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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

August 25, 1988
RA881276:MLM:ldm

CITY HALL
ROOM 104
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SACRAMENTO, CA
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Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: REVENUE PROJECTION ACCURACY ANALYSIS

SUMMARY

This informational only report provides the Budget and Finance Committee with an accuracy analysis of the revenue projections since FY 1983/84.

DISCUSSION

Exhibits I and II are an analysis of the accuracy of the City revenue projections for the General Fund and All Funds since FY 1983/84. Beginning with FY 1984/85, the City has utilized the services of an economic consultant to forecast the major City tax revenues.

The current economic consultant, Data Resources, Inc. (DRI), forecasts the major General Fund tax revenues in addition to providing an economic statistical base for City staff to use for all revenue forecasting. Exhibit III is an analysis of the DRI revenue forecasts for FY 1987/88.

Revenue forecasting is not an exact science nor is it an art. Staff utilizes scientific methodology and insight to develop most forecasts. A balance is sought between the need to be fiscally conservative and producing an accurate projection of the expected revenues for fiscal planning purposes.

The recommended 4.0% General Fund Reserve for Economic Uncertainty provides a safety net for forecasting errors. The General Fund has over 100 revenue sources that must be separately forecasted and then aggregated. A single incorrect assumption (for example, rate of population growth) can skew these separate revenue sources.


Staff views the 4.0% reserve as an acceptable standard of deviation for evaluating the accuracy of the revenue forecasts. Utilizing the economic and revenue forecasting data provided by the City's economic consultant since FY 1984/85, the City Approved Budget and Midyear Projections revenue forecasts have had less than 4.0% error, with the exception of the General Fund Approved

Budget forecast for FY 1985/86. Each year the forecast is compared to the actual revenues and the forecast model is fine-tuned to adjust for changing conditions that affect the model's accuracy.


RECOMMENDATION

This report is informational only and does not require Budget and Finance Committee action.

Respectfully submitted,


MICHAEL L. MEDEMA
Revenue Manager

APPROVED FOR COMMITTEE INFORMATION:



JACK R. CRIST
Deputy City Manager

Attachment

September 13, 1988
All Districts

CITY OF SACRAMENTO
 GENERAL FUND
 REVENUE FORECAST ANALYSIS
 FY 1983-84 THROUGH FY 1987-88
 (000'S OMITTED)

FISCAL YEAR	APPROVED BUDGET	MIDYEAR PROJECTION	ACTUAL	AMOUNT OVER (UNDER) BUDGET	AMOUNT OVER (UNDER) PROJECTION	PERCENT OVER (UNDER) BUDGET	PERCENT OVER (UNDER) PROJECTION
1983-84	\$ 84,390	\$ 90,898	\$ 99,166	\$ 14,776	\$ 8,268	17.5%	9.1%
1984-85	107,453	106,705	109,946	2,493	3,241	2.3	3.0
1985-86	117,084	123,188	123,931	6,847	743	5.8	.6
1986-87	133,166	132,231	134,369	1,103	2,038	.8	1.5
1987-88	143,215	139,985	139,202	(4,013)	(783)	(2.8)	(.6)

EXHIBIT II

CITY OF SACRAMENTO
ALL FUNDS
REVENUE FORECAST ANALYSIS
FY 1983-84 THROUGH FY 1987-88
(000'S OMITTED)

FISCAL YEAR	APPROVED BUDGET	MIDYEAR PROJECTION	ACTUAL	AMOUNT OVER (UNDER) BUDGET	AMOUNT OVER (UNDER) PROJECTION	PERCENT OVER (UNDER) BUDGET	PERCENT OVER (UNDER) PROJECTION
1983-84	\$148,718	\$157,814	\$174,413	\$ 25,695	\$ 16,599	17.3%	10.5%
1984-85	181,615	186,118	188,112	6,497	1,994	3.6	1.1
1985-86	207,442	216,878	213,090	5,648	(3,788)	2.7	(1.7)
1986-87	224,183	226,611	218,720	(5,463)	(7,941)	(2.4)	(3.5)
1987-88	246,331	241,672	239,086	(7,245)	(2,586)	(2.9)	(1.1)

EXHIBIT III

CITY OF SACRAMENTO
 DRI PROJECTED FUNDS
 FORECAST ANALYSIS
 FY 1987-88
 (000'S OMITTED)

REVENUE SOURCE	18 MONTH FORECAST MIDYEAR 87	6 MONTH FORECAST MIDYEAR 88	UNAUDITED ACTUAL	AMOUNT OVER (UNDER) 18 MONTHS	AMOUNT OVER (UNDER) 6 MONTHS	PERCENT OVER (UNDER) 18 MONTHS	PERCENT OVER (UNDER) 6 MONTHS
PROPERTY TAX	\$ 37,775	\$ 36,391	\$ 35,334	\$(2,441)	\$(1,057)	(6.5)	(2.9)
SALES & USE TAX	30,659	32,424	32,565	1,906	141	6.2	.4
UTILITY USERS TAX	25,550	26,563	24,856	(694)	(1,707)	(2.7)	(6.4)
BUSINESS OPER. TAX	3,302	3,109	2,928	(374)	(181)	(11.3)	(5.8)
PROP. TRANSFER TAX	2,981	3,647	2,852	(129)	(795)	(4.3)	(21.8)
	----- \$100,267 =====	----- \$102,134 =====	----- \$ 98,535 =====	----- \$(1,732) =====	----- \$(3,599) =====	----- (1.7)	----- (3.5)