# RAFTELIS

# Commerce City

## Long-Term Financial Plan (LTFP) Primer

February 23, 2026

# Agenda

1. **Introduction to Long-Term Financial Planning**

2. **Key Terminology**

3. **Structure of the Financial Model**

4. **Project Scope and Progress**

5. **Next Steps**

# Introduction to Long-Term Financial Planning

# What Is Long-Term Financial Planning?

- Going beyond the annual budget planning process to forecast long-term trends in expenditures, revenues, and economic conditions

- Projecting how these trends will impact the organization's overall financial situation

- Comparing potential scenarios to understand risks and opportunities

# Advantages of Long-Term Financial Planning

- ✓ Allows organizations to proactively detect and address potential risks

- ✓ Helps organizations make data-informed decisions

- ✓ Supports organizations in identifying and planning for long-term goals

- ✓ Serves as a tool to communicate the organization's financial position to stakeholders and the public

"Going through a long-term financial planning process allows decision makers to focus on long-term objectives, encourages strategic thinking, and promotes overall awareness for financial literacy in an organization."

- Government Finance Officers' Association (GFOA)

LONG-TERM FINANCIAL PLANNING

CAPITAL IMPROVEMENT PLAN

COMPREHENSIVE PLAN

ANNUAL OPERATING BUDGET

MUNICIPAL PLANNING PILLARS

# Connecting Long-Term Trends to Annual Budget Decisions

|  | Long-Term Financial Models | Annual Budget Process |
|---|---|---|
| **Primary Objective** | Identify long-term trends and project reasonably predictable conditions across a multi-year landscape. | Mechanism for making near-term adjustments to maintain fiscal balance. |
| **Decision Scope** | Frames the high-level policy and investment conditions for executive leadership and governing bodies. | Involves difficult, specific choices regarding staffing levels, service delivery, and infrastructure investment. |
| **Outcome** | Warning system | Incremental solution |

# Terminology

# Planning Mechanisms

| Term | Definition |
|------|-----------|
| **Baseline Projection** | A "status quo" forecast that assumes current service levels and tax rates remain unchanged. It serves as the starting point for all "what-if" scenarios. |
| **Assumptions** | The specific variables used to build the model (e.g., projected 2% inflation, 1.5% property tax growth, or 5% increase in healthcare costs). |
| **Sensitivity Analysis** | Testing how the plan changes if key assumptions fail. |
| **Scenarios** | Alternative "what-if" projections used to model how different economic conditions or policy decisions would impact the City's future fiscal health. |

# Revenue and Expenditure Concepts

| Term | Definition |
|---|---|
| **Recurring vs. Non-Recurring** | Distinguishing between money that comes in every year (property taxes) and "one-time" spikes (grants or land sales). A key principle for long-term forecasting is to remove one-time adjustments. |
| **Dedicated Funds** | Revenue sources that are legally or constitutionally restricted for a specific purpose and cannot be diverted to the general fund for other uses. |
| **Designated Funds** | Revenue that has been earmarked by administrative policy or legislative action for a specific program or purpose. |
| **Cost Drivers** | The specific factors causing expenses to rise, such as labor contracts, fuel prices, or aging infrastructure. |
| **Deferred Maintenance** | The cost of repairs or upgrades to infrastructure that have been put off to save money in the short term, but which will cost more in the long run. |
| **Debt Capacity** | The maximum amount of debt the City can legally or affordably take on, often limited by state law or credit rating considerations. |

# Core Metrics of a LTFP

| Term | Definition |
|---|---|
| **Structural Balance** | When recurring revenues are equal to or greater than recurring expenditures. This is the gold standard for long-term sustainability. |
| **Structural Deficit** | A deficit that is built into the system and will occur every year, regardless of the economy, usually because expenses grow faster than revenues. |
| **Fiscal Gap** | The projected difference between revenues and expenditures over the planning horizon if no policy changes are made. |
| **Fund Balance / Reserves** | The "savings account" of the municipality, often defined as a percentage of operating costs to handle emergencies or economic downturns. |
| **Financial Condition Assessment** | Systematic evaluation of a local government's ability to generate enough revenue to meet its current and future financial obligations while maintaining the service levels expected by the community. |

# Strategic Integration of a Long-Term Financial Plan

SERVICE LEVELS

Maintain quality and sustainable staffing over time.

CAPITAL INVESTMENT

Sustainable funding for infrastructure & assets.

LONG-TERM FINANCIAL PLAN

COMMUNITY DEVELOPMENT (GROWTH)

Support new growth & enhance livability.

# Introduction to the Financial Model

# Long-Term Financial Model Overview

- Projects revenues, expenditures, and fund balances over a 10-year planning period

- Allows the City to compare baseline operations to other scenarios to understand how different actions may impact the City's financial situations

- Designed to be updated regularly by the City, allowing for dynamic consideration of changing conditions over time

# Model Structure

**Operating Expenditures and Revenues**

Are projected by category, based on past history and projected future trends

**Capital Expenditures**

Are projected based on the City's adopted Capital Improvement Plan as well as discussions with staff on future repair and replacement needs

**Transfers**

Are based on projected revenues and expenditures in each fund, as well as the City's interfund transfer practices for debt service payments and capital project needs

# Revenue Categories

- Property Tax
- Sales Tax
- Use Tax
- Other Taxes
- Franchise Fees
- Licenses and Permits

- Fines and Forfeitures
- Charges for Service
- Intergovernmental
- Misc. Other Revenue
- Investment Earnings

# Operating Expenditure Categories

- Salaries
- Benefits
- Purchased Services and Charges
- Materials and Supplies
- Debt Service
- Misc. Operating Expenditures

# Forecasting by Year

## Base Year (2026)

Revenues and expenditures are estimated based on the adopted budget, as well as the history of how actual revenues/costs have varied from the budget

## Future Years (2027-2036)

Revenues and expenditures are projected by category based on historical trends and analysis of future needs

# Key Information Sources for the Model

City revenues and expenditures by fund

City financial policies and practices

Historical interest rates and durations of City revenue bonds

Local economic data on sales tax by industry and building permit valuations

Property valuation history provided by the County

Feedback from City staff on other internal and external trends

Census data on population and other demographics

The City's Capital Investment Plan and other projected capital needs provided by City staff

# Comparing Scenarios

- The base scenario is intended to project costs and revenues at current service levels

- The model allows for comparison of the base scenario with other potential scenarios, e.g.,

  - Changes to service levels
  - Additional revenue sources
  - Changes in economic conditions

**The City can use the model to forecast the potential impact of these changes**

# Project Scope and Progress

# Objectives

Provide a comprehensive financial planning tool to inform policy decision-making

Focus on a detailed revenue forecast as the basis for setting resourcing and service level expectations

Develop a sound understanding of key drivers influencing the fiscal outlook to facilitate public engagement

# City of Commerce City – Long-Term Financial Plan

## PROJECT TIMELINE

| PROJECT KICK-OFF | ASSESS FINANCIAL CONDITION | DEVELOP GENERAL FUND MODEL | PUBLIC ENGAGEMENT | PREPARE LONG-TERM FINANCIAL PLAN |
|---|---|---|---|---|
| **Major Activities**<br>• Kick-off meeting with project team<br>• Initial data and document request<br>• Finalize project schedule<br><br>**Deliverables**<br>• Preliminary Project Timeline<br>• Data Request | **Major Activities**<br>• Finance and City Leadership interviews<br>• Environmental scan<br>• Review historical financial trends, cash flow analysis, capital planning, and reserves<br>• Review financial condition with project team<br><br>**Deliverables**<br>• Interview schedule<br>• Summary of financial condition | **Major Activities**<br>• Develop baseline financial model<br>• Develop projection scenarios<br>• Conduct sensitivity analysis<br><br>**Deliverables**<br>• 10-year financial model | **Major Activities**<br>• Plan, prepare, and present two study sessions with City Council<br>• Plan, prepare, and facilitate two workshops with City community members<br><br>**Deliverables**<br>• Presentations<br>• Community workshop materials<br>• Summary of public engagement feedback | **Major Activities**<br>• Develop project report summarizing financial condition, forecasting model, and public input<br><br>**Deliverables**<br>• Draft and final financial plan report |
| Complete | Complete | Complete | In Progress | June 2026 |

# Work Completed to Date

✓ **Interviews**

Council, Finance, and Leadership team

✓ **Financial Condition Assessment**

Historical trends and economic factors

✓ **Long-Term Financial Model Development**

Excel-based model in development in collaboration with City staff

# Next Steps

# Presentation of Financial Plan Results (May)

**+** **Baseline forecast and preliminary outlook**

**+** **Analysis of potential other expenditure and revenue scenarios**

**+** **Alignment with the 2027 budget development process**

# Public Engagement Sessions
## (Dates TBD)

- Two World Café-style town halls facilitated by Raftelis
- Session goals:
  - Inform the community about the City's financial outlook
  - Identify community values and priorities
  - Establish a foundation for continued relationship-building and dialogue

Q&A

**RAFTELIS**

# Thank you!

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