

Basis of Revenue Estimates

The City has several sources of revenue that support the services that are 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 the change in Consumer Price Index (CPI)
 (All Urban Consumers - U.S. City Average)
 Utilize the most current 12-month CPI average, comparing the average change
 from June 09 to June 10.
 [Note the change from 18-month to 12-month CPI average at this point in the
 recession.]
 Projected Population Growth – 0.02%
 [Based on the April 1, 2009 Population estimate from the Bureau of
 Economic and Business Research, University of Florida]

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 [#1].

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:

$$\left(\begin{array}{c} \text{Unmatched months in} \\ \text{prior year} \end{array} \right) \times \left(\begin{array}{c} \text{Rate of} \\ \text{Change} \end{array} \right) = \text{Balance of Current Year Projection}$$

Step #3 – Calculation of Current Year Projection:

$$\text{Current YTD Receipts} + \text{Balance of Current Year Projection} = \text{Current Year Projection}$$

Step #4 – Calculation of New Budget Year Projection:

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