Basis of Revenue Estimates

The City has several sources of revenue that support the services provided to residents. Descriptions of the major revenue sources from both governmental and proprietary funds are provided along with the pertinent forecast methodology.

Although some revenue sources are impacted by unique independent variables, there are two primary variables (Consumer Price Index [CPI] and population growth) that influence most of the revenue sources.

Primary Forecast Drivers
Projected Rate of Inflation: +1.06%
Based on 24-month trend in Consumer Price Index (CPI)
(All Urban Consumers - U.S. City Average, Bureau of Labor Statistics)
compared the 12-month CPI average through May 2013
with 12-month average through May 2012.

Projected Population Change: +0.23%, as of April 2012
[Source: Florida Office of Economic & Demographic Research,
adjusted for U. S. Census Bureau correction retroactive to 2010 Census.)

Trend analysis is the only quantitative technique currently used for forecasting revenues. The Trend Analysis described below determines the growth pattern of a particular revenue source based on the most recent 24-months of actual receipts:

Rate of Change: The rate of change is determined by the relationship of the most recent 12 months [1 - 12] to the previous 12 months [13 - 24]. This is the first step.

Current Year Forecast: The balance of the Current Year is projected by applying the rate of change developed above to the unmatched months of the prior year [Step #2]. The inherent assumption is that the rate of change in the revenue will be sustained for the rest of the current year. The result is added to the Current Year-to-Date Receipts to yield the forecast for the Current Year [Step #3]. All references to the historical trend in the following pages are based on this methodology.

Budget Year Forecast: The Current Year Forecast is multiplied by Forecast Drivers, such as population change, change in CPI and/or other drivers as appropriate, to project the Budget Year Revenue [Step #4].

Step #1 **– Calculation of Rate of Change:**

$$\frac{\text{Most recent 12 months}}{\text{Prior 12 months}} = \frac{\text{Months \#1 through \#12}}{\text{Months \#13 through \#24}} = \text{Rate of Change}$$

Step #2 **– Calculation of Remaining months of Current Year:**

$$\left(\text{Unmatched months in prior year}\right) \times 1 + \left(\text{Rate of Change}\right) = \text{Balance of Current Year Projection}$$

Step #3 **– Calculation of Current Year Projection:**

Current YTD Receipts + Balance of Current Year Projection = Current Year Projection

Step #4 **– Calculation of New Budget Year Projection:**

$$\left(\text{Current Year Projection}\right) \times \left(\text{The appropriate Forecast Driver[s]}\right) = \text{New Year Projection}$$