

LONG RANGE PLAN

The Town of Frederick has a long-term plan for the General Fund that includes revenues and expenditures projected out for the next 9 years beyond the current year budgeted. This plan is helpful for the financial planning for this fund given a set of assumptions.

FORECAST ASSUMPTIONS

- Revenues
 - The revenue projections for the model have been calculated using trend analysis and economic factors for each category of revenue. **An adjustment has been included in revenues beginning in 2019 that reflects an increase in the sales tax rate of 1.0%.**
 - In 2019 we also anticipate that an economic development project consisting of 50 acres will begin construction generating additional sales and property tax revenues.
- Expenditures
 - The inflation factor used in the model is for expenditures is 2.125% for 2018 through 2020.
 - The inflation factor used in the model is for expenditures is 2.875% for 2021 through 2024.
 - The inflation factor used in the model is for expenditures is 3.25% for 2025 through 2026.
 - Capital expenditures have been projected based on our current equipment schedules and anticipated increases in staffing.

ANALYSIS

The plan as presented, depicts years where the revenues exceed the expenditures and years where the expenditures exceed revenues. In the years where expenditures exceed revenues, existing fund balance may be utilized to balance the budget. While this is an acceptable approach from a statutory perspective, it is not ideal. While it will allow the Town to meet existing service commitments, it will not meet the Board objective of maintaining a minimum of 150 days of operating costs in reserves. This long-term projection helps to show the potential resources that may be available and identify areas where additional resources are likely to be needed if the local residential growth trends remain the same as they have been in the recent past. There will be difficult decisions that have to be made in the near term to ensure long-term financial stability. The Town Manager has discussed this issue directly with the Mayor and Trustees.