

# 2015 Long-Term Financial Plan



## PITTSBURG SIGNS OF FISCAL HEALTH

The Government Finance Review included an article called, “Determinants of Municipal Credit Quality.” The article provided a list of things that help identify the financial condition of a municipality. The following is that list. The items highlighted in yellow are the symptoms the City of Pittsburgh is currently experiencing:

- ❖ Declines of large swings in economically sensitive taxes; for example property taxes, sales taxes, and franchise taxes.
- ❖ Trend of operating losses; fund balance drawdowns; for example using reserves to help fund a future budget
- ❖ Declining financial margins
- ❖ Deficit ending fund balances
- ❖ Increasing reliance on operating transfers; for example operating transfers from the Public Utility Fund to the General Fund
- ❖ Rising mandated of fixed costs as a percent of budget; for example Kansas legislature mandating increased contributions to the Kansas Public Employees Retirement System (KPERs)
- ❖ At or close to ceiling (no margin)
- ❖ Increasing employee benefits; for example, health insurance costs, workers comp insurance, unemployment insurance
- ❖ Pension deferrals or assumption changes
- ❖ Decreasing capital project outlay; not keeping up with deferred maintenance
- ❖ Self-funded insurance with no corresponding reserves; for example the City’s group hospitalization
- ❖ Significant Litigation
- ❖ Sales of assets for operating revenue
- ❖ Interest earnings as a percent of cash on hand
- ❖ Current tax collections less than 95% or declining trend
- ❖ Loss of major employer
- ❖ Sharply increasing debt obligations
- ❖ Debt structure not consistent with useful life of financed asset

# Long-Term Financial Plan

## City of Pittsburg, Kansas

---

### ***Introduction:***

Local governments will always face serious challenges from external forces that include natural disasters, policy changes from other levels of government, and economic downturns, just to name a few. It is the role of governing bodies, management, and finance officers to find ways to not just overcome, but thrive in this type of environment. A long-term financial plan is an important tool that can assist in accomplishing this goal.

There are several reasons to prepare a long-term financial plan.

- Long term financial planning is a key factor in creating an organization that can not only survive but thrive during economic challenges.
- Rating agencies tend to increase bond ratings for those entities with a long-term financial plan in place.
- A long-term financial plan assesses the implications today's decisions have on future financial viability.
- A long-term financial plan assesses programs and services that may be offered.
- Long -term financial plans can help develop strategies to achieve goals and objectives.

A financial forecast is a tool used in developing a long-term financial plan by estimating future revenues and expenditures and identifying the factors which impact them. This forecast is intended to help formulate decisions that encourage financial stability while delivering essential community services.

The information in this forecast includes an analysis of major revenue sources and uses for the primary government and its enterprise funds. The estimates include both quantitative and qualitative information. Quantitative estimates are based on historical data and trends, as well as economic conditions that may impact the City's ability to collect or generate revenue. The qualitative estimates are based on the experience and knowledge of finance staff that will indicate the most likely outcome.

Financial forecasts include a lot of economic variables that can and do change frequently. Other things that will affect the accuracy of the forecast include operational changes, the timing of large capital projects, and policy changes.

### ***Executive Summary:***

The City constantly looks for ways to maximize limited resources in order to address the priorities set by the City Commission. The current priorities were the result of the 2030 Visioning process. This effort involved one-on-one interviews, focus groups, written surveys and town hall meetings. The result was a list of priorities which would allow the City to attain the overall vision of where Pittsburg should be in the year 2030. Four core areas were identified as critical and are the focus of the implementation plan going forward. These goals continue to be a priority in the 2016 Budget and subsequent years through 2019. They are:

- Housing
- Economic Development
- Infrastructure Improvement
- Public Wellness

In addition to the goals established by the Vision 2030 process, the following goals were identified by the City Commission and Executive Team:

- Rebuild reserves to a minimum acceptable level
- Establish and maintain a Debt Management Plan

The following discussion reviews the 2014 financial forecast recommendations, discusses the steps taken to address the issues identified, and identifies the impact of those steps on the major sources and uses of the resources available to the City to accomplish these goals, as well as, potential challenges that will need to be overcome.

### **2014 Recap**

During the 2014 working day session, the following recommendations were made. The actual actions that were approved by the City Commission are noted at the end of each section.

To ensure our future financial stability we must consider:

- ✓ Increasing revenues incrementally
- ✓ Monitor and control expenditures
- ✓ Build reserves
- ✓ Practice long term planning
- ✓ Adopt and follow written policies
- ✓ Make data driven decisions

Specifically we recommended:

- 1. Increasing the mill rate**
  - a. In the 2015 Budget by 4.0 mills
  - b. In the 2016 Budget by 3.0 mills
  - c. In the 2017 Budget by 1.0 mill

Action Taken: The City Commission approved a 3 mill increase for the 2015 budget.

- 2. Increasing utility revenues by 3% a year for each of the next five years**

Action Taken: The City Commission approved a 3% increase in utility revenues for the 2015 budget.

- 3. Adopting the following long term plans**
  - a. Five Year Capital Improvements Plan
  - b. Five Year Equipment Replacement Plan
  - c. Five Year Financial Forecast

Action Taken: The City Commission adopted the above long term plans, and gave consideration to the long-term financial plan.

- 4. Adopting the following policies to guide our daily practices:**
  - a. Debt Policy
  - b. Purchasing Policy
  - c. Revenue Policy
  - d. Reserve Policy
  - e. Budget Policy

Action Taken: The City Commission considered and approved these policies by the end of the 2014 calendar year.

- 5. Holding the line on expenses by limiting increases to:**
  - a. 2.5% salary increase in 2015 and 2.0% in 2017.
  - b. Increase the employer contribution for health insurance by 2% per year to meet the increasing cost for group hospitalization

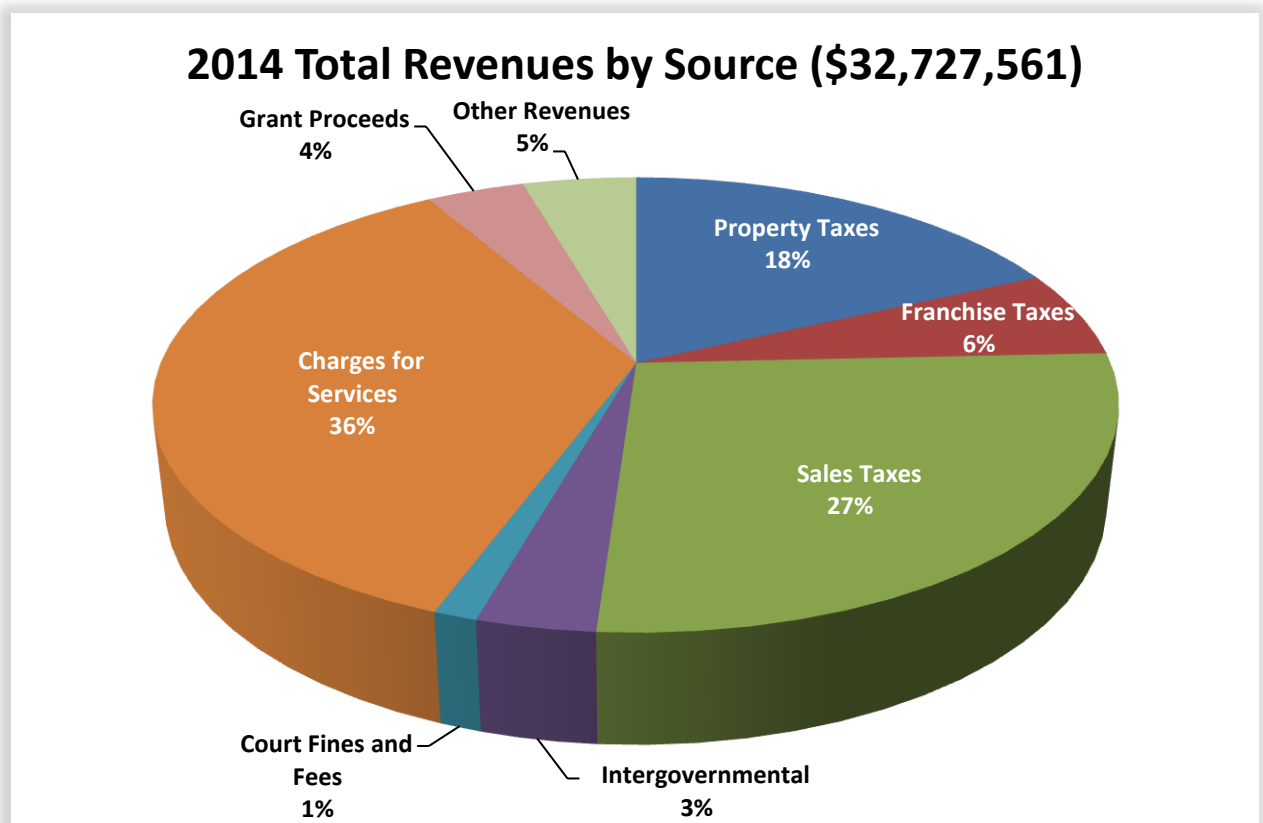
Action Taken: The City Commission approved a 2.5% salary increase in 2015, increased the employer contribution to the health insurance program by 2%, and eliminated the employee wellness program.

Changes in our economic condition will affect our projections. We will review our situation every year and adjust our activity to meet the City's needs.

## REVENUES

As with all levels of local government, the City of Pittsburg had been adversely affected by the reduction of property values, reduced sales tax, reduced funding from higher levels of government, and other reductions of revenue due to the Great Recession. When compared to the 2013 total revenues, the 2014 revenues increased by \$2.2 million. This is due to several things: an increase in sales taxes in general, the passing of the Public Safety Sales Tax which became effective January 1, 2014, an increase in Franchise tax collections, an increase of water/wastewater usage in 2014, an increase in Licenses and Permits, and a slight increase in Intergovernmental revenues. This total only reflects 10 months of the public safety sales tax receipts.

While, the City of Pittsburg receives revenue from a variety of sources, nearly all revenue is collected into one of three main funds: the General Fund, the Public Utility Fund and the Debt Service Fund. The following pie chart shows the City's revenues by source and the percentage of total revenues each source represents.



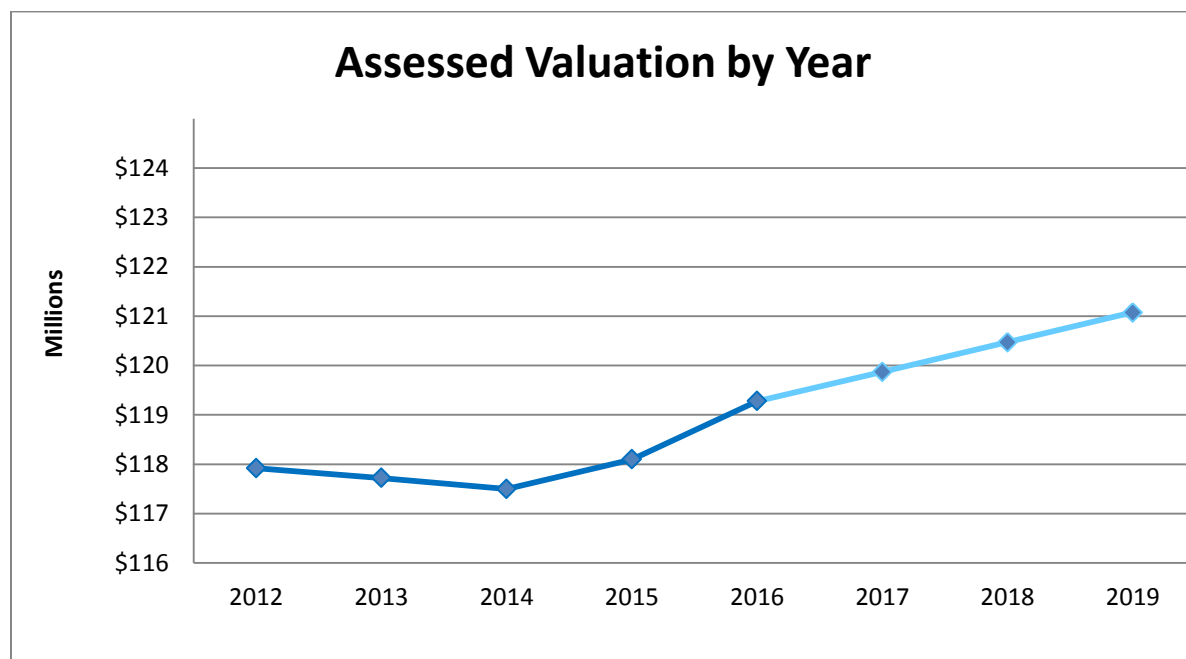
## General Fund

Of the many sources of revenue in the General Fund, the four major sources are: Property Tax, Sales Tax, Franchise Tax and Public Utility Transfers.

### **Property Tax:**

The property tax is an ad valorem tax, meaning it is based on the value of real estate or personal property owned by an individual or company. There are two components for calculating property taxes: property valuations and the mill levy. The City determines the level of service for the upcoming year and sets the property tax rate at an amount which will pay for those services.

The assessed valuations peaked in 2008 with a significantly higher estimate for 2009 than was realized. Beginning in 2009, valuations driving property tax collections experienced a significant decrease through 2010. Assessed valuations continued to drop (at a slower rate) even with predictions of economic recovery, until 2015. While the valuation did not increase significantly, it is the first time in six years that it did not decrease. Since the housing crisis, lending practices have tightened, housing prices have plummeted, the economy has had a slight recovery, and unemployment has decreased slightly. After meeting with the Crawford County Appraiser the valuation projections are based on a 1% increase for 2016, and a 0.5% increase in valuation each year from 2017 through 2019. The graph below shows the projected trend in assessed valuation.

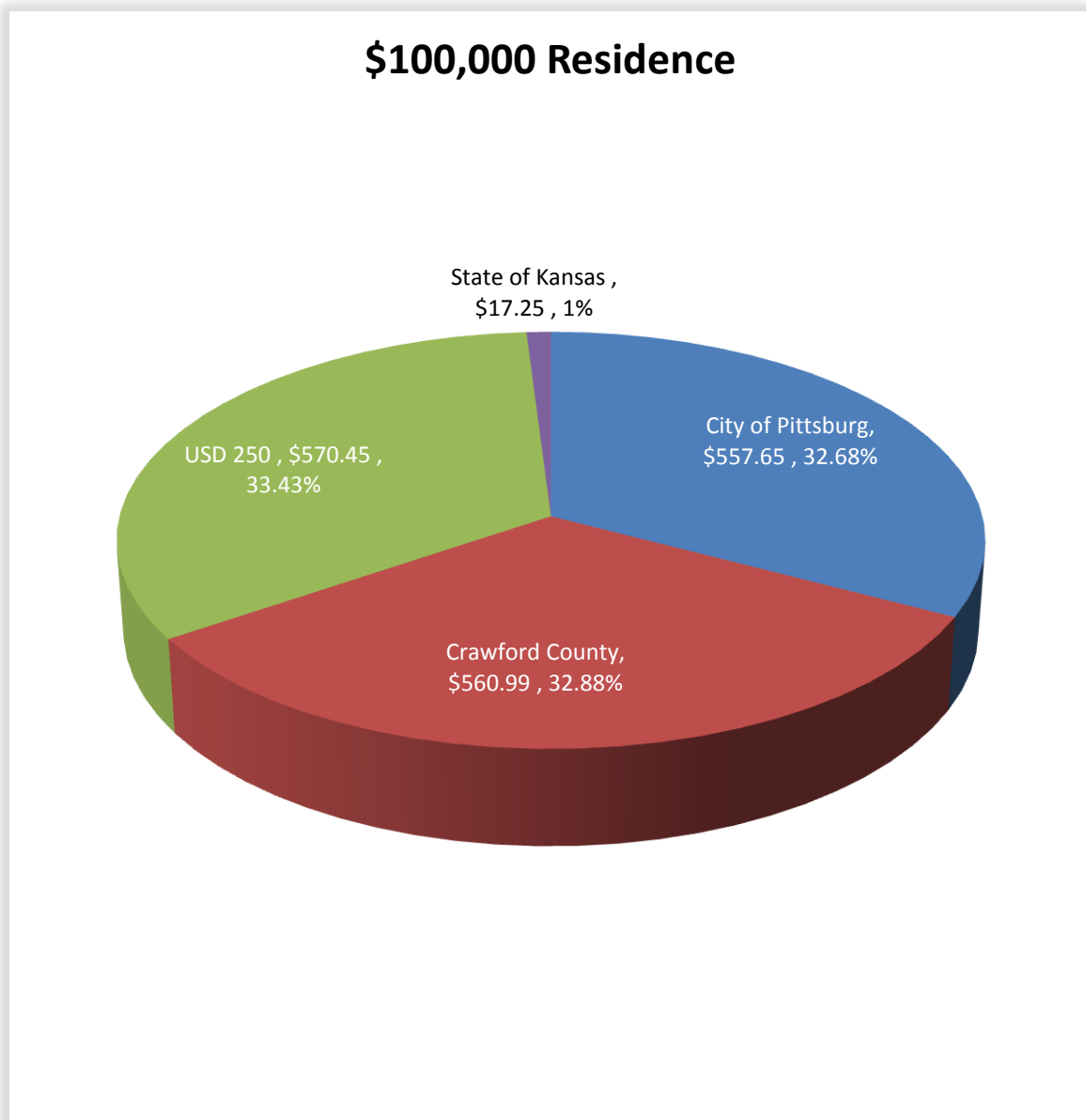


During the period of 2008 through 2010 when the valuations plummeted, the mill levy for the City remained constant and was not increased to compensate for the reduction in property values. During the 2015 budget process, the City Commission approved a two mill increase for the general fund. Additionally, as mentioned earlier, the assessed valuation increased slightly. In 2015, one mill in the City of Pittsburg will generate approximately \$118,096. Historically, the City collects approximately 95% of the taxes levied. While the amount of property taxes levied since 2010 decreased each year (see chart below) until 2015, the projection for 2013 shows a three percent increase over 2012. This is the result of lowering the debt service mill by one and moving it to support general operations.

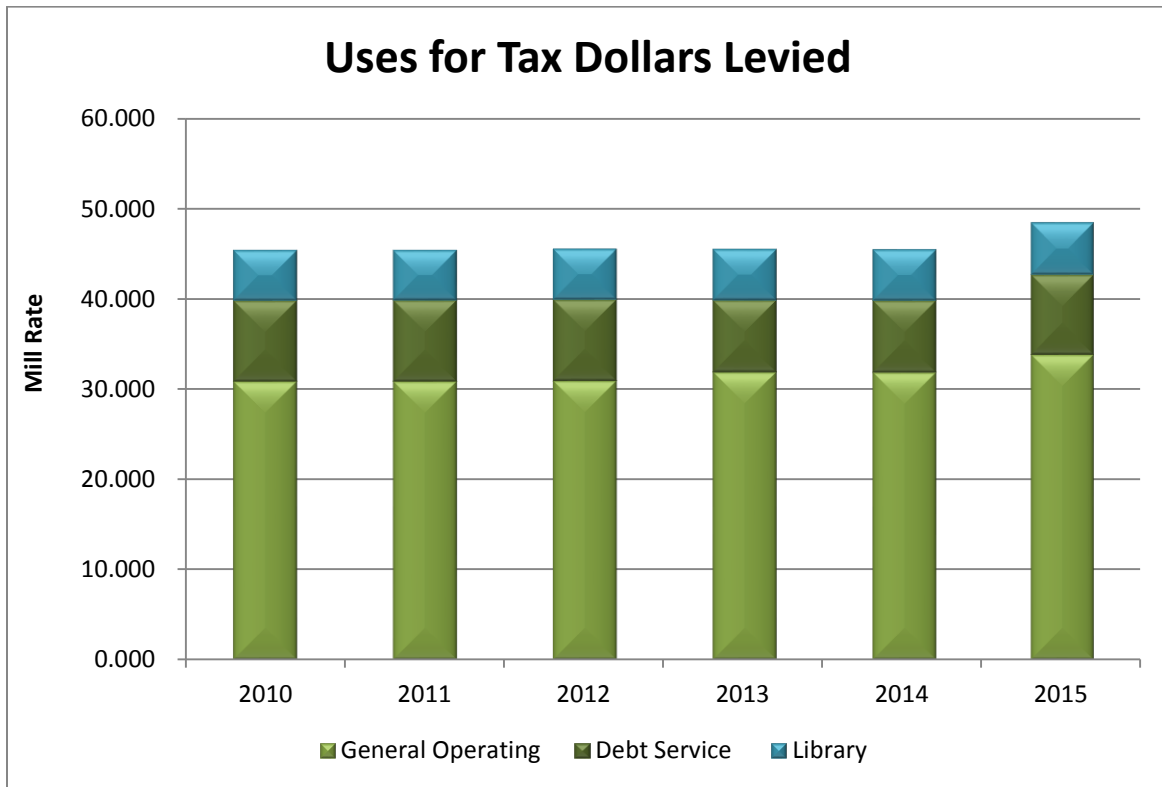
| Valued for  | Net Valuation  | General Fund Mill Rate | Tax Dollars Collected |
|-------------|----------------|------------------------|-----------------------|
| <b>2010</b> | \$ 121,717,189 | 30.899                 | 3,622,549             |
| <b>2011</b> | \$ 118,213,825 | 30.907                 | 3,569,028             |
| <b>2012</b> | \$ 117,919,158 | 30.956                 | 3,637,172             |
| <b>2013</b> | \$ 117,721,546 | 31.933                 | 3,716,583             |
| <b>2014</b> | \$ 117,495,446 | 31.880                 | 3,737,708             |
| <b>2015</b> | \$ 118,095,503 | 33.851                 | n/a                   |

The City receives only a portion of the property taxes paid by residents. The State of Kansas, Crawford County, and the Unified School District #250 also assess taxes on property. A one mill increase on a house appraised at \$100,000 would equal \$11.50.

The following pie chart shows the various property tax jurisdictions within Pittsburg and the approximate cost on a home with an appraised value of \$100,000.

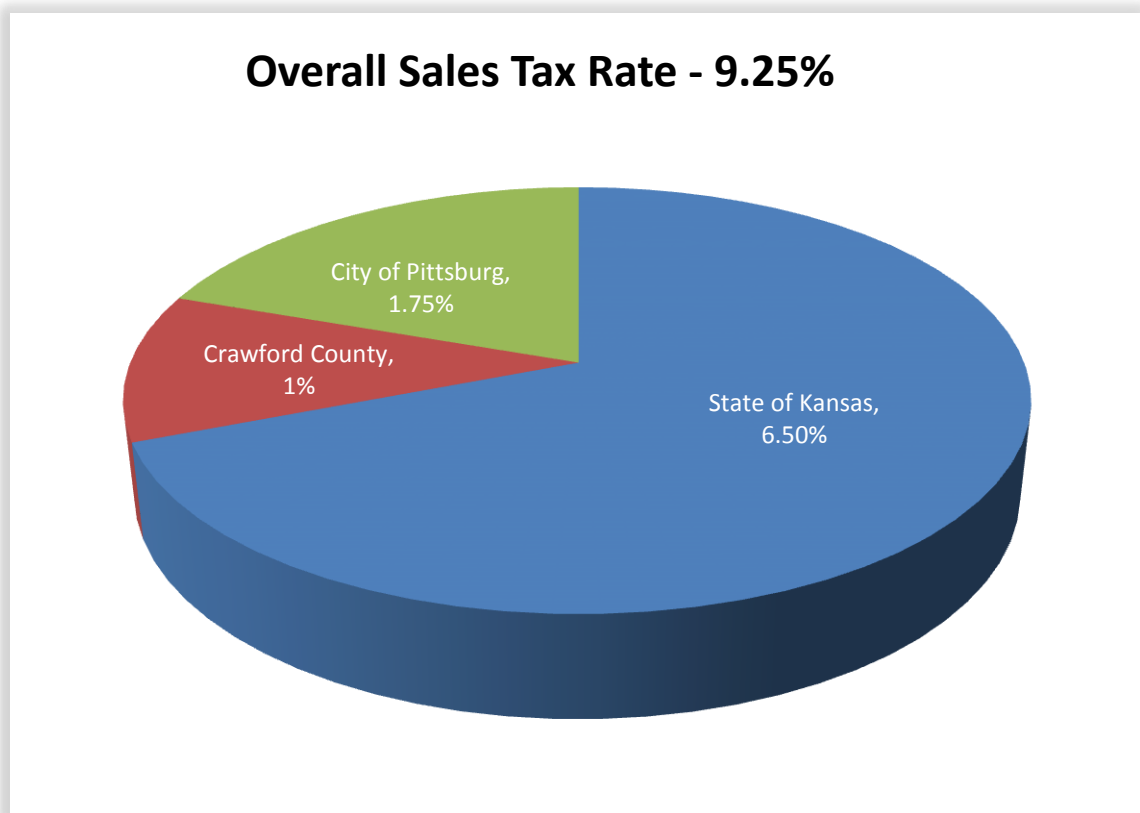


The following graph shows the breakdown of the City property taxes levied.



## Sales Tax:

The following pie chart shows the total sales tax rate within the Pittsburg city limits (excluding TIF District).



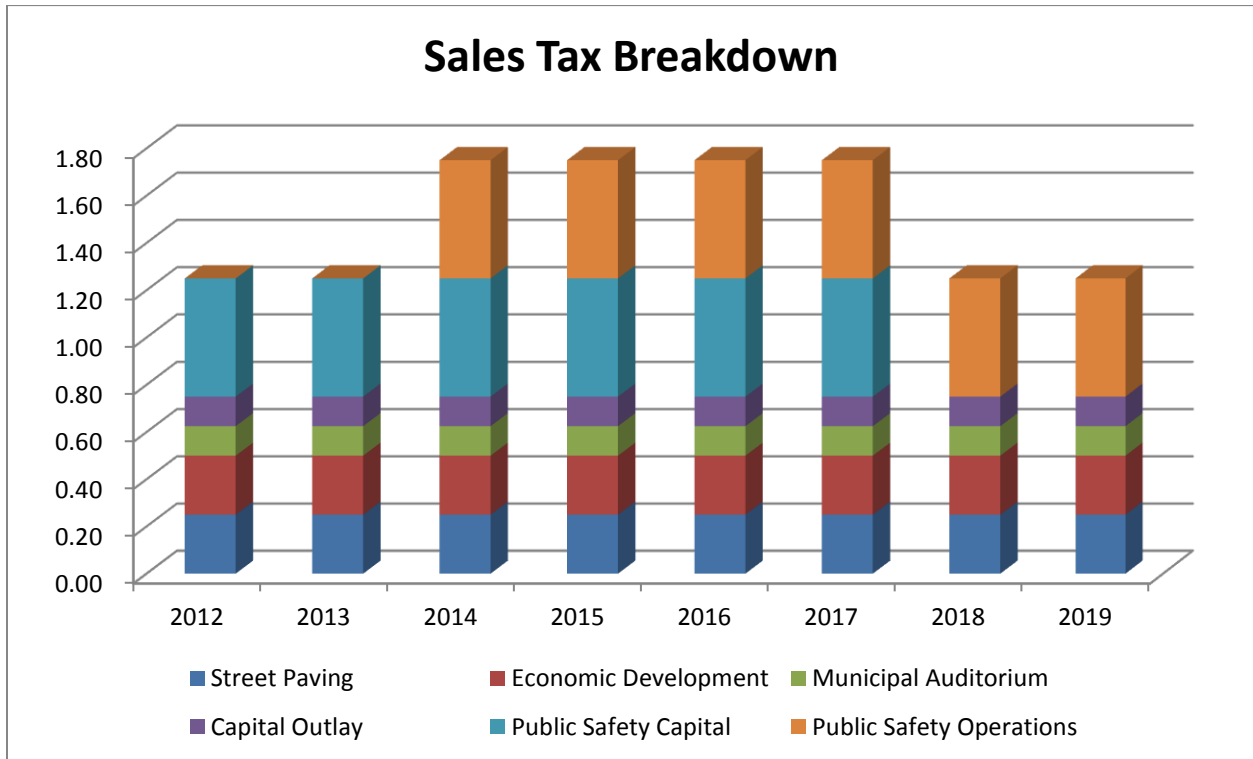
Currently, sales taxes are the leading source of revenue for the City of Pittsburg. However, all the City sales taxes are earmarked for specific uses. The portion of the Crawford County sales tax received by the City is unrestricted and is used to support the General Fund operations.

The City's portion of the sales tax rate is 1.75 percent and is earmarked as follows:

| Sales Taxes In Pittsburgh |             |                 |
|---------------------------|-------------|-----------------|
| <u>Purpose</u>            | <u>Rate</u> | <u>End Date</u> |
| Street Repairs            | .25         | 2021            |
| Economic Development      | .25         | Ongoing         |
| Municipal Auditorium      | .125        | Ongoing         |
| Capital Outlay            | .125        | Ongoing         |
| Public Safety Debt        | .50         | 2017            |
| Public Safety             | .50         | 2023            |
| <b>TOTAL</b>              | <b>1.75</b> |                 |

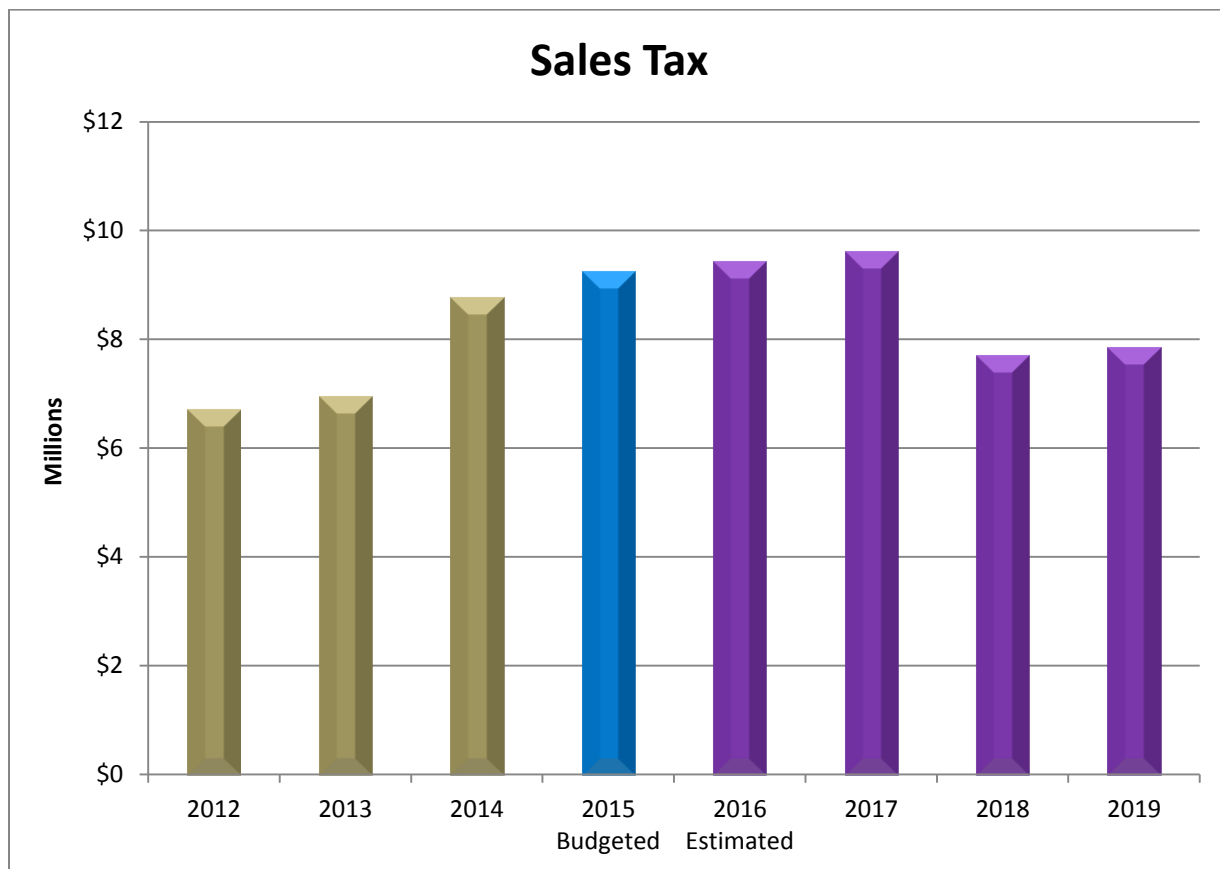
There are six programs funded by dedicated sales taxes in Pittsburgh. Three have renewal or end dates. The sales tax for street repair was authorized for five years and the public safety debt sales tax is only authorized until the bonds are retired. A sales tax to support public safety operations was recently approved and expires in ten years. The quarter-cent for economic development and the quarter-cent which evenly supports municipal auditorium and capital outlay do not expire.

Current estimates project that the public safety debt will be repaid in the fall of 2017, therefore, the graph below shows the retirement of the half cent public safety debt in 2017.



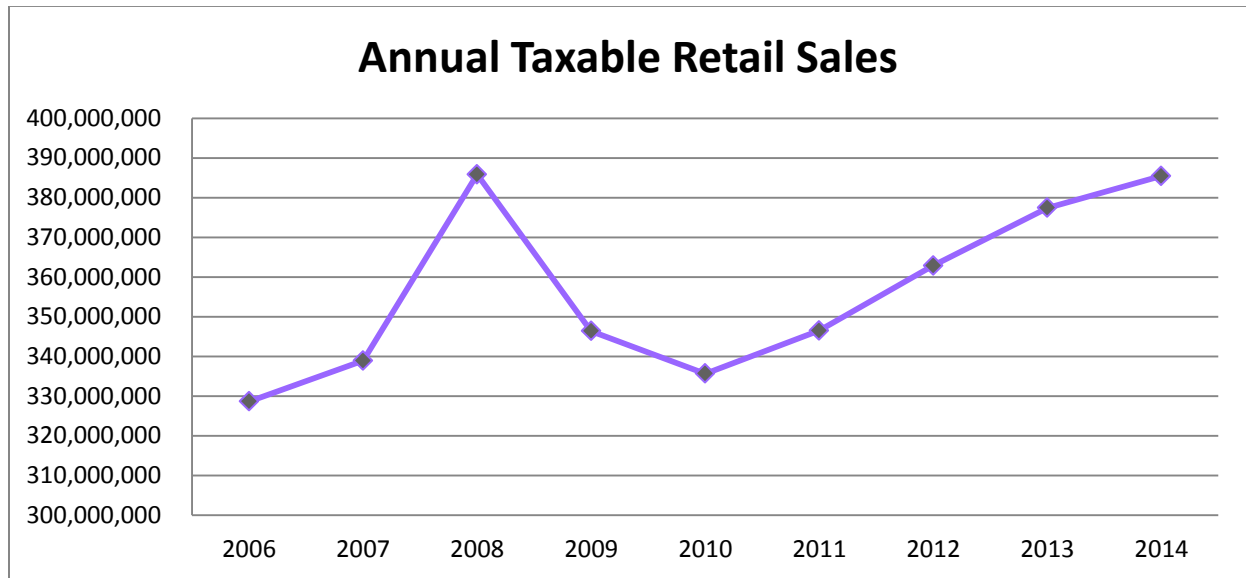
Due to the great recession sales tax revenues dropped from \$5.7 million in 2008 to \$5.3 million in 2010. Since then sales tax revenues have steadily increased. The sales tax revenue collections budgeted for 2015 include a 3% increase and projections include a 2% increase per year for 2016 through 2019.

The following graph shows actual and projected sales tax revenue collections for the City through 2019. The drop in projected revenues in 2018 and 2019 reflects the Public Safety debt repayment in 2017 instead of 2018.



## Annual Retail Sales:

The following graph shows the annual taxable retail sales since 2006.



Taxable retail sales peaked in 2008 as shown above; then dropped by over \$39 million in 2009, with another drop of \$10.7 million in 2010. Since then taxable retail sales have steadily increased. In 2014, retail sales almost reached the same level as 2008. Considering that the 2014 totals also include costs of inflation since 2008, not all of the taxable sales growth is due to increased volume.

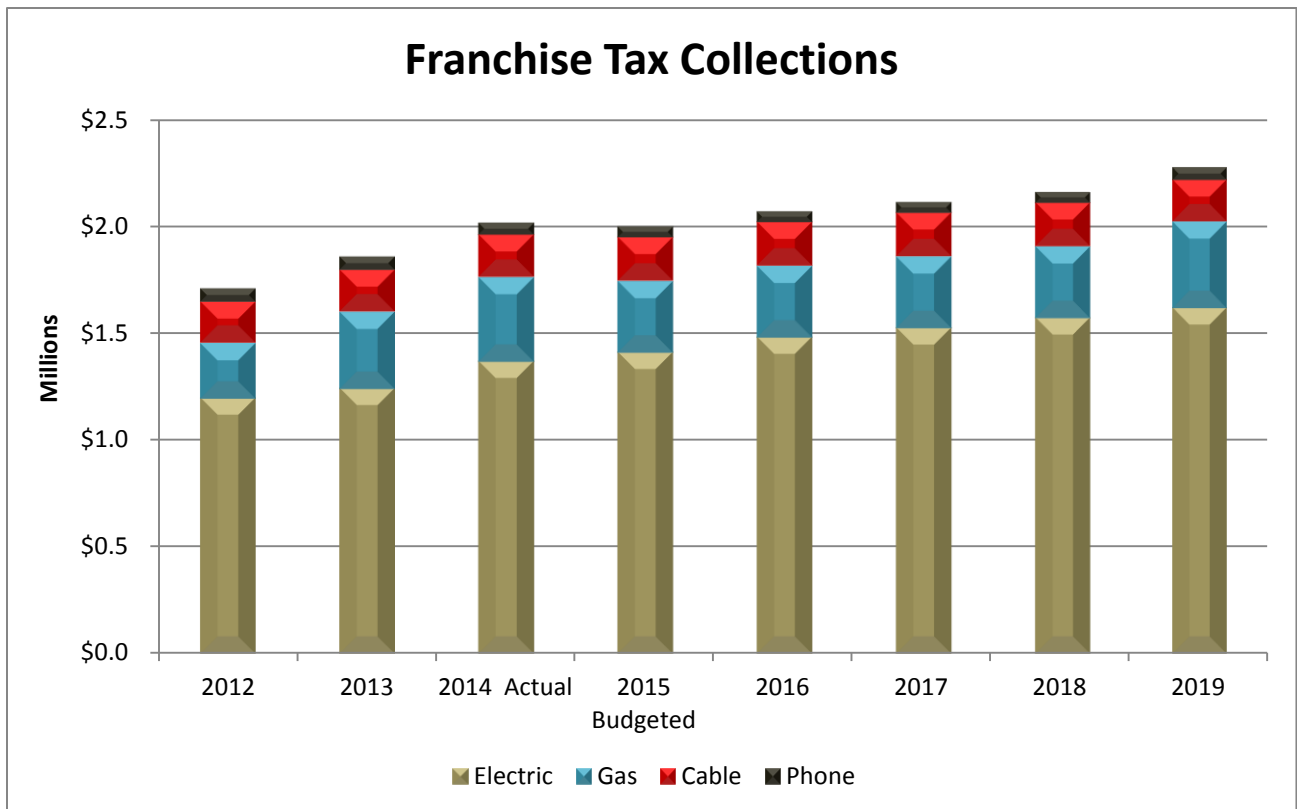
However, it does show that the economy in Pittsburg is slowly but steadily recovering.

### **Franchise Taxes:**

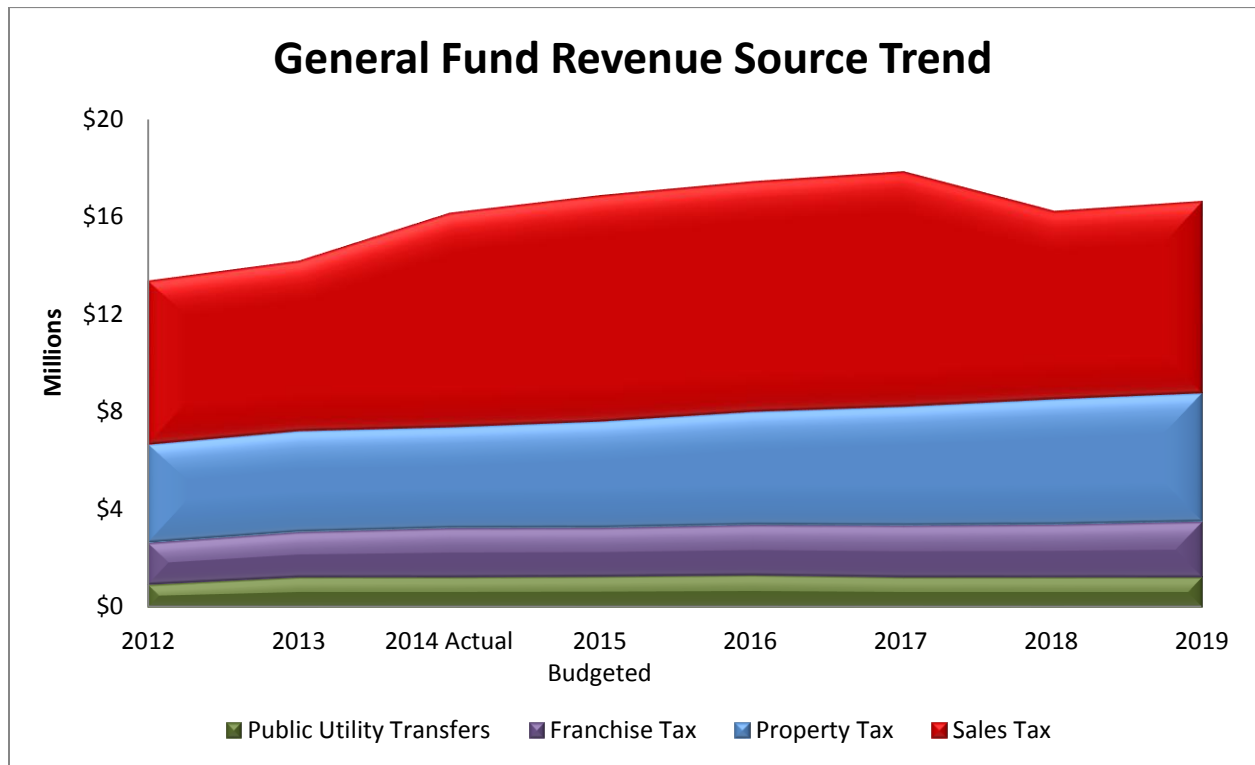
Franchise taxes are the general governments' third largest revenue source; and the second largest unrestricted revenue-second only to property taxes. Franchise taxes for the City include:

- Electric
- Gas
- Cable
- Telephone

Franchise taxes are not consistent, but, their unpredictability is based more on climatic changes and on the commodities market instead of housing and the economy. The electric and gas franchise taxes are specifically driven by climate and commodities. With the reduction of gas prices, projections for franchise fees related to gas have been projected to be flat. Technology has reduced the dependence on land-line telephones, so that portion of franchise taxes is declining. Recently, the electric provider for the Pittsburgh area disclosed a proposed average commercial rate increase of 5% beginning in November of 2015. The graph below shows actual and projected franchise tax collections.



The following graph depicts how the City's major source of general fund revenue has shifted from property taxes to sales taxes.



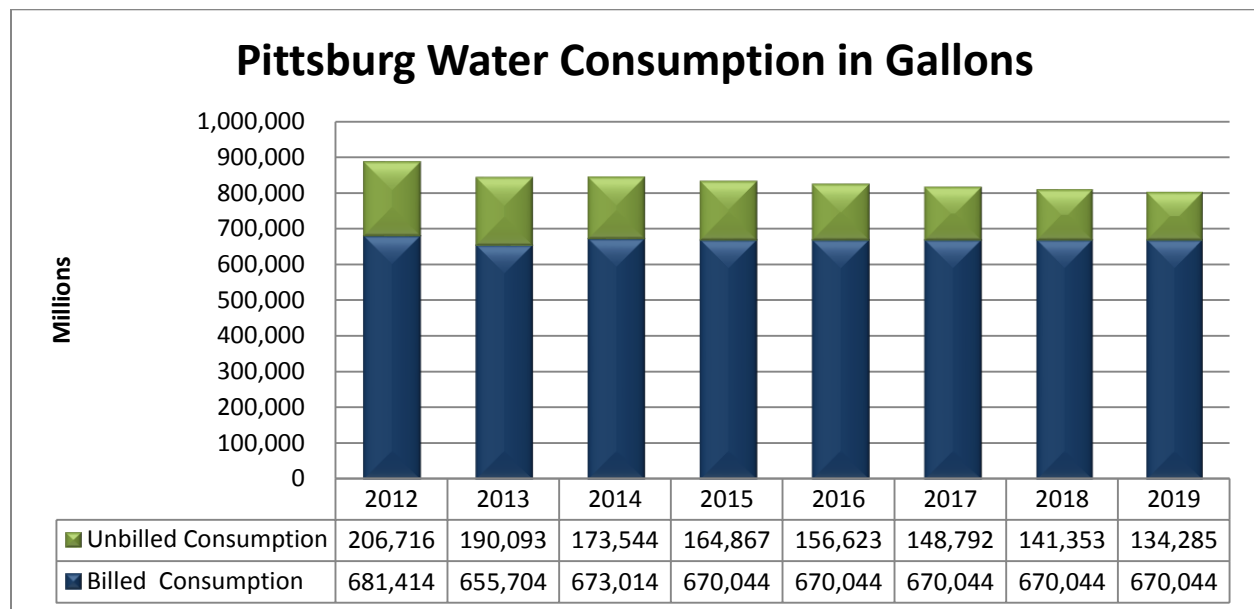
✚ **Other types of Revenues:** The City receives other types of revenues, as well as the ones mentioned above; however, the total is insignificant compared to property taxes, sales taxes, and franchise fees.

- **Intergovernmental Revenues**
- **Investment Income**
- **Fines and Fees**
- **User fees**
- **Licenses and permits**
- **Miscellaneous revenues**

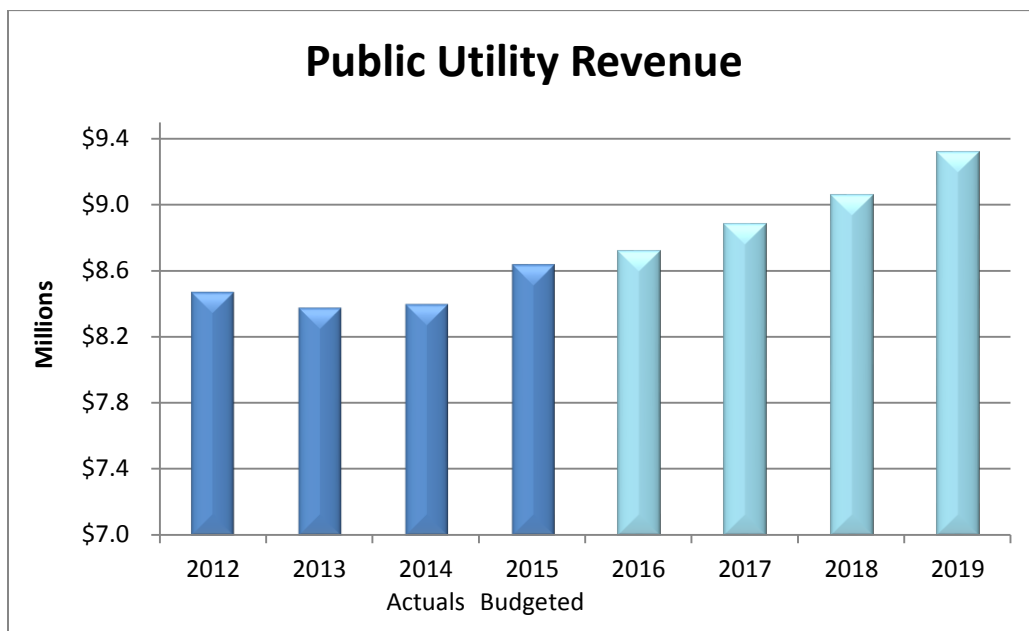
## Public Utilities:

The primary revenue source for public utility activities is user fees. In the case of water and wastewater, the levels of usage are volatile and based on climatic conditions, as well as types of consumer base. For example, the City experienced a large drop in water consumption between the years 2007 and 2009 due to the closure of Superior Industries, which was the City's largest water consumer. Also if the season is mild and wet, water use is lower than during high heat and drought conditions.

The graph below depicts actual and projected water consumption for the City's water utility. The 2014 consumption level is slightly higher than 2013 due to weather related conditions. The graph below shows the estimated usage for 2015 through 2019, since we do not know what climatic events or economic development will occur to impact the usage. The blue portion of the graph represents billed consumption and the green portion of the graph represents un-billed consumption. The years 2012-2014 show that progress is being made on reducing water loss in the system. The billed consumption projections for 2015 through 2019 are based on the three year average of the 2012-2014 consumption range and the unbilled consumption trend is based upon a 5% reduction a year for years 2015-2019.

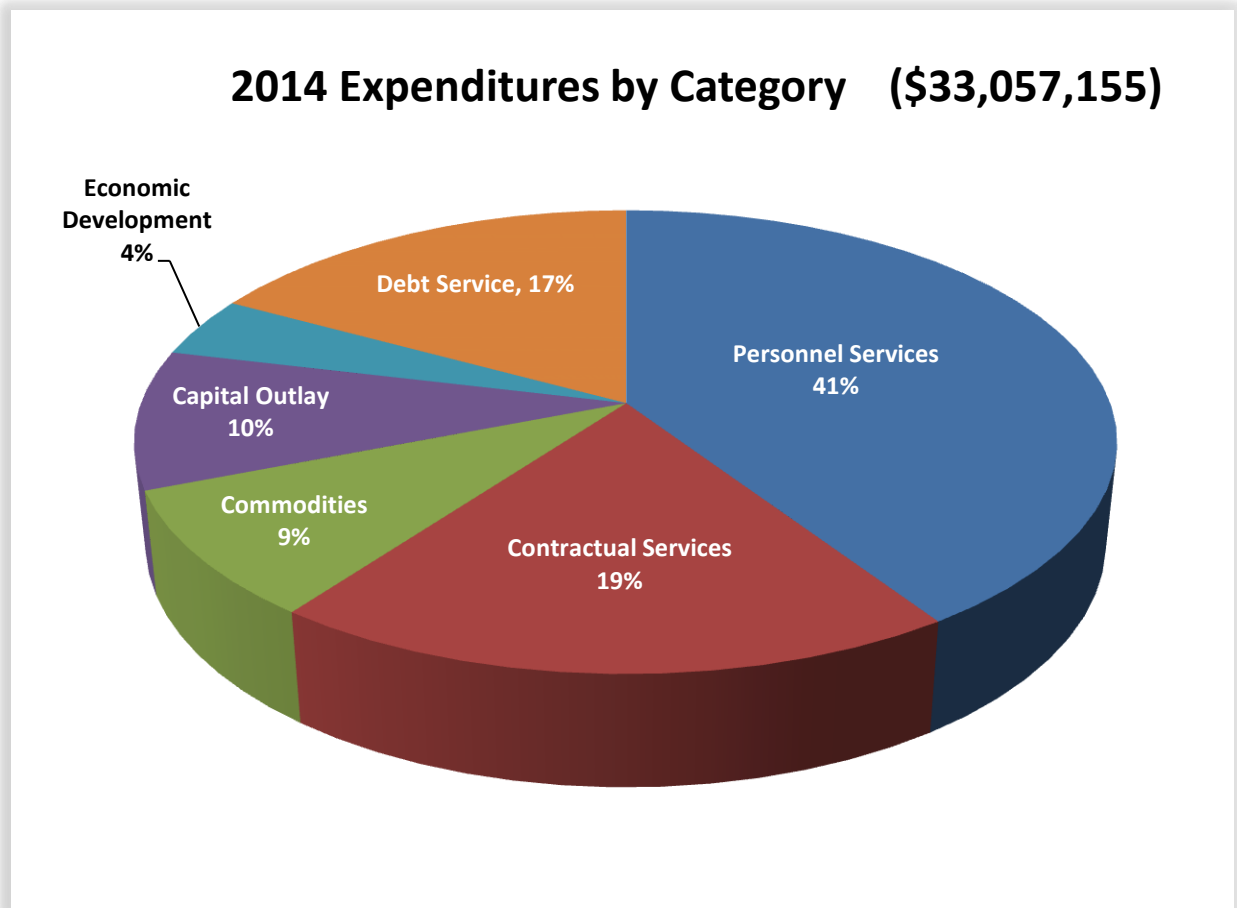


Things that impact water revenues are annual climate conditions, water loss, whether through aged meters or unidentified leaks, changes in impervious areas, and rate changes. During the 2015 budget process, the City Commission approved a 3% increase in rates that became effective January 2015. This was the first rate increase since January 2012.



## EXPENDITURES

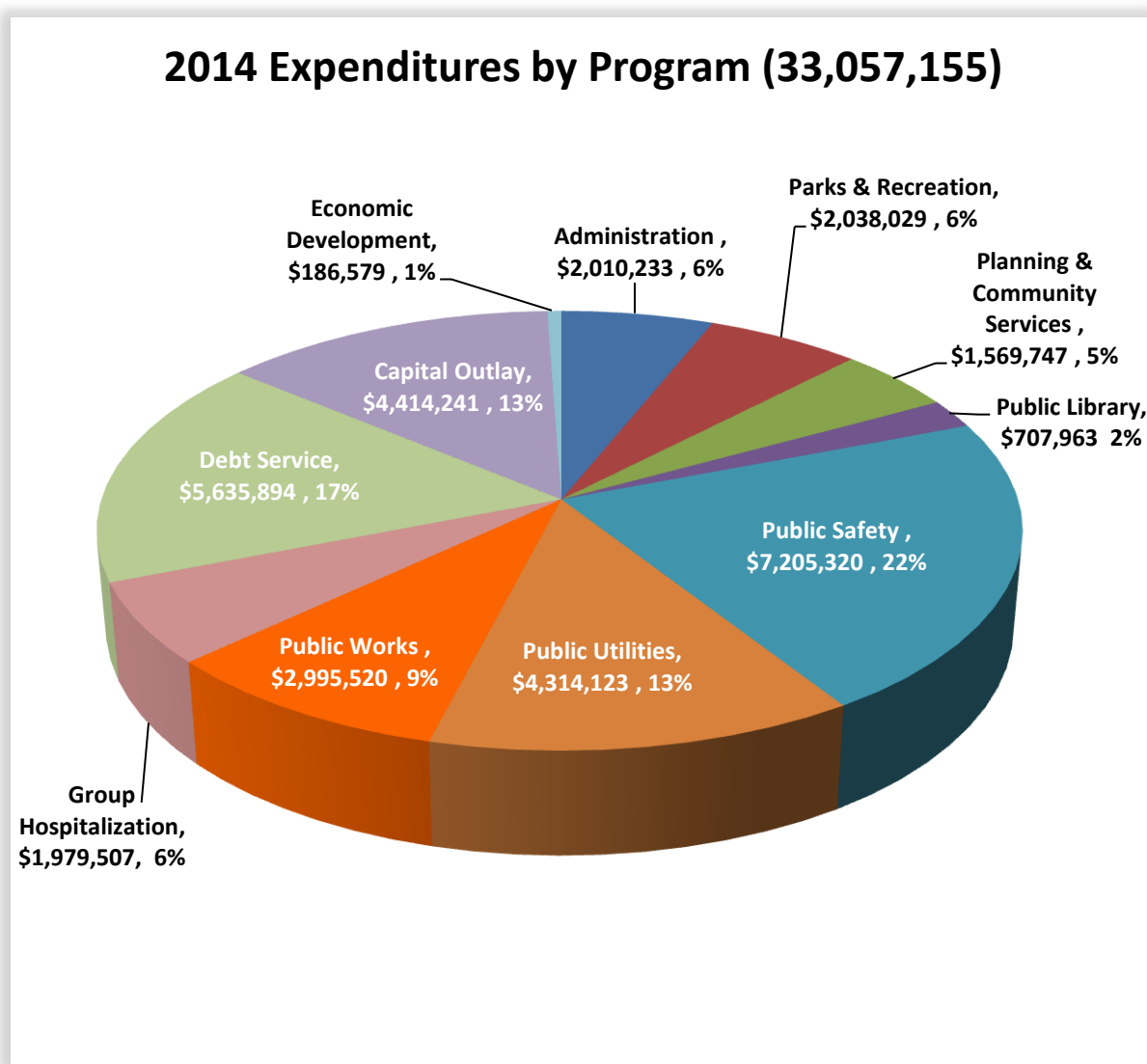
The City is redirecting its financial focus to performance-based initiatives and is budgeting expenditures accordingly, in order to accomplish goals. The following chart shows the expenditures by category for 2014.



Personnel expenditures, as is the case with most entities, represent the majority of the City's expenditures. Personnel costs include salaries and benefits. The 2015 Budget included 2.5% for merit increases, as well as anticipated increases for the Kansas Public Employees Retirement System (KPERs), Kansas Police and Fire (KP&F) retirement, health insurance and worker's compensation. Recently KPERs announced significant unfunded actuarial liabilities which existed for several years. The Kansas Legislature approved a plan to increase employer contributions to compensate for the shortfall. It is anticipated that retirement cost increases will continue to be passed on to the local level.

Contractual services includes a variety of expenses including but not limited to property and liability insurance, group medical insurance, software license agreements, utility costs, and lease payments for certain equipment. With the proposed rate increases for the electric utility, the 2016 costs are anticipated to be 5% higher, and 2017 through 2019 costs are anticipated to be 3% higher each year. As these contractual items are tied to the cost of living, consistent growth is inevitable and since this represents nearly one-fifth of the General Fund, the impact on services could be significant.

Another useful way to view the City's expenditures is by program. The 2014 expenditures by program are shown below. The Public Safety Program holds the largest percentage of expenditures. The next largest expenditures are for Debt Service, Capital Outlay, and Public Utilities, respectively.



## **Group Hospitalization**

One of the benefits the City provides is health care coverage to both active employees and their dependents and age/service-eligible retired employees who have not reached the Medicare eligibility age of 65, and their dependents.

The city's health care plan is a self-funded plan paid for by annual appropriations and participating employees' contributions to the plan. Self-insured plans are often referred to as "pay as you go." This is because the claims are paid as they are incurred rather than paying premiums. Any balance that is unused stays in the fund to help offset future costs.

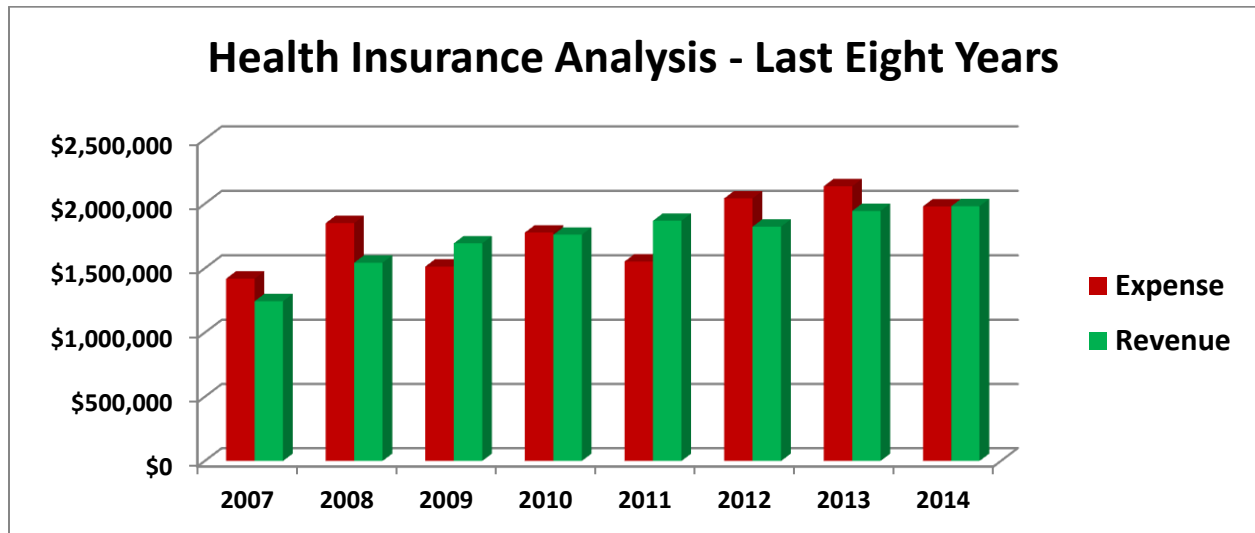
While being self-funded has the advantage of paying for only what is used, health care costs still increase annually. Based on the city's historical costs for the past eight years, the average increase in health care cost has been 6.53%. During 2014 some changes were made to the plan and in 2015, the plan was restructured and put out for bid using the consulting firm The Power Group. The bid was awarded to a different third party administrator for 2015 based upon The Power Group's projected savings, but it is too soon to quantify the results. During the 2015 budget process, the City Commission approved a 2% increase in employer contributions to the Health Care Program and eliminated the employee Wellness Program as the data could not confirm any savings under the plan as structured.

Since 2007, annual expenses have fluctuated and have been higher than the revenues generated for five of the eight years. Fortunately, there were reserves available to offset the shortfall. After the changes made during 2014, health care expenses did not exceed the revenues. However, the level of reserves still falls short of the minimum level established by the City Commission approved Reserve Policy and this fund still warrants special attention. The long-term financial plan annual calculations for 2016 through 2019 are based on a 5% average increase.

While some of the following options have been exercised in 2015, these options are still considerations available to address the situation:

- Change plan/administrators
- Increase employer/employee contributions
- Increase plan deductibles
- Combination of all three of the above options

The graph below shows a comparison of revenues to expenditures for the last eight years of the City's health insurance program.



## Capital Improvements

Capital expenditures are resources used to acquire, maintain, repair, replace, or upgrade fixed assets. Fixed assets are typically those assets with a life span exceeding a normal business cycle and whose cost exceeds a minimum dollar threshold established by management.

These assets are used to provide services to the public and during the course of their lifetime will require maintenance to keep them operating safely and efficiently. The performance and continued use of assets is essential to the health, safety, economic development, and quality of life for the public.

Budgetary pressures often cause maintenance to be delayed due to lack of resources. This is referred to as deferred maintenance. Prolonged deferred maintenance results in higher costs, asset failure, and health and safety issues. Therefore, in order to adequately address these issues, a capital improvement plan is essential.

Currently, the City's fixed assets have a net value in excess of \$97 million dollars. It is estimated that the city should spend about 5% of the value of assets, annually, on maintenance. This equates to approximately \$5 million dollars each year.

The City has identified in excess of \$45 million dollars of upgrades, maintenance or replacements necessary through 2019. Of this amount, \$24.5 million is currently unfunded. Effective financial management includes a capital management plan that will address these needs. The capital Improvement program located in the supplemental information section summarizes the estimated costs of repairs, maintenance, and replacements for 2015 through 2019 and beyond, by department and asset type. During the 2014 budget year the following needs were addressed:

- Mill and resurface North Broadway from 11<sup>th</sup> St to 19<sup>th</sup> St
- Centennial and Broadway Intersection
- 20<sup>th</sup> and Broadway intersection
- Water Treatment Plant Generator
- Phase I of the Waste Water Treatment Plant Controls
- Replacement of an 8" water line on S Elm
- Replacement of a 6" waterline on S Locust
- 8" waterline on W Jefferson was begun

## **DEBT SERVICE**

Effective financial management includes analyzing several funding mechanisms to determine what option is the most beneficial to the City. In some cases, issuing debt is the best available option. The City of Pittsburg traditionally uses debt for equipment and capital improvements which cost too much to pay from the operating budget. The financial plan for the City includes debt payments for current obligations and forecasted payments associated with issuing new debt in 2014 and refinancing KDHE loans in 2015. Those additional payments are anticipated to begin in 2015.

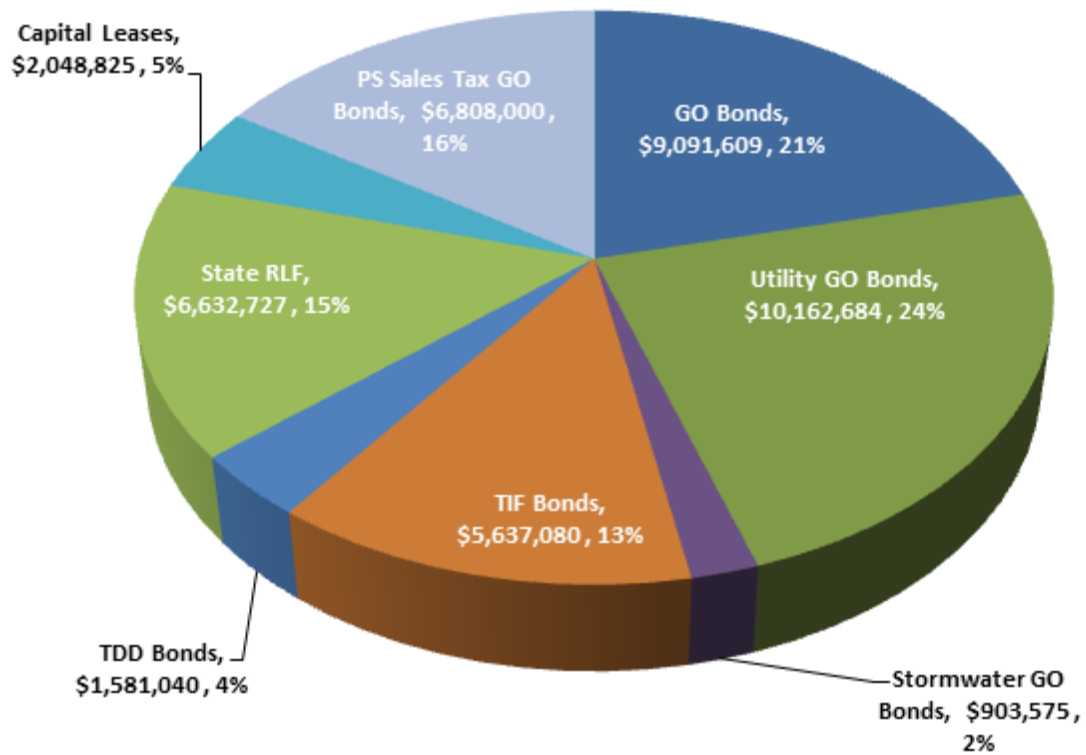
The revenues for making the debt payments are derived from the following sources based upon the nature of the improvement and the type of debt that has been issued:

- Property Taxes
- Charges for Services
- Special Assessments
- Investment Income
- Transfers
- Other

### **Types of Debt**

The City of Pittsburg uses several types of debt to pay for capital improvements and expensive equipment. The graph below shows the type of debt and the category percentage of the City's total debt. The Utility G.O. Bonds and State RLF Loans reflect the upcoming refinancing of two KDHE loans with G.O. Bonds. This is estimated to result in a savings of approximately \$450,000 in interest costs over the remaining term of the debt.

## Pittsburg Outstanding Debt 2015



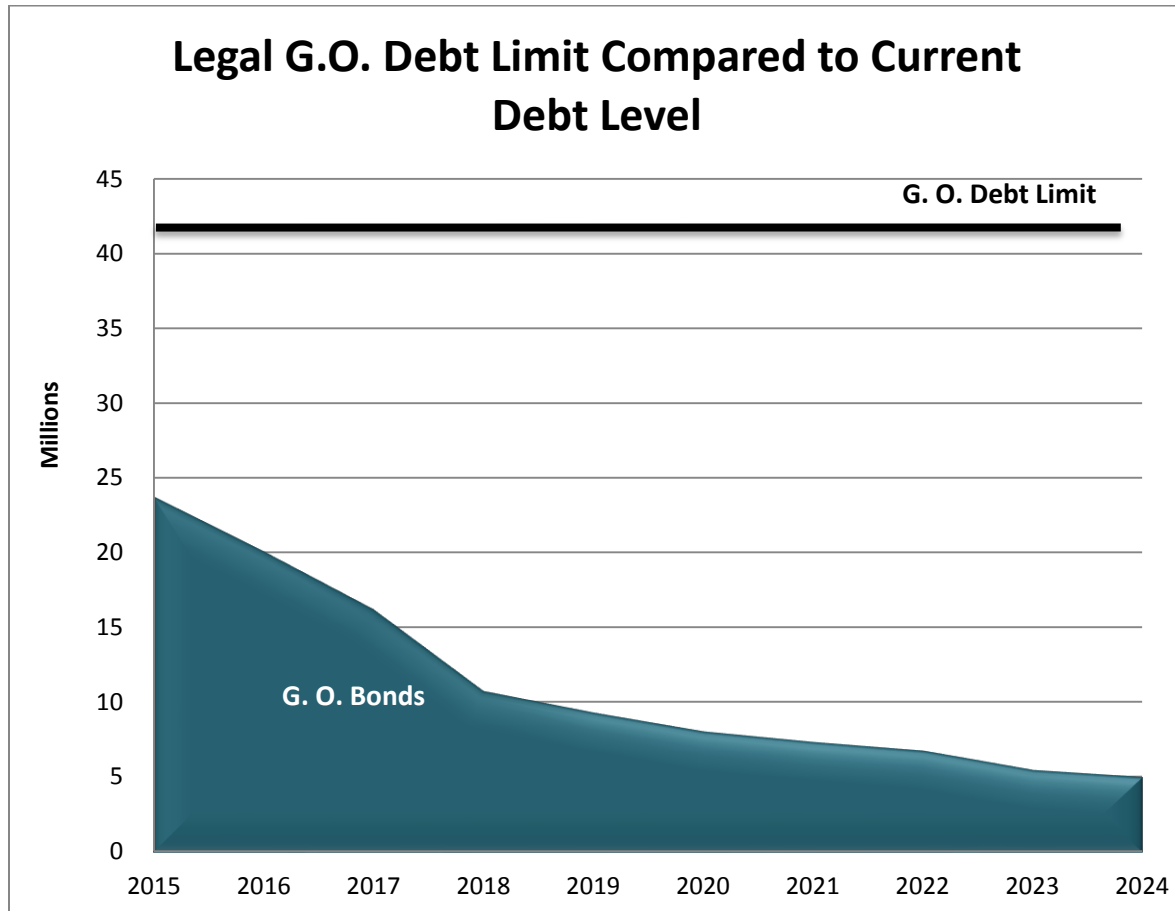
Effective debt management requires monitoring debt levels to ensure the soundness of the City's financial position and continued credit worthiness. The City uses the following measurement tools to manage its debt levels:

### Fiscal Year 2015

Net direct bonded debt:

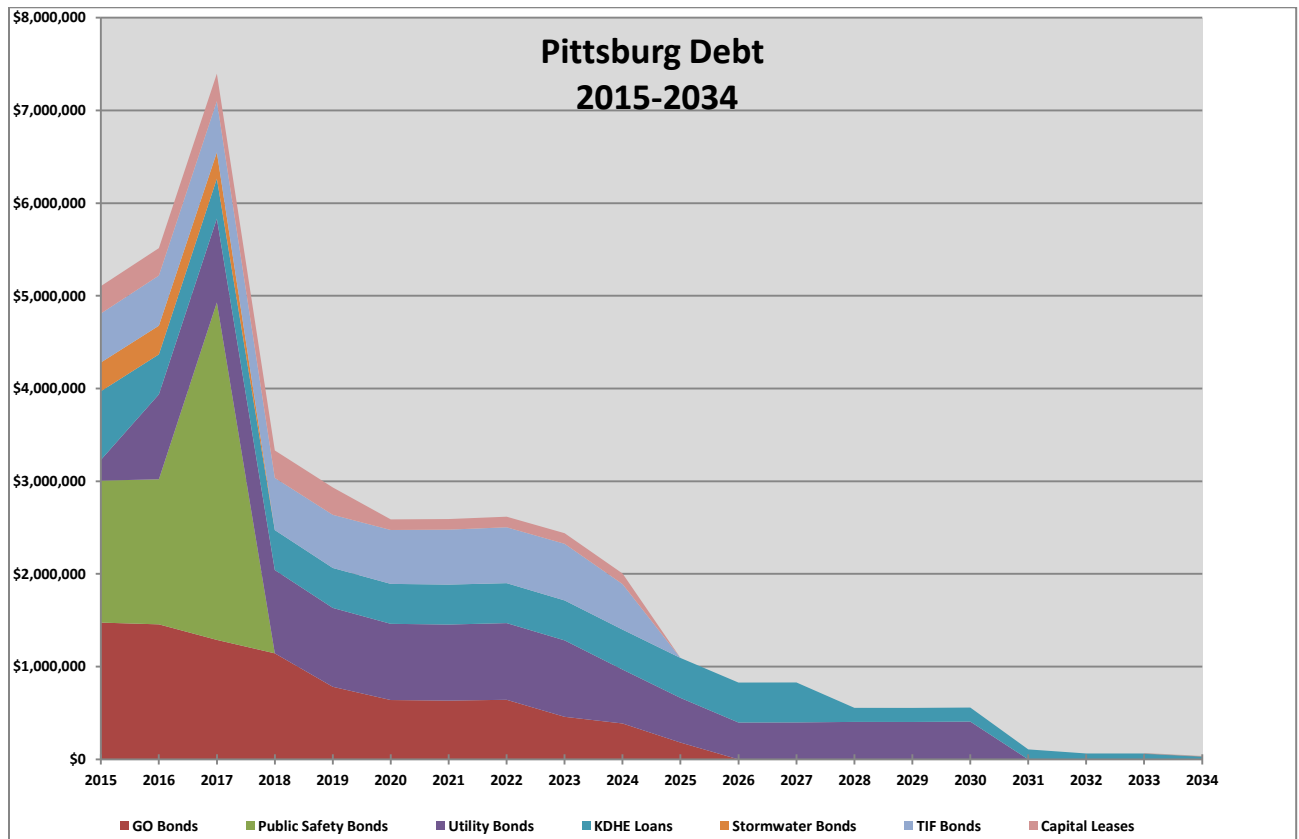
|  |             |
|--|-------------|
| Statutory requirements for General Obligation Debt (less than)         | 30%         |
| City's General Obligation Debt (as a percentage of Assessed Valuation) | 17.7%       |
| General Obligation Debt per Capita                                     | \$ 1,174    |
| Mills  | 8.880 mills |

The following graph shows the difference between the City's current total outstanding G.O. Debt compared to what is allowed according to state statutes. The blue indicates the City's current level of G.O. Debt and the black line indicates the legal limits (30% of assessed valuation including motor vehicle):



### Cumulative Debt:

The following graph depicts the City's total annual debt by type and the year the bonds are scheduled to be retired. The Stormwater bonds and the Public Safety bonds are scheduled to be retired in 2017.



## RESERVES

Reserves are the cornerstone of financial stability and flexibility, providing an organization options with which to respond to unforeseen risks. The most challenging issue regarding reserves is the balance between enough and too much. While there is no specific right or wrong answer, there are analytical tools that can determine what an appropriate level is for each organization. Several risk factors to be considered are:

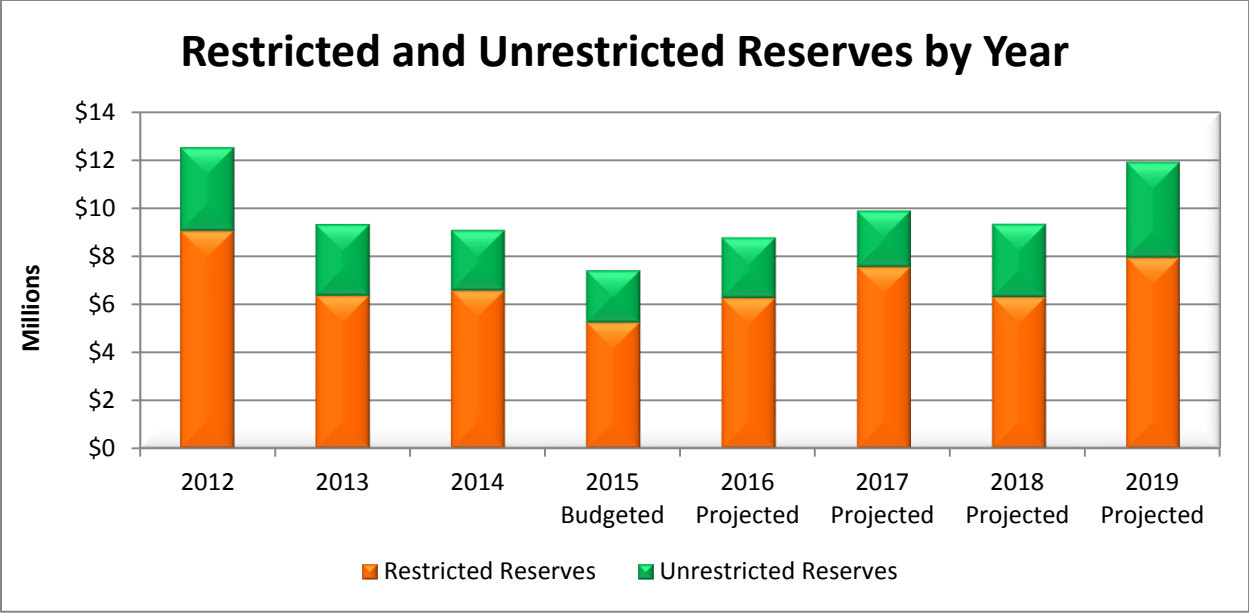
- Revenue volatility
- Infrastructure condition
- Extreme events such as weather
- External Factors

The Government Finance Officers Association (GFOA) recommends adequate reserves at 16% of revenues for governmental funds and two months of expenditures for enterprise funds. The City has determined that it should maintain the equivalent of two months of expenditures as a minimum reserve level.

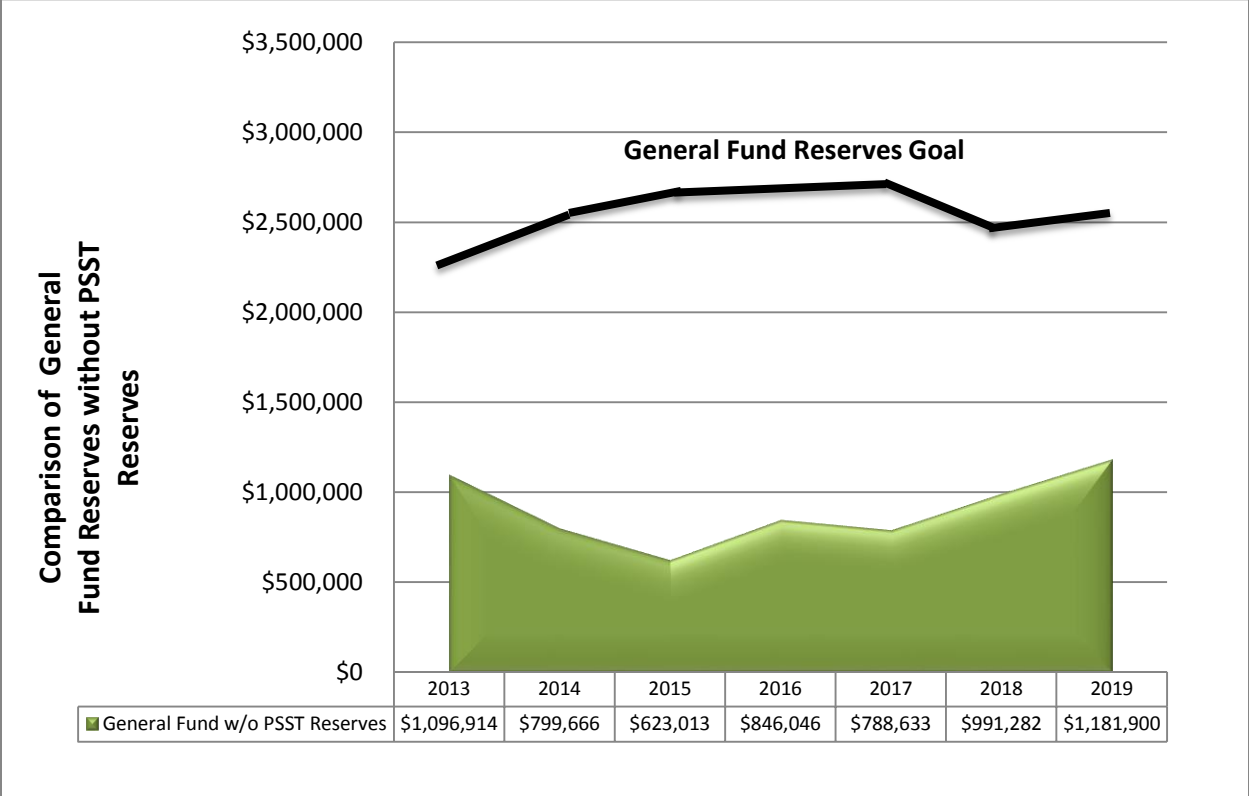
During the economic downturn, some minor measures were taken to offset the decrease in property tax revenues including staffing reductions through attrition and some reductions of expenditures, however, reserves were used most often to pay for programs and services.

With the projected growth in property and sales tax collections, reserves should start to improve, as long as we continue to adjust our spending and revenue picture.

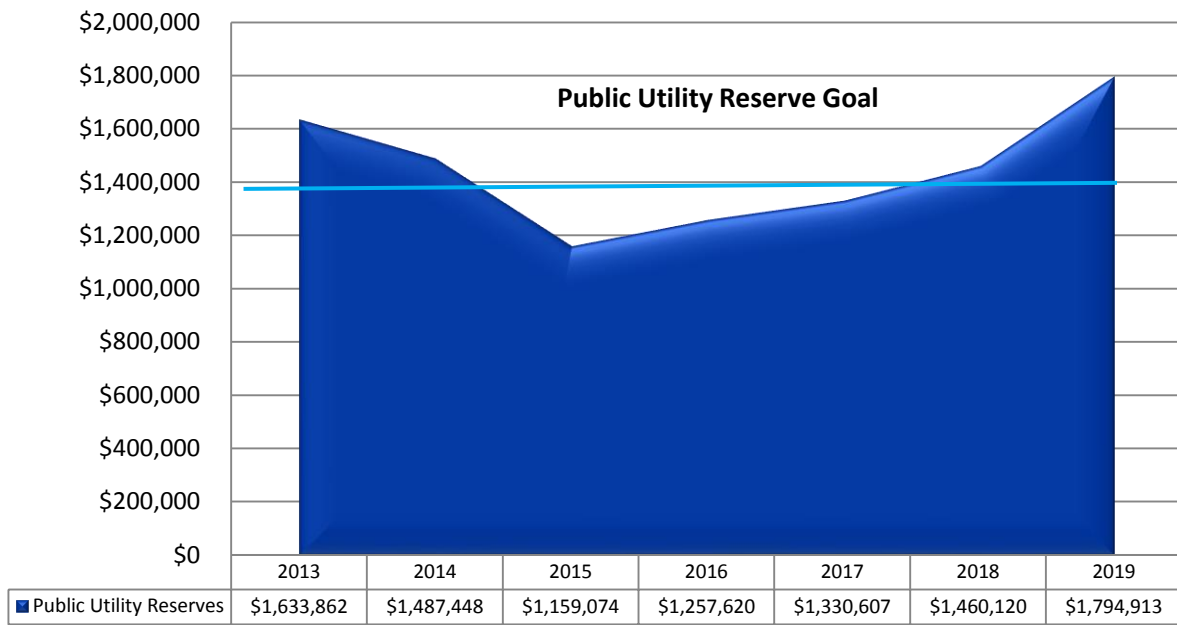
The Chart on the following page shows the impact of staff recommendations on restricted and unrestricted reserves.



The following graphs show the projected improvement in fund balance:



**Comparison of Public Utility Anticipated Reserves to Reserves Goal**



## **SUMMATION AND RECOMMENDATION:**

Fortunately, the City of Pittsburgh had reserves to rely on during the worst of the economic downturn; however, those reserves have declined because they have been used to balance the budget. Current decisions and plans will have a direct impact on the financial stability and the ability of the City to thrive throughout future financial challenges. The purpose of this document is to outline the current financial position and provide insight to some of the issues that the City faces in the near future.

As mentioned earlier, external factors are those that the city has very little control over and yet those factors have a significant impact on our financial position. Some of those factors are property valuations, extreme or unusual weather, intergovernmental funding source reductions, health insurance costs, property and liability insurance costs, retirement rate changes, and other consumer pricing increases.

Deferring maintenance on city infrastructure and other fixed assets is both costly and inefficient. Providing service to the citizens efficiently and effectively requires that we devote resources to maintaining and/or replacing those assets.

As mentioned previously, reserves were declining. It is difficult to protect and impossible to replenish our reserves without adjusting our revenues and expenses.

### **Summary**

- Baseline assumptions:
  - 3% annual growth in sales tax collections for 2015 and 2% annual growth in sales tax collections for 2016-2019
  - 1% increase in assessed valuations for 2016
  - 0.5% increase in assessed valuations for 2017 through 2019
  - All other revenues project minimal growth
  - Group hospitalization costs continue to rise at an average rate of 5% annually
  - Fringe benefits such as retirement and workers compensation will continue to increase
  - Utility rates continue to rise (Electric up 5% in 2016 and 3% 2017-2019)
  - Property and liability insurance will continue to increase at an average rate of 8% annually

- HUD
  - The Section 8 Housing program administrative revenues received from HUD continue to decline. The result is increased general fund contribution needed to operate that program. The effect of this is the reduction of our General Fund reserves.

To ensure our future financial stability we must consider:

- Increasing revenues incrementally
- Monitor and control expenditures
- Build reserves
- Practices long term planning
- Make data driven decisions

Specifically we recommend:

- The Staff Recommendation is:
  - No salary increase in 2016 or 2018 and 2.0% in 2017 and 2019.
  - Increase the employer/employee contribution by 5% to meet the increasing cost for group hospitalization
  - Increase the General Fund mill rate by:
    - 2.0 mills to 35.851 for 2016
    - 2.0 mills to 37.851 for 2017
    - 2.0 mills to 39.851 for 2018
    - 1.0 mills to 40.851 for 2019
  - Increase utility rates by:
    - 1% for 2016
    - 2% for 2017
    - 2% for 2018
    - 3% for 2019

Changes in our economic condition will affect our projections. We will review our situation annually and adjust as needed.