rates will remain unchanged in FY 2017**.
2. The Forecast demonstrates how the City can sell **\$45 million in tax-supported bonds** for streets and other general purpose, long-lived capital infrastructure, as well as **\$69.5 million in City Council approve revenue bonds** for priority water and sewer projects. The tax-supported bonds will require voter approval and will cost approximately 3.5 cents on the tax rate over the long term.
3. Basic **Island Transit services must be modified or new revenue identified** to avoid cuts in service.
4. Eight new budgeted positions are included in the Forecast to staff the new Main Wastewater Treatment Plant accompanied by increased preventive maintenance efforts for the water and sewer systems.

Fund forecast highlights are as follows:

1. The **General Fund** is projected with a surplus of revenue over expenditures throughout the forecast period; however, no compensation increases have been included in the General Fund pending the outcome of the collective bargaining negotiations this year. This year's compensation decisions will directly impact projected surpluses in FY 2018 and beyond.
2. Sufficient property tax growth is expected to support the issuance of \$9 million in bonds in each year of the forecast period, with the primary use being streets. This \$45 million

in proposed bonds would require approval by the voters prior to issuance. These bonds will be retired utilizing the **Debt Service Fund** through the use of half of the Charter mandated set aside for infrastructure and debt services and approximately 3.5 cents on the property tax rate.

3. **Water and sewer** rates are proposed to remain at this year's level in FY 2017. This will support current water and sewer system operations, as well as the initiation of a five year CIP that addresses major system project needs. Alternative scenarios are presented with corresponding rate impacts for priority and optional projects as the basis for potential rate increases after FY 2017 for each year of the FY 2018-2021 period.
4. A forecast is included for the **Hotel Occupancy Tax** distribution and the resulting forecast of the city share of HOT that comes into the **Convention Center Surplus Fund**. Please note on page 21 how the \$20 million annual HOT revenue distribution is shared between the Parks Board (sixty percent of the total), Convention Center, and the City.
5. The **Convention Center Surplus Fund ("trickle down") forecast** shows how rapidly this funding source has grown, doubling in the last five years. HOT funds can be used for limited, but very useful purposes under State law. For instance, the city can use its HOT revenue to support the reconstruction and operation of the trolley system. Were it not for the availability of HOT revenue through the "trickle-down" process, it would be a daunting task to find general revenue to cover the net cost of operating the trolley system.
6. The **Island Transit** special revenue fund is also included in the forecast to demonstrate the funding challenges faced by the IT system. Additional revenue or reductions in cost must be identified beginning in FY 2017 to avoid placing a growing funding burden on the General Fund.

Please let me know if I can provide further information.



Brian Maxwell, City Manager

LONG RANGE FINANCIAL FORECAST GENERAL FUND SUMMARY

Baseline Forecast

General Fund baseline revenues exceed projected expenditures in every fiscal year of the Forecast period. While the expenditure totals include nothing for annual compensation increases, there are allowances in other accounts for 2% inflation. Compensation will be a policy matter to be considered and decided by the City Council later in this year's budget process. General Fund revenue is projected here to receive a significant boost for a second year in a row from an 8% increase in property tax revenue. This growth in taxable value will include the value of new construction and property value increased through the appraisal process along with value from TIRZ 11 that is returning to the City's general tax roll.

FORECAST SUMMARY GENERAL FUND BASELINE PROJECTIONS (\$THOUSANDS)

	FY 2016 Budget	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Beginning Balance	\$18,543	(1) \$19,112	\$19,633	\$20,113	\$21,026	\$22,123
Revenue	\$48,747	\$50,983	\$52,370	\$53,800	\$55,280	\$56,812
Expenditures	\$48,666	\$50,462	\$51,889	\$52,887	\$54,183	\$54,652
Revenues Over/(Under) Expenditures	\$81	\$521	\$481	\$913	\$1,097	\$2,160
Subtotal	\$18,624	\$19,633	\$20,113	\$21,026	\$22,123	\$24,283
Transfer to One-Time Projects	\$4,282	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$14,342	\$19,633	\$20,113	\$21,026	\$22,123	\$24,283
Policy Goal - 90 Days of Working Capital	\$12,000	\$12,443	\$12,795	\$13,041	\$13,360	\$13,476

(1) Estimated Beginning Fund Balance from FY16 Second Quarter Report.

Baseline Cost Growth

The chart below captures the change in baseline costs built into the Forecast.

GENERAL FUND FORECAST CUMULATIVE CHANGE FROM FY 2016 BUDGET (\$000'S)					
Category Changed from FY 2016 Budget	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Transfer to Capital Improvement and/or Debt Service Account	\$519	\$1,112	\$1,736	\$2,392	\$2,515
Various personnel costs: Annualized cost of six public safety positions, longevity pay and classified pay plan step increases .	\$429	\$623	\$673	\$726	\$778
Overtime cost and related fringe benefit cost	\$309	\$309	\$309	\$310	\$310
Loss of grant reimbursements	\$323	\$450	\$497	\$549	\$546
Health insurance, life insurance, and workers compensation	\$254	\$339	\$427	\$516	\$608
Changes to non-personnel accounts caused by inflation and/or scheduled spending (e.g. elections)	\$185	\$595	\$768	\$1,190	\$1,377
Electricity charge corrected and moved to Sewer Fund	(\$227)	(\$208)	(\$188)	(\$168)	(\$147)
TOTAL CUMULATIVE CHANGE	\$1,792	\$3,221	\$4,222	\$5,516	\$5,987

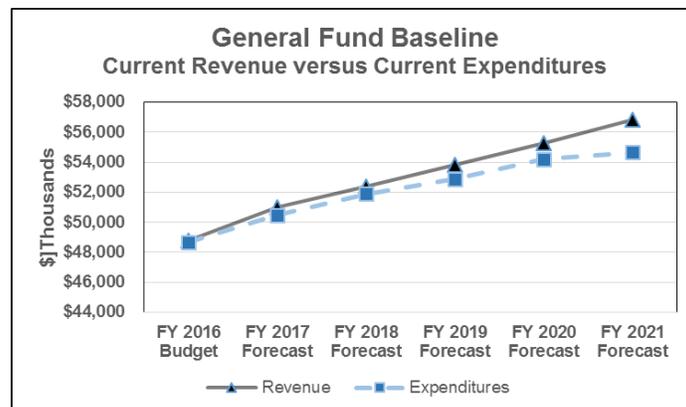
Baseline expenditures included in this forecasted rise in FY 2017 by almost \$1.8 million over the FY 2016 Budget. The transfer to the infrastructure and debt service set aside will increase to five percent of the total General Fund budget in FY 2017. The net increase of \$519,000 in this Charter mandated transfer includes the effect of growth in the Budget as represented by total General Fund revenue growth as well as the increased percentage of that total transferred. Looking ahead, three more years of significant growth in the transfer are ahead as the transfer goes up one percent a year until it reaches 8 percent of the General Fund budget in FY 2020.

Personnel cost is forecasted to potentially grow by a total of \$1.3 million, even without the inclusion in the forecast of general compensation cost increases. This includes approximately \$600,000 for two largely uncontrollable cost increases: an expected five percent increase in the City’s health insurance program and the loss of grant reimbursements. The balance of the personnel cost increase can be attributed to increased overtime costs, largely for public safety personnel, as well as six additional public safety positions and slightly reduced vacancy rate allowances in selected departments. Potential increases in non-personnel accounts due to inflation are offset by an adjustment to electricity to correctly charge a specific meter to the Sewer Fund.

Strategic Considerations for the FY 2017 Budget

It appears that this year’s General Fund budget will be easier to balance because it starts in a positive, revenue over expenditures position. But there are several things that should moderate optimism over this projection.

1. The local economy is clearly showing signs of weakness. Year over year growth in hotel occupancy taxes has slowed considerably in FY 2016. June sales taxes were less than the June total for last year, and the unusual two year rise in property tax values and corresponding revenue cannot be expected to continue. It will be wise to keep a realistic budget for necessary expenditures with an eye toward the impact on next year’s budget and beyond.
2. Decisions made this year might unduly complicate next year’s budget by overcommitting what will likely be less revenue growth in FY 2018. Allocating ongoing expenses in the FY 2017 Budget equal to the \$521,000 apparent surplus of baseline revenue over baseline expenditures will balance this year’s budget. However, it will actually overcommit FY 2018 revenue relative to expenditures already projected at a weaker position (\$481,000 in revenue over expenditures) than this year.



3. The FY 2016 Budget is the starting point for preparation of next year’s budget, and the overall General Fund budget is now tighter than its predecessors. The use of personnel vacancy

rates and a targeted approach to non-personnel expenditures have produced a General Fund Budgetary base that is more closely aligned with actual spending. Cuts in the Baseline forecast can be made but there is no magic solution other than placing the spending emphasis on basic services and City Council priorities.

Preparation of the FY 2017 General Fund Budget

Given the strategic considerations mentioned in the previous section, preparation of the Budget should include the following.

1. Minimize the inflation allowance for specific supplies, services, and equipment accounts.
2. Maintain the budgeted vacancy rate at levels similar to that in FY 2017, assuming some vacancy rate (1-5%) in all but the smallest departments. This determination must be used without hampering any department's ability to fill budgeted positions. It is also a means of capturing "vacancy lapse" at the start of the fiscal year through more careful preparation of the Proposed Budget.
3. Examine accounts throughout the General Fund, minimizing budget balances in non-personnel accounts used as contingencies at the Department level.
4. Utilize special funds and what are currently off-budget funds for recurring and one-time costs to the fullest extent practical.

**GENERAL FUND FORECAST
POTENTIAL PRIORITY PROGRAMS NOT IN BASELINE (\$000S)
IN NO PARTICULAR ORDER**

Program	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
One Percent of Pay or Pension					
Police Classified	\$150	\$150	\$150	\$150	\$150
Fire Classified	85	85	85	85	85
Civilians	105	105	105	105	105
Subtotal - One Percent Compensation Cost	\$340	\$340	\$340	\$340	\$340
FY 2016 Carryover Priorities					
TIRZ 11 Property Tax Increment Funding					
Police Officers and Civilianization	626	559	559	559	559
Assistant Fire Chief for Training	90	90	90	90	90
Parks Dept crew for city entrances & esplanades beautification	133	103	103	103	103
Subtotal - TIRZ 11 Increment Funding	\$849	\$752	\$752	\$752	\$752
Other FY 2016 Priorities					
Police Body Camera Program	TBD	TBD	TBD	TBD	TBD
Fire ladder truck (additional for ISO rating)	1,500	0	0	0	0
Fire ladder truck staffing (9 FF's for ISO rating)	0	655	668	681	695
Subtotal - Other FY 2016 Priorities	\$1,500	\$655	\$668	\$681	\$695
FY 2017 Program Candidates					
Street Maintenance Program	\$200	\$200	\$200	\$200	\$200
Traffic system equipment upgrades	200	0	0	0	0
Fire Pumper (replacement)	600	0	0	0	0
Technology: Hardware and software upgrades	TBD	TBD	TBD	TBD	TBD
Island Transit cumulative Local Funding Increase (See Special Issue discussion)	TBD	TBD	TBD	TBD	TBD
Subtotal - FY 2017 Program Candidates	\$1,000	\$200	\$200	\$200	\$200
Total Cumulative Increase	\$3,689	\$1,947	\$1,960	\$1,973	\$1,987

Priority Programs Not Addressed in the Baseline

The chart above is not intended to be an exhaustive listing of priority programs for the General Fund operating budget nor is it shown in any kind of priority order. But it is intended to give an idea of the potential additional funding needed over the next five years if ideas being discussed find their way into the budget

Compensation: One percent of pay for General Fund employees, including the direct impact on pension and social security contributions for civilians and police totals \$340,000. This is generally true whether the one percent takes the form of a general pay increase or an increase in the city's contribution to the pension funds.

TIRZ 11 Carryovers from FY 2016: Because of the relative uncertainty and extended time required to assure TIRZ 11's closure, the programs originally presented for funding in FY 2016 with the two sources of TIRZ 11 funding, the annual increment and the current cash balance have not been implemented this year. The City has received the ongoing annual TIRZ 11 property tax increment for the current year totaling approximately \$937,000. Not spending this amount is the primary reason the General Fund is projected to end FY 2016 with a \$1 million amount of revenue in excess of ongoing expenditures.

The City's share of the cash balance in TIRZ 11's accounts is still estimated at \$2 million. It was budgeted to provide funding for Neighborhood Improvement Projects in FY 2016 but has not yet been received by the City

**NEIGHBORHOOD IMPROVEMENT PROJECTS
TOTAL FUNDING, SPENDING AND CURRENT BALANCES (\$000s)**

Council District	REVENUES				EXPENDITURES (2)				Unexpended Balance Available May 2016
	FY 2014	FY 2015	FY 2016 (1)	Total Funding	FY 2014	FY 2015	FY 2016	Total Expended	
1	\$231	\$496	\$0	\$727	\$26	\$163	\$0	\$189	\$538
2	231	496	0	727	0	178	0	\$178	549
3	231	496	0	727	70	97	(6)	\$161	566
4	231	496	0	727	0	65	34	\$99	627
5	231	496	0	727	8	163	74	\$245	482
6	231	496	0	727	175	19	0	\$194	533
Mayor	231	0	0	231	108	92	0	\$200	31
Totals	\$1,615	\$2,976	\$0	\$4,591	\$388	\$776	\$102	\$1,266	\$3,326
Funding Source	FY 2014	FY 2015	FY 2016 (1)	Total Funding	FY 2014	FY 2015	FY 2016	Total Expended	Unexpended Balance Available May 2016
Downtown Parking Meter Revenue	\$215	\$0	\$0	\$215	\$5	\$0	\$0	\$5	\$210
Current IDC	1,400	0	0	1,400	383	776	57	1,216	184
Old IDC	0	2,976	0	2,976	0	0	45	45	2,932
Totals	\$1,615	\$2,976	\$0	\$4,591	\$388	\$776	\$102	\$1,266	\$3,326

NOTES:

(1) TIRZ 11 cash balance not yet available.

(2) Expenditures do not include commitments to projects being designed and otherwise developed.

FY 2017 Priority Program Candidates: Street and Traffic system maintenance, conducted through the General Fund Public Works budget, is being upgraded to include more preventive maintenance and improvements. Fire Department vehicle purchases including the pumper replacement (\$600,000 cost) and new ladder truck (\$1.5 million) could be funded from the excess General Fund balance (\$7 million over the ninety day working capital minimum) without reducing it below the required minimum. Comprehensive systems reviews underway are expected to result in one-time funding requests for FY 2017 as well.

**GENERAL FUND BASELINE FORECAST
FUND BALANCE, REVENUE AND EXPENDITURES
FY 2017 - FY2021
(\$THOUSANDS)**

	FY 2016 Budget	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Beginning Balance	\$18,543	(1) \$19,112	\$19,633	\$20,113	\$21,026	\$22,123
Revenue						
Property Taxes	\$20,739	\$22,662	\$23,342	\$24,042	\$24,763	\$25,506
Sales Taxes	15,265	15,351	15,812	16,286	16,775	17,278
Other Taxes	830	863	898	934	971	1,010
Franchise Taxes	5,267	5,404	5,512	5,622	5,734	5,849
Licenses and Permits	1,275	1,357	1,371	1,385	1,399	1,413
Intergovernmental	747	838	838	838	838	838
Charges for Services	1,795	1,631	1,647	1,663	1,680	1,697
Fines and Forfeits	1,868	1,829	1,866	1,903	1,941	1,980
Investment Earnings	150	180	216	259	311	373
Miscellaneous	811	868	868	868	868	868
Total Revenue	\$48,747	\$50,983	\$52,370	\$53,800	\$55,280	\$56,812
Expenditures by Department						
General Government	\$4,267	\$4,343	\$4,656	\$4,567	\$4,720	\$4,632
Finance	1,814	1,910	1,929	1,948	1,967	1,989
Public Safety	28,217	29,377	29,545	29,731	29,923	30,112
Public Works	3,780	3,648	3,823	3,920	4,029	4,083
Parks and Recreation	2,511	2,595	2,640	2,685	2,733	2,780
Planning & Comm. Development	2,321	2,351	2,376	2,402	2,428	2,455
Non-Departmental	5,756	6,238	6,920	7,634	8,383	8,601
Total Expenditures	\$48,666	\$50,462	\$51,889	\$52,887	\$54,183	\$54,652
Revenues Over/(Under) Expenditures	\$81	\$521	\$481	\$913	\$1,097	\$2,160
Subtotal	\$18,624	\$19,633	\$20,113	\$21,026	\$22,123	\$24,283
Transfer to One-Time Projects	0	0	0	0	0	0
Ending Balance	\$18,623	\$19,633	\$20,113	\$21,026	\$22,123	\$24,283
Policy Goal - 90 Days of Working Capital	\$12,000	\$12,443	\$12,795	\$13,041	\$13,360	\$13,476

(1) Estimated Beginning Fund Balance from FY16 Second Quarter Report.

**GENERAL FUND BASELINE FORECAST
EXPENDITURES BY DEPARTMENT
FY 2017 - FY2021 (\$THOUSANDS)**

	FY 2016 Budget	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
General Government						
City Secretary	\$437	\$455	\$461	\$465	\$470	\$476
Elections	60	0	120	0	120	0
Municipal Court	685	693	701	711	720	729
City Manager	749	781	949	955	962	968
City Auditor	312	316	319	321	324	326
Legal	726	757	762	768	773	779
Human Resources	398	441	444	447	451	454
Transportation	900	900	900	900	900	900
Subtotal - General Government	\$4,267	\$4,343	\$4,656	\$4,567	\$4,720	\$4,632
Finance						
Administration	\$307	\$360	\$365	\$370	\$375	\$380
Accounting	1,045	1,067	1,075	1,083	1,091	1,100
Purchasing	229	245	250	255	260	266
Budget	233	238	239	240	241	243
Subtotal - Finance	\$1,814	\$1,910	\$1,929	\$1,948	\$1,967	\$1,989
Public Safety						
Police	\$16,881	\$17,865	\$17,954	\$18,066	\$18,179	\$18,296
Fire	10,251	10,395	10,445	10,497	10,550	10,604
Emergency Management	220	235	248	256	263	266
Emergency Medical Service	566	579	593	607	622	636
Special Events	0	0	0	0	0	0
Civilian Services	298	303	305	306	308	310
Subtotal - Public Safety	\$28,217	\$29,377	\$29,545	\$29,731	\$29,923	\$30,112
Public Works						
Streets	\$1,947	\$1,993	\$2,115	\$2,158	\$2,212	\$2,236
Traffic	1,833	1,655	1,708	1,762	1,817	1,847
Subtotal - Public Works	\$3,780	\$3,648	\$3,823	\$3,920	\$4,029	\$4,083
Parks and Recreation						
Administration	\$791	\$799	\$807	\$814	\$823	\$831
Parks and Parkways	1,720	1,796	1,833	1,871	1,910	1,949
Subtotal - Parks and Recreation	\$2,511	\$2,595	\$2,640	\$2,685	\$2,733	\$2,780
Planning & Comm. Development						
Planning	\$1,103	\$1,109	\$1,124	\$1,139	\$1,155	\$1,171
Code Enforcement	643	654	661	669	676	684
Building Inspection	575	588	591	594	597	600
Subtotal - Planning & Comm. Development	\$2,321	\$2,351	\$2,376	\$2,402	\$2,428	\$2,455
Non-Departmental						
Vehicle Purchases	\$1,000	\$1,022	\$1,047	\$1,072	\$1,097	\$1,124
Governmental Expenditures	430	273	279	286	293	300
Facility Maintenance	1,888	1,969	2,016	2,064	2,114	2,164
Transfer to Separation Pay Fund	408	425	436	446	457	468
Capital Improvement and/or Debt Service	2,030	2,549	3,142	3,766	4,422	4,545
Subtotal - Non-Departmental	\$5,756	\$6,238	\$6,920	\$7,634	\$8,383	\$8,601
Total General Fund	\$48,666	\$50,462	\$51,889	\$52,887	\$54,183	\$54,652

**LONG RANGE FINANCIAL FORECAST
GENERAL DEBT SERVICE FUND**

Overview

The General Debt Service Fund Forecast focuses on the portion of the City's debt that is supported with the property tax levy that supports the payment of debt service. This forecast offers a single scenario to demonstrate how the City can afford a long-term, tax-supported bond financed improvement program at 3.5 cents or approximately the current tax rate. The underlying assumptions that make this possible are:

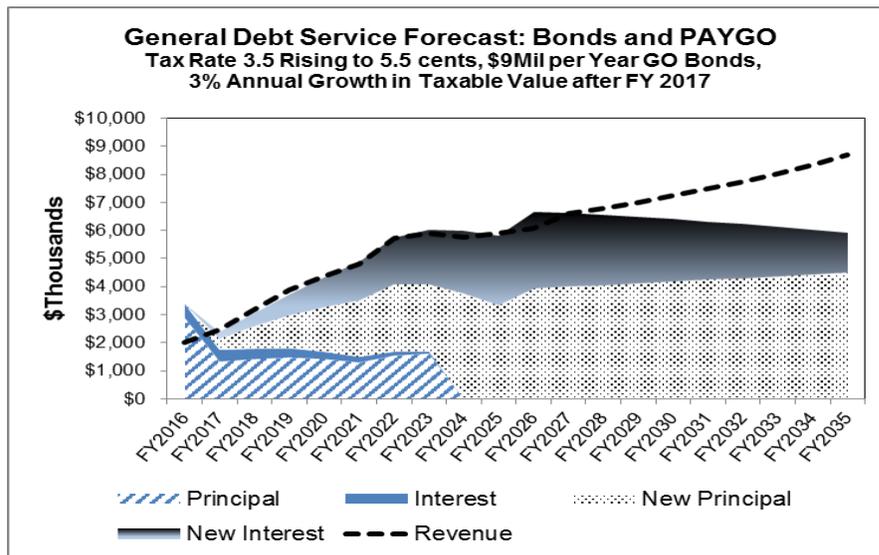
1. Annual property tax roll growth of 3% per year;
2. The General Fund's contribution to the Infrastructure and Debt Service Fund tops out at 8 percent of the General Fund in FY 2020. This forecast assumes that the set aside funds debt service on new bonds issued beginning in FY 2017. As debt service on new bonds reaches an amount equal to 4 percent of the 8 percent set aside amount, the Debt Service Fund share of the set aside stabilizes at half of the annual Infrastructure and Debt Service Fund transfer from the General Fund;
3. Infrastructure and Debt Service Fund set aside increases by 3 percent each year;
4. Interest rates increase steadily to resume their average historical level in the range of five percent; and
5. A conservative amortization approach to principal payments on new debt is used that schedules higher principal payments than the average, level payment, consumer-type loan.

**GENERAL DEBT SERVICE FORECAST
FY 2016-2021 (\$THOUSANDS)**

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
REVENUE						
Property Taxes	\$1,970	\$1,775	\$1,838	\$1,893	\$2,119	\$2,474
Infrastructure & Debt Service Fund Transfer	\$0	\$619	\$1,263	\$1,930	\$2,229	\$2,296
Interest Income	\$55	\$60	\$65	\$70	\$41	\$51
TOTAL REVENUE	\$2,025	\$2,454	\$3,166	\$3,893	\$4,389	\$4,821
EXPENSE						
Current Debt Service						
Principal	\$2,886	\$1,331	\$1,418	\$1,478	\$1,419	\$1,298
Interest	\$493	\$423	\$380	\$323	\$259	\$199
Paying Agent Fees	\$5	\$5	\$5	\$5	\$5	\$5
Subtotal Current Debt Service	\$3,384	\$1,759	\$1,803	\$1,806	\$1,683	\$1,502
Projected Future Bonds Debt Service						
Principal	\$0	\$392	\$790	\$1,193	\$1,601	\$2,015
Interest	\$0	\$227	\$473	\$737	\$1,039	\$1,375
Subtotal Future Bonds Debt Service	\$0	\$619	\$1,263	\$1,930	\$2,640	\$3,390
TOTAL EXPENSE	\$3,384	\$2,378	\$3,066	\$3,736	\$4,323	\$4,892
Revenue Over/(Under) Expense	(\$1,359)	\$76	\$100	\$157	\$66	(\$71)
Beginning Fund Balance	\$2,658	\$1,299	\$1,375	\$1,475	\$1,632	\$1,698
Ending Fund Balance	\$1,299	\$1,375	\$1,475	\$1,632	\$1,698	\$1,627
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Taxable Value (\$millions)	\$5,001.0	\$5,251.1	\$5,408.6	\$5,570.9	\$5,738.0	\$5,910.1
Debt Service Tax Rate	\$0.045045	\$0.034500	\$0.034500	\$0.034500	\$0.037500	\$0.042500
Property Tax Growth	8.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Investment Pool Earnings Rate	0.2%	0.5%	1.0%	2.0%	2.5%	3.0%
General Fund Transfer to Infrastructure & Debt Service Fund	\$2,030.0	\$2,549.0	\$3,151.0	\$3,786.0	\$4,457.0	\$4,591.0
Percent I&DS Fund transferred to Debt Service Fund	0.0%	24.3%	40.1%	51.0%	50.0%	50.0%
Future Bond Issue (\$000's)	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Outstanding Principal (\$000's) FY End	\$12,990	\$19,359	\$25,243	\$30,664	\$35,736	\$40,515
Overall Interest Rate	2.83%	3.33%	3.58%	3.83%	4.33%	4.83%
Interest Rate Diff with FY15 Rates	0.00%	0.50%	0.75%	1.00%	1.50%	2.00%

As provided by the City Charter, the issuance of General Obligation bonds requires prior approval by the voters before this scenario could take place. This approach is sustainable (see graph) over a longer period of time and is a key feature of an overall annual capital improvement planning and budgeting process including the following:

1. Specific projects are scheduled by phase (design, acquisition and construction) and by fiscal year;
2. Existing cash balances for capital construction are allocated to projects as legally and financially allowed prior to a decision on issuance of new bonds;
3. The economy is evaluated and potential revenue availability is assessed annually; and
4. A decision is made one year at a time on how many and what type of bond-financed projects are affordable, including the potential sale of new voter-approved debt as might be deemed prudent at the time.



Notable in the graph above are the following:

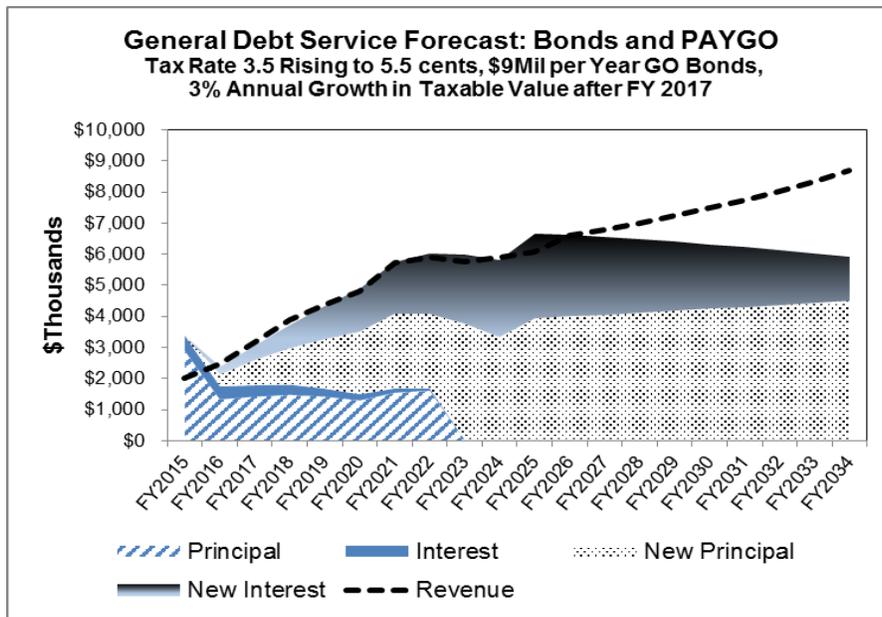
- The City’s current tax-supported debt will be paid off in FY 2024.
- The combined effect of growth in the tax roll and a ramping up in an annual contribution from the Infrastructure and Debt Service Fund provides \$45 million for bond funded projects and \$10.6 million for pay-as-you-go projects (PAYGO) over the next five years, FY 2017-2021. Over a ten year period the totals rise to \$85 million for bond funded projects and \$19.7 million PAYGO projects.
- The contribution to debt service paid on future bonds by the Infrastructure and Debt Service Fund in the scenario presented here is set to half of the annual Infrastructure and Debt Service set aside from FY 2019 and after.
- The increase in currently existing current debt service payments in FY 2023 and 2024 presents a “spike” when uniform debt service allocations for a series of annual bond sales are layered on top of the existing debt service payment in those same fiscal years. This has been smoothed by adjusting principal payments for the FY 2017 sale.
- This forecast includes no new bond sales beyond FY 2026 and features how annual debt service payments decline over time, providing an annual opportunity to reduce costs or issue bonds for additional project financing needs.

Not shown in the graph is the Debt Service Fund balance that remains at a healthy level throughout the twenty year forecast period. As presented in the General Fund Forecast, the General Fund contribution to the Infrastructure and Debt Service Fund will reach its charter-mandated eight percent of Budget level in FY 2020. In that fiscal year, the contribution is projected at \$4.59 million.

The City's outstanding tax supported debt would grow over time as a result of implementing a bond election and issuing \$9 million in new bonds per year over five years. However, because of the payoff of other bonds, the total amount outstanding would reach \$59.8 million in FY 2025 using the assumptions shown in these tables. This considers new bond principal added each year through an annual sale net of principal payments made each year.

**STREET IMPROVEMENT CAPITAL PROGRAM FUNDS
JUNE 2016 FORECAST (\$000's)**

	FY2017	FY2018	FY2019	FY2020	FY2021	Totals
General Obligation Bond Proceeds	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$45,000
Infrastructure Setaside						
Total Setaside	\$2,549	\$3,151	\$3,786	\$4,457	\$4,591	\$18,534
Less: Debt Service Payment	(\$618)	(\$1,262)	(\$1,929)	(\$2,229)	(\$2,296)	(\$8,334)
Infrastructure Setaside PAYGO Amount	\$1,931	\$1,889	\$1,857	\$2,228	\$2,295	\$10,200
IDC Sales Tax Infrastructure Amount	\$1,260	\$1,298	\$1,337	\$1,377	\$1,418	\$6,690
Total Funds	\$12,191	\$12,187	\$12,194	\$12,605	\$12,713	\$61,890
Debt Service Rate per \$100 Taxable Value	\$0.0345	\$0.0345	\$0.0345	\$0.0375	\$0.0425	



The table above shows a potential total of \$61.9 million funds available from voter-approved and tax supported bonds, the Infrastructure and Debt Service Set Aside, and the Industrial Development Corporation sales tax infrastructure “silo.” This total could be applied to drainage projects and general purpose facilities as well. The FY 2018-2021 CIP when presented may include such allocations.

**GENERAL DEBT SERVICE FUND FORECAST
FY2016-2026 (\$THOUSANDS)**

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
REVENUE											
Property Taxes	\$1,970	\$1,775	\$1,838	\$1,893	\$2,119	\$2,474	\$3,298	\$3,397	\$3,181	\$3,276	\$3,374
Infrastructure & Debt Service Fund Transfer	\$0	\$618	\$1,262	\$1,929	\$2,229	\$2,296	\$2,365	\$2,436	\$2,509	\$2,584	\$2,662
Interest Income	\$55	\$60	\$65	\$70	\$41	\$51	\$57	\$64	\$59	\$49	\$52
TOTAL REVENUE	\$2,025	\$2,453	\$3,165	\$3,892	\$4,389	\$4,821	\$5,720	\$5,897	\$5,749	\$5,909	\$6,088
EXPENSE											
Current Debt Service											
Principal	\$2,886	\$1,331	\$1,418	\$1,478	\$1,419	\$1,298	\$1,545	\$1,615	\$0	\$0	\$0
Interest	\$493	\$423	\$380	\$323	\$259	\$199	\$146	\$75	\$0	\$0	\$0
Paying Agent Fees	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Subtotal Current Debt Service	\$3,384	\$1,759	\$1,803	\$1,806	\$1,683	\$1,502	\$1,696	\$1,695	\$5	\$5	\$5
Projected Future Bonds Debt Service											
Principal	\$0	\$392	\$790	\$1,193	\$1,601	\$2,015	\$2,391	\$2,372	\$3,758	\$3,349	\$3,947
Interest	\$0	\$226	\$472	\$736	\$1,038	\$1,374	\$1,670	\$1,952	\$2,229	\$2,472	\$2,716
Subtotal Future Bonds Debt Service	\$0	\$618	\$1,262	\$1,929	\$2,639	\$3,389	\$4,061	\$4,324	\$5,987	\$5,821	\$6,663
TOTAL EXPENSE	\$3,384	\$2,377	\$3,065	\$3,735	\$4,322	\$4,891	\$5,757	\$6,019	\$5,992	\$5,826	\$6,668
Revenue Over/(Under) Expense	(\$1,359)	\$76	\$100	\$157	\$67	(\$70)	(\$37)	(\$122)	(\$243)	\$83	(\$580)
Beginning Fund Balance	\$2,658	\$1,299	\$1,375	\$1,475	\$1,632	\$1,699	\$1,629	\$1,592	\$1,470	\$1,227	\$1,310
Ending Fund Balance	\$1,299	\$1,375	\$1,475	\$1,632	\$1,699	\$1,629	\$1,592	\$1,470	\$1,227	\$1,310	\$730
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Taxable Value (\$millions)	\$5,001.0	\$5,251.1	\$5,408.6	\$5,570.9	\$5,738.0	\$5,910.1	\$6,087.4	\$6,270.0	\$6,458.1	\$6,651.8	\$6,851.4
Debt Service Tax Rate	\$0.045045	\$0.034500	\$0.034500	\$0.034500	\$0.037500	\$0.042500	\$0.055000	\$0.055000	\$0.050000	\$0.050000	\$0.050000
Property Tax Growth	8.0%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Pool Earnings Rate	0.2%	0.5%	1.0%	2.0%	2.5%	3.0%	3.5%	4.0%	4.0%	4.0%	4.0%
General Fund Transfer to Infrastructure & Debt Service Fund	\$2,030.0	\$2,549.0	\$3,151.0	\$3,786.0	\$4,457.0	\$4,591.0	\$4,729.0	\$4,871.0	\$5,017.0	\$5,168.0	\$5,323.0
Percent I&DS Fund transferred to Debt Service Fund	0.0%	24.2%	40.1%	51.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Future Bond Issue (\$000's)	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Outstanding Principal (\$000's) FY End	\$12,990	\$19,359	\$25,243	\$30,664	\$35,736	\$40,515	\$44,238	\$47,910	\$51,811	\$56,121	\$59,833
Overall Interest Rate	2.83%	3.33%	3.58%	3.83%	4.33%	4.83%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate Diff with FY15 Rates	0.00%	0.50%	0.75%	1.00%	1.50%	2.00%	2.17%	2.17%	2.17%	2.17%	2.17%
Future Debt Service Schedules											
Principal											
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017		\$392	\$398	\$403	\$408	\$414	\$419	\$25	\$1,031	\$237	\$444
FY2018			\$392	\$398	\$403	\$408	\$414	\$419	\$425	\$431	\$437
FY2019				\$392	\$398	\$403	\$408	\$414	\$419	\$425	\$431
FY2020					\$392	\$398	\$403	\$408	\$414	\$419	\$425
FY2021						\$392	\$398	\$403	\$408	\$414	\$419
FY2022							\$349	\$354	\$358	\$362	\$368
FY2023								\$349	\$354	\$358	\$362
FY2024									\$349	\$354	\$358
FY2025										\$349	\$354
FY2026											\$349
Subtotal Interest	\$0	\$392	\$790	\$1,193	\$1,601	\$2,015	\$2,391	\$2,372	\$3,758	\$3,349	\$3,947
Interest											
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017		\$226	\$224	\$220	\$215	\$209	\$203	\$196	\$196	\$175	\$170
FY2018			\$248	\$245	\$240	\$234	\$227	\$219	\$211	\$202	\$192
FY2019				\$271	\$267	\$261	\$254	\$246	\$237	\$228	\$218
FY2020					\$316	\$310	\$302	\$293	\$283	\$272	\$260
FY2021						\$360	\$352	\$342	\$331	\$319	\$306
FY2022							\$332	\$324	\$315	\$305	\$294
FY2023								\$332	\$324	\$315	\$305
FY2024									\$332	\$324	\$315
FY2025										\$332	\$324
FY2026											\$332
Subtotal Principal	\$0	\$226	\$472	\$736	\$1,038	\$1,374	\$1,670	\$1,952	\$2,229	\$2,472	\$2,716
Total by Year											
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017		\$618	\$622	\$623	\$623	\$623	\$622	\$221	\$1,227	\$412	\$614
FY2018			\$640	\$643	\$643	\$642	\$641	\$638	\$636	\$633	\$629
FY2019				\$663	\$665	\$664	\$662	\$660	\$656	\$653	\$649
FY2020					\$708	\$708	\$705	\$701	\$697	\$691	\$685
FY2021						\$752	\$750	\$745	\$739	\$733	\$725
FY2022							\$681	\$678	\$673	\$667	\$662
FY2023								\$681	\$678	\$673	\$667
FY2024									\$681	\$678	\$673
FY2025										\$681	\$678
FY2026											\$681
Subtotal by Year	\$0	\$618	\$1,262	\$1,929	\$2,639	\$3,389	\$4,061	\$4,324	\$5,987	\$5,821	\$6,663

THIS PRESENTATION ASSUMES THAT VOTER AUTHORIZATION WILL BE REQUIRED TO ISSUE ANNUAL DEBT THAT WOULD BE USED FOR STREET, DRAINAGE, PUBLIC SAFETY, PUBLIC FACILITIES AND OTHER TAX SUPPORTED CAPITAL PROJECTS.

**GENERAL DEBT SERVICE FUND FORECAST
FY2027-2035 (\$THOUSANDS)**

	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
REVENUE									
Property Taxes	\$3,823	\$3,938	\$4,056	\$4,178	\$4,303	\$4,432	\$4,565	\$4,702	\$4,843
Infrastructure & Debt Service Fund Transfer	\$2,742	\$2,824	\$2,908	\$2,995	\$3,085	\$3,178	\$3,273	\$3,371	\$3,472
Interest Income	\$29	\$28	\$38	\$59	\$92	\$138	\$198	\$274	\$366
TOTAL REVENUE	\$6,594	\$6,790	\$7,002	\$7,232	\$7,480	\$7,748	\$8,036	\$8,347	\$8,681
EXPENSE									
Current Debt Service									
Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paying Agent Fees	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$0
Subtotal Current Debt Service	\$5	\$0							
Projected Future Bonds Debt Service									
Principal	\$4,002	\$4,058	\$4,116	\$4,177	\$4,238	\$4,301	\$4,366	\$4,433	\$4,501
Interest	\$2,607	\$2,489	\$2,362	\$2,227	\$2,084	\$1,931	\$1,770	\$1,598	\$1,416
Subtotal Future Bonds Debt Service	\$6,609	\$6,547	\$6,478	\$6,404	\$6,322	\$6,232	\$6,136	\$6,031	\$5,917
TOTAL EXPENSE	\$6,614	\$6,552	\$6,483	\$6,409	\$6,327	\$6,237	\$6,141	\$6,036	\$5,917
Revenue Over/(Under) Expense	(\$20)	\$238	\$519	\$823	\$1,153	\$1,511	\$1,895	\$2,311	\$2,764
Beginning Fund Balance	\$730	\$710	\$948	\$1,467	\$2,290	\$3,443	\$4,954	\$6,849	\$9,160
Ending Fund Balance	\$710	\$948	\$1,467	\$2,290	\$3,443	\$4,954	\$6,849	\$9,160	\$11,924
	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Taxable Value (\$millions)	\$7,056.9	\$7,268.6	\$7,486.7	\$7,711.3	\$7,942.6	\$8,180.9	\$8,426.3	\$8,679.1	\$8,939.5
Debt Service Tax Rate	\$0.055000	\$0.055000	\$0.055000	\$0.055000	\$0.055000	\$0.055000	\$0.055000	\$0.055000	\$0.055000
Property Tax Growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Pool Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
General Fund Transfer to Infrastructure & Debt Service Fund	\$5,483.0	\$5,647.0	\$5,816.0	\$5,990.0	\$6,170.0	\$6,355.0	\$6,546.0	\$6,742.0	\$6,944.0
Percent I&DS Fund transferred to Debt Service Fund	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Future Bond Issue (\$000's)									
Outstanding Principal (\$000's) FY End									
Overall Interest Rate									
Interest Rate Diff with FY15 Rates									
Future Debt Service Schedules	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Principal									
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017	\$450	\$457	\$464	\$471	\$479	\$486	\$494	\$502	\$510
FY2018	\$444	\$450	\$457	\$464	\$471	\$479	\$486	\$494	\$502
FY2019	\$437	\$444	\$450	\$457	\$464	\$471	\$479	\$486	\$494
FY2020	\$431	\$437	\$444	\$450	\$457	\$464	\$471	\$479	\$486
FY2021	\$425	\$431	\$437	\$444	\$450	\$457	\$464	\$471	\$479
FY2022	\$373	\$378	\$383	\$389	\$394	\$400	\$406	\$412	\$418
FY2023	\$368	\$373	\$378	\$383	\$389	\$394	\$400	\$406	\$412
FY2024	\$362	\$368	\$373	\$378	\$383	\$389	\$394	\$400	\$406
FY2025	\$358	\$362	\$368	\$373	\$378	\$383	\$389	\$394	\$400
FY2026	\$354	\$358	\$362	\$368	\$373	\$378	\$383	\$389	\$394
Subtotal Interest	\$4,002	\$4,058	\$4,116	\$4,177	\$4,238	\$4,301	\$4,366	\$4,433	\$4,501
Interest									
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017	\$159	\$147	\$134	\$121	\$107	\$92	\$75	\$57	\$39
FY2018	\$181	\$169	\$156	\$142	\$128	\$113	\$97	\$79	\$60
FY2019	\$207	\$195	\$182	\$168	\$153	\$137	\$121	\$104	\$84
FY2020	\$248	\$235	\$221	\$206	\$190	\$173	\$155	\$136	\$117
FY2021	\$292	\$278	\$263	\$247	\$230	\$211	\$192	\$172	\$151
FY2022	\$282	\$269	\$256	\$242	\$227	\$211	\$194	\$176	\$157
FY2023	\$294	\$282	\$269	\$256	\$242	\$227	\$211	\$194	\$176
FY2024	\$305	\$294	\$282	\$269	\$256	\$242	\$227	\$211	\$194
FY2025	\$315	\$305	\$294	\$282	\$269	\$256	\$242	\$227	\$211
FY 2026	\$324	\$315	\$305	\$294	\$282	\$269	\$256	\$242	\$227
Subtotal Principal	\$2,607	\$2,489	\$2,362	\$2,227	\$2,084	\$1,931	\$1,770	\$1,598	\$1,416
Total by Year									
FY2016	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FY2017	\$609	\$604	\$598	\$592	\$586	\$578	\$569	\$559	\$549
FY2018	\$625	\$619	\$613	\$606	\$599	\$592	\$583	\$573	\$562
FY2019	\$644	\$639	\$632	\$625	\$617	\$608	\$600	\$590	\$578
FY2020	\$679	\$672	\$665	\$656	\$647	\$637	\$626	\$615	\$603
FY2021	\$717	\$709	\$700	\$691	\$680	\$668	\$656	\$643	\$630
FY2022	\$655	\$647	\$639	\$631	\$621	\$611	\$600	\$588	\$575
FY2023	\$662	\$655	\$647	\$639	\$631	\$621	\$611	\$600	\$588
FY2024	\$667	\$662	\$655	\$647	\$639	\$631	\$621	\$611	\$600
FY2025	\$673	\$667	\$662	\$655	\$647	\$639	\$631	\$621	\$611
FY 2026	\$678	\$673	\$667	\$662	\$655	\$647	\$639	\$631	\$621
Subtotal by Year	\$6,609	\$6,547	\$6,478	\$6,404	\$6,322	\$6,232	\$6,136	\$6,031	\$5,917

THIS PRESENTATION ASSUMES THAT VOTER AUTHORIZATION WILL BE REQUIRED TO ISSUE ANNUAL DEBT THAT WOULD BE USED FOR STREET, DRAINAGE, PUBLIC SAFETY, PUBLIC FACILITIES AND OTHER TAX SUPPORTED CAPITAL PROJECTS.

**LONG RANGE FINANCIAL FORECAST
WATERWORKS AND SEWER FUNDS**

Overview

A new water and sewer rate structure was put into place last year effective October 1, 2015 to provide the financial foundation for rebuilding the city's aging water and sewer infrastructure. Post-Ike grants funds have been used for major projects, including the Main Wastewater Treatment Plant and the 59th Street Pump Station for water. However, sufficient project needs remained such that last year's Capital Improvement Plan (CIP) included projects that would require the issuance of \$90 million in water and sewer revenue bonds beginning in FY 2017. Annual rate increases for the FY 2016-2020 period were to be required to retire the debt service for these bonds.

This year's CIP for water and sewer is being prepared so as to base future rates, at a minimum, on priority projects that primarily benefit the Island as a whole. Projects that benefit primarily the west and east end of the island are being presented as optional projects. The difference in rate increases required to implement these groups of projects is also presented to give policy makers the opportunity to weigh the particular approach to take.

Water Fund Forecast and CIP

The Water Fund forecast shown here includes sufficient funding for 2 percent increases per year in compensation and the majority of supply and services that are inflation sensitive as well as five percent increases in health benefits and water purchases from Gulf Coast Water Authority (Note: FY 2017 cost from GCWA is closer to a two percent increase). Customer growth is assumed to be one percent annually.

**LONG RANGE FINANCIAL FORECAST
WATERWORKS FUND SUMMARY (\$000'S)
(SOURCE: HAWKSLEY CONSULTING RATE STUDY)**

	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Beginning Fund Balance	\$7,784	\$9,968	\$9,537	\$8,985	\$7,854	\$7,594
Total Revenue	\$21,572	\$21,707	\$22,706	\$23,758	\$24,883	\$26,059
Operating Expense	15,518	17,260	18,102	18,682	18,907	19,918
Debt Service:						
Existing Debt	2,128	2,103	2,084	2,075	2,014	1,608
New Debt	33	518	1,764	2,439	3,024	3,486
Subtotal Debt Service	2,161	2,621	3,848	4,514	5,038	5,094
Transfer to Improvements Fund	1,710	2,257	1,308	1,693	1,197	1,192
Total Expense	\$19,389	\$22,138	\$23,258	\$24,889	\$25,142	\$26,204
Revenue Over/(Under) Expense	\$2,183	(\$431)	(\$552)	(\$1,131)	(\$259)	(\$145)
Ending Fund Balance	\$9,967	\$9,537	\$8,985	\$7,854	\$7,595	\$7,449
Ending Balance Over/(Under) 90 Days	\$5,121	\$4,002	\$3,170	\$1,632	\$1,309	\$899

As you can see, cash flow is reserved in the debt service section of the table for new revenue bonds in the amount of \$53.6 million. This amount is shown in the Water CIP summary table on the next page.

**WATER PROJECTS IN THE CIP
LAST YEAR AND THIS YEAR (\$000'S)**

Water Program	FY 2016 Forecast	FY 2017 Adopted CIP	FY 2018 Adopted CIP	FY 2019 Adopted CIP	FY 2020 Adopted CIP	FY16-20 Total	
LAST YEAR'S PROGRAM							
Water Program Adopted CIP (\$Mil) (1)	\$2.9	\$23.5	\$21.8	\$18.8	\$17.6	\$84.6	
Future Revenue Bonds (\$Mil)	\$0.0	\$7.4	\$17.8	\$14.7	\$15.3	\$55.2	
Cash Project Funding (\$Mil)	\$0.0	\$3.8	\$4.0	\$4.1	\$2.3	\$14.2	
Grant Funded Projects (\$Mil)	\$1.1	\$12.3	\$0.0	\$0.0	\$0.0	\$13.4	
Existing Cash/Bonds	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$1.8	
THIS YEAR - Priority Projects							
		FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY17-21 Total
Water Program Draft CIP		\$33.5	\$36.9	\$7.0	\$12.6	\$6.5	\$96.5
Future Revenue Bonds (\$Mil)		\$10.9	\$22.4	\$5.3	\$9.5	\$5.5	\$53.6
Cash Project Funding (\$Mil)		\$3.9	\$1.1	\$1.5	\$1.0	\$1.0	\$8.5
Grant Funded Projects (\$Mil)		\$18.7	\$13.4	\$0.2	\$2.1	\$0.0	\$34.4
THIS YEAR - Optional Projects							
		FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY17-21 Total
Water Program Draft CIP		\$1.8	\$14.8	\$2.3	\$20.0	\$0.7	\$39.6

The total of this year's water CIP is only slightly different than last year, with \$96.5 million in total projects compared with \$84.6 million last year. It excludes \$39.6 million in optional projects (see below). A number of projects critical to the functioning of the distribution system that were not in last year's CIP have been identified and included as Priority Projects in the draft CIP (see chart below).

Water rates are impacted much less by this year's water CIP because:

1. \$34.4 million in CDBG funding has been allocated to priority water projects, including the reconstruction of the 59th St. Pump Station;
2. Fund balance was restated thereby disclosing more funds were available to meet reserve needs than previously thought. Therefore, future rate revenue does not have to be set aside to meet reserve needs (see previous page);
3. Revenues have performed somewhat better than expected; and
4. The GCWA cost increase was approximately 2 percent instead of 5 percent as expected.

DRAFT FY 17-21 CIP WATER PROJECTS

PRIORITY PROJECTS	OPTIONAL PROJECTS
Rehab of Wells #9 and #11	20" Waterline Replacement Seawolf Parkway Construction*
Well Disinfection & Flush Valves*	12" Waterline on Seawall Blvd - 81st to 97th Construction*
20" Waterline Replacement Seawolf Parkway Design*	MUD 29 Tank Removal
12" Waterline on Seawall Blvd - 81st to 97th Design*	Spanish Grant Loop
8" Waterline - 30th St ROW and Market St.	20" Waterline - 30th St. to East Beach
6" Waterline - Gulf Drive	East Beach Elevated Storage Tank
Water System Improvement & water valve replacement*	20" Waterline - Holiday Dr. to East Beach
24" Waterline - 59th St. Pump Station to Airport*	
Replace 30" 1890 Waterline with 36" line	
Lafittes Cove Loop	
30" Waterline Rehab - RR Bridge to Harborside*	
30" Waterline Rehab - 71st St. to 59th St. Pump Station*	
Airport Pump Station Pumps and Controls*	
Airport Pump Station Tank Construction Phases 1 & 2*	
59th Street Tanks Rehab	
New Ground Storage Tank at 59th Street	
30th St. Pump Station Tanks Rehab	
59th St. Pump Station Reconstruction	
10 Mile Road Elevated Storage Tank Rehab	

* Project not in last year's CIP.

No water rate increase is needed for FY 2017. Funding the priority projects listed above on the left hand side of the table is projected to require a 4.5 percent rate adjustment annually from FY 2018 to FY 2021.

Sewer Fund Forecast and CIP

The Sewer Fund forecast shown here includes sufficient funding for 2 percent increases per year in compensation and the majority of supply and services that are inflation sensitive as well as five percent increases in health benefits. Additional staff, utilities and supplies in the approximate amount of \$637,000 per year have been programmed for the expanded and reconstructed Main Wastewater Treatment Plant.

**LONG RANGE FINANCIAL FORECAST
SEWER FUND SUMMARY (\$000'S)
(SOURCE: HAWKSLEY CONSULTING RATE STUDY)**

	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Beginning Fund Balance	\$6,986	\$6,352	\$7,904	\$8,537	\$8,014	\$7,379
Total Revenue	\$15,208	\$15,241	\$15,294	\$15,354	\$15,434	\$15,505
Operating Expense	9,110	10,482	10,663	10,639	10,735	11,548
Debt Service:						
Existing Debt	2,772	2,756	2,734	2,732	2,673	2,303
New Debt	0	451	755	906	1,062	1,101
Subtotal Debt Service	2,772	3,207	3,489	3,638	3,735	3,404
Transfer to Improvements Fund	3,960	0	509	1,600	1,599	1,594
Total Expense	\$15,842	\$13,689	\$14,661	\$15,877	\$16,069	\$16,546
Revenue Over/(Under) Expense	(\$634)	\$1,552	\$633	(\$523)	(\$635)	(\$1,041)
Ending Fund Balance	\$6,352	\$7,904	\$8,537	\$8,014	\$7,379	\$6,338
Ending Balance Over/(Under) 90 Days	\$2,392	\$4,482	\$4,872	\$4,044	\$3,360	\$2,199

The forecast shows the result of including only priority projects in the Sewer CIP program for FY 2017-21. Cash flow is programmed for \$15.5 million in revenue bonds, an amount substantially reduced from last year's \$34.7 million total. The Sewer Fund forecast requires no rate increase for the FY 2017-20 period in part due to restated fund balance as well revenue performance and reduced debt service.

**SEWER PROJECTS IN THE CIP
LAST YEAR AND THIS YEAR (\$000'S)**

Sewer Program	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY16-20 Total	
Sewer Program Total CIP (\$Mil) (3)	\$7.9	\$29.5	\$20.7	\$4.7	\$2.8	\$65.6	
Future Revenue Bonds (\$Mil)	\$0.0	\$15.4	\$17.5	\$1.8	\$0.0	\$34.7	
Cash Project Funding (\$Mil)	\$0.0	\$5.6	\$3.2	\$2.9	\$2.8	\$14.5	
Grant Funded Projects (\$Mil)	\$1.2	\$6.0	\$0.0	\$0.0	\$0.0	\$7.2	
Existing Cash/Bonds	\$6.7	\$2.5	\$0.0	\$0.0	\$0.0	\$9.2	
THIS YEAR - Priority Projects		FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY17-21 Total
Sewer Program Draft CIP		\$16.5	\$3.3	\$3.3	\$3.3	\$1.3	\$27.7
Future Revenue Bonds (\$Mil)		\$9.5	\$2.0	\$2.0	\$2.0	\$0.0	\$15.5
Cash Project Funding (\$Mil)		\$1.0	\$1.3	\$1.3	\$1.3	\$1.3	\$6.2
Grant Funded Projects (\$Mil)		\$6.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.0
THIS YEAR - Optional Projects		FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY17-21 Total
Sewer Program Draft CIP		\$6.5	\$28.1	\$3.1	\$5.6	\$0.0	\$43.3

Including only Priority projects, the Sewer CIP is affordable within current sewer rates. No further rate increase is necessary to afford the draft Sewer CIP. Including the \$43.3 million in optional projects listed below is projected to require a single 30 percent increase in sewer rates in FY 2018. The resulting rates would then have to be maintained throughout the five year CIP period.

DRAFT FY 17-21 CIP SEWER PROJECTS	
PRIORITY PROJECTS	OPTIONAL PROJECTS
Pirate's Beach Wastewater Treatment Plant Reconstruction	11 Mile Road Sanitary Sewer
Sanitary Sewer Repair and Rehab	Sunny Beach - 8 Mile Road Sanitary Sewer
Bernuda Beach Sanitary Sewer Improvement	East Beach Lift Station and Force Main
Wastewater Master Plan	Lift Station SCADA
Main Wastewater Treatment Plant Sludge Removal	Bay Harbor & Indian Beach Sanitary Sewers
Lift Station Pump & Electrical Upgrades*	Main Wastewater Treatment Plant Effluent Filtration
Airport Wastewater Treatment Plant Final Mitigation & Recovery	Cedar Lawn Sewer Relocation
Seawolf Park Wastewater Treatment Plant Reconst & Expansion	

* Project not in last year's CIP.

Rate Impact of FY 2017-21 Draft CIP

Last year, water and sewer rates were increased by 29% and 23% respectively. Redesign of the rate structure sheltered the low and average residential users that comprise 55 percent of residential customers from the major portion of this increase. The rates supported cash and revenue bond funding of \$129.6 million in projects.

WATER AND SEWER RATES AND CIP: LAST YEAR

Category	FY 16 Approved	FY 17 Projected	FY 18 Projected	FY 19 Projected	FY 20 Projected
Overall Water Rate Adjustment	29.0%	29.0%	7.0%	2.0%	2.0%
Overall Sewer Rate Adjustment	23.0%	6.0%	5.0%	4.0%	3.0%
Annual Change in Water & Sewer Bill					
Low Res. User (200 cu.ft.)	\$2.71	\$4.91	\$2.20	\$1.24	\$1.05
Average Res. User (500 cu ft)	\$8.47	\$6.93	\$3.19	\$1.84	\$1.54
Locally Funded CIP Projects (\$Mil)	\$8.5	\$34.7	\$42.5	\$23.5	\$20.4
Water (\$Mil)	\$1.8	\$11.2	\$21.8	\$18.8	\$17.6
Sewer (\$Mil)	\$6.7	\$23.5	\$20.7	\$4.7	\$2.8

The Draft FY 2017-21 CIP for water and sewer lessens the impact on rates substantially. As you can see below, the Draft CIP provides for \$81.3 million in locally funded projects. This avoids any sewer rate increase in the five year CIP period, and keeps potential water rate increases to 4.5 percent beginning in the second year of that five year period, FY 2018. No rate increase is needed this year.

WATER AND SEWER RATES AND CIP: THIS YEAR PRIORITY PROJECTS ONLY

Category	FY 17 Projected	FY 18 Projected	FY 19 Projected	FY 20 Projected	FY 21 Projected
Overall Water Rate Adjustment	0.0%	5.0%	5.0%	5.0%	5.0%
Overall Sewer Rate Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Change in Water & Sewer Bill					
Low Res. User (200 cu.ft.)	\$0.00	\$0.64	\$0.67	\$0.70	\$0.74
Average Res. User (500 cu ft)	\$0.00	\$0.78	\$0.85	\$0.87	\$0.89
Locally Funded CIP Projects (\$Mil)	\$25.3	\$26.8	\$10.1	\$13.8	\$7.8
Water (\$Mil)	\$14.8	\$23.5	\$6.8	\$10.5	\$6.5
Sewer (\$Mil)	\$10.5	\$3.3	\$3.3	\$3.3	\$1.3

Including all projects shown in this analysis, priority and optional, for both water and sewer programs, local funding requirements total \$166.7 million (see “Locally Funded CIP Projects” below). No rate increase would be required in FY 2017, but a 30 percent increase would be required in FY 2018 for sewer. Water rates would see 10 percent increases in FY 2018 and 2019, as well as a 15 percent increase in FY 2020.

WATER AND SEWER RATES AND CIP: THIS YEAR PRIORITY AND OPTIONAL PROJECTS INCLUDED					
Category	FY 17 Projected	FY 18 Projected	FY 19 Projected	FY 20 Projected	FY 21 Projected
Overall Water Rate Adjustment	0.0%	10.0%	10.0%	15.0%	0.0%
Overall Sewer Rate Adjustment	0.0%	30.0%	0.0%	0.0%	0.0%
Annual Change in Water & Sewer Bill					
Low Res. User (200 cu.ft.)	\$0.00	\$7.26	\$1.41	\$2.32	\$0.00
Average Res. User (500 cu ft)	\$0.00	\$10.82	\$1.94	\$3.20	\$0.00
Locally Funded CIP Projects (\$Mil)	\$33.6	\$69.7	\$15.2	\$37.2	\$8.5
Water (\$Mil)	\$16.6	\$38.3	\$8.8	\$28.3	\$7.2
Sewer (\$Mil)	\$17.0	\$31.4	\$6.4	\$8.9	\$1.3

Methodology Note

The information in this analysis is provided through collaboration between city staff and Hawksley Consulting, the professionals who prepared last year’s water and sewer rate study for the City. Detailed operating revenue and expense information, current debt service schedules, equipment replacement needs, main wastewater treatment plant operating expense needs, and draft CIP project costs have been provided by the City. The consultants provided independent analysis and modeling services using the city’s data.

Last year, as the overall water and sewer rate structure was changed, customers did not bear the rate increases evenly across customer types and volume of use categories. In the future, however, all customers would be anticipated to share equally in the overall rate adjustment. This would be proposed to take the form of an across the board adjustment in all base and tier rates.

**LONG RANGE FINANCIAL FORECAST
SPECIAL ISSUE: HOTEL OCCUPANCY TAX AND
THE CONVENTION CENTER SURPLUS FUND**

The City's "trickle down" funds, deposited in the Convention Center Surplus Fund, is the amount that reverts to the City after key distributions are made to the Parks Board, debt service on the convention center bonds, and convention center operations. The distribution of the Hotel Occupancy Tax is well known but the results are rarely seen in a single place. This forecast is specifically intended to show that distribution as projected conservatively for the FY 2017-2021 period while demonstrating that the City's share is growing and a plan is needed to make productive use of these funds.

**LONG RANGE FINANCIAL FORECAST
HOTEL OCCUPANCY TAX PROJECTIONS
FY 2016 - 2021, (\$000'S)**

Category	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
SOURCES						
Local Hotel Occupanct Taxes	\$15,783	\$16,099	\$16,421	\$16,749	\$17,084	\$17,426
State Hotel Occupancy Taxes (City Share)	\$3,449	\$3,518	\$3,588	\$3,660	\$3,733	\$3,808
TOTAL SOURCES	\$19,232	\$19,617	\$20,009	\$20,409	\$20,817	\$21,234
USES						
Parks Board						
Advertising (1)	\$5,261	\$5,366	\$5,474	\$5,583	\$5,695	\$5,809
Beach Maint/Patrol (2)	\$5,203	\$5,307	\$5,413	\$5,521	\$5,631	\$5,744
Arts Council (3)	\$1,315	\$1,342	\$1,368	\$1,396	\$1,424	\$1,452
Subtotal Parks Board	\$11,779	\$12,015	\$12,255	\$12,500	\$12,750	\$13,005
Convention Center						
Convention Center Operations (4)	\$480	\$480	\$480	\$480	\$480	\$480
CC Operator and Developer Fees (5)	\$125	\$125	\$125	\$125	\$125	\$125
CC Budget for Arts (6)	\$219	\$224	\$228	\$233	\$237	\$242
CC Surplus Allocation (7)	\$2,385	\$2,441	\$2,503	\$2,564	\$2,626	\$2,702
Subtotal CC Operator	\$3,209	\$3,270	\$3,336	\$3,402	\$3,468	\$3,549
City						
Transfer to Historical Bldgs Special Fund (8)	\$219	\$224	\$228	\$233	\$237	\$242
CC HOT Debt Service (9)	\$1,740	\$1,768	\$1,788	\$1,811	\$1,837	\$1,837
City Surplus Allocation (10)	\$2,285	\$2,341	\$2,403	\$2,464	\$2,526	\$2,602
Subtotal City	\$4,244	\$4,333	\$4,419	\$4,508	\$4,600	\$4,681
TOTAL USES	\$19,232	\$19,618	\$20,010	\$20,410	\$20,818	\$21,235
HOT Growth Assumption	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
City Surplus Allocation Growth Percentage	4.6%	2.5%	2.6%	2.5%	2.5%	3.0%
HOT Allocation to Convention Center M&O and Debt Service	\$7,135	\$7,015	\$7,155	\$7,299	\$7,444	\$7,593
Notes:						
(1) Equal to 3% of the 9% local tax.						
(2) Equal to 1% of the 9% local tax and includes the State tax allocation to the City (2% of the 6% total).						
(3) Equal to 0.75% of the 9% local tax.						
(4) Monthly transfer in the aggregate amount of \$40k. (distributed from 4% referenced in #9)						
(5) Annual allocation to developer. (distributed from 4% referenced in #9)						
(6) Equal to 0.125% of the 9% local tax.						
(7) Unexpended balance comprises the majority of the surplus.						
(8) Equal to 0.125% of the 9% local tax.						
(9) Bond covenant allocates 4% of the 9% to Debt Service and related reserves. (See last line of chart above.) Debt Service expense is actually less and runs thru FY34.						
(10) Unexpended balance comprises the majority of the surplus.						

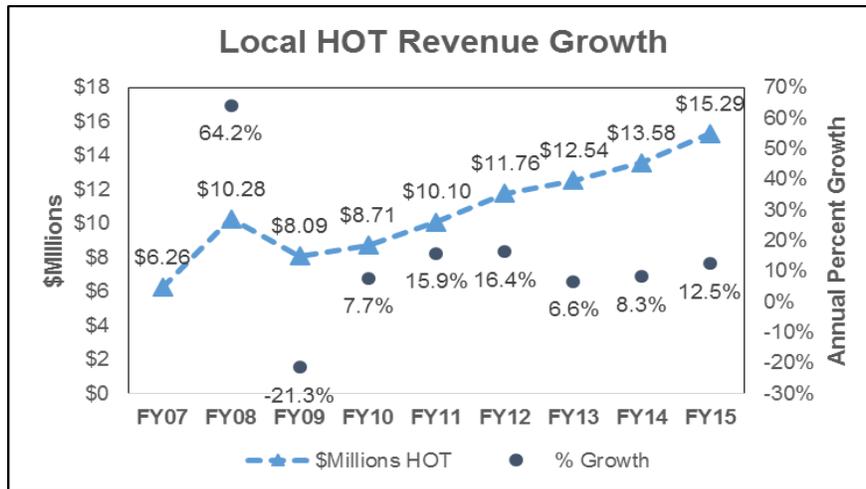
The lion's share of HOT proceeds goes to the Parks Board, totaling \$12 million per year currently. This includes 4.75 percent of the 9 percent local Hotel Occupancy Tax as well as two percent of the

State's 6% Hotel Occupancy Tax. The City's share of the HOT proceeds that "trickles down" is growing faster than the total HOT proceeds are for a simple reason: debt service payments on the convention center are flat, leaving a progressively larger balance remaining each year.

**LONG RANGE FINANCIAL FORECAST
CONVENTION CENTER SURPLUS FUND HISTORY
FY 2012 - 2016, (\$000'S)**

Category	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimate
REVENUE					
Convention Center Surplus (Hotel Occupancy Taxes)	\$1,154	\$1,565	\$1,978	\$2,430	\$2,285
SUBTOTAL - HOT REVENUE	\$1,154	\$1,565	\$1,978	\$2,430	\$2,285
EXPENDITURES					
Special Events (City)					
Mardi Gras	\$315	\$327	\$250	\$350	\$164
Special Events Services (City)	0	40	40	50	50
Subtotal - Special Events (City)	\$315	\$367	\$290	\$400	\$214
Seawall and Related Activities (City)					
Seawall Parking (Capital Outlay)	470	0	74	0	0
Seawall Parking Operations/ Enforcement	96	172	183	191	191
Seawall Litter Detail	42	35	0	0	0
Seawall Amenities Match	0	7	0	0	0
Seawall Transportation Routes	0	0	0	200	0
Seawall Improvements Phase II FTA Match	0	0	0	0	466
Restrooms Operations & Maintenance	0	39	46	60	60
West End Beach Access Cans	2	49	10	0	0
Subtotal Seawall Activities (City)	\$610	\$302	\$313	\$451	\$717
Park Board					
Downtown Advertising	100	100	100	0	0
Advertising	0	400	0	0	0
West End Beach Trash Removal	0	0	300	300	300
Seawall Litter Detail	0	35	100	100	100
Cultural Arts District	2	16	0	0	0
Shoreline/Beach Services	0	20	10	0	0
East End Lagoon Operations & Maintenance	0	0	75	75	75
Transportation Study	0	0	30	0	0
Restroom Operations	0	0	6	7	7
Subtotal - Park Board Activities	\$102	\$571	\$621	\$482	\$482
Historic Preservation/Promotion Activities					
Historic Broadway Median Replanting Project	0	0	0	2,000	2,000
Subtotal - Historic Preservation/Promotion Activities	0	0	0	2,000	2,000
Trolley System Repair (Track)	0	0	0	0	218
Revenue Bond/Bank Fees	0	3	4	4	4
SUBTOTAL - EXPENDITURES	\$1,027	\$1,243	\$1,228	\$3,337	\$3,635
REVENUE OVER/ (UNDER) EXPENDITURES	\$127	\$322	\$750	(\$907)	(\$1,350)
BEGINNING FUND BALANCE	\$2,367	\$2,494	\$2,816	\$3,566	\$3,566
ENDING FUND BALANCE	\$2,494	\$2,816	\$3,566	\$2,659	\$2,216

The chart above simply shows how the City has used its "trickle down" money for the most recent five years. IT also shows how rapidly the City's share of HOT proceeds has grown, virtually doubling in the five year period shown. HOT proceeds themselves have grown at a rapid if uneven pace as shown in the graph on the next page. For purposes of conservatism, a two percent growth rate has been used in the five year forecast that follows.



The five year forecast below includes allocations for the previous categories of funding. Convention Center Surplus Fund spending for special events (including Mardi Gras which is costing less than before), Seawall programs and activities, and Parks Board programs and activities total approximately \$1 million per year, leaving ample funds for other eligible programs.

**LONG RANGE FINANCIAL FORECAST
CONVENTION CENTER SURPLUS FUND FORECAST
FY 2017 - 2021, (\$000'S)**

Category	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
REVENUE						
Convention Center Surplus (Hotel Occupancy Taxes)	\$2,285	\$2,341	\$2,403	\$2,464	\$2,526	\$2,602
SUBTOTAL - HOT REVENUE	\$2,285	\$2,341	\$2,403	\$2,464	\$2,526	\$2,602
EXPENDITURES						
Special Events (City)	\$215	\$215	\$215	\$215	\$215	\$215
Seawall Activities (City)	\$250	\$255	\$260	\$265	\$271	\$276
Parks Board Contract Activities	\$475	\$485	\$495	\$505	\$515	\$525
Historic Preservation						
Island Transit FTC Project Matching Funds	466	0	0	0	0	0
Island Transit Seawall Routes	0	360	370	380	391	402
Historic Broadway Median Replanting Project	2,000	0	0	0	0	0
Subtotal - Historic Preservation	\$2,466	\$360	\$370	\$380	\$391	\$402
Trolley System						
Trolley System Operations	0	0	488	975	1,000	1,026
Trolley System Repair Grant Project Match	218	686	0	0	0	0
Subtotal - Trolley System	\$218	\$686	\$488	\$975	\$1,000	\$1,026
Capital Reserves (As Designated by City Council through the Budget)	\$2,227	\$340	\$575	\$124	\$135	\$158
SUBTOTAL - EXPENDITURES	\$5,851	\$2,341	\$2,403	\$2,464	\$2,526	\$2,602
REVENUE OVER/ (UNDER) EXPENDITURES	(\$3,566)	\$0	\$0	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$3,566	\$0	\$0	\$0	\$0	\$0
ENDING FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0

Of late, the City's HOT "trickle down" money has been discovered and is being sought after as a funding source for many projects and causes. Hotel Occupancy Tax funds cannot be used for just any purpose. The discussion of all potential legal purposes is left for another analysis. The forecast above demonstrates how the City's "trickle down" monies can be used to fund trolley and seawall transit program costs, including operations and federal grant funded project matches.

The capital reserve is shown for the potential to use HOT funds for eligible capital projects. To protect the City Council's prerogative to use these limited funds for City designated purposes, it is suggested that "trickle down" HOT mines unallocated to a current year project at the end of each fiscal year be formally reserved for capital projects as designated by the City Council through the Budget process.

**LONG RANGE FINANCIAL FORECAST
SPECIAL ISSUE: ISLAND TRANSIT FUNDING**

Island Transit is an integral part of Galveston’s economy, shuttling workers, residents and tourists to their destinations. The General Fund Baseline Forecast contains \$900,000 for Island Transit, including \$800,000 for Island Transit operations and \$100,000 as a set aside for local match on Island Transit capital projects. A top issue for the General Fund Budget is the potential need over the next several years for additional funding for Island Transit, in both the operating and capital project grant matching areas.

ISLAND TRANSIT OPERATING FORECAST

While operating expenses have remained remarkably constant, operating revenue has not. This is due primarily to Galveston’s loss of its designation as an urban transportation system. In light of this development, there is a need beginning in FY 2017 to identify additional new funding sources in the forecasted amount shown below of \$3.9 million over five years in order to avoid significant increases in the General Fund subsidy to Island Transit or reductions in Island Transit service.

**ISLAND TRANSIT SPECIAL REVENUE FUND
OPERATING FORECAST
FY 2017-2021 (\$000'S)**

CATEGORIES	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
BEGINNING BALANCE	\$40	\$0	\$0	\$0	\$0	\$0
REVENUE						
Federal/State Operating Grants						
Current Grants	\$1,418	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250
HGAC Preventive Maintenance Grant	500	500	0	0	0	0
Subtotal Grants	\$1,918	\$1,750	\$1,250	\$1,250	\$1,250	\$1,250
Local Fares/Contract Revenue						
Current Service/Contracts	\$1,453	\$1,489	\$1,526	\$1,564	\$1,603	\$1,643
Seawall Bus Fares	0	40	40	40	40	40
Trolley Fares	0	0	12	25	25	25
Subtotal Local Fares/Contract Revenue	\$1,453	\$1,529	\$1,578	\$1,629	\$1,668	\$1,708
Hotel Occupancy Tax (Convention Center Surplus Fund Transfer)						
Seawall Bus Service	\$0	\$360	\$370	\$380	\$391	\$402
Trolley Operations	0	0	488	975	1,000	1,026
Subtotal CC Surplus Fund Transfer	\$0	\$360	\$858	\$1,355	\$1,391	\$1,428
General Fund	800	800	800	800	800	800
<i>Additional Revenue To Be Identified</i>	<i>19</i>	<i>276</i>	<i>825</i>	<i>875</i>	<i>926</i>	<i>978</i>
TOTAL REVENUE	\$4,190	\$4,715	\$5,311	\$5,909	\$6,035	\$6,164
EXPENSES						
Baseline Expenses	\$4,230	\$4,315	\$4,401	\$4,489	\$4,579	\$4,671
Seawall Bus Routes	0	400	410	420	431	442
Trolley Operations	0	0	500	1,000	1,025	1,051
TOTAL EXPENSES	\$4,230	\$4,715	\$5,311	\$5,909	\$6,035	\$6,164
REVENUE OVER/(UNDER) EXPENSE	(\$40)	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0

The chart above captures several funding dynamics that are driving the fund to a net negative position.

1. After several years of decline, Federal and State operating grants have stabilized at a lower level largely due to the loss of urban transit system status after Hurricane Ike. The HGAC Preventive Maintenance Grant has helped cushion the funding loss but it is scheduled to expire after FY 2017.
2. Local fares as defined above include fare box income, UTMB and Port services as well as reimbursement from Gulf Coast Centers for several services, including the Victory Lakes shuttle to and from League City. While these revenues are relatively stable, minor adjustments seem unable as of now to make up the grant losses mentioned previously. The recovery of full cost from other local agencies, however, is mandatory in order to avoid service reductions overall. By contract 75 percent of the Victory Lakes service revenue is used for operations and the remaining 25 percent is set aside for capital costs (see Capital Reserve Fund discussion below).
3. New services are in the planning and/or implementation stages that include Seawall oriented bus routes as well the return of the trolley system. These services are eligible for subsidy with Hotel Occupancy Tax funding. Therefore, the presentation above is “revenue neutral” for these new services given the availability of HOT funds. The City’s share of HOT funds through the Convention Center Surplus fund is in excess of \$2 million annually (see Hotel Occupancy Tax Forecast).
4. The General Fund operating cost contribution is shown here as remaining constant at \$800,000, assuming that other funding alternatives will be pursued prior to committing additional General Fund dollars to support of the IT system.

Non-General Fund Island Transit funding solutions include:

1. Sharpening of pencils to reduce expenditures and increase revenue to eliminate the shortfall of \$276,000 projected in FY 2017. FY 2017 belt tightening that marginally increases key local revenue sources while reducing expenditures can reduce the shortfall in later years as well.
2. Securing an extension of the HGAC Preventive Maintenance grant for an additional period of years beyond FY 2017. Renewal of this grant in the same amount, \$500,000, reduces the shortfall in FY 2018 and beyond to an amount in the \$300,000 to \$500,000 range.
3. Secure additional discretionary federal and state grant funds. Such funding would likely be smaller than the main ongoing grant amounts but would help.

ISLAND TRANSIT CAPITAL RESERVE FUND FORECAST

There are two categories of Island Transit expense that are included in the Capital Reserve Fund forecast: (1) local matching funds for grant-funded capital projects and (2) fleet replacement. Conversely, there are two sources of ongoing funding for these expenses: the General Fund set aside of \$100,000 per year and the Victory Lakes capital reserve set aside of 25 percent of that service's income. In addition, insurance proceeds as well as Convention Center Surplus Fund ("trickle down") Hotel Occupancy Tax monies are shown as income to this fund.

The Capital Improvement Plan (CIP) includes an Island Transit program with information on the totality of each of several Island Transit projects. The matching amounts shown in the schedule below are based on specific City Council actions as well as the CIP. Where Council action has approved a matching amount, we will reserve the total amount required for the completion of the contract instead of simply matching expenditures as they are finally recorded at year's end. This will provide for better planning and budgeting as it pertains to limited local funding.

ISLAND TRANSIT CAPITAL RESERVE FUND LONG RANGE FINANCIAL FORECAST FY 2017-2021 (\$000'S)						
CATEGORIES	FY 2016 Estimate	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
BEGINNING BALANCE	\$722	\$558	\$324	\$223	\$127	\$37
REVENUE						
Victory Lakes Service (25% of Income)	\$263	\$268	\$274	\$279	\$285	\$290
General Fund IT Capital Setaside	100	100	100	100	100	100
Insurance Proceeds						
Trolley Car and Barn Match (Insurance)	232	0	0	0	0	0
Subtotal Insurance Proceeds	232	0	0	0	0	0
Hotel Occupancy Tax (Convention Center Surplus)						
Seawall Improvement Ph II Match (HOT)	466	0	0	0	0	0
Trolley Track Rehab	218	0	0	0	0	0
Trolley Car Repair Project Match (HOT)	0	628	0	0	0	0
Trolley Barn Project Match (HOT)	0	58	0	0	0	0
Subtotal HOT Revenue	684	686	0	0	0	0
TOTAL REVENUE	\$1,279	\$1,054	\$374	\$379	\$385	\$390
LOCAL MATCH FOR FEDERAL GRANT FUNDED PROJECTS						
Seawall Improvement Phase II	\$466	\$0	\$0	\$0	\$0	\$0
Island Transit Technology Upgrade	0	100	0	0	0	0
Trolley Track Rehab	218	0	0	0	0	0
Trolleys Rehab	0	655	0	0	0	0
Trolley Barn	0	58	0	0	0	0
Bus Wash	196	0	0	0	0	0
Downtown Pedestrian Facilities and Safety	413	0	0	0	0	0
ADA Compliant Sidewalk and Curb Project	60	0	0	0	0	0
Bike lane Project	90	0	0	0	0	0
Future Capital Grant Projects Match	0	0	0	0	0	0
SUBTOTAL LOCAL MATCH	\$1,443	\$813	\$0	\$0	\$0	\$0
FLEET REPLACEMENT	\$0	\$475	\$475	\$475	\$475	\$475
TOTAL MATCH AND FLEET REPLACEMENT	\$1,443	\$1,288	\$475	\$475	\$475	\$475
REVENUE OVER/(UNDER) EXPENSE	(\$164)	(\$234)	(\$101)	(\$96)	(\$90)	(\$85)
ENDING BALANCE	\$558	\$324	\$223	\$127	\$37	(\$48)

All matching funds for currently known Island Transit CIP projects are shown as flowing through the IT Capital Reserve Fund. The current set of active grant funded projects are generating a

total of \$2.26 million in local matching fund needs in FY 2016 and 2017. This is being funded without impact to the General Fund through use of the current year's beginning fund balance of \$722,000 and \$1.37 million of Convention Center Surplus Fund (HOT) monies.

Convention Center Surplus Fund commitments begin in the current fiscal year with \$466,000 for the Seawall Improvements project. Fleet replacement cost is based on information obtained from the City's fleet management system the annual average expected cost of \$475,000 spread equally over the FY 2017-2021 forecast period.

Capital projects requiring local match are noticeably absent in the FY 2018-2021 period, but we can and should expect that additional federally funded transportation projects will be submitted and awarded. As these grant opportunities arise, the City should:

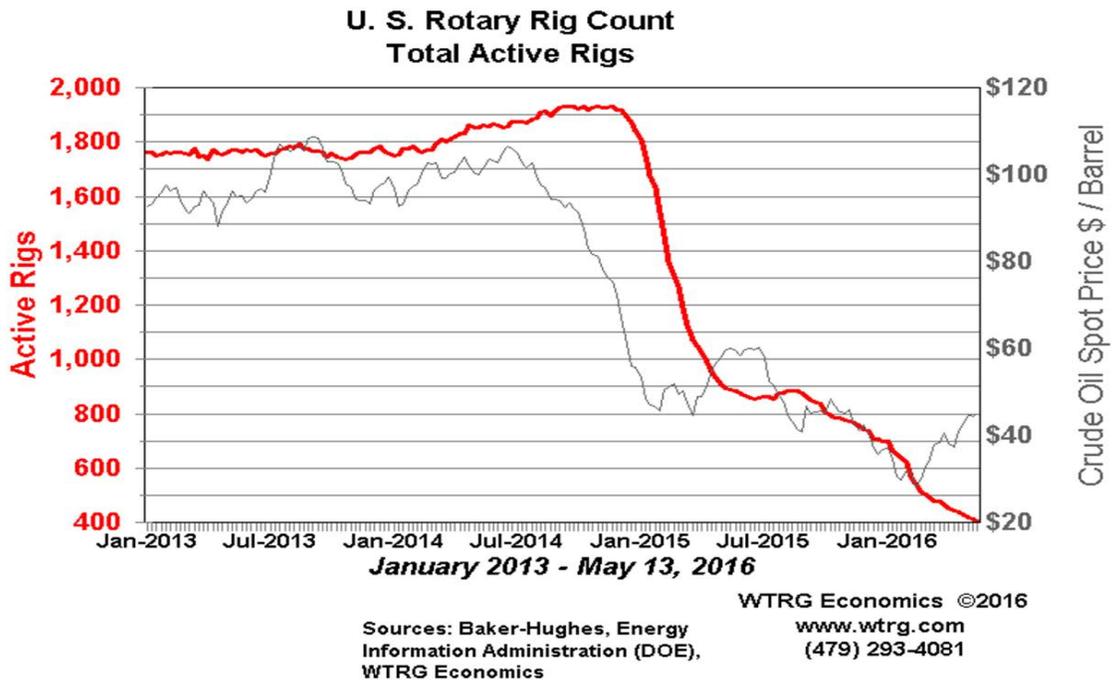
1. Continue to seek grants for bus replacement as it has before;
2. Retain the contract for Victory Lakes service in order to assure the continued flow of capital reserve funds from that source;
3. Make smart, strategic use of City funds, including the Convention Center Surplus Fund (Hotel Occupancy Tax revenue) in matching fund decisions so as to conserve its most flexible funding source, the General Fund, for public safety and general city services.

LONG RANGE FINANCIAL FORECAST ECONOMIC OUTLOOK AND GENERAL FUND REVENUE FORECAST

Economic Overview

Galveston is continuing to show signs of economic vibrancy in spite of effects from the state and regional economic slowdown. Texas and the Gulf Coast region experienced rapid growth after the financial services downturn and the “Great Recession” of 2009 until 2014. During this period, employment growth rates were the highest in the nation. The energy sector, long the bell cow of the Texas economy, was a key driver of this growth pattern. Worldwide economic growth has led to increased demand for oil during this time driving oil prices to all-time highs. Coupled with the boom in horizontal drilling and domestic oil production, the demand for more oil has helped to create a prosperous economic climate for Texas. Energy jobs are our economic base as a state and region, leading to the creation of thousands of “spinoff” jobs that benefit the state and the area.

So it is with this understanding that the two year slide in oil prices and in the active drilling rig count are of primary concern to the region. As shown in the graph below, the oil price slide led the way down in summer 2014 and the working rig count followed approximately six months later. Lower oil prices meant lower profits or losses for many drillers who simply shut down operations until a price recovery might occur.

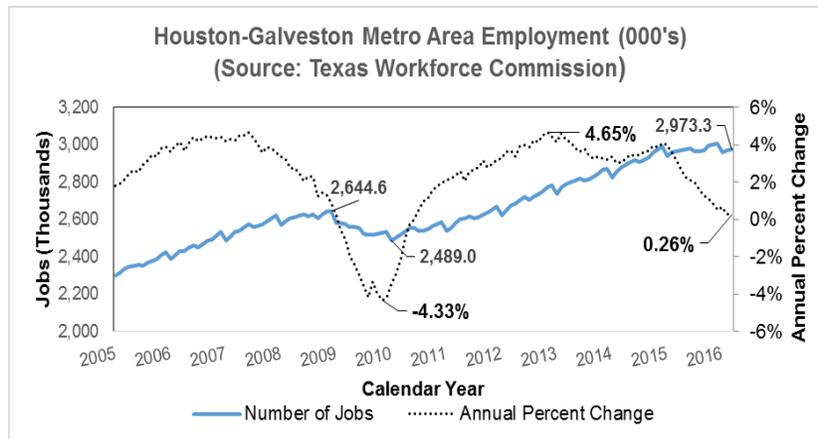


This slowdown has shown indications several times that it might be abating and recovery, however gradual, might be on the way. Local economists, including Dr. Robert Gilmer of the University of Houston’s Institute of Regional Forecasting and Paul Jankowski of the Greater Houston Partnership, watch this trend closely. Dr. Gilmer is now forecasting a total job loss of 40,000 through December 2017 with recovery coming in 2018. Mr. Jankowski is calling attention to oil prices rising to the mid

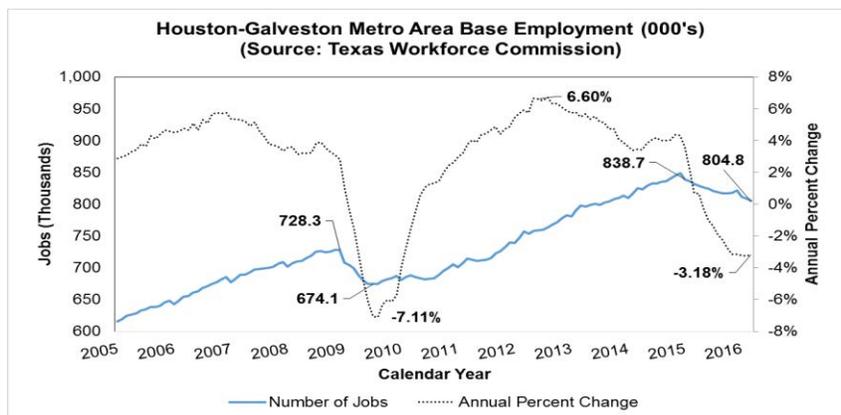
\$40's and the apparent stabilization in the working rig count. The combined effect of current trends is to expect the local economy to exhibit virtually no growth throughout FY 2017.

Regional and Local Indicators

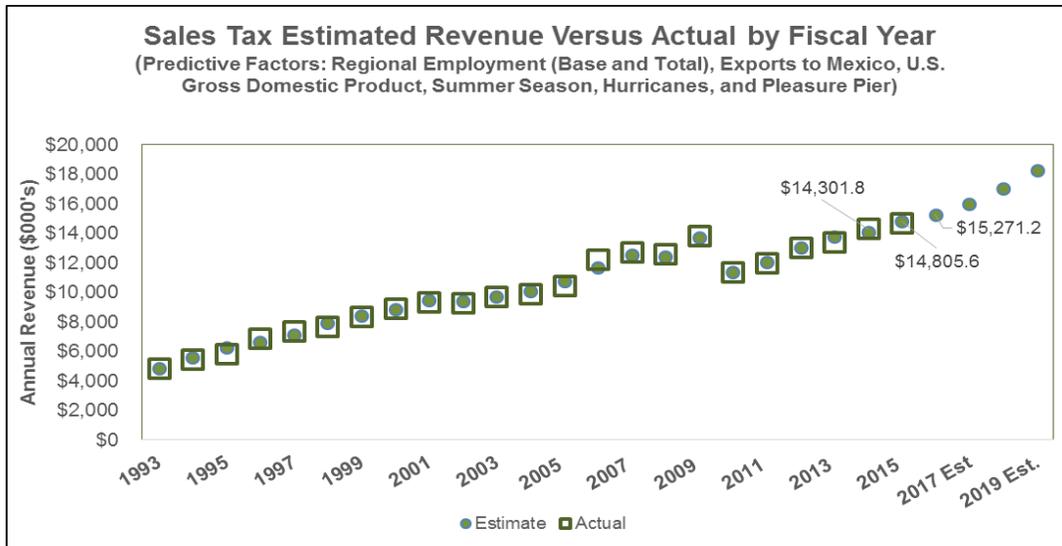
Like the state and region, Galveston has seen a strong recovery since suffering the combined effects of the financial services downturn and Hurricane Ike. Taxable property value, retail sales, and a continued high level of tourism are signs that our recovery is continuing. The connection between the ten year growth-decline and then growth again patterns among these key areas is striking. Regional employment peaked at 2,644,800 jobs in November of 2008 and bottomed out in January 2010 at 2,489,000 jobs.



A rapid recovery began in mid-2010 with year over year growth that peaked at 4.65 percent in November 2012 and stayed above three percent until April 2015. As the graph above shows, year over year growth in total employment has slowed to 0.26 percent as of March 2015. Employment in the region's economic base has shown a similar pattern of growth and decline since 2008 to that of total regional employment.



The regional economic base, however, exhibits wider swings in the year over year rate of growth or decline. Also, it tends to act as a leading indicator for total employment, showing signs of growth or decline before they show up in the general workforce. Since November 2015, the year over year rate of economic base job decline has stabilized around three percent while total employment change seems to be stabilizing at least temporarily around no change from the prior year.



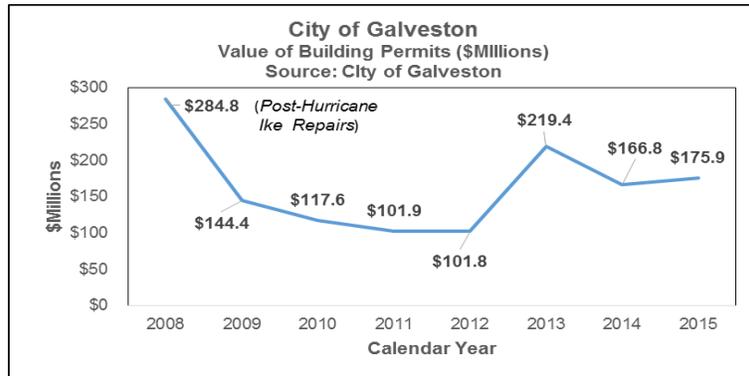
Sales tax is the primary place that Galveston is seeing an impact from the slowdown in regional employment growth. In last year’s forecast, sales tax revenue for FY 2016 was projected at \$15,265,000. Based on six months’ actual collections trends, it appears that FY 2016 sales tax revenue will be much closer to \$15.05 million. Therefore, the results produced by the sales tax model are being used to provide only the annual growth trend for future revenue using the lower base number for FY 2016 of \$15.05 million.

Testing shows that 98.5% of the growth and/or decline in Galveston sales tax revenue is explained by the following variables adjusted as described.

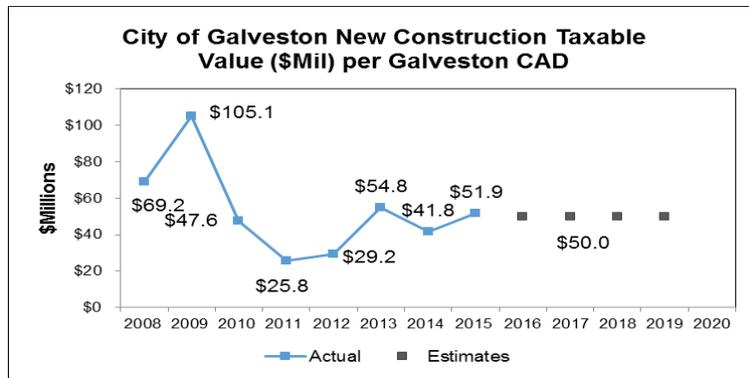
- Houston Metro Area Employment – This is the total jobs for the area as reported by the Bureau of Labor Statistics and adjusted by Dr. Ron Welch for local municipalities. The model utilizes a two quarter moving average of this series. Fully 88% of the variation in sales tax revenue is explained by this single economic variable.
- Houston Metro Area Base Employment – This is the total number of base jobs in the region, including primarily energy, medicine and space. This series is lagged four quarters to measure its greatest effect on revenue.
- U.S. Exports to Mexico – This is the value of exports as reported by the Federal Reserve Bank of St. Louis. The previous quarter’s export values are used to explain sales tax revenues in the model.
- U.S. Real Gross Domestic Product – Also provided through the Federal Reserve Bank of St. Louis, this series is lagged three quarters and measured on a two month moving average to gauge the most effect on Galveston’s revenue.
- Summer Season Adjustment Variable – Based on historical observation, this series applies weighted factors to the third (April to June) and fourth (July through September) fiscal quarters to explain the increased revenue during tourist season. Houston area inflation is used to adjust the series over time.
- Galveston Storm Variable – Based on historical observation, this series applies weighted factors to explain the effect of Hurricane Ike on sales tax revenues from immediately prior and following the storm.

- Pleasure Pier Adjustment – Based on historical observation, this series helps explain the large variation between revenue during tourist season and winter since 2012 when the Pier opened.

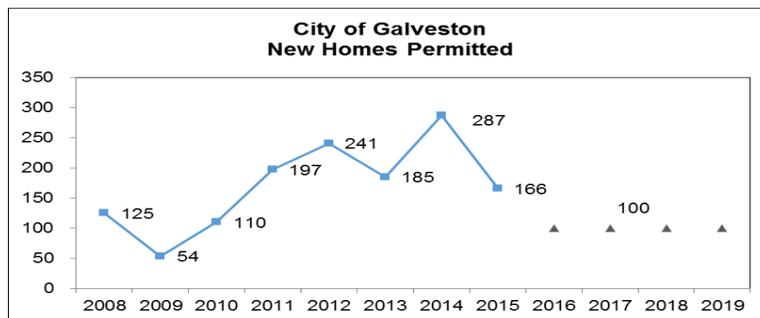
Property taxes are driven by taxable values which in turn are derived from updated valuations of the current property tax base with the annual addition of new construction and improvements. The value of building permits issued by the City of Galveston for each of the last several calendar years have added to taxable value with 2013 and 2014 beating all recent years except 2008 when reconstruction after Hurricane Ike caused a spike in permits.



There is a direct relationship between building permits issued for new construction (not shown above) and new construction as added to the rolls through the property appraisal process and reported by the Galveston County Appraisal District.



The number of new homes built in each of these years undoubtedly contributed to the growth in the tax roll. The current rate of growth is expected to slow after the current calendar year (2015) for purposes of this financial forecast.



The preliminary tax roll for Tax Year 2016/Fiscal Year 2017 is 16.3% higher than the current roll for Tax Year 2014 and FY 2015. Additional information is being obtained from the Galveston County Appraisal District, but this \$866 million increase in taxable value is largely due not to new construction but to adjusted value on existing properties.

**CITY OF GALVESTON PROPERTY TAX ROLLS
PRE-PROTEST AND FINAL TAXABLE VALUE**

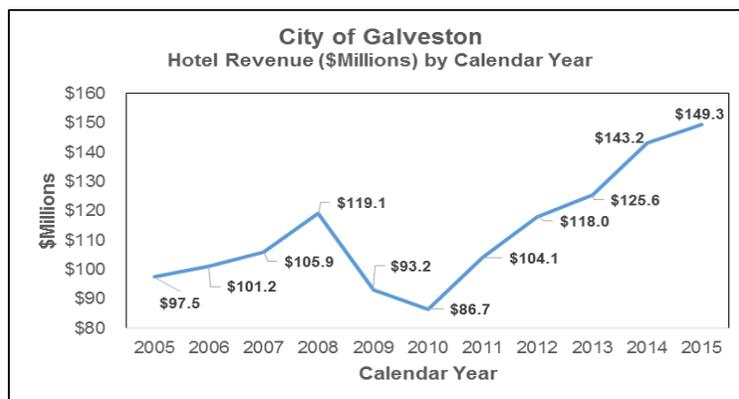
Tax Year	Fiscal Year	Initial Value	Value Lost in Protests	Net taxable Value	Percent Loss in Protests	Net Increase	Initial Increase
2007	2008	\$4,173,803,003	(\$153,530,255)	\$4,020,272,748	-3.7%		
2008	2009	\$4,397,647,451	(\$90,707,745)	\$4,306,939,706	-2.1%	7.1%	9.4%
2009	2010	\$3,867,916,387	(\$172,881,661)	\$3,695,034,726	-4.5%	-14.2%	-10.2%
2010	2011	\$4,339,578,504	(\$295,077,791)	\$4,044,500,713	-6.8%	9.5%	17.4%
2011	2012	\$4,312,300,922	(\$118,014,116)	\$4,194,286,806	-2.7%	3.7%	6.6%
2012	2013	\$4,510,802,981	(\$187,955,326)	\$4,322,847,655	-4.2%	3.1%	7.5%
2013	2014	\$4,686,443,571	(\$151,378,426)	\$4,535,065,145	-3.2%	4.9%	8.4%
2014	2015	\$4,901,091,851	(\$138,178,611)	\$4,762,913,240	-2.8%	5.0%	8.1%
2015	2016	\$5,484,694,099	(\$189,588,687)	\$5,295,105,412	-3.5%	11.2%	15.2%
2016	2017	\$6,160,829,855	<i>(\$308,041,000)</i>	<i>\$5,852,790,000</i>	<i>-5.0%</i>	<i>10.5%</i>	16.3%

Estimates shown in bold and italics

As shown above, the value lost in protests each year has been proportional to the overall increase in preliminary values. This year, a significantly larger amount of value can be expected to be challenged by property owners through the protest process than has been the case in prior years. However, it can also be projected that a larger amount of the preliminary increase will be retained after the protest process is through. The example above shows how an above average value lost in protest of five percent of initial value still results in a 10.5% increase in the overall roll.

For this forecast, it is expected that the net increase in the city’s FY 2017 tax levy will be in the eight percent range. This is due to the inclusion of TIRZ 11’s taxable value showing up on the 2016 tax roll as new value and higher home prices currently being experienced on Galveston Island. After tax year 2016 and FY 2017, property tax revenue is expected to return to a more normal growth rate of three percent annually.

Hospitality industry statistics tell a similar economic story of Galveston’s resurgence since the 2009-2010 Hurricane Ike/Great Recession experience. Hotel revenue reached an all-time high in 2015 of \$149.3 million.



Local hotel tax revenue in FY2016 through March is \$5.4 million, or 2.1% ahead of last fiscal year. This is a somewhat slower growth rate than in prior years, likely as a reflection of the slowed growth in the Houston-Galveston area. This trend will be monitored closely as the summer tourist season (April through September) is just getting underway when two-thirds of annual hotel tax revenue is collected.

Economic and Growth Assumptions

The expectation is for gradual, continued growth of the City and the Houston-Galveston area, as well as a low inflation environment and a slowing but still healthy national economy.

BASELINE ECONOMIC ASSUMPTIONS

Area/Indicator	FY 2016 Est.	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Metropolitan Area						
⁽¹⁾ Employment Annual Growth Rate	0.1%	-0.8%	0.5%	4.1%	2.9%	2.5%
⁽²⁾ National Inflation Rate	2.2%	2.2%	2.4%	2.4%	2.4%	2.4%
⁽³⁾ Houston Inflation Rate	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%
⁽⁴⁾ Fuel Prices	-15.0%	10.0%	5.0%	5.0%	5.0%	5.0%
⁽⁵⁾ Health Care Inflation	1.9%	2.2%	2.2%	2.3%	2.3%	2.3%
⁽⁶⁾ Investment Pool Earnings Rate	0.3%	0.5%	1.0%	1.5%	2.0%	2.0%
City of Galveston						
Population Growth	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
City Water Customers Growth Rate	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
⁽⁴⁾ Population	48,733	49,220	49,713	50,210	50,712	51,219
⁽⁵⁾ New Homes (Prior CY)	260	100	100	100	100	100
⁽⁵⁾ New Construction (\$Thousands - Prior CY)	\$67,797	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000

NOTES:

- ⁽¹⁾ Dr. Robert Gilmer, Bauer College of Business, University of Houston
- ⁽²⁾ Congressional Budget Office
- ⁽³⁾ COG Department of Finance
- ⁽⁴⁾ COG Department of Finance
- ⁽⁵⁾ www.quickfacts.census.gov (FY2015)
- ⁽⁶⁾ COG Departments of Planning and Finance

The effect of these assumptions and related revenue growth assumptions are shown on the next page.

**GENERAL FUND OVERVIEW, FY 2017-2021
LONG RANGE REVENUE FORECAST (\$000's)**

REVENUE SOURCE	FY 2016 Estimate/ FY 2017 Base	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Property Taxes	\$21,686	\$22,662	\$23,342	\$24,042	\$24,763	\$25,506
Sales Taxes	\$15,050	\$15,351	\$15,812	\$16,286	\$16,775	\$17,278
Other Taxes	\$830	\$863	\$898	\$934	\$971	\$1,010
Franchise Taxes	\$5,298	\$5,404	\$5,512	\$5,622	\$5,734	\$5,849
Licenses and Permits	\$1,344	\$1,357	\$1,371	\$1,385	\$1,399	\$1,413
Intergovernmental	\$838	\$838	\$838	\$838	\$838	\$838
Charges for Services	\$1,615	\$1,631	\$1,647	\$1,663	\$1,680	\$1,697
Fines and Forfeits	\$1,793	\$1,829	\$1,866	\$1,903	\$1,941	\$1,980
Investment Earnings	\$150	\$180	\$216	\$259	\$311	\$373
Miscellaneous	\$868	\$868	\$868	\$868	\$868	\$868
Total Revenue	\$49,472	\$50,983	\$52,370	\$53,800	\$55,280	\$56,812
Revenue Sources		GROWTH RATE ASSUMPTIONS				
Property Tax		4.5%	3.0%	3.0%	3.0%	3.0%
Sales Tax		2.0%	3.0%	3.0%	3.0%	3.0%
Other Taxes		4.0%	4.0%	4.0%	4.0%	4.0%
Franchise Taxes		2.0%	2.0%	2.0%	2.0%	2.0%
Licenses and Permits		1.0%	1.0%	1.0%	1.0%	1.0%
Intergovernmental		0.0%	0.0%	0.0%	0.0%	0.0%
Charges for Services		1.0%	1.0%	1.0%	1.0%	1.0%
Fines and Forfeits		2.0%	2.0%	2.0%	2.0%	2.0%
Investment Earnings		20.0%	20.0%	20.0%	20.0%	20.0%
Miscellaneous		0.0%	0.0%	0.0%	0.0%	0.0%

Property Tax – FY 2017 projection assumes a net increase in taxable value of 8 percent total including TIRZ 11's taxable value.

Sales Tax – Based on conservative revenue growth assumptions that actually are lower than the growth projected through the Sales Tax Model.

Other Taxes – Includes mixed drink taxes; based on historical trend.

Franchise Taxes – Based on historical trend.

Licenses and Permits and Charges for Service – Based on population growth trend.

Intergovernmental and Miscellaneous – No growth assumed.

Fines and Forfeits – Assumes annual increase based on twice the rate of population growth to continue to grow from historically low FY 2015 level.

Investment Earnings – Slow rise in interest rates from 0.5% net earnings on city portfolio.

LONG RANGE FINANCIAL FORECAST EXPENDITURE GROWTH ASSUMPTIONS

Expenditure Forecast Approach

Like the revenue forecast, expenditures begin with a base for FY 2017 that is the FY 2016 Budget adjusted for increases in ongoing costs and deductions for one-time costs in the FY 2016 Budget. The FY 2017 Base is not shown in this year's forecast but is included in the FY 2017 Forecast column itself.

FY 2016 Budget to FY 2017 Base

- Decreases in salary reimbursements for all Departments
- No repeat of FY 2016 funding for Elections (\$120,000)
- Decrease for Software

FY 2016 Base adjusted to FY 2016 Forecast includes:

- Decrease for corrected street lighting electricity cost
- Expenditures increased using the growth assumptions

Expenditure Growth Assumptions

General Fund expenditures are increased in this forecast using the percent change assumptions shown on the next page. They are based on the idea that inflationary effects on supplies and services are largely beyond the City's control. The core Consumer Price Index increase is the basis for the general inflationary increase, and the Congressional Budget Office's CPI assumption has been used here. Other key assumptions are:

- The City's contributions to the three employee pension funds will continue to be based on the same percentage of payroll as they are today.
- The City's electricity contract freezes prices at the current level through October, 2018.
- Gasoline prices will be somewhat below FY2015 budgeted levels through the next fiscal year, growing thereafter at a rate faster than core inflation.
- Health and life insurance costs will continue to grow more slowly than other major employers' plans.

EXPENDITURE GROWTH ASSUMPTIONS						
EXPENDITURE CATEGORY	EXPLANATION	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Personnel Services						
Salaries						
Police	Collective Bargaining Agreement Pending 2016 Collective Bargaining Agreement	0.0%	0.0%	0.0%	0.0%	0.0%
Fire	Collective Bargaining Agreement Pending 2016 Collective Bargaining Agreement	0.0%	0.0%	0.0%	0.0%	0.0%
Civilians	Policy issue for City Council's consideration	0.0%	0.0%	0.0%	0.0%	0.0%
Other Pay		0.0%	0.0%	0.0%	0.0%	0.0%
Pension and Social Security						
Civilians	Based on percent of pay as shown; Required by state law and Collective Bargaining Contract	9.0%	9.0%	9.0%	9.0%	9.0%
Police		12.0%	12.0%	12.0%	12.0%	12.0%
Fire		14.0%	14.0%	14.0%	14.0%	14.0%
Health and Life Insurance	Increase in FY17/Core CPI	105.0%	102.4%	102.4%	102.4%	102.4%
Supplies						
Energy Supplies	Core CPI	101.6%	101.6%	101.6%	101.6%	101.6%
General Supplies	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Maintenance Supplies	Influenced by energy CPI	102.0%	102.0%	102.0%	102.0%	102.0%
Small Capital	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Services						
Maintenance Services	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Water purchase	GCWA Contract	102.2%	102.4%	102.4%	102.4%	102.4%
Vehicle Maintenance	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Office Services	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Other Services	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Professional Services	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Utilities	Electricity contract price	100.6%	100.6%	100.6%	100.6%	100.6%
Utilities for water services	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Refuse Disposal	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Capital Outlay						
Motor Pool Replacement	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Vehicles and Equipment	Core CPI	102.2%	102.4%	102.4%	102.4%	102.4%
Transfers						
General Fund to Infrastructure Fund	Increase by 1% of General Fund Budget per year as required by City Charter until maxed out at 8% in FY 2020	5.00%	6.00%	7.00%	8.00%	8.00%

**PROPERTY TAX REVENUE
MAY 2016 STATUS REPORT**

1. **FY 2016 property tax collections through May 2016** total \$25.8 million for current and delinquent taxes. This is \$2.1 million more than May collections last year. In the last five years, since the partial payments trend documented below has occurred, October through March collections ranged from 94.8 percent (2015) to 95.9 percent (2011) of the fiscal year’s total taxes.
2. **Based on the year to date total, the trend based estimate of property tax collections** for FY 2016, including current and delinquent taxes but not penalties and interest, would be \$27.09 million. This is based on taking the average for the last five years of 4.7 percent of taxes being collected after May. This approach is perhaps not as accurate in light of the trend and chart shown below.
3. A recent years’ trend is emerging that is causing more taxes to be collected late in the Fiscal Year. Increasing numbers of taxpayers are opting for the **semiannual payment options** with taxes payable December 1 and July 1. Taxpayers are also apparently opting for the quarterly payment option as well with installment payments due February 1, April 1, June 1, and August 1. Since tax year 2012 (fiscal year 2013), this has increased collections after June 1 considerably. Total collections for June-September last year were 5.2 percent of the final total or \$1.31 million up from 3.1 percent just five years ago (see below).

Fiscal Year	June-Sept Collections	Percent of Total Collected
2010	\$684,310	3.09%
2011	\$939,699	4.13%
2012	\$995,932	4.25%
2013	\$1,185,000	4.87%
2014	\$1,274,127	5.14%
2015	\$1,306,956	5.23%

4. Based on preliminary information we know this trend is continuing. The chart below shows that there is an additional \$446,000 in **partial payments (semiannual and quarterly)** likely to be paid between now and the end of the year as compared with same time last year. The trend projection of \$27.07 million does not capture this \$446,000 that will likely add to the surge in late payments shown above.

	Quarterly Pmts	Semiannual Pmts	Total Partial Pmt Plans
TY 2014 Lewy	\$346,906	\$1,556,465	\$1,903,371
Paid 3/31/15	\$171,431	\$783,568	\$954,999
Balance Due	\$175,475	\$772,897	\$948,372
TY 2015 Lewy	\$436,491	\$2,601,561	\$3,038,052
Paid 3/31/16	\$230,626	\$1,422,737	\$1,653,363
Balance Due	\$205,865	\$1,178,824	\$1,384,689

5. If we assume that this year’s June-September collections increase proportionally as compared to the entire tax collection total, this year’s amount for October through May should turn out to be between 94.6 and 94.7 percent of the total for the year. This would lead to between \$27.26 and \$27.28 million for the fiscal year. **The May 2016 property tax estimate for current and delinquent taxes, not including penalty and interest, is \$27,275,000.**

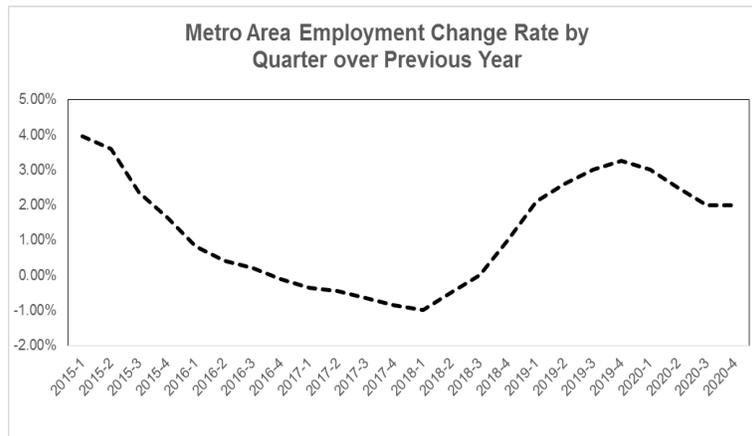
PROPERTY TAX COLLECTIONS
MONTHLY AND YEAR TO DATE TOTALS FY 2001-2016
CURRENT AND DELINQUENT ONLY: NO PENALTIES AND INTEREST

MONTHLY AND YEAR TO DATE TOTALS FY 2001-2016 CURRENT AND DELINQUENT TAX TOTALS ONLY (NO PENALTY AND INTEREST)												
MONTHLY PROPERTY TAX COLLECTION TOTALS												
Fiscal Year	October	November	December	January	February	March	April	May	June	July	August	September
2001	760,917.40	1,188,694.72	2,048,183.38	4,637,609.40	1,361,242.60	173,401.36	144,967.83	236,894.74	687,807.60	256,347.89	84,247.85	55,226.84
2002	515,156.20	913,936.96	2,483,196.19	4,891,305.67	1,681,451.42	206,116.80	151,216.94	160,663.02	682,346.92	353,032.92	89,384.76	57,081.19
2003	535,164.70	715,853.77	2,221,422.64	4,887,634.08	3,423,337.38	300,748.07	206,634.57	190,667.72	220,288.62	138,324.46	73,532.68	30,369.76
2004	301,365.62	993,503.39	3,106,987.04	4,372,063.30	3,053,200.70	1,113,317.39	236,051.22	199,159.21	201,800.50	229,925.95	103,318.72	55,105.08
2005	245,544.87	1,080,485.56	2,688,573.15	5,216,113.52	4,067,488.62	1,297,822.46	233,250.76	233,670.62	244,873.95	274,083.80	114,027.87	59,776.35
2006	70,999.38	870,681.02	2,445,777.13	8,899,347.24	3,047,709.78	435,051.41	268,576.79	238,701.63	288,274.61	225,238.40	108,038.39	81,032.13
2007	51,328.89	850,074.25	3,847,153.70	10,317,574.57	2,928,503.93	416,095.45	310,764.55	251,009.82	298,617.90	239,253.95	75,559.13	48,949.84
2008	277,165.84	573,241.60	4,418,749.50	9,964,564.48	2,895,972.54	1,005,766.69	477,635.13	372,480.06	413,900.93	343,663.68	180,439.72	79,891.21
2009	77,635.09	1,984,133.04	5,986,081.31	7,080,714.91	3,410,454.92	552,490.52	259,796.56	326,319.54	286,600.61	162,928.99	120,878.08	50,982.51
2010	77,371.10	1,660,487.62	7,249,040.57	7,752,377.55	3,589,085.32	528,923.43	304,131.80	271,306.43	317,571.72	203,235.12	102,091.39	61,411.50
2011	83,065.08	2,286,918.29	5,697,299.47	8,706,294.90	3,783,659.68	663,048.87	336,670.93	276,003.16	400,176.98	333,540.53	140,920.88	65,060.37
2012	550,841.11	2,573,317.79	6,072,354.08	8,542,125.08	3,481,278.11	547,994.15	324,819.64	331,604.45	437,946.18	377,589.01	115,165.99	65,203.56
2013	44,089.88	2,689,005.21	7,488,510.22	6,632,814.41	5,061,401.81	753,602.26	234,828.46	255,071.86	613,614.13	425,239.54	75,060.34	71,085.92
2014	130,197.77	2,724,651.99	7,529,228.94	6,674,367.07	5,104,178.56	789,231.69	257,952.69	285,232.21	632,415.23	456,242.60	95,114.91	90,354.58
2015	149,908.65	2,673,227.92	8,261,161.18	6,671,140.80	4,771,248.84	581,776.23	317,780.62	274,947.71	557,633.45	554,670.98	115,533.73	79,117.99
2016	106,274.13	2,297,710.65	9,978,424.61	8,374,909.94	3,895,527.94	482,070.19	316,873.85	361,711.86				
YEAR TO DATE PROPERTY TAX COLLECTION TOTALS												
	October	November	December	January	February	March	April	May	June	July	August	September
2001	760,917.40	1,949,612.12	3,997,795.50	8,635,404.90	9,996,647.50	10,170,048.86	10,315,016.69	10,551,911.43	11,239,719.03	11,496,066.92	11,580,314.77	11,635,541.61
2002	515,156.20	1,429,093.16	3,912,289.35	8,803,595.02	10,485,046.44	10,691,163.24	10,842,380.18	11,003,043.20	11,685,390.12	12,038,423.04	12,127,807.80	12,184,888.99
2003	535,164.70	1,251,018.47	3,472,441.11	8,360,075.19	11,783,412.57	12,084,160.64	12,290,795.21	12,481,462.93	12,701,751.55	12,840,076.01	12,913,608.69	12,943,978.45
2004	301,365.62	1,294,869.01	4,401,856.05	8,773,919.35	11,827,120.05	12,940,437.44	13,176,488.66	13,375,647.87	13,577,448.37	13,807,374.32	13,910,693.04	13,965,798.12
2005	245,544.87	1,326,030.43	4,014,603.57	9,230,717.09	13,298,205.71	14,596,028.17	14,829,278.93	15,062,949.55	15,307,823.50	15,581,907.30	15,695,935.17	15,755,711.52
2006	70,999.38	941,680.40	3,387,457.53	12,286,804.77	15,334,514.55	15,769,565.96	16,038,142.75	16,276,844.38	16,565,118.99	16,790,357.39	16,898,395.78	16,979,427.91
2007	51,328.89	901,403.14	4,748,566.84	15,066,131.41	17,994,635.34	18,410,730.79	18,721,495.34	18,972,505.16	19,271,123.06	19,510,377.01	19,585,936.14	19,634,885.98
2008	277,165.84	850,407.44	5,269,156.94	15,233,721.42	18,129,693.96	19,135,450.65	19,613,085.78	19,985,565.84	20,399,466.77	20,743,130.45	20,923,570.17	21,003,461.38
2009	77,635.09	2,081,768.13	8,047,849.44	15,128,564.35	18,539,019.27	19,091,509.79	19,351,306.35	19,677,625.89	19,964,226.50	20,127,155.49	20,248,033.57	20,299,016.08
2010	77,371.10	1,737,858.72	8,986,899.29	16,739,276.84	20,328,362.16	20,857,285.59	21,161,417.39	21,432,723.82	21,750,295.54	21,953,530.66	22,055,622.95	22,117,033.55
2011	83,065.08	2,369,983.37	8,067,282.84	16,773,577.74	20,557,237.42	21,220,286.29	21,556,957.22	21,832,960.38	22,233,137.36	22,566,677.89	22,707,598.77	22,772,659.14
2012	550,841.11	3,124,158.90	9,196,512.98	17,738,638.06	21,219,916.17	21,767,910.32	22,092,729.96	22,424,334.41	22,862,280.59	23,239,869.60	23,355,035.59	23,420,266.15
2013	44,089.88	2,733,095.09	10,221,605.31	16,854,419.72	21,915,821.53	22,669,423.79	22,904,252.25	23,159,324.11	23,772,938.24	24,198,177.78	24,273,238.12	24,344,324.04
2014	130,197.77	2,854,849.76	10,384,078.70	17,058,445.77	22,162,624.33	22,951,856.02	23,209,808.71	23,495,040.92	24,127,456.15	24,583,698.75	24,678,813.66	24,769,168.24
2015	149,908.65	2,823,136.57	11,084,297.75	17,755,438.55	22,526,687.39	23,108,463.62	23,426,244.24	23,701,191.95	24,258,625.40	24,813,496.38	24,929,030.11	25,008,148.10
2016	106,274.13	2,403,984.78	12,382,409.39	20,757,319.33	24,652,847.27	25,134,917.46	25,451,791.31	25,813,503.17				
YTD PROPERTY TAX COLLECTION TOTALS AS PERCENT OF YEAREND TOTAL												
	October	November	December	January	February	March	April	May	June	July	August	September
2001	6.5%	16.8%	34.4%	74.2%	85.9%	87.4%	88.7%	90.7%	96.6%	98.8%	99.5%	100.0%
2002	4.2%	11.7%	32.1%	72.3%	86.0%	87.7%	89.0%	90.3%	95.9%	98.8%	99.5%	100.0%
2003	4.1%	9.7%	26.8%	64.6%	91.0%	93.4%	95.0%	96.4%	98.1%	99.2%	99.8%	100.0%
2004	2.2%	9.3%	31.5%	62.8%	84.7%	92.7%	94.3%	95.8%	97.2%	98.9%	99.6%	100.0%
2005	1.6%	8.4%	25.5%	58.6%	84.4%	92.6%	94.1%	95.6%	97.2%	98.9%	99.6%	100.0%
2006	0.4%	5.5%	20.0%	72.4%	90.3%	92.9%	94.5%	95.9%	97.6%	98.9%	99.5%	100.0%
2007	0.3%	4.6%	24.2%	76.7%	91.6%	93.8%	95.3%	96.8%	98.1%	99.4%	99.8%	100.0%
2008	1.3%	4.0%	25.1%	72.5%	86.3%	91.1%	93.4%	95.2%	97.1%	98.8%	99.6%	100.0%
2009	0.4%	10.2%	39.6%	74.5%	91.3%	94.1%	95.3%	96.9%	98.4%	99.2%	99.7%	100.0%
2010	0.3%	7.9%	40.6%	75.7%	91.9%	94.3%	95.7%	96.9%	98.3%	99.3%	99.7%	100.0%
2011	0.4%	10.4%	35.4%	73.7%	90.3%	93.2%	94.7%	95.9%	97.6%	99.1%	99.7%	100.0%
2012	2.4%	13.3%	39.3%	75.7%	90.6%	92.9%	94.3%	95.7%	97.6%	99.2%	99.7%	100.0%
2013	0.2%	11.2%	42.0%	69.2%	90.0%	93.1%	94.1%	95.1%	97.7%	99.4%	99.7%	100.0%
2014	0.5%	11.5%	41.9%	68.9%	89.5%	92.7%	93.7%	94.9%	97.4%	99.3%	99.6%	100.0%
2015	0.6%	11.3%	44.3%	71.0%	90.1%	92.4%	93.7%	94.8%	97.0%	99.2%	99.7%	100.0%
2001-15 Avg	1.7%	9.7%	33.5%	70.9%	88.9%	92.3%	93.7%	95.1%	97.5%	99.1%	99.6%	100.0%
5 Yrs Max Rev (2011)	0.2%	10.4%	35.4%	68.9%	89.5%	92.4%	93.7%	94.8%	97.0%	99.1%	99.6%	100.0%
5 Yrs Min Rev (2015)	2.4%	13.3%	44.3%	75.7%	90.6%	93.2%	94.7%	95.9%	97.7%	99.4%	99.7%	100.0%
5 Yrs Avg	0.8%	11.5%	40.6%	71.7%	90.1%	92.9%	94.1%	95.3%	97.5%	99.2%	99.7%	100.0%
FY 2016 Projected (Trends only - Partial Payment Plan Considerations not included)												
2001-15 Avg	\$6,276,000	\$24,732,000	\$36,948,000	\$29,296,000	\$27,723,000	\$27,236,000	\$27,157,000	\$27,140,000				
5 Yrs Max Rev (2011)	\$53,137,000	\$23,115,000	\$34,979,000	\$30,127,000	\$27,545,000	\$27,202,000	\$27,163,000	\$27,229,000				
5 Yrs Min Rev (2015)	\$4,428,000	\$18,075,000	\$27,951,000	\$27,421,000	\$27,211,000	\$26,969,000	\$26,876,000	\$26,917,000				
5 Yrs Avg	\$12,960,000	\$20,832,000	\$30,514,000	\$28,950,000	\$27,362,000	\$27,068,000	\$27,048,000	\$27,092,000				
2016 Budgeted	\$26,889,000	\$26,889,000	\$26,889,000	\$26,889,000	\$26,889,000	\$26,889,000	\$26,889,000	\$26,889,000				
2016 Adjusted	\$26,889,000	\$26,889,000	\$26,889,000	\$27,084,000	\$27,084,000	\$27,084,000	\$27,084,000	\$27,084,000				
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep

**CITY OF GALVESTON SALES TAX MODEL
JUNE 2016**

FY 2016 Sales Tax Estimate Overview

June’s sales tax received by the City from the State Comptroller’s Office totaled \$1,520,202 for the full two percent revenue amount. The City’s share, net of the IDC one-half percent reserved for specific economic development project categories, was \$1,140,151, 0.1 percent less than the amount received in June 2015. Seven months into FY 2016, the City’s sales tax collections are 1.6% ahead of last fiscal year. On a pure trend basis, if FY 2016 turns out to be like the last fifteen years, excluding 2007 and 2008 when sales tax revenue underperformed the longer term trend in the latter part of the year, FY 2016 would see \$15,047,000 total sales tax revenue. This would be \$218,000 under Budget.



Modeled sales tax projections depend on metro area employment as the key driver of revenue. Since the FY 2016 Budget estimate for sales tax was formulated in July, 2015, Houston’s 2016 employment picture has worsened. Dr. Robert Gilmer of the University of Houston has adjusted his employment forecast to account for the mainstream energy sector forecast which does not project recovering oil prices and drilling activity until 2017. The Greater Houston Partnership’s 2016 employment forecast is very close to Dr. Gilmer’s. Based on recent local economic trends, the Finance Department is offering its own employment assumptions shown in the graph above as the basis for this month’s update of sales tax revenue projections.

As shown in the table above, FY 2016 sales tax revenue is modeled to be \$15.25 million, just under budget. This is above the trend of \$15,047,000 mentioned above. Therefore, because of the uncertainty of the economy, as well as the fact that almost half of the City’s sales tax revenue is to be collected in the next five months, the FY 2016 estimate of sales tax revenue will follow the trend. The estimate will be \$15,047,000 which is \$218,000 under budget and \$341,000 or 2.3 percent over last fiscal year.

+As additional months’ receipts are received, the trend will continue to be compared with the model to produce a balanced, conservative yearend estimate.

GALVESTON SALES TAX REVENUE BY MONTH FISCAL YEARS 2013- 2016

MONTH	2013 (Full 2% Receipts)	2014 (Full 2% Receipts)	2015 (Full 2% Receipts)	2016 (Full 2% Receipts)	Pct Over Same Mo Last FY							
DEC	1,259,799.43	1,291,651.32	1,394,471.33	1,366,645.51	-2.00%							
JAN	1,140,069.77	1,206,491.83	1,271,065.03	1,346,250.59	5.92%							
FEB	1,503,560.37	1,580,661.09	1,727,234.37	1,775,748.53	2.81%							
MAR	1,248,434.02	1,196,353.19	1,267,941.59	1,345,136.83	6.09%							
APR	1,183,430.49	1,306,266.44	1,326,316.48	1,287,680.31	-2.91%							
MAY	1,702,991.96	1,673,131.09	1,883,450.03	1,918,408.51	1.86%							
JUN	1,341,757.16	1,543,703.81	1,521,566.83	1,520,201.92	-0.09%							
JUL	1,464,185.50	1,571,501.29	1,608,255.60									
AUG	1,901,816.89	2,017,138.85	2,108,830.18									
SEP	1,867,947.38	2,131,203.89	1,932,921.75									
OCT	1,702,391.19	1,908,135.36	1,754,317.72									
NOV	1,583,462.97	1,642,812.02	1,811,499.15									
	17,899,847.13	19,069,050.18	19,607,870.06									
	3.2%											
YTD Totals						GENERAL FUND PROJECTIONS (1.5%)			FULL 2% PROJECTIONS			
						LOW	AVERAGE	HIGH	AVG FY10-15	LOW	AVERAGE	HIGH
DEC	1,259,799.43	1,291,651.32	1,394,471.33	1,366,645.51	-2.00%	14,710,000	14,861,000	16,291,000	14,931,000	19,613,000	19,814,000	21,721,000
JAN	2,399,869.20	2,498,143.15	2,665,536.36	2,712,896.10	1.78%	14,179,000	15,356,000	18,241,000	15,661,000	18,905,000	20,475,000	24,321,000
FEB	3,903,429.57	4,078,804.24	4,392,770.73	4,488,644.63	2.18%	14,104,000	15,131,000	16,048,000	15,439,000	18,805,000	20,175,000	21,397,000
MAR	5,151,863.59	5,275,157.43	5,660,712.32	5,833,781.46	3.06%	13,816,000	15,110,000	15,620,000	15,439,000	18,421,000	20,146,000	20,827,000
APR	6,335,294.08	6,581,423.87	6,987,028.80	7,121,461.77	1.92%	14,132,000	15,007,000	15,789,000	15,338,000	18,843,000	20,009,000	21,052,000
MAY	8,038,286.04	8,254,554.96	8,870,478.83	9,039,870.28	1.91%	14,195,000	15,011,000	15,691,000	15,292,000	18,926,000	20,014,000	20,921,000
JUN	9,380,043.20	9,798,258.77	10,392,045.66	10,560,072.20	1.62%	14,346,000	15,047,000	15,610,000	15,273,000	19,128,000	20,063,000	20,813,000
JUL	10,844,228.70	11,369,760.06	12,000,301.26									
AUG	12,746,045.59	13,386,898.91	14,109,131.44									
SEP	14,613,992.97	15,518,102.80	16,042,053.19									
OCT	16,316,384.16	17,426,238.16	17,796,370.91									
NOV	17,899,847.13	19,069,050.18	19,607,870.06									
COG 1.5%	13,424,885.35	14,301,787.64	14,705,902.55									
Percent of Yearend Totals						Highest Percent YTD	Average Percent YTD	Lowest Percent YTD	Average Percent YTD FY10-15			
DEC	7.04%	6.77%	7.11%			7.11%	6.90%	6.42%	6.87%			
JAN	13.41%	13.10%	13.59%			14.10%	13.25%	10.96%	12.99%			
FEB	21.81%	21.39%	22.40%			23.36%	22.25%	20.53%	21.81%			
MAR	28.78%	27.66%	28.87%			30.73%	28.96%	27.18%	28.34%			
APR	35.39%	34.51%	35.63%			37.08%	35.59%	33.19%	34.82%			
MAY	44.91%	43.29%	45.24%			46.87%	45.17%	42.40%	44.34%			
JUN	52.40%	51.38%	53.00%			54.33%	52.63%	49.93%	51.86%			
JUL	60.58%	59.62%	61.20%			62.13%	60.78%	58.17%	59.97%			
AUG	71.21%	70.20%	71.96%			72.96%	71.69%	69.80%	71.01%			
SEP	81.64%	81.38%	81.81%			82.67%	81.53%	80.35%	81.31%			
OCT	91.15%	91.38%	90.76%			91.38%	90.53%	89.87%	90.66%			
NOV	100.00%	100.00%	100.00%			100.00%	100.00%	100.00%	100.00%			

City of Galveston Sales Tax Model Variables

The sales tax model uses the following variables adjusted as described.

- Houston Metro Area Employment – This is the total jobs for the area as reported by the Bureau of Labor Statistics and adjusted by Dr. Ron Welch for local municipalities. The model utilizes a two quarter moving average of this series.
- Houston Metro Area Base Employment – This is the total number of base jobs in the region, including primarily energy, medicine and space. This series is lagged four quarters to measure its greatest effect on revenue.
- U.S. Exports to Mexico – This is the value of exports as reported by the Federal Reserve Bank of St. Louis. The previous quarter’s export values are used to explain sales tax revenues in the model.
- U.S. Real Gross Domestic Product – Also provided through the Federal Reserve Bank of St. Louis, this series is lagged three quarters and measured on a two month moving average to gauge the most effect on Galveston’s revenue.
- Summer Season Adjustment Variable – Based on historical observation, this series applies weighted factors to the third (April to June) and fourth (July through September) fiscal quarters to explain the

increased revenue during tourist season. Houston area inflation is used to adjust the series over time.

- Galveston Storm Variable – Based on historical observation, this series applies weighted factors to explain the effect of Hurricane Ike on sales tax revenues from immediately prior and following the storm.
- Pleasure Pier Adjustment – Based on historical observation, this series helps explain the large variation between revenue during tourist season and winter since 2012 when the Pier opened.

Sales Tax Econometric Forecast
Date: 6/12/2016

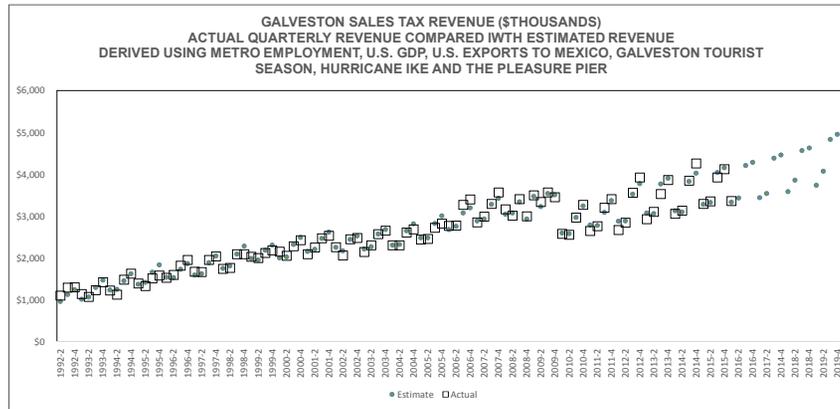
COEFFICIENTS			Employment 2 Qtr Mvg Avg		Exports to Mexico FAS + 1 Qtr		Summer Season Adjustment Var		Base Employment + 4 Qtrs		Galveston Storm Variable		Pleasure Pier Adjustment with CPI		U.S. Real GDP + 3 Qtrs 2 Qtr Moving Average		MODEL ESTIMATE (\$000's) = A+B+C+D+E+F+G+H	ACTUAL (\$000's)	ESTIMATE (OVER)/ UNDER ACTUAL	% Difference
FY	Fiscal Year	CONSTANT = A	DATA	PRODUCT OF DATA AND COEFFICIENT = B	DATA	PRODUCT OF DATA AND COEFFICIENT = H	DATA	PRODUCT OF DATA AND COEFFICIENT = D	DATA	PRODUCT OF DATA AND COEFFICIENT = E	DATA	PRODUCT OF DATA AND COEFFICIENT = F	DATA	PRODUCT OF DATA AND COEFFICIENT = G	DATA	PRODUCT OF DATA AND COEFFICIENT = G				
			3.051		-0.01983		1.587		-4.883		527.6		127.7		0.2236					
1992	1992-2	-4065	1,780.3	5,431.7	\$9,188.9	(182.2)	0.00	0.0	453.40	(2,213.9)	0.0	0.0	0.00	0.00	\$8,900.00	1,990.0	\$960.6	\$1,106.6	\$146.0	13.2%
1992	1992-3	-4065	1,777.5	5,423.0	\$9,789.5	(194.1)	129.10	204.9	460.29	(2,247.6)	0.0	0.0	0.00	0.00	\$8,955.85	2,002.5	\$1,123.7	\$1,292.8	\$169.1	13.1%
1992	1992-4	-4065	1,785.6	5,447.9	\$10,391.3	(206.1)	188.40	299.0	459.58	(2,244.1)	0.0	0.0	0.00	0.00	\$9,068.85	2,011.7	\$1,243.4	\$1,300.2	\$56.8	4.4%
1993	1993-1	-4065	1,795.3	5,477.5	\$10,204.4	(202.4)	0.00	0.0	456.10	(2,227.2)	0.0	0.0	0.00	0.00	\$9,069.70	2,028.0	\$1,010.9	\$1,142.6	\$131.7	11.5%
1993	1993-2	-4065	1,797.4	5,483.7	\$10,207.1	(202.4)	0.00	0.0	450.77	(2,201.1)	0.0	0.0	0.00	0.00	\$9,173.25	2,051.1	\$1,066.3	\$1,070.7	\$4.4	0.4%
1993	1993-3	-4065	1,800.8	5,494.2	\$10,235.8	(203.0)	132.40	210.1	453.95	(2,216.6)	0.0	0.0	0.00	0.00	\$9,268.35	2,072.4	\$1,292.1	\$1,235.5	(\$56.6)	-4.6%
1993	1993-4	-4065	1,820.4	5,554.0	\$10,765.7	(213.5)	192.90	306.1	451.41	(2,204.3)	0.0	0.0	0.00	0.00	\$9,359.85	2,092.9	\$1,470.2	\$1,420.4	(\$49.8)	-3.5%
1994	1994-1	-4065	1,838.6	5,603.3	\$9,825.6	(194.8)	0.00	0.0	453.06	(2,212.3)	0.0	0.0	0.00	0.00	\$9,415.30	2,105.3	\$1,236.5	\$1,222.8	(\$13.7)	-1.1%
1994	1994-2	-4065	1,837.1	5,605.0	\$10,753.7	(213.2)	0.00	0.0	448.72	(2,191.1)	0.0	0.0	0.00	0.00	\$9,452.10	2,113.5	\$1,249.2	\$1,127.4	(\$121.8)	-10.8%
1994	1994-3	-4065	1,844.5	5,627.6	\$11,859.3	(235.2)	137.10	217.6	453.55	(2,214.7)	0.0	0.0	0.00	0.00	\$9,503.20	2,124.9	\$1,455.2	\$1,487.0	\$31.8	2.1%
1994	1994-4	-4065	1,866.2	5,693.6	\$12,620.1	(250.3)	201.80	320.3	455.46	(2,224.0)	0.0	0.0	0.00	0.00	\$9,589.90	2,144.3	\$1,618.9	\$1,626.9	\$8.0	0.5%
1995	1995-1	-4065	1,887.4	5,758.5	\$13,043.3	(258.6)	0.00	0.0	458.16	(2,237.2)	0.0	0.0	0.00	0.00	\$9,700.85	2,169.1	\$1,366.8	\$1,393.5	\$26.7	1.9%
1995	1995-2	-4065	1,898.4	5,792.0	\$13,320.8	(264.2)	0.00	0.0	458.92	(2,240.9)	0.0	0.0	0.00	0.00	\$9,814.80	2,194.6	\$1,416.5	\$1,335.3	(\$81.2)	-6.1%
1995	1995-3	-4065	1,905.7	5,814.1	\$11,594.2	(229.9)	139.00	220.6	470.02	(2,295.1)	0.0	0.0	0.00	0.00	\$9,910.55	2,216.0	\$1,660.7	\$1,514.5	(\$146.2)	-9.7%
1995	1995-4	-4065	1,925.1	5,873.3	\$10,867.7	(215.5)	203.10	322.3	473.90	(2,314.0)	0.0	0.0	0.00	0.00	\$9,996.10	2,235.1	\$1,836.2	\$1,585.5	(\$250.7)	-15.8%
1996	1996-1	-4065	1,943.5	5,929.6	\$11,715.2	(232.3)	0.00	0.0	480.48	(2,346.2)	0.0	0.0	0.00	0.00	\$10,069.70	2,251.6	\$1,537.7	\$1,529.7	(\$8.0)	-0.5%
1996	1996-2	-4065	1,946.4	5,938.3	\$12,115.0	(240.2)	0.00	0.0	483.71	(2,361.9)	0.0	0.0	0.00	0.00	\$10,104.50	2,259.4	\$1,530.6	\$1,595.5	\$64.9	4.1%
1996	1996-3	-4065	1,950.7	5,951.6	\$13,000.4	(257.8)	143.00	226.9	491.98	(2,402.3)	0.0	0.0	0.00	0.00	\$10,165.45	2,273.0	\$1,726.4	\$1,818.1	\$91.7	5.0%
1996	1996-4	-4065	1,969.3	6,008.3	\$13,659.5	(270.9)	207.10	328.3	497.52	(2,429.4)	0.0	0.0	0.00	0.00	\$10,245.00	2,298.0	\$1,862.5	\$1,957.3	\$94.8	4.8%
1997	1997-1	-4065	1,993.6	6,082.3	\$14,347.2	(284.5)	0.00	0.0	501.24	(2,447.5)	0.0	0.0	0.00	0.00	\$10,314.95	2,306.4	\$1,591.7	\$1,675.2	\$83.5	5.0%
1997	1997-2	-4065	2,009.3	6,130.2	\$15,784.5	(313.0)	0.00	0.0	504.92	(2,465.5)	0.0	0.0	0.00	0.00	\$10,439.05	2,334.2	\$1,620.9	\$1,670.1	\$49.2	2.9%
1997	1997-3	-4065	2,023.5	6,173.7	\$15,671.8	(310.8)	145.00	230.1	512.76	(2,503.8)	0.0	0.0	0.00	0.00	\$10,578.10	2,365.3	\$1,889.5	\$1,958.4	\$68.9	3.5%
1997	1997-4	-4065	2,052.1	6,260.8	\$17,053.3	(338.2)	210.80	334.5	519.48	(2,536.6)	0.0	0.0	0.00	0.00	\$10,682.95	2,388.7	\$2,044.2	\$2,036.7	(\$7.5)	-0.4%
1998	1998-1	-4065	2,085.2	6,361.9	\$18,581.2	(368.5)	0.00	0.0	529.31	(2,584.6)	0.0	0.0	0.00	0.00	\$10,780.00	2,410.4	\$1,754.2	\$1,745.7	(\$8.5)	-0.5%
1998	1998-2	-4065	2,108.1	6,431.7	\$20,082.2	(398.2)	0.00	0.0	532.07	(2,598.1)	0.0	0.0	0.00	0.00	\$10,902.55	2,437.8	\$1,808.2	\$1,767.0	(\$41.2)	-2.3%
1998	1998-3	-4065	2,128.0	6,492.5	\$19,566.7	(388.0)	146.40	232.3	543.44	(2,653.6)	0.0	0.0	0.00	0.00	\$11,054.10	2,471.7	\$2,089.9	\$2,094.6	\$4.7	0.2%
1998	1998-4	-4065	2,159.7	6,589.2	\$19,253.2	(381.8)	213.70	339.1	552.37	(2,697.2)	0.0	0.0	0.00	0.00	\$11,167.15	2,497.0	\$2,281.3	\$2,094.9	(\$186.4)	-8.9%
1999	1999-1	-4065	2,185.8	6,668.9	\$19,219.3	(381.1)	0.00	0.0	565.00	(2,758.9)	0.0	0.0	0.00	0.00	\$11,262.75	2,519.0	\$1,982.9	\$2,030.1	\$47.2	2.3%
1999	1999-2	-4065	2,186.7	6,671.6	\$20,733.4	(411.1)	0.00	0.0	571.94	(2,792.8)	0.0	0.0	0.00	0.00	\$11,376.10	2,543.7	\$1,946.4	\$1,999.7	\$53.3	2.7%
1999	1999-3	-4065	2,177.4	6,643.2	\$18,947.4	(375.7)	148.30	235.4	579.41	(2,829.2)	0.0	0.0	0.00	0.00	\$11,505.80	2,572.7	\$2,181.4	\$2,121.1	(\$60.3)	-2.8%
1999	1999-4	-4065	2,186.6	6,671.3	\$20,375.6	(404.0)	215.90	342.6	584.07	(2,852.0)	0.0	0.0	0.00	0.00	\$11,675.65	2,610.7	\$2,303.6	\$2,183.9	(\$119.7)	-5.5%
2000	2000-1	-4065	2,205.3	6,728.4	\$22,400.4	(444.2)	0.00	0.0	585.37	(2,858.3)	0.0	0.0	0.00	0.00	\$11,817.70	2,642.4	\$2,003.3	\$2,150.1	\$146.8	6.8%
2000	2000-2	-4065	2,213.1	6,752.2	\$25,185.5	(499.4)	0.00	0.0	578.57	(2,825.1)	0.0	0.0	0.00	0.00	\$11,913.60	2,663.9	\$2,026.6	\$2,057.3	\$30.7	1.5%
2000	2000-3	-4065	2,223.6	6,784.1	\$26,069.9	(517.0)	153.40	243.4	577.07	(2,817.8)	0.0	0.0	0.00	0.00	\$12,037.80	2,691.7	\$2,319.4	\$2,285.1	(\$34.3)	-1.5%
2000	2000-4	-4065	2,245.0	6,849.5	\$27,594.8	(547.2)	223.90	355.3	580.12	(2,832.7)	0.0	0.0	0.00	0.00	\$12,218.20	2,732.0	\$2,491.9	\$2,428.5	(\$63.4)	-2.6%
2001	2001-1	-4065	2,263.7	6,906.4	\$29,289.1	(580.8)	0.00	0.0	587.26	(2,867.6)	0.0	0.0	0.00	0.00	\$12,341.20	2,759.5	\$2,152.5	\$2,094.2	(\$58.3)	-2.8%
2001	2001-2	-4065	2,270.8	6,928.1	\$28,395.2	(563.1)	0.00	0.0	590.93	(2,885.5)	0.0	0.0	0.00	0.00	\$12,475.80	2,789.6	\$2,204.1	\$2,253.3	\$49.2	2.2%
2001	2001-3	-4065	2,276.4	6,945.1	\$26,688.3	(529.2)	159.60	253.3	605.99	(2,959.1)	0.0	0.0	0.00	0.00	\$12,600.10	2,817.4	\$2,462.5	\$2,476.4	\$13.9	0.6%
2001	2001-4	-4065	2,286.9	6,977.3	\$25,252.5	(500.8)	230.00	365.0	610.98	(2,983.4)	0.0	0.0	0.00	0.00	\$12,643.50	2,827.1	\$2,620.2	\$2,532.2	(\$88.0)	-3.5%
2002	2002-1	-4065	2,288.6	6,982.4	\$24,399.0	(483.8)	0.00	0.0	616.66	(3,011.1)	0.0	0.0	0.00	0.00	\$12,661.30	2,831.1	\$2,253.6	\$2,262.9	\$9.3	0.4%
2002	2002-2	-4065	2,279.0	6,953.2	\$24,956.7	(494.9)	0.00	0.0	626.24	(3,057.9)	0.0	0.0	0.00	0.00	\$12,676.80	2,834.5	\$2,169.9	\$2,060.3	(\$109.6)	-5.3%
2002	2002-3	-4065	2,274.5	6,939.5	\$22,607.9	(448.3)	158.60	251.7	629.73	(3,075.0)	0.0	0.0	0.00	0.00	\$12,690.20	2,837.5	\$2,440.4	\$2,449.9	\$9.5	0.4%
2002	2002-4	-4065	2,279.1	6,953.4	\$24,875.7	(493.3)	232.10	368.3	629.63	(3,074.5)	0.0	0.0	0.00	0.00	\$12,687.70	2,837.0	\$2,525.9	\$2,478.9	(\$47.0)	-1.9%
2003	2003-1	-4065	2,280.3	6,957.2	\$24,805.1	(491.9)	0.00	0.0	621.79	(3,036.2)	0.0	0.0	0.00	0.00	\$12,763.80	2,854.0	\$2,218.1	\$2,145.5	(\$72.6)	-3.4%
2003	2003-2	-4065	2,272.2	6,932.3	\$25,181.4	(499.3)	0.00	0.0	608.90	(2,973.2)	0.0	0.0	0.00	0.00	\$12,867.65	2,875.0	\$2,269.8	\$2,309.0	\$39.2	1.7%
2003	2003-3	-4065	2,263.3	6,905.2	\$22,677.8	(449.7)	162.50	257.9	607.63	(2,967.1)	0.0	0.0	0.00	0.00	\$12,924.40	2,889.9	\$2,571.2	\$2,573.9	\$2.7	0.1%
2003	2003-4	-4065	2,261.3	6,899.1	\$23,909.5	(474.1)	237.90	377.5	606.22	(2,960.2)	0.0	0.0	0.00	0.00	\$12,959.90	2,897.8	\$2,675.1	\$2,655.3	(\$19.8)	-0.7%
2004	2004-1	-4065	2,262.6	6,903.0	\$24,379.3	(483.4)	0.00	0.0												

			Employment 2 Qtr Mvg Avg		Exports to Mexico FAS + 1 Qtr		Summer Season Adjustment Var		Base Employment + 4 Qtrs		Galveston Storm Variable		Pleasure Pier Adjustment with CPI		U.S. Real GDP + 3 Qtrs 2 Qtr Moving Average					
COEFFICIENTS			3.051		-0.01983		1.587		-4.883		527.6		127.7		0.2236					
FY	Fiscal Year	CONSTANT = A	DATA	PRODUCT OF DATA AND COEFFICIENT = B	DATA	PRODUCT OF DATA AND COEFFICIENT = H	DATA	PRODUCT OF DATA AND COEFFICIENT = D	DATA	PRODUCT OF DATA AND COEFFICIENT = E	DATA	PRODUCT OF DATA AND COEFFICIENT = F	DATA	PRODUCT OF DATA AND COEFFICIENT = G	DATA	PRODUCT OF DATA AND COEFFICIENT = G	MODEL ESTIMATE (\$000's) = A+B+C+D+E+F+G+H	ACTUAL (\$000's)	ESTIMATE (OVER)/ UNDER ACTUAL	% Difference
2006	2006-4	-4065	2,433.7	7,425.1	\$34,056.7	(675.3)	264.60	419.9	638.27	(3,116.7)	0.0	0.0	0.00	0.00	\$14,332.60	3,204.8	\$3,192.8	\$3,405.2	\$212.4	6.2%
2007	2007-1	-4065	2,464.8	7,520.1	\$33,103.7	(656.4)	0.00	0.0	644.08	(3,145.1)	0.0	0.0	0.00	0.00	\$14,459.75	3,233.2	\$2,886.8	\$2,850.4	(\$36.4)	-1.3%
2007	2007-2	-4065	2,484.5	7,580.2	\$34,078.3	(675.8)	0.00	0.0	648.43	(3,166.3)	0.0	0.0	0.00	0.00	\$14,567.85	3,257.4	\$2,930.5	\$2,988.6	\$58.1	1.9%
2007	2007-3	-4065	2,508.6	7,653.7	\$32,157.0	(637.7)	184.30	292.5	660.23	(3,223.9)	0.0	0.0	0.00	0.00	\$14,596.10	3,263.7	\$3,283.3	\$3,292.4	\$9.1	0.3%
2007	2007-4	-4065	2,541.3	7,753.4	\$34,410.4	(682.4)	266.40	422.8	671.87	(3,280.7)	0.0	0.0	0.00	0.00	\$14,659.75	3,277.9	\$3,426.0	\$3,566.1	\$140.1	3.9%
2008	2008-1	-4065	2,565.8	7,828.1	\$34,836.2	(690.8)	0.00	0.0	679.97	(3,328.3)	0.0	0.0	0.00	0.00	\$14,721.45	3,291.7	\$3,043.7	\$3,165.6	\$121.9	3.9%
2008	2008-2	-4065	2,574.0	7,853.1	\$34,514.4	(684.4)	0.00	0.0	682.97	(3,334.9)	0.0	0.0	0.00	0.00	\$14,782.35	3,305.3	\$3,074.1	\$3,014.3	(\$59.8)	-2.0%
2008	2008-3	-4065	2,581.4	7,875.7	\$35,745.6	(708.8)	191.20	303.4	694.57	(3,391.6)	0.0	0.0	0.00	0.00	\$14,888.60	3,329.1	\$3,342.8	\$3,406.4	\$63.6	1.9%
2008	2008-4	-4065	2,594.2	7,914.8	\$38,174.1	(757.0)	279.40	443.4	701.63	(3,426.1)	(1.0)	(527.6)	0.00	0.00	\$14,965.15	3,346.2	\$2,928.7	\$3,000.6	\$71.9	2.4%
2009	2009-1	-4065	2,598.8	7,928.8	\$40,339.7	(799.9)	0.00	0.0	708.77	(3,460.9)	1.0	527.6	0.00	0.00	\$14,940.65	3,340.7	\$3,471.3	\$3,496.6	\$25.3	0.7%
2009	2009-2	-4065	2,581.6	7,876.5	\$36,960.7	(732.9)	0.00	0.0	707.70	(3,455.7)	0.5	263.8	0.00	0.00	\$14,926.45	3,337.6	\$3,224.3	\$3,339.2	\$114.9	3.4%
2009	2009-3	-4065	2,545.5	7,766.4	\$29,068.3	(576.4)	191.00	303.1	714.90	(3,490.9)	0.5	263.8	0.00	0.00	\$14,927.50	3,337.8	\$3,538.8	\$3,568.9	\$30.1	0.8%
2009	2009-4	-4065	2,518.7	7,684.7	\$29,515.9	(585.3)	277.90	441.0	722.80	(3,529.4)	0.5	263.8	0.00	0.00	\$14,734.30	3,324.6	\$3,504.4	\$3,452.6	(\$51.8)	-1.5%
2010	2010-1	-4065	2,507.8	7,651.3	\$33,779.8	(669.9)	0.00	0.0	729.10	(3,560.2)	0.0	0.0	0.00	0.00	\$14,476.00	3,236.8	\$2,593.0	\$2,580.7	(\$12.3)	-0.5%
2010	2010-2	-4065	2,496.6	7,617.1	\$36,528.0	(724.4)	0.00	0.0	709.10	(3,462.5)	0.0	0.0	0.00	0.00	\$14,365.30	3,212.1	\$2,577.3	\$2,558.2	(\$19.1)	-0.7%
2010	2010-3	-4065	2,494.0	7,609.2	\$37,439.1	(742.4)	194.40	308.5	686.97	(3,354.5)	0.0	0.0	0.00	0.00	\$14,379.05	3,215.2	\$2,971.0	\$2,969.8	(\$1.2)	0.0%
2010	2010-4	-4065	2,545.0	7,764.8	\$40,419.8	(801.5)	283.00	449.1	684.50	(3,342.4)	0.0	0.0	0.00	0.00	\$14,472.20	3,236.0	\$3,241.0	\$3,271.6	\$30.6	0.9%
2011	2011-1	-4065	2,558.6	7,806.3	\$41,341.3	(819.8)	0.00	0.0	694.70	(3,392.2)	0.0	0.0	0.00	0.00	\$14,573.35	3,258.6	\$2,787.9	\$2,646.2	(\$141.7)	-5.4%
2011	2011-2	-4065	2,567.1	7,832.3	\$44,464.5	(881.7)	0.00	0.0	693.50	(3,386.4)	0.0	0.0	0.00	0.00	\$14,675.35	3,281.4	\$2,780.6	\$2,764.0	(\$16.6)	-0.6%
2011	2011-3	-4065	2,584.0	7,883.7	\$46,096.9	(914.1)	201.50	319.8	705.90	(3,446.9)	0.0	0.0	0.00	0.00	\$14,795.70	3,308.3	\$3,085.8	\$3,200.0	\$114.2	3.6%
2011	2011-4	-4065	2,612.2	7,969.7	\$49,637.2	(984.3)	293.50	465.8	685.04	(3,345.1)	0.0	0.0	0.00	0.00	\$14,892.25	3,329.9	\$3,371.0	\$3,406.7	\$35.7	1.0%
2012	2012-1	-4065	2,633.9	8,036.1	\$50,904.9	(1,009.4)	0.00	0.0	700.06	(3,418.4)	0.0	0.0	0.00	0.00	\$14,910.15	3,333.9	\$2,877.2	\$2,671.3	(\$205.9)	-7.7%
2012	2012-2	-4065	2,651.1	8,088.4	\$51,649.6	(1,024.2)	0.00	0.0	707.38	(3,454.1)	0.0	0.0	0.00	0.00	\$14,935.45	3,339.6	\$2,884.7	\$2,844.2	(\$40.5)	-1.4%
2012	2012-3	-4065	2,678.3	8,171.4	\$52,954.0	(1,050.1)	205.50	326.1	711.58	(3,474.7)	0.0	0.0	2.05	261.80	\$15,005.35	3,355.2	\$3,524.7	\$3,564.9	\$40.2	1.1%
2012	2012-4	-4065	2,714.6	8,282.3	\$53,111.5	(1,053.2)	295.70	469.3	716.85	(3,500.4)	0.0	0.0	2.04	260.50	\$15,105.70	3,377.6	\$3,771.1	\$3,928.4	\$157.3	4.0%
2013	2013-1	-4065	2,747.5	8,382.6	\$54,216.3	(1,075.1)	0.00	0.0	732.69	(3,577.7)	0.0	0.0	0.00	0.00	\$15,240.65	3,407.8	\$3,072.6	\$2,927.6	(\$145.0)	-5.0%
2013	2013-2	-4065	2,768.6	8,446.9	\$55,593.2	(1,102.4)	0.00	0.0	747.54	(3,650.2)	0.0	0.0	0.00	0.00	\$15,326.70	3,427.1	\$3,056.4	\$3,101.1	\$44.7	1.4%
2013	2013-3	-4065	2,788.0	8,506.1	\$53,703.0	(1,084.9)	207.70	329.6	756.61	(3,694.5)	0.0	0.0	2.49	318.00	\$15,371.60	3,437.1	\$3,766.4	\$3,530.8	(\$235.6)	-6.7%
2013	2013-4	-4065	2,814.5	8,587.2	\$57,015.2	(1,130.6)	302.40	479.9	763.47	(3,728.0)	0.0	0.0	2.50	319.30	\$15,382.55	3,439.5	\$3,902.3	\$3,865.4	(\$36.9)	-1.0%
2014	2014-1	-4065	2,840.7	8,666.9	\$56,857.5	(1,127.5)	0.00	0.0	777.32	(3,795.6)	0.0	0.0	0.00	0.00	\$15,420.75	3,448.1	\$3,126.9	\$3,059.1	(\$67.8)	-2.2%
2014	2014-2	-4065	2,857.6	8,718.5	\$58,494.6	(1,159.9)	0.00	0.0	789.80	(3,856.6)	0.0	0.0	0.00	0.00	\$15,478.70	3,461.0	\$3,098.0	\$3,131.8	\$33.8	1.1%
2014	2014-3	-4065	2,879.2	8,784.3	\$57,482.9	(1,139.9)	214.00	339.6	798.26	(3,897.9)	0.0	0.0	2.57	328.20	\$15,557.30	3,478.6	\$3,827.9	\$3,849.3	\$21.4	0.6%
2014	2014-4	-4065	2,912.9	8,887.3	\$60,897.6	(1,207.6)	310.40	492.6	801.74	(3,914.9)	0.0	0.0	2.57	328.20	\$15,687.95	3,507.8	\$4,028.4	\$4,261.6	\$233.2	5.5%
2015	2015-1	-4065	2,948.2	8,994.9	\$61,118.2	(1,212.0)	0.00	0.0	810.31	(3,956.8)	0.0	0.0	0.00	0.00	\$15,743.20	3,520.2	\$3,281.3	\$3,294.6	\$13.3	0.4%
2015	2015-2	-4065	2,965.8	9,048.6	\$60,749.9	(1,204.7)	0.00	0.0	817.27	(3,990.8)	0.0	0.0	0.00	0.00	\$15,813.20	3,535.8	\$3,323.9	\$3,358.3	\$34.4	1.0%
2015	2015-3	-4065	2,964.8	9,045.7	\$57,140.2	(1,133.1)	213.20	338.3	828.28	(4,044.5)	0.0	0.0	2.56	326.90	\$15,985.15	3,574.3	\$4,042.6	\$3,929.0	(\$113.6)	-2.9%
2015	2015-4	-4065	2,970.9	9,064.2	\$60,171.5	(1,193.2)	311.20	493.9	834.28	(4,073.8)	0.0	0.0	2.58	329.50	\$16,110.10	3,602.2	\$4,157.8	\$4,124.1	(\$33.7)	-0.8%
2016	2016-1	-4065	2,984.0	9,104.2	\$60,271.4	(1,195.2)	0.00	0.0	844.56	(4,124.0)	0.0	0.0	0.00	0.00	\$16,164.35	3,614.3	\$3,334.3	\$3,366.5	\$32.2	1.0%
2016	2016-2	-4065	2,983.9	9,103.8	\$58,794.4	(1,165.9)	0.00	0.0	835.22	(4,078.4)	0.0	0.0	0.00	0.00	\$16,255.45	3,634.7	\$3,429.2	\$3,413.4	(\$15.8)	-0.5%
2016	2016-3	-4065	2,973.7	9,072.8	\$55,630.9	(1,103.2)	215.30	341.7	826.40	(4,035.3)	0.0	0.0	2.61	333.30	\$16,373.80	3,661.2	\$4,205.5	\$4,284.4	\$78.9	1.9%
2016	2016-4	-4065	2,972.4	9,068.6	\$61,976.6	(1,229.0)	314.30	498.8	818.80	(3,998.2)	0.0	0.0	2.63	335.90	\$16,428.15	3,673.3	\$4,284.4	\$4,284.4	\$0.0	0.0%
2017	2017-1	-4065	2,977.1	9,083.2	\$62,079.5	(1,231.0)	0.0	0.0	819.10	(3,999.7)	0.0	0.0	0.00	0.00	\$16,326.00	3,650.5	\$3,438.0	\$3,438.0	\$0.0	0.0%
2017	2017-2	-4065	2,971.8	9,066.9	\$59,970.3	(1,189.2)	0.0	0.0	808.30	(3,946.9)	0.0	0.0	0.00	0.00	\$16,418.00	3,671.1	\$3,536.9	\$3,536.9	\$0.0	0.0%
2017	2017-3	-4065	2,957.3	9,022.7	\$56,743.5	(1,125.2)	218.50	346.8	785.10	(3,833.6)	0.0	0.0	2.66	339.70	\$16,537.50	3,697.8	\$4,383.2	\$4,383.2	\$0.0	0.0%
2017	2017-4	-4065	2,950.1	9,000.6	\$63,216.1	(1,253.6)	319.00	506.3	777.90	(3,798.5)	0.0	0.0	2.68	342.20	\$16,674.60	3,728.4	\$4,460.4	\$4,460.4	\$0.0	0.0%
2018	2018-1	-4065	2,949.5	8,999.0	\$63,321.1	(1,255.7)	0.0	0.0	778.10	(3,799.5)	0.0	0.0	0.00	0.00	\$16,570.90	3,705.3	\$3,584.1	\$3,584.1	\$0.0	0.0%
2018	2018-2	-4065	2,949.4	8,998.5	\$62,968.8	(1,248.7)	0.0	0.0	727.50	(3,552.4)	0.0	0.0	0.00	0.00	\$16,664.30	3,726.1	\$3,858.5	\$3,858.5	\$0.0	0.0%
2018	2018-3	-4065	2,949.9	9,000.1	\$59,580.7	(1,181.5)	222.90	353.7	745.80	(3,641.7)	0.0	0.0	2.71	346.10	\$16,785.60	3,753.3	\$4,565.0	\$4,565.0	\$0.0	0.0%
2018	2018-4	-4065	2,964.8	9,045.5	\$66,376.9	(1,316.3)	325.40	516.4	758.50	(3,703.8)	0.0	0.0	2.73	348.60	\$17,008.10	3,803.0	\$4,628.4	\$4,628.4	\$0.0	0.0%
2019	2019-1	-4065	2,995.7	9,139.8	\$66,487.2	(1,318.4)	0.0	0.0	778.10	(3,799.5)	0.0	0.0	0.00	0.00	\$16,902.30	3,779.4	\$3,736.3	\$3,736.3	\$0.0	0.0%
2019	2019-2	-4065	3,019.0	9,211.0	\$66,117.2	(1,311.1)	0.0	0.0	729.30	(3,561.2)	0.0	0.0	0.00	0.00	\$16,997.60	3,800.7	\$4,074.4	\$4,074.4	\$0.0	0.0%
2019	2019-3	-4065	3,032.5	9,252.2	\$62,559.7	(1,240.6)	227.40	360.9	749.50	(3,659.8)	0.0	0.0	2.76	352.50	\$17,121.30	3,828.3	\$4,828.5	\$4,828.5	\$0.0	0.0%
2019	2019-4	-4065	3,073.8	9,378.2	\$6															

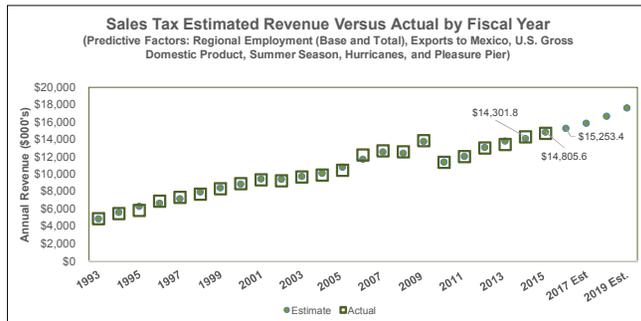
			Employment 2 Qtr Mvg Avg		Exports to Mexico FAS + 1 Qtr		Summer Season Adjustment Var		Base Employment + 4 Qtrs		Galveston Storm Variable		Pleasure Pier Adjustment with CPI		U.S. Real GDP + 3 Qtrs 2 Qtr Moving Average					
COEFFICIENTS			3.051		-0.01983		1.587		-4.883		527.6		127.7		0.2236					
FY	Fiscal Year	CONSTANT = A	DATA	PRODUCT OF DATA AND COEFFICIENT = B	DATA	PRODUCT OF DATA AND COEFFICIENT = H	DATA	PRODUCT OF DATA AND COEFFICIENT = D	DATA	PRODUCT OF DATA AND COEFFICIENT = E	DATA	PRODUCT OF DATA AND COEFFICIENT = F	DATA	PRODUCT OF DATA AND COEFFICIENT = G	DATA	PRODUCT OF DATA AND COEFFICIENT = G	MODEL ESTIMATE (\$000's) = A+B+C+D+E+F+G+H	ACTUAL (\$000's)	ESTIMATE (OVER)/ UNDER ACTUAL	% Difference
2020	2020-1	-4065	3,094.0	9,439.9	\$69,811.6	(1,384.4)	0.0	0.0	787.80	(3,846.8)	0.0	0.0	0.00	0.00	\$17,240.30	3,854.9	\$3,998.6			
2020	2020-2	-4065	3,107.5	9,481.0	\$69,423.1	(1,376.7)	0.0	0.0	740.20	(3,614.4)	0.0	0.0	0.00	0.00	\$17,337.60	3,876.7	\$4,301.6			
2020	2020-3	-4065	3,148.8	9,607.0	\$65,687.7	(1,302.6)	231.90	368.0	760.70	(3,714.5)	0.0	0.0	2.82	360.10	\$17,463.70	3,904.9	\$5,157.9			
2020	2020-4	-4065	3,169.0	9,668.7	\$73,180.5	(1,451.2)	338.50	537.2	777.60	(3,797.0)	0.0	0.0	2.84	362.70	\$17,695.30	3,956.7	\$5,212.1			

ASSUMPTIONS								
Cal Year	Calendar Year Employment Growth	Fiscal Year	Fiscal Year Employment Growth	Base Employment Growth	U.S. Real GDP Growth	Exports to Mexico	CPI	Projected COG Sales Tax (\$Millions)
2014	3.4%							
2015	0.5%	FY 2015	2.0%	2.0%	2.4%	-1.4%	2.0%	\$14.81
2016	0.0%	FY 2016	0.1%	-5.0%	1.0%	3.0%	1.0%	\$15.25
2017	3.8%	FY 2017	-0.8%	-2.5%	1.5%	2.0%	1.5%	\$15.82
2018	3.1%	FY 2018	0.5%	1.0%	2.0%	5.0%	2.0%	\$16.64
2019	2.6%	FY 2019	3.7%	1.5%	2.0%	5.0%	2.0%	\$17.59
2020	2.6%	FY 2020	3.1%	1.5%	2.0%	5.0%	2.0%	\$18.67

-2.9%



Fiscal Year	Model Total	Total Actual Tax	Actual Over/ (Under) Model	Pct Diff
1993	\$4,839.5	\$4,869.2	\$29.7	0.61%
1994	\$5,559.8	\$5,464.1	(\$95.7)	-1.75%
1995	\$6,280.2	\$5,828.8	(\$451.4)	-7.74%
1996	\$6,657.2	\$6,900.6	\$243.4	3.53%
1997	\$7,146.3	\$7,340.4	\$194.1	2.64%
1998	\$7,933.6	\$7,702.2	(\$231.4)	-3.00%
1999	\$8,414.3	\$8,334.8	(\$79.5)	-0.95%
2000	\$8,841.2	\$8,921.0	\$79.8	0.89%
2001	\$9,439.3	\$9,356.1	(\$83.2)	-0.89%
2002	\$9,389.8	\$9,252.0	(\$137.8)	-1.49%
2003	\$9,734.2	\$9,683.7	(\$50.5)	-0.52%
2004	\$10,089.8	\$9,916.4	(\$173.4)	-1.75%
2005	\$10,786.8	\$10,449.0	(\$337.8)	-3.23%
2006	\$11,693.5	\$12,224.2	\$530.7	4.34%
2007	\$12,526.6	\$12,697.5	\$170.9	1.35%
2008	\$12,389.3	\$12,586.9	\$197.6	1.57%
2009	\$13,738.8	\$13,857.3	\$118.5	0.86%
2010	\$11,382.3	\$11,380.3	(\$2.0)	-0.02%
2011	\$12,025.3	\$12,016.9	(\$8.4)	-0.07%
2012	\$13,057.7	\$13,008.8	(\$48.9)	-0.38%
2013	\$13,797.7	\$13,424.9	(\$372.8)	-2.78%
2014	\$14,081.2	\$14,301.8	\$220.6	1.54%
2015	\$14,805.6	\$14,706.0	(\$99.6)	-0.68%
2016 Est	\$15,253.4			
2017 Est	\$15,818.5			
2018 Est.	\$16,636.0			
2019 Est.	\$17,590.2			
2020 Est.	\$18,670.2			



			Employment 2 Qtr Mvg Avg		Exports to Mexico FAS + 1 Qtr		Summer Season Adjustment Var		Base Employment + 4 Qtrs		Galveston Storm Variable		Pleasure Pier Adjustment with CPI		U.S. Real GDP + 3 Qtrs 2 Qtr Moving Average					
COEFFICIENTS			3.051		-0.01983		1.587		-4.883		527.6		127.7		0.2236					
FY	Fiscal Year	CONSTANT = A	DATA	PRODUCT OF DATA AND COEFFICIENT = B	DATA	PRODUCT OF DATA AND COEFFICIENT = H	DATA	PRODUCT OF DATA AND COEFFICIENT = D	DATA	PRODUCT OF DATA AND COEFFICIENT = E	DATA	PRODUCT OF DATA AND COEFFICIENT = F	DATA	PRODUCT OF DATA AND COEFFICIENT = T = G	DATA	PRODUCT OF DATA AND COEFFICIENT = G	MODEL ESTIMATE (\$000's) = A+B+C+D+E+F+G+H	ACTUAL (\$000's)	ESTIMATE (OVER)/ UNDER ACTUAL	% Difference

FY/Mo	Gilmer April 2016 Base Employment	Base Employment	Total Employment	Gilmer April 2016 Scenario	Gilmer Employment on 2 Quarter Mvg Avg
2015-1	4.23%	844.56	2,976.4	3.97%	2,965.8
2015-2	2.20%	835.22	2,955.2	3.60%	2,964.8
2015-3	-0.23%	826.40	2,974.5	2.36%	2,970.9
2015-4	-1.85%	818.80	2,967.3	1.62%	2,984.0
2016-1	-3.01%	819.10	3,000.7	0.82%	2,983.9
2016-2	-3.22%	808.30	2,967.0	0.40%	2,973.7
2016-3	-5.00%	785.10	2,980.4	0.20%	2,972.4
2016-4	-5.00%	777.90	2,964.3	-0.10%	2,977.1
2017-1	-5.00%	778.10	2,989.9	-0.36%	2,971.8
2017-2	-10.00%	727.50	2,953.6	-0.45%	2,957.3
2017-3	-5.00%	745.80	2,961.0	-0.65%	2,950.1
2017-4	-2.50%	758.50	2,939.1	-0.85%	2,949.5
2018-1	0.00%	778.10	2,959.9	-1.00%	2,949.4
2018-2	0.25%	729.30	2,938.8	-0.50%	2,949.9
2018-3	0.50%	749.50	2,961.0	0.00%	2,964.8
2018-4	1.00%	766.10	2,968.5	1.00%	2,995.7
2019-1	1.25%	787.80	3,022.8	2.10%	3,019.0
2019-2	1.50%	740.20	3,015.2	2.60%	3,032.5
2019-3	1.50%	760.70	3,049.8	3.00%	3,073.8
2019-4	1.50%	777.60	3,097.8	3.25%	

WATER BILLED BY MONTH
FY 2004-2016
(ADJUSTED FOR RATE OVERCHARGES IN FY 2013-2015 PERIOD)

PERIOD	Revenues Billed	FY04	FY05	FY06	FY07	FY08 (1)	FY09	FY10	FY11	FY12 (2)	FY13 (6)	FY14 (3) (6)	FY15 (6)	FY16	FY16 Over/(Under) FY15
1	November	764,889	825,206	1,103,359	1,103,190	1,026,266	1,103,484	1,208,674	1,062,315	1,370,651	1,462,953	1,406,416	1,531,876	1,980,495	29.3%
2	December	748,425	763,162	1,103,266	1,238,399	1,267,637	1,016,879	948,211	1,169,355	1,202,275	1,172,268	1,105,351	1,201,595	1,472,169	22.5%
3	January	806,786	787,021	952,945	895,011	933,029	932,044	1,147,118	1,025,036	1,193,222	1,187,989	1,220,912	1,130,961	1,661,710	46.9%
4	February	617,926	760,938	1,004,707	916,046	1,068,960	923,329	1,040,955	915,744	1,168,942	1,191,141	1,090,597	1,290,354	1,572,610	21.9%
5	March	613,340	661,571	995,591	1,159,458	888,484	987,761	888,149	1,137,213	1,097,829	1,192,587	1,052,712	971,541	1,293,101	33.1%
6	April	792,169	908,918	1,080,708	1,008,809	917,690	1,007,157	841,597	1,151,092	1,142,824	1,203,169	1,299,312	1,090,198	1,464,200	34.3%
7	May	732,098	937,580	1,093,016	1,056,035	1,209,989	1,139,332	1,365,231	1,228,110	1,259,938	1,199,872	2,000,757	1,182,676	1,601,530	35.4%
8	June	830,785	1,094,421	1,185,873	983,266	1,119,457	1,193,925	1,330,843	1,508,009	1,557,077	1,540,987	1,627,127	1,134,449		
9	July	897,222	1,279,927	1,276,023	1,176,105	1,257,551	1,629,747	1,500,336	1,518,666	1,616,019	1,662,271	1,481,916	1,461,962		
10	August	927,324	1,056,024	1,235,552	1,187,745	1,673,163	1,715,539	1,480,708	1,650,726	1,660,664	1,644,346	969,975	1,763,127		
11	September	1,484,918	1,411,532	1,251,961	1,395,637	1,037,331	1,489,421	1,417,067	1,476,042	1,584,469	1,526,923	1,548,922	1,732,325		
12	October	446,842	729,962	1,235,427	1,137,271	1,377,121	1,310,263	1,294,547	1,438,046	1,451,898	1,462,720	1,409,943	1,471,078		
	FY TOTALS	9,662,723	11,216,263	13,518,429	13,256,975	13,776,680	14,448,883	14,463,436	15,280,354	16,305,808	16,447,225	16,213,940	15,962,142	11,045,815	
PERIOD	YTD Totals	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY16 Over/(Under) FY15
1	November	764,889	825,206	1,103,359	1,103,190	1,026,266	1,103,484	1,208,674	1,062,315	1,370,651	1,462,953	1,406,416	1,531,876	1,980,495	29.3%
2	December	1,513,314	1,588,369	2,206,626	2,341,589	2,293,904	2,120,364	2,156,884	2,231,670	2,572,926	2,635,221	2,511,767	2,733,471	3,452,664	26.3%
3	January	2,320,100	2,375,390	3,159,571	3,236,600	3,226,933	3,052,408	3,304,002	3,256,705	3,766,148	3,823,210	3,732,679	3,864,432	5,114,374	32.3%
4	February	2,938,026	3,136,328	4,164,278	4,152,646	4,295,894	3,975,737	4,344,957	4,172,449	4,935,090	5,014,351	4,823,276	5,154,786	6,686,983	29.7%
5	March	3,551,366	3,797,899	5,159,869	5,312,105	5,184,378	4,963,498	5,233,106	5,309,662	6,032,918	6,206,938	5,875,988	6,126,327	7,980,085	30.3%
6	April	4,343,535	4,706,816	6,240,577	6,320,914	6,102,068	5,970,655	6,074,703	6,460,754	7,175,743	7,410,107	7,175,301	7,216,524	9,444,285	30.9%
7	May	5,075,633	5,644,397	7,333,593	7,376,950	7,312,057	7,109,987	7,439,934	7,688,863	8,435,681	8,609,979	9,176,057	8,399,201	11,045,815	31.5%
8	June	5,906,418	6,738,818	8,519,466	8,360,216	8,431,514	8,303,912	8,770,777	9,196,873	9,992,758	10,150,966	10,803,184	9,533,650		
9	July	6,803,640	8,018,745	9,795,489	9,536,321	9,689,066	9,933,659	10,271,113	10,715,539	11,608,776	11,813,237	12,285,100	10,995,612		
10	August	7,730,964	9,074,769	11,031,040	10,724,066	11,362,228	11,649,198	11,751,822	12,366,266	13,269,441	13,457,582	13,255,075	12,758,739		
11	September	9,215,882	10,486,301	12,283,002	12,119,704	12,399,559	13,138,619	13,168,889	13,842,308	14,853,909	14,984,505	14,803,998	14,491,064		
12	October	9,662,723	11,216,263	13,518,429	13,256,975	13,776,680	14,448,883	14,463,436	15,280,354	16,305,808	16,447,225	16,213,940	15,962,142	20,096,337	
PERIOD	% YTD of Actual	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Average FY04-15 w/o FY14
1	November	7.9%	7.4%	8.2%	8.3%	7.4%	7.6%	8.4%	7.0%	8.4%	8.9%	8.7%	9.6%	24,301,000	8.2%
2	December	15.7%	14.2%	16.3%	17.7%	16.7%	14.7%	14.9%	14.6%	15.8%	16.0%	15.5%	17.1%	21,715,000	15.9%
3	January	24.0%	21.2%	23.4%	24.4%	23.4%	21.1%	22.8%	21.3%	23.1%	23.2%	23.0%	24.2%	22,140,000	23.1%
4	February	30.4%	28.0%	30.8%	31.3%	31.2%	27.5%	30.0%	27.3%	30.3%	30.5%	29.7%	32.3%	22,135,000	30.2%
5	March	36.8%	33.9%	38.2%	40.1%	37.6%	34.4%	36.2%	34.7%	37.0%	37.7%	36.2%	38.4%	21,533,000	37.1%
6	April	45.0%	42.0%	46.2%	47.7%	44.3%	41.3%	42.0%	42.3%	44.0%	45.1%	44.3%	45.2%	21,280,000	44.4%
7	May	52.5%	50.3%	54.2%	55.6%	53.1%	49.2%	51.4%	50.3%	51.7%	52.3%	56.6%	52.6%	21,080,000	52.4%
8	June	61.1%	60.1%	63.0%	63.1%	61.2%	57.5%	60.6%	60.2%	61.3%	61.7%	66.6%	59.7%		61.2%
9	July	70.4%	71.5%	72.5%	71.9%	70.3%	68.8%	71.0%	70.1%	71.2%	71.8%	75.8%	68.9%		71.0%
10	August	80.0%	80.9%	81.6%	80.9%	82.5%	80.6%	81.3%	80.9%	81.4%	81.8%	81.8%	79.9%		81.1%
11	September	95.4%	93.5%	90.9%	91.4%	90.0%	90.9%	91.0%	90.6%	91.1%	91.1%	91.3%	90.8%		91.6%
12	October	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%

Notes

- (1) Hurricane Ike effect in September 2008.
- (2) Council Approved Rate Increase of 1.5% (October 1, 2012).
- (3) Implementation of new Utility Billing Software (CUSI).
- (4) Credits issued in the amount of \$1.71M (August 2015).
- (5) Adopted Budget FY16 (Burton & Associates).
- (6) Fiscal Years 2013 to July 2015 were adjusted to reflect Council Approved rate increase Oct 1, 2012. The rebate program began in August 2015.

SEWER BILLINGS BY MONTH
FY 2004-2015
(ADJUSTED FOR RATE OVERCHARGE FOR FY 2013-2015 PERIOD)

PERIOD	Revenues Billed	FY04	FY05	FY06	FY07	FY08 (1)	FY09	FY10	FY11	FY12 (2)	FY13	FY14 (3)	FY15 (4)	FY16	FY16 Over/(Under) FY15
1	November	610,400	731,804	877,288	896,069	865,245	960,266	906,107	760,341	957,079	1,135,101	1,130,732	1,235,019	1,255,861	1.7%
2	December	585,324	641,000	849,708	1,029,775	1,034,013	816,119	735,318	875,522	872,020	965,031	876,912	968,873	1,020,359	5.3%
3	January	663,469	727,787	809,253	790,079	783,080	737,924	953,431	757,647	913,367	977,153	969,596	926,993	1,156,091	24.7%
4	February	555,687	701,000	809,410	766,277	918,770	765,165	824,147	713,154	889,759	1,022,002	945,586	1,063,845	1,117,668	5.1%
5	March	505,564	629,889	825,256	891,439	776,096	790,109	645,695	909,127	868,193	901,526	902,476	818,580	992,412	21.2%
6	April	626,934	725,842	882,185	789,588	798,741	799,495	742,150	864,582	888,106	960,168	1,050,290	852,038	1,130,585	32.7%
7	May	571,722	715,855	869,193	875,802	1,004,610	859,831	937,843	880,160	995,885	916,181	1,015,264	987,736	1,138,186	15.2%
8	June	704,241	923,004	996,582	984,286	908,674	880,529	953,956	1,123,964	1,137,558	1,184,429	1,265,861	928,506		
9	July	716,038	948,253	1,016,299	958,352	1,011,646	1,165,207	1,073,377	1,088,993	1,246,681	1,281,751	432,495	1,186,293		
10	August	718,342	845,379	1,002,987	983,954	1,306,123	1,226,650	1,109,919	1,238,984	1,238,184	1,251,981	2,080,332	1,306,325		
11	September	1,107,848	1,102,340	1,591,376	1,171,285	795,784	1,068,508	1,019,560	1,019,041	1,167,198	988,661	1,188,824	1,235,798		
12	October	333,338	563,364	1,011,027	962,450	1,116,050	954,440	943,341	1,054,688	1,042,362	1,116,792	1,066,997	1,066,429		
	TOTALS BY FISCAL YEAR	7,698,908	9,255,515	11,540,566	11,099,356	11,318,833	11,024,246	10,844,845	11,286,202	12,216,392	12,700,774	12,925,365	12,576,436	7,811,162	
PERIOD	YTD TOTALS	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY16 Over/(Under) FY15
1	November	610,400	731,804	877,288	896,069	865,245	960,266	906,107	760,341	957,079	1,135,101	1,130,732	1,235,019	1,255,861	1.7%
2	December	1,195,724	1,372,803	1,726,997	1,925,844	1,899,258	1,776,385	1,641,425	1,635,863	1,829,099	2,100,131	2,007,644	2,203,892	2,276,220	3.3%
3	January	1,859,192	2,100,591	2,536,249	2,715,923	2,682,338	2,514,310	2,594,856	2,393,510	2,742,467	3,077,284	2,977,240	3,130,885	3,432,311	9.6%
4	February	2,414,880	2,801,590	3,345,660	3,482,200	3,601,109	3,279,475	3,419,003	3,106,664	3,632,225	4,099,286	3,922,826	4,194,730	4,549,979	8.5%
5	March	2,920,443	3,431,479	4,170,916	4,373,639	4,377,205	4,069,584	4,064,698	4,015,791	4,500,418	5,000,812	4,825,301	5,013,310	5,542,391	10.6%
6	April	3,547,378	4,157,320	5,053,101	5,163,227	5,175,946	4,869,079	4,806,849	4,880,372	5,388,524	5,960,979	5,875,591	5,865,348	6,672,976	13.8%
7	May	4,119,100	4,873,175	5,922,294	6,039,029	6,180,556	5,728,910	5,744,692	5,760,532	6,384,409	6,877,160	6,890,856	6,853,085	7,811,162	14.0%
8	June	4,823,340	5,796,178	6,918,876	7,023,315	7,089,230	6,609,440	6,698,648	6,884,497	7,521,967	8,061,589	8,156,716	7,781,591		
9	July	5,539,379	6,744,432	7,935,175	7,981,667	8,100,876	7,774,647	7,772,025	7,973,489	8,768,648	9,343,340	8,589,211	8,967,884		
10	August	6,257,721	7,589,811	8,938,162	8,965,621	9,407,000	9,001,297	8,881,944	9,212,473	10,006,832	10,595,321	10,669,543	10,274,209		
11	September	7,365,569	8,692,151	10,529,539	10,136,906	10,202,783	10,069,805	9,901,504	10,231,514	11,174,030	11,583,982	11,858,367	11,510,007		
12	October	7,698,908	9,255,515	11,540,566	11,099,356	11,318,833	11,024,246	10,844,845	11,286,202	12,216,392	12,700,774	12,925,365	12,576,436	14,311,984	
PERIOD	% YTD of Actual	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Average FY04-15 w/o FY14
1	November	7.9%	7.9%	7.6%	8.1%	7.6%	8.7%	8.4%	6.7%	7.8%	8.9%	8.7%	9.8%	15,487,000	8.1%
2	December	15.5%	14.8%	15.0%	17.4%	16.8%	16.1%	15.1%	14.5%	15.0%	16.5%	15.5%	17.5%	14,456,000	15.7%
3	January	24.1%	22.7%	22.0%	24.5%	23.7%	22.8%	23.9%	21.2%	22.4%	24.2%	23.0%	24.9%	14,794,000	23.2%
4	February	31.4%	30.3%	29.0%	31.4%	31.8%	29.7%	31.5%	27.5%	29.7%	32.3%	30.3%	33.4%	14,896,000	30.5%
5	March	37.9%	37.1%	36.1%	39.4%	38.7%	36.9%	37.5%	35.6%	36.8%	39.4%	37.3%	39.9%	14,755,000	37.6%
6	April	46.1%	44.9%	43.8%	46.5%	45.7%	44.2%	44.3%	43.2%	44.1%	46.9%	45.5%	46.6%	14,832,000	45.0%
7	May	53.5%	52.7%	51.3%	54.4%	54.6%	52.0%	53.0%	51.0%	52.3%	54.1%	53.3%	54.5%		53.0%
8	June	62.6%	62.6%	60.0%	63.3%	62.6%	60.0%	61.8%	61.0%	61.6%	63.5%	63.1%	61.9%		61.9%
9	July	72.0%	72.9%	68.8%	71.9%	71.6%	70.5%	71.7%	70.6%	71.8%	73.6%	66.5%	71.3%		70.9%
10	August	81.3%	82.0%	77.4%	80.8%	83.1%	81.7%	81.9%	81.6%	81.9%	83.4%	82.5%	81.7%		81.4%
11	September	95.7%	93.9%	91.2%	91.3%	90.1%	91.3%	91.3%	90.7%	91.5%	91.2%	91.7%	91.5%		91.8%
12	October	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%

- Notes
- (1) Hurricane Ike effect in September 2008.
 - (2) Council Approved Rate Increase of 1.5% (October 1, 2012).
 - (3) Implementation of new Utility Billing Software (CUSI).
 - (4) Credits issued in the amount of \$1.72 M (August 2015).
 - (5) Adopted Budget FY15 (Burton & Associates).

**LOCAL HOTEL OCCUPANCY TAX COLLECTIONS
FY 2007-2016 THROUGH APRIL OCCUPANCY TAXES**

Month of Occupancy	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Month Over/ (Under) Same Month Last Yr		
October	\$342,711.62	\$644,918.76	\$302,523.32	\$493,814.84	\$566,603.98	\$649,601.76	\$639,696.99	\$858,676.11	\$1,273,005.15	\$892,938.06	-29.9%		
November	\$312,276.79	\$618,385.49	\$345,730.27	\$413,355.70	\$474,036.48	\$584,677.19	\$685,798.10	\$861,261.82	\$838,200.99	\$872,362.01	4.1%		
December	\$258,438.91	\$431,457.78	\$640,585.56	\$309,303.41	\$358,869.95	\$370,422.69	\$472,320.24	\$530,191.42	\$635,474.94	\$730,641.58	15.0%		
January	\$268,985.86	\$443,881.28	\$534,967.67	\$231,330.87	\$385,821.19	\$416,526.68	\$489,796.45	\$477,859.59	\$573,936.66	\$691,506.50	20.5%		
February	\$331,858.40	\$596,756.53	\$680,083.77	\$506,413.46	\$463,624.03	\$556,338.30	\$662,290.02	\$611,617.14	\$815,772.67	\$783,600.85	-3.9%		
March	\$503,030.80	\$943,477.78	\$713,436.23	\$765,639.86	\$879,705.14	\$1,112,272.85	\$1,128,453.40	\$1,012,287.24	\$1,167,060.11	\$1,444,396.17	23.8%		
April	\$460,347.35	\$764,075.58	\$537,752.40	\$620,891.77	\$811,548.49	\$908,341.22	\$902,403.03	\$944,120.47	\$1,120,372.30	\$1,213,005.59	8.3%		
May	\$633,915.07	\$989,404.62	\$650,479.83	\$792,960.96	\$812,563.94	\$1,005,816.52	\$1,059,210.25	\$1,398,247.05	\$1,334,699.85				
June	\$894,003.64	\$1,436,528.60	\$916,068.07	\$1,254,608.62	\$1,478,676.42	\$1,756,462.71	\$1,512,258.09	\$1,147,935.08	\$1,949,550.21				
July	\$1,038,366.76	\$1,790,668.90	\$1,211,525.80	\$1,634,877.75	\$1,891,503.23	\$1,847,095.93	\$2,476,120.72	\$3,109,028.17	\$2,596,952.83				
August	\$814,275.76	\$1,280,870.46	\$1,051,481.37	\$1,063,689.68	\$1,249,302.15	\$1,725,676.56	\$1,849,894.39	\$1,681,498.78	\$1,809,908.82				
September	\$403,880.69	\$344,474.52	\$506,179.25	\$626,556.72	\$727,916.77	\$825,373.66	\$659,731.22	\$952,144.67	\$1,172,423.31				
Totals	\$6,262,091.65	\$10,284,900.30	\$8,090,813.54	\$8,713,443.64	\$10,100,171.77	\$11,758,606.07	\$12,537,972.90	\$13,584,867.54	\$15,287,357.84	\$6,628,450.76			
		64.2%	-21.3%	7.7%	15.9%	16.4%	6.6%	8.3%	12.5%				
YTD Totals											YTD Over/(Under)	FY16 Estimate with Nine Year Avg	FY16 Est based on Five Yr Avg
October	\$342,711.62	\$644,918.76	\$302,523.32	\$493,814.84	\$566,603.98	\$649,601.76	\$639,696.99	\$858,676.11	\$1,273,005.15	\$892,938.06	-29.9%	\$15,446,000	\$14,458,000
November	\$654,988.41	\$1,263,304.25	\$648,253.59	\$907,170.54	\$1,040,640.46	\$1,234,278.95	\$1,325,495.09	\$1,719,937.93	\$2,111,206.14	\$1,765,300.07	-16.4%	\$16,048,000	\$15,260,000
December	\$913,427.32	\$1,694,762.03	\$1,288,839.15	\$1,216,473.95	\$1,399,510.41	\$1,604,701.64	\$1,797,815.33	\$2,250,129.35	\$2,746,681.08	\$2,495,941.65	-9.1%	\$16,356,000	\$16,339,000
January	\$1,182,413.18	\$2,138,643.31	\$1,823,806.82	\$1,447,804.82	\$1,785,331.60	\$2,021,228.32	\$2,287,611.78	\$2,727,988.94	\$3,320,617.74	\$3,187,448.15	-4.0%	\$16,511,000	\$16,790,000
February	\$1,514,271.58	\$2,735,399.84	\$2,503,890.59	\$1,954,218.28	\$2,248,955.63	\$2,577,566.62	\$2,949,901.80	\$3,339,606.08	\$4,136,390.41	\$3,971,049.00	-4.0%	\$15,989,000	\$16,635,000
March	\$2,017,302.38	\$3,678,877.62	\$3,217,326.82	\$2,719,858.14	\$3,128,660.77	\$3,689,839.47	\$4,078,355.20	\$4,351,893.32	\$5,303,450.52	\$5,415,445.17	2.1%	\$16,216,000	\$16,755,000
April	\$2,477,649.73	\$4,442,953.20	\$3,755,079.22	\$3,340,749.91	\$3,940,209.26	\$4,598,180.69	\$4,980,758.23	\$5,296,013.79	\$6,423,822.82	\$6,628,450.76	3.2%	\$16,283,000	\$16,668,000
May	\$3,111,564.80	\$5,432,357.82	\$4,405,559.05	\$4,133,710.87	\$4,752,773.20	\$5,603,997.21	\$6,039,968.48	\$6,694,260.84	\$7,758,522.67				
June	\$4,005,568.44	\$6,868,886.42	\$5,321,627.12	\$5,388,319.49	\$6,231,449.62	\$7,360,459.92	\$7,552,226.57	\$7,842,195.92	\$9,708,072.88				
July	\$5,043,935.20	\$8,659,555.32	\$6,533,152.92	\$7,023,197.24	\$8,122,952.85	\$9,207,555.85	\$10,028,347.29	\$10,951,224.09	\$12,305,025.71				
August	\$5,858,210.96	\$9,940,425.78	\$7,584,634.29	\$8,086,886.92	\$9,372,255.00	\$10,933,232.41	\$11,878,241.68	\$12,632,722.87	\$14,114,934.53				
September	\$6,262,091.65	\$10,284,900.30	\$8,090,813.54	\$8,713,443.64	\$10,100,171.77	\$11,758,606.07	\$12,537,972.90	\$13,584,867.54	\$15,287,357.84				
YTD as Pct of Total											Nine Year Average %	Last 5 Years Avg	Average w/o FY 2015
October	5.47%	6.27%	3.74%	5.67%	5.61%	5.52%	5.10%	6.32%	8.33%		5.78%	6.18%	5.46%
November	10.46%	12.28%	8.01%	10.41%	10.30%	10.57%	10.50%	12.66%	13.81%		11.00%	11.57%	10.65%
December	14.59%	16.48%	15.93%	13.96%	13.86%	13.65%	14.34%	16.56%	17.97%		15.26%	15.28%	14.92%
January	18.88%	20.79%	22.54%	16.62%	17.68%	17.19%	18.25%	20.08%	21.72%		19.31%	18.98%	19.00%
February	24.18%	26.60%	30.95%	22.43%	22.27%	21.92%	23.53%	24.58%	27.06%		24.84%	23.87%	24.56%
March	32.21%	35.77%	39.77%	31.21%	30.98%	31.38%	32.53%	32.03%	34.69%		33.40%	32.32%	33.24%
April	39.57%	43.20%	46.41%	38.34%	39.01%	39.10%	39.73%	38.98%	42.02%		40.71%	39.77%	40.54%
May	49.69%	52.82%	54.45%	47.44%	47.06%	47.66%	48.17%	49.28%	50.75%		49.70%	48.58%	49.57%
June	63.97%	66.79%	65.77%	61.84%	61.70%	62.60%	60.23%	57.73%	63.50%		62.68%	61.15%	62.58%
July	80.55%	84.20%	80.75%	80.60%	80.42%	78.30%	79.98%	80.61%	80.49%		80.66%	79.96%	80.68%
August	93.55%	96.65%	93.74%	92.81%	92.79%	92.98%	94.74%	92.99%	92.33%		93.62%	93.17%	93.78%
September	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		100.00%	100.00%	100.00%