

Overview of Expenditure Forecast Assumptions

Personnel

Personnel costs consist of salaries, benefits and related payroll taxes. The bulk of this cost is located in Salaries, and the forecasted rate of increase last year was 2.5% per year. General employees will often receive a cost-of-living adjustment as well as a merit increase of up to 3%, and staff would recommend returning to an assumption of 3% annually for salaries. Payroll taxes are a reflection of pay, along with the retirement 401k contributions, and both of those assumptions are set at 3% per year. These could be revised to operate as a function of salaries, which would be more accurate.

Health insurance fluctuates each year, but trend analysis shows an estimated 7% increase over time which is currently included in the forecast. There is also a cafeteria offering of \$100 per month for full-time employees which is forecast at a flat dollar amount for future years.

Police pension cost was set at an annual increase of 2.7%, however this one will be fine-tuned based on actuarial estimated impacts of the plan changes for future participants.

Operating

Operating costs are generally assigned a 2.7% modifier for those items most sensitive to inflation, however some items are set at a flat, fixed amount. Contracted items for a set price are generally set to that established renewal rate, but for those items which are less certain and subject to inflation, the 2.7% modifier is utilized. This modifier seems reasonable given inflation indices specific to the Tampa region as well as the municipal sector. For Tampa area, the Bureau of Labor Statistics measured CPI of 1.5% as of September 2019, and the municipal CPI measured by American City & County was 3.45%.

Capital

Capital costs are estimated based on the expected replacement cost, net of auction proceeds, for those items listed in the capital equipment replacement schedule for each department. This list is reviewed each year and impacts the budgeted amounts for "Transfer to 301" in the General Fund and the budgeted amounts for "Depreciation" in the Water and Solid Waste Funds. A summary of the equipment schedules for each department will be included as part of the forecast for each department.