



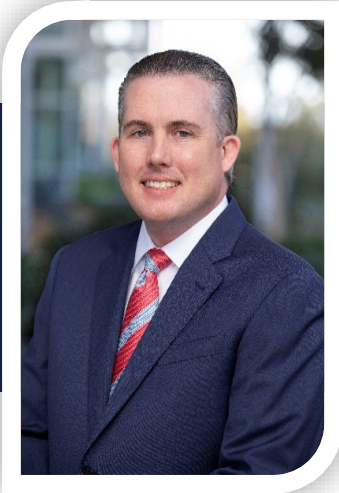
CPAs & BUSINESS ADVISORS

CHARTING YOUR COURSE:

LEVERAGING LONG-TERM FINANCIAL PLANNING TO ENSURE SMOOTH SAILING

Government Finance Officers Association of Texas Spring Conference – April 8, 2025

PRESENTER



Scott Catlett

Director – Government Advisory Services
Nashville, TN

- 17 years in small, medium, and large finance departments supervising from 6 to 60 staff
 - Former Finance Director for the Cities of Newport Beach and Yorba Linda, California
 - Former Assistant Chief Financial Officer for the City of Riverside, California
- 8 years providing advisory services for state and local governments throughout the US
- 10 years as an adjunct professor teaching public sector financial management



FOCUS AREAS FOR TODAY'S PRESENTATION



FINANCIAL
MANAGEMENT IN LOCAL
GOVERNMENT



LONG-TERM FINANCIAL
PLANNING BASICS



KEY COMPONENTS OF A
LONG-TERM FINANCIAL
PLAN



PITFALLS IN FINANCIAL
FORECASTING



PRESENTING THE
LONG-TERM PLAN

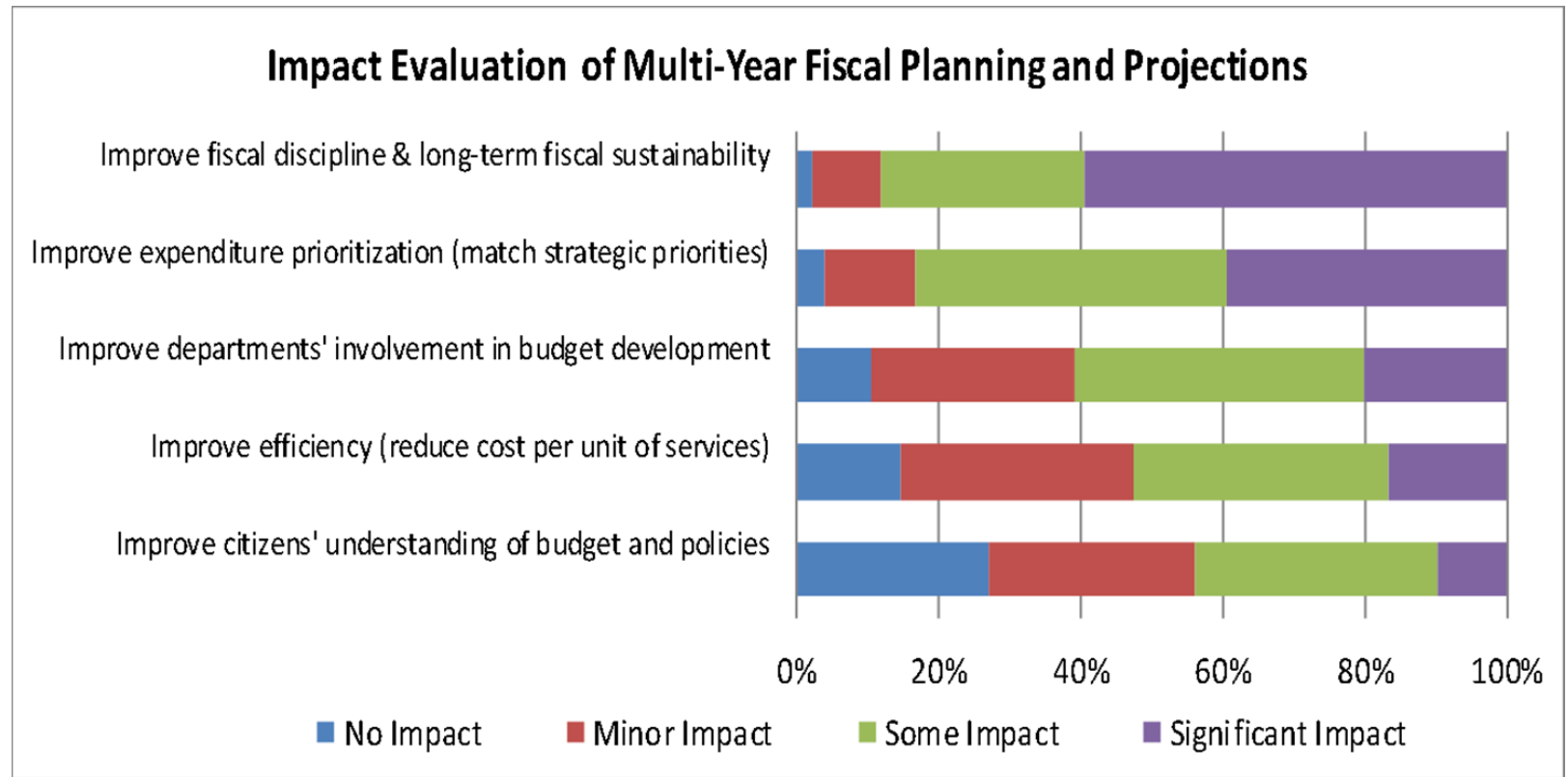


HELPFUL RESOURCES

WHY LONG-TERM FINANCIAL PLANNING?

- A policy-based framework of comprehensive:
 - Long-term projections of what has been, but more importantly what will likely be
 - Long-term solutions to identified areas of concerns
- Critical to:
 - Thoughtfully and proactively plan for the future
 - Identify and highlight future problems or opportunities
 - Think about the future before it is the present
 - Impose financial discipline on budgetary decision making
 - Avoid surprises

Impact of Long-Term Financial Planning on Local Governments



- ~90% highlight increased fiscal discipline
- ~85% highlight improved expenditure prioritization

FIVE REASONS TO EMBRACE LONG-TERM FINANCIAL PLANNING

- **Transparency:** Stating assumptions improves credibility and communicates true fiscal condition
- **Fiscal Discipline:** Realistic forecasting precludes wishful thinking about capacity for revenue growth
- **Early Warning:** Reveals adverse trends and gives staff and elected officials time to craft appropriate solutions and avoids crisis mode
- **Promotes Sustainability:** Identifies long-term impacts of policy decisions and encourages sustainable solutions rather than short-term fixes through the annual budget process
- **Living Document:** Continuously updated with new information: “The numbers never sleep.”



FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT

PUBLIC SECTOR FINANCIAL MANAGEMENT DEFINED

A system of policies, procedures, systems, and reports that facilitates a better understanding of and helps to ensure the long-term fiscal health of an agency.

- Finite resources are available to deliver a myriad of services
- Poor financial management leads to:
 - Wasted resources
 - Poor budgetary decisions
 - Unanticipated surpluses and deficits
 - Lack of understanding of future challenges



INFLUENCES IN THE FINANCIAL MANAGEMENT PROCESS

- Financial management in government is impacted by multiple competing forces
 - Pressures to deliver to constituents
 - Requirements to have a balanced budget
 - Economic development efforts
 - Media and public pressures

Political Forces	Economic Forces	Social Forces	Legal Forces
Citizen input	Economic cycles	Population	Balanced budget
Citizen involvement	Economic subsidies	Age	Referendums
Campaign promises	Labor competition	Income	Voter approval
Campaign contributors	Competition with neighbors	Education	Unfunded mandates

Borrowed in part from *A Budgeting Guide for Local Government*

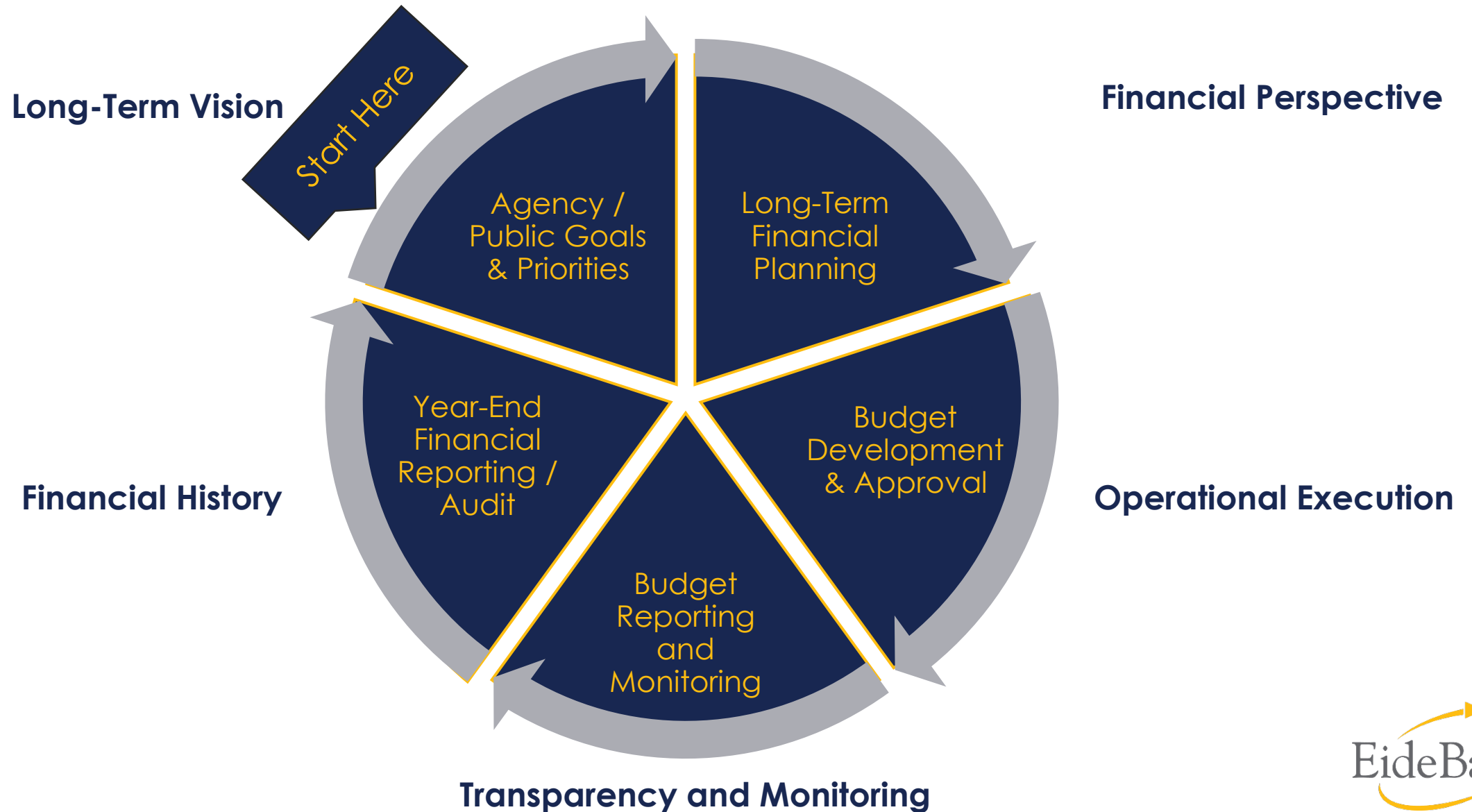
WHY IS FINANCIAL MANAGEMENT AND ANALYSIS IMPORTANT?

- It's not all about accounting!
- Many finance officers start their careers as junior accountants or as auditors with a strong understanding of accounting and financial statements
- Depending on the size of your agency and staffing, there may be little opportunity for exposure to other areas of financial management until you are promoted into a position with these responsibilities
- As one rises in seniority, a thorough understanding of financial management and analysis becomes more and more critical

WHY IS FINANCIAL MANAGEMENT AND ANALYSIS IMPORTANT?

- Analyze affordability of existing and desired service levels, policies, and programs
- Provide warning of potential imbalances in the financial future
- Explore what the fiscal future might look like
- Create a basis for discussion of what actions can be taken to influence the future

BUDGET AND FINANCIAL REPORTING LIFECYCLE



THE GFOA DISTINGUISHED BUDGET PRESENTATION AWARD PROGRAM PROVIDES A GREAT ROADMAP

Strategic planning
and performance
measurement
information

Organizational
structure and
policy information

Overview and
summary budget
information

Fund-level and
department-level
budget
information

Long-term
financial planning
information

Capital
improvement
program
information

Outstanding debt
Information

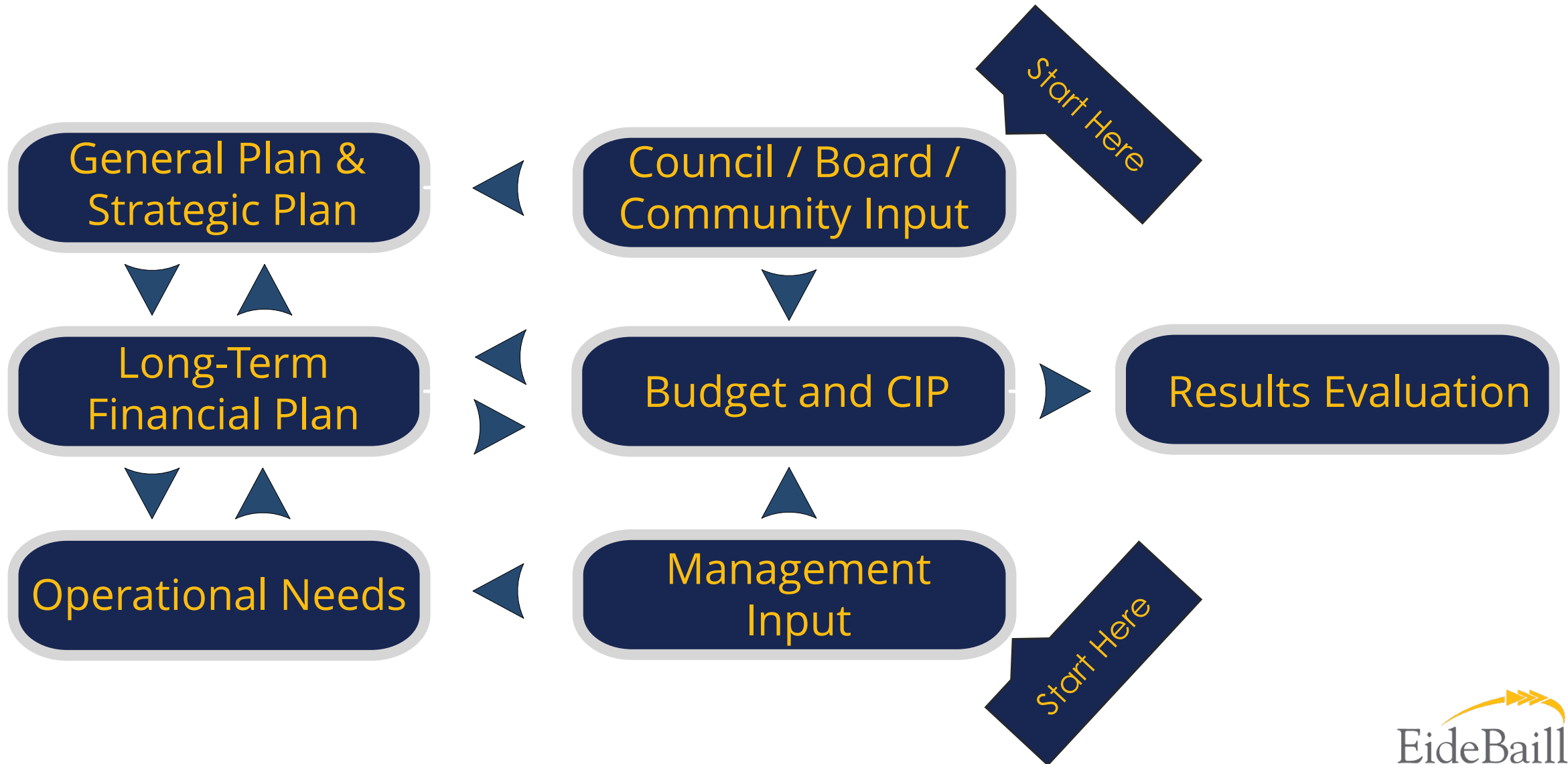
Staffing
information

Statistical and
narrative data



- GFOA recognizes the importance of long-term financial planning as part of a comprehensive and technically sound budget process
- Integration of strategic planning, which informs long-term financial planning
- Discussion of how long-term financial planning impacts the budget

CONNECTION TO OTHER PLANNING ACTIVITIES





LONG-TERM FINANCIAL PLANNING BASICS



Long-Term Financial Planning Defined

Long-term financial planning uses financial forecasting and analysis to identify future financial positions, conditions, challenges and opportunities, and identifies strategies to secure future financial sustainability.



Effective Financial Forecasting

“Forecasting is very difficult, especially if it is about the future.”

– Niels Bohr

SO, WHAT DOES THAT MEAN?

- A roadmap to and of your future
- Represents five, ten, or more individual annual budgets
- Builds off prior year(s) information
- Projects/predicts the future
- Helps to guide current and subsequent year decision making and the possible timing of these decisions
 - Labor agreements
 - Program additions/changes
 - Capital expenditures

A CONSENSUS-DRIVEN PROCESS

- Involves elected officials, staff, and the public
- Three core requirements of the plan:
 - Reflects council / community priorities
 - Provides strategies to achieve and maintain financial balance
 - Identifies, from a financial perspective, how the government will provide a consistent level of public services

The plan must demonstrate the sustainability of your organization's decisions and long-term goals.

FIVE PILLARS OF SUCCESSFUL LONG-TERM FINANCIAL PLANNING



Effective framework of financial polices



Long-term service delivery vision



Technically sound analysis and forecasting

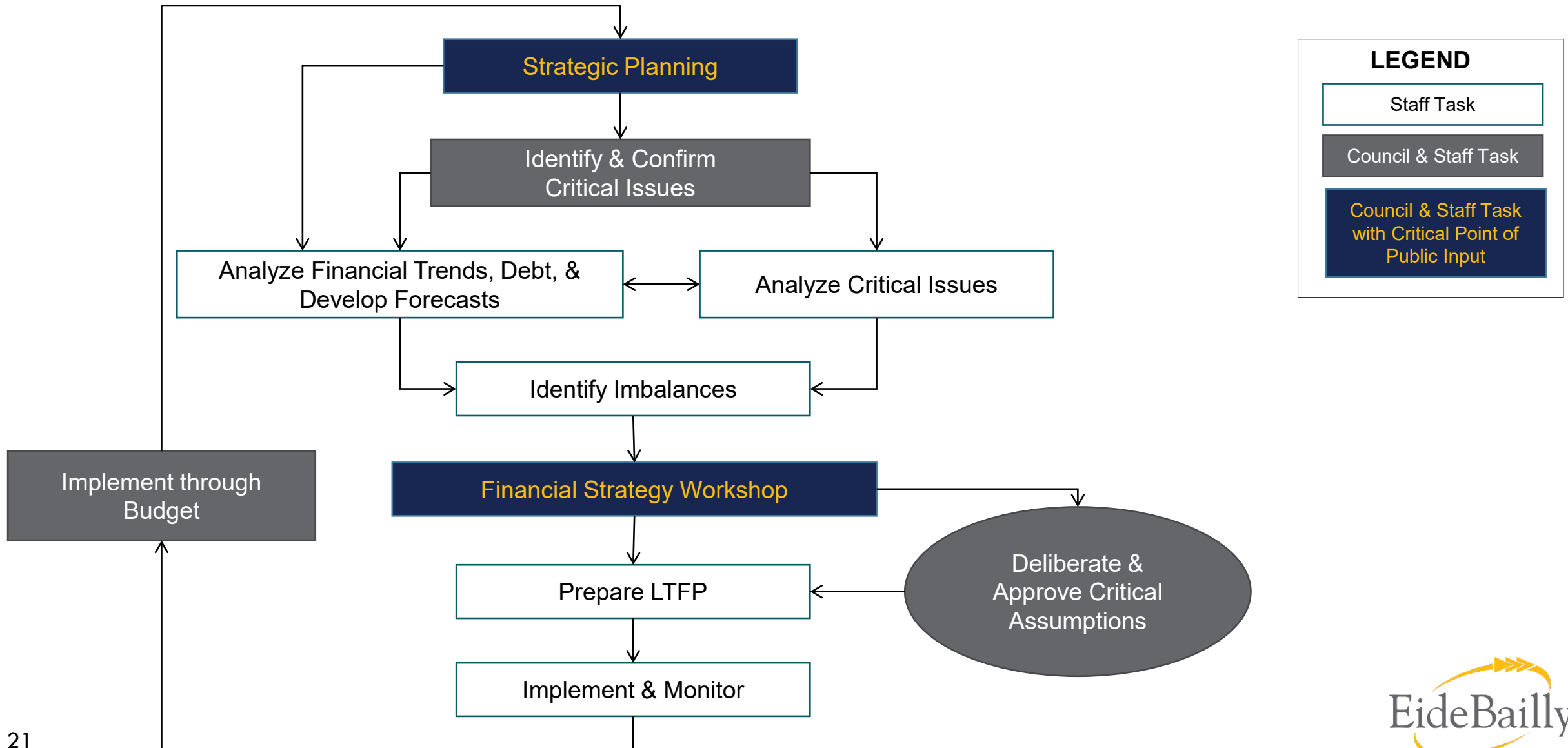


Collaborative and participative process



Connection to other plans

THE LONG-TERM FINANCIAL PLANNING PROCESS



ESSENTIAL CHARACTERISTICS OF A LONG-TERM FINANCIAL PLAN

- What is the time horizon?
 - 5 – 10 years or more
- What funds are considered?
 - What funds are appropriate for inclusion, either directly or as inputs to other funds' projections
- How often is a plan done?
 - Update on a regular basis
- What is in it?
 - Contains a scan of the economic environment and long-term forecasts, debt analysis, scenario analysis, risk assessment, and financial strategies backed by supporting data and information



BEST PRACTICES

Long-Term Financial Planning

GFOA recommends that all governments prepare and maintain a long-term financial plan that projects revenues, expenses, financial position, and external factors for all key funds and government operations at least five years into the future.

BEST PRACTICE STRUCTURE

Key policy statement, followed by explanatory detail covering required policy elements and related considerations for administration and reporting, which in this case includes:

- Projecting revenues
- Projecting expenditures / expenses
- Identifying key internal factors impacting projections
- Identifying key external trends and risk factors impacting projections
- Review at least annually and update as needed

GFOA'S KEY BENEFITS OF LONG-TERM FINANCIAL PLANNING

- Creating a long-term outlook into other planning processes like budgeting, capital planning, and revenue forecasting
- Helping to diagnose potential risks and causes of fiscal distress
- Stimulating “big-picture thinking”
- Providing a tool for evaluating long-term compliance with financial policies
- Allowing for pre-emptive action to mitigate forecasted financial distress
- Defining parameters for decision-making
- Communicating long-term financial position to residents and other stakeholders, including rating agencies and bond investors



LEARN MORE

<https://www.gfoa.org/best-practices>



KEY COMPONENTS OF A LONG-TERM FINANCIAL PLAN

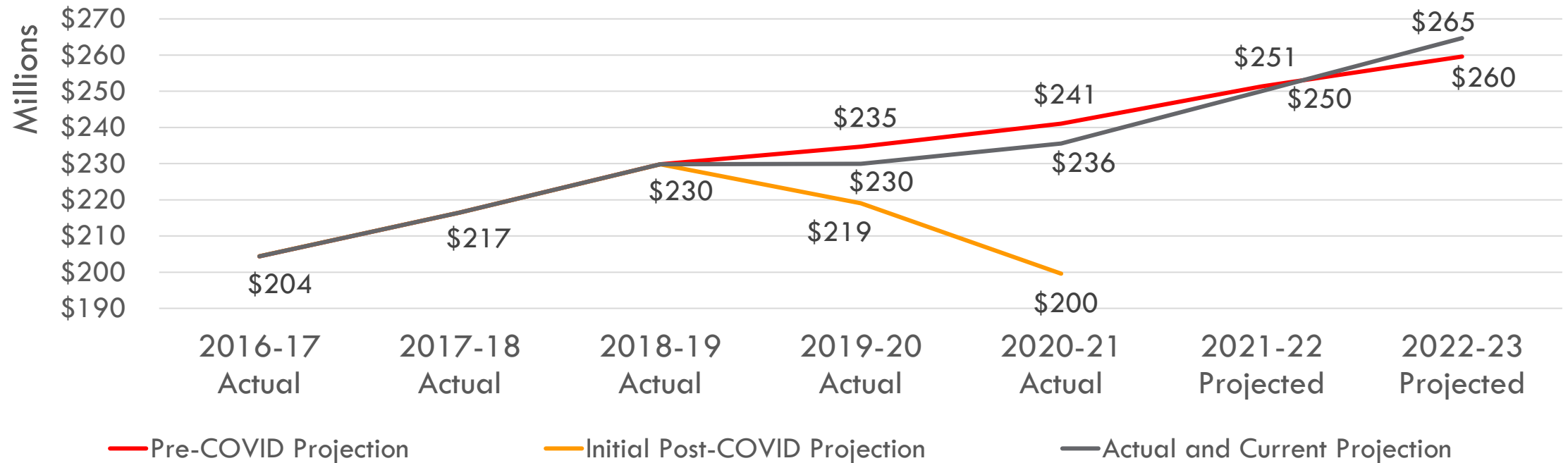
LONG-TERM FINANCIAL PLANNING

- Beyond knowing how the current year is likely to end, finance officers need to be thinking about next year, five years out, and perhaps even 10, 20, 30, or more years in the future
- Some of us are afraid to begin (or publicize) long-term financial planning because of the inherent uncertainty that goes along with forecasting
- This fear can be mitigated with
 - Clearly stated methods and assumptions
 - Regular monitoring
 - Periodic updating and reporting
 - Evaluation of multiple alternative scenarios



BEING WRONG IS OK...SITUATIONS CHANGE

- The Great Recession
- The COVID-19 Pandemic
- Forecasts are designed to think about what is most likely to happen, not necessarily what will happen
- In agencies where volatility is more likely to be a concern, scenario analysis is more important



FINANCIAL DATA AND PROJECTIONS

- Itemize existing major revenues
 - Must carefully determine what constitutes a major revenue
- Aggregate existing minor revenues
- Itemize existing major expenditures
 - Must carefully determine what constitutes a major expenditure
 - Typically, by type of expenditure or with certain sub-types (e.g., labor contracts or large service contracts)
- Aggregate existing minor expenditures
- Include assumptions about the future
 - Itemize projected new revenues
 - Itemize projected new services/programs

EXAMPLE OF CATEGORIZATION - REVENUES

Significant Items

- Property and sales tax
- Four union contracts
- Health insurance rates for three plans
- Pension costs
- Sheriff's contract
- Park maintenance contract
- Three bond issues
- Transfer to golf course fund

Remaining Items

- Charges for services
- Fees and fines
- Contract services – other
- Operations and maintenance
- Transfers to internal service funds

DEVELOP BASIS FOR PROJECTIONS

- Start with baseline existing budget
- Project based on known information first
 - Existing labor contracts
 - Existing major service contracts
 - External expert forecasts for key revenues
- Use appropriate trend information for remaining years
 - Historical trends
 - Expected development
 - Use external and internal experts to inform projections
- Identify what's missing (e.g., vehicle replacements, adequate facility maintenance funds, etc.)

ROLLING DATA FORWARD

- Once you've built your first year's forecast, roll it forward based on each significant or other category of revenues' or expenditures' expected growth factors
- Examples
 - Negotiated cost of living rates
 - Health insurance trend data
 - Historical increases in Sheriff's contract costs
 - Amortization schedule for debt
- When the data that is more certain runs out, use your forecasting skills to make a logical projection based on the known facts

FOUNDATION FOR PROJECTIONS

- **Clearly articulate the assumptions, risks, and limitations**
 - How is revenue growth determined?
 - How is expenditure growth determined?
 - What are the significant expected deviations from historical trends?
 - It must be clear to senior management and elected officials what is being addressed in the current baseline budget and what remains unaddressed absent further action
- **Scenarios based on risk assessment**
- **Solutions are critical**
 - A forecast projects what will happen in the future
 - A long-term financial plan provides solutions to what may happen in the future, giving adequate time to prepare rather than react

FOUNDATION FOR PROJECTIONS

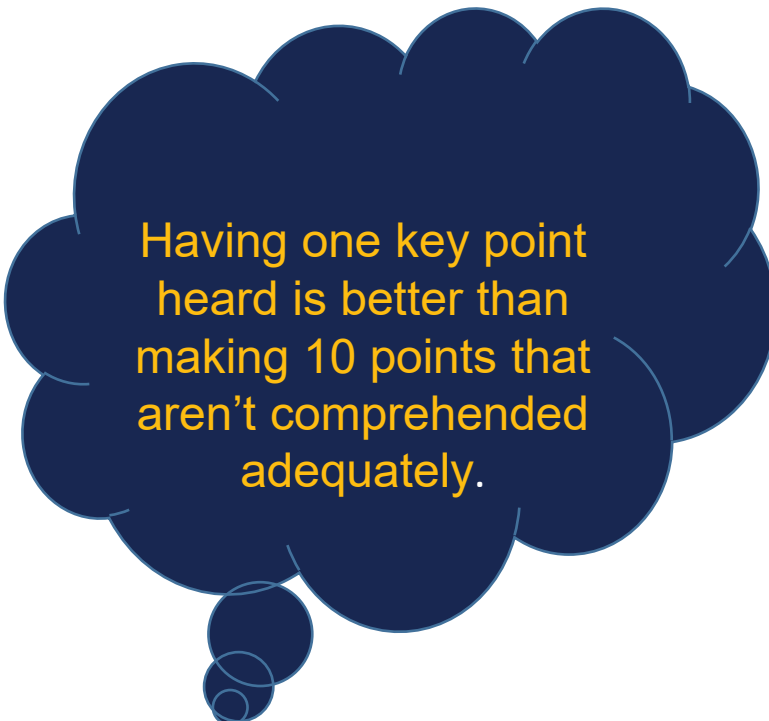
- Are the key assumptions valid and are independent third-party and internal experts involved?
 - Are revenue growth trends well understood?
 - Are there future one-time or new costs on the horizon?
 - What do departments know that you don't know?
- What is currently being ignored that should be addressed?
 - Unfunded liabilities (pension, OPEB, etc.)
 - Unfunded needs (facilities, vehicles, equipment etc. replacement)
 - Are roads and facilities adequately maintained?
 - Are resources sufficient to address current and future anticipated service levels at the desired level to avoid service level insolvency?

SCENARIO ANALYSIS

- **Baseline scenario**
 - What constitutes the baseline?
 - Professional judgment and expert insights
- **What-if scenarios**
 - Assess the key risks for your agency, which will likely be unique versus your neighbors and peers
 - Higher or lower major revenues due to the economy, changing habits, or other factors
 - Higher or lower major expenditures such as addition of new programs or service levels
 - Loss or gain of key drivers of economic activity such as an auto dealer or lumber yard
 - Future development or annexations

A WORD ABOUT DETAIL

- Too much detail in the presentation of data can have the opposite impact of what was intended
- Example: A line graph showing trends may be more impactful than a table showing the detail of those trends
- Example: Discussing every revenue variance may cause those reviewing the report to miss the few variances that really matter



Having one key point heard is better than making 10 points that aren't comprehended adequately.

DEVELOP SOLUTIONS

- Determine what problems your projections have identified
 - Duration – one-time or recurring
 - Scope – minor or major
 - Trajectory – growing or shrinking
- Identify possible solutions to problems
 - Revenue enhancements
 - Expenditure reductions
 - Changes to future service level and program goals
 - Adjustments to assumptions (if appropriate and justifiable)

NARRATIVE (IF A WRITTEN REPORT IS PREPARED)

- Executive Summary – Brief overview & summary
- Economic and demographic overview / trends
- Summary of key financial data
- Focus on expenditure & revenue projections
- Look at one-time vs on-going figures
- Offer “what if” scenarios
- Provide a detailed discussion of your projections
- Conclusion & summary

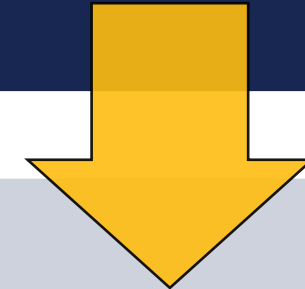


PITFALLS IN FINANCIAL FORECASTING

PITFALLS IN FINANCIAL FORECASTING

Issue: Putting the forecast on the shelf for a year or more.

Concern: Information impacting the forecast is overlooked and the forecast becomes out of date and irrelevant.



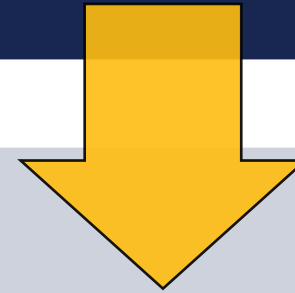
Mitigate this issue by:

- Throughout the year, the forecast must always be on your mind
- Maintain a list of changes impacting the forecast and update it regularly
- Assess whether addition to the list merit an immediate update to the forecast
- Example: Will a mid-year decision in March take money away from critical issues that must be addressed in the upcoming fiscal year?

PITFALLS IN FINANCIAL FORECASTING

Issue: Salary and benefit projections are inaccurate or hurried.

Concern: Inaccurate baseline assumptions can incrementally increase the inaccuracy of the forecast over time.



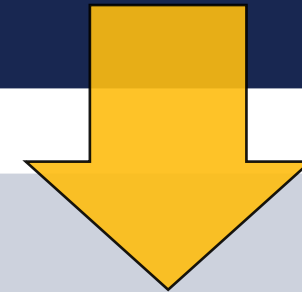
Mitigate this issue by:

- Maintaining an effective position control system
- Make adjustment for and accurately include vacancies and related savings
- Track unfunded and frozen positions and know when they will need to be filled
- Account for the impact of retirements, such as accumulated leave payouts or lower benefit tiers applicable to replacement personnel
- Be aware of negotiated salary and benefit increases, step increases, cost allocations for new positions, overtime impacts, and other related variables

PITFALLS IN FINANCIAL FORECASTING

Issue: Looking at historical trends to predict the future is insufficient.

Concern: Changes within the trend data may significantly impact the anticipate trajectory for the future.



Mitigate this issue by:

- Identifying significant one-time occurrences in the past
- Thinking through significant one-time occurrences anticipated for the future
- Break apart categories of revenues and expenditures to minimize data aggregation masking these issues
- Example: Adding a new program three years ago causes a long-term trend of 3% growth to become 5%

Example:

Fire Department Expenditures

	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Budget	FY 2019/20 Q2 YTD Act.
Fire Department - Operations Division							
Salaries	\$ 75,355,931	\$ 77,672,964	\$ 79,945,031	\$ 84,122,173	\$ 85,952,421	\$ 87,611,302	\$ 43,201,133
Paramedic Pay	\$ 3,843,152	\$ 3,891,415	\$ 4,004,446	\$ 4,204,426	\$ 4,283,009	\$ 4,374,432	\$ 2,161,352
Overtime	\$ 7,918,231	\$ 8,178,532	\$ 8,498,534	\$ 8,915,962	\$ 9,111,091	\$ 8,200,000	\$ 4,661,323
Pension Benefits	\$ 21,928,576	\$ 23,229,897	\$ 24,303,289	\$ 25,819,367	\$ 27,332,869	\$ 28,123,227	\$ 13,867,563
Health Insurance	\$ 9,524,989	\$ 10,763,238	\$ 11,807,272	\$ 12,810,890	\$ 13,182,406	\$ 14,672,017	\$ 6,779,939
Firefighter Equipment	\$ 314,098	\$ 312,011	\$ 156,947	\$ -	\$ 159,301	\$ 315,000	\$ 313,967
Fire Vehicles	\$ 2,934,112	\$ 2,514,975	\$ -	\$ -	\$ 529,014	\$ 1,525,000	\$ -
Total	\$ 121,819,089	\$ 126,563,032	\$ 128,715,519	\$ 135,872,818	\$ 140,550,111	\$ 144,820,978	\$ 70,985,277
Growth							
Salaries		3.07%	2.93%	5.23%	2.18%	1.93%	0.52%
Paramedic Pay		1.26%	2.90%	4.99%	1.87%	2.13%	0.93%
Overtime		3.29%	3.91%	4.91%	2.19%	-10.00%	2.32%
Pension Benefits		5.93%	4.62%	6.24%	5.86%	2.89%	1.47%
Health Insurance		13.00%	9.70%	8.50%	2.90%	11.30%	2.86%
Firefighter Equipment		-0.66%	-49.70%	-100.00%	----	97.74%	294.18%
Fire Vehicles		-14.28%	-100.00%	----	----	188.27%	-100.00%
Total		3.89%	1.70%	5.56%	3.44%	3.04%	1.01%

- Concerns:
 - Overtime budget less than historical actual expenditures
 - Irregular equipment replacements
 - Irregular vehicle replacements
- What is the necessary level of spending going forward?

Example: Planning Department Expenditures

	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Budget	FY 2019/20 Q2 YTD Act.
Community Development Dept. - Planning Division							
Salaries	\$ 3,425,614	\$ 3,189,246	\$ 3,042,541	\$ 2,772,972	\$ 2,917,998	\$ 3,010,790	\$ 1,497,502
Overtime	\$ 16,514	\$ 17,901	\$ 15,307	\$ 23,985	\$ 42,935	\$ 25,000	\$ 23,901
Consultants	\$ 315,214	\$ 302,914	\$ 298,177	\$ 415,912	\$ 715,988	\$ 450,000	\$ 391,914
Software	\$ 23,000	\$ 23,000	\$ 1,575,000	\$ 23,000	\$ 23,000	\$ 23,000	\$ 23,000
Total	\$ 3,780,342	\$ 3,533,061	\$ 4,931,025	\$ 3,235,869	\$ 3,699,921	\$ 3,508,790	\$ 1,936,317
Growth							
Salaries		-6.90%	-4.60%	-8.86%	5.23%	3.18%	2.64%
Overtime		8.40%	-14.49%	56.69%	79.01%	-41.77%	11.34%
Consultants		-3.90%	-1.56%	39.48%	72.15%	-37.15%	9.48%
Software		0.00%	6747.83%	-98.54%	0.00%	0.00%	100.00%
Total		-6.54%	39.57%	-34.38%	14.34%	-5.17%	4.67%

- Concerns:
 - Overtime budget less increasing historical actual expenditures
 - Consultant costs increasing significantly above budget
 - Software replacement funded from baseline budget
- What is the necessary level of spending going forward?

THINGS TO CONSIDER FOR CITIES AND COUNTIES

- Cities and counties, in particular full-service cities, are more vulnerable to recession and revenue volatility than other government agencies
- Spend some time thinking about how your agency compares to others relative to the revenue mix – this is critical
 - How can you insulate against this issue?
- Scenario analysis is important
- Mix of expenditures
 - Public safety versus culture and recreation, etc.
- Fixed versus variable costs can impact responses to reduced revenues
 - Debt service, minimum staffing, etc.

THINGS TO CONSIDER FOR SPECIAL PURPOSE DISTRICTS

- Understanding customer demand and billing, as applicable
- For rate-funded agencies
 - Regular updates to the rate plan
 - Rate plan structure and comprehensiveness of inputs
- Scenario analysis is important
- CIP/Grants/Reserves
- Evaluation of debt versus pay-as-you-go financing for capital projects
- Short-term vs long-term financial planning

TAKEAWAYS

- The work involved in revenue forecasting is typically simple when compared to expenditure forecasting
 - But...your revenue forecast is critical and can sink your organization if it is inaccurate
 - Internal and external experts are invaluable – don't try to do this yourself for the more complex revenues

- Expenditure forecasts are complicated but have less risk of unanticipated variances when done well
 - Engage department-level experts and those with knowledge of labor contracts to enhance accuracy
 - Understand the past, the unique aspects of each department, and likely future program and service needs



PRESENTING THE LONG- TERM FINANCIAL PLAN

Reporting on Long-Term Financial Plan Updates

- If an annual long-term financial plan update has occurred or an update was initiated as a result of new information, highlight key information:
 - What changed?
 - What caused the change?
 - How will the agency respond?

CAUTIONS WHEN PRESENTING FORECAST DATA

- Terminology is important
 - Call versions of your forecast other than the baseline “scenarios” – they are a planning tool
- Don’t circulate draft versions of any forecast
 - Spreadsheet versions circulating via email or handed out at a meeting often delay or misstate key results
- Annual updates of the baseline forecast should be done at a different time of year than the presentation of the ACFR and the budget to avoid confusion
- Be careful about having too much detail in your presentation
 - The governing body may or may not have an interest in the details
 - Data can be presented only in PowerPoint versus a complete long-term financial plan document
 - Avoid providing more information than will be digested, which may prevent critical information from being understood and acted upon

EXAMPLE – STAFF SPREADSHEET

	FY 2014/15 Final	FY 2015/16 Projection	Percentage Change	FY 2016/17 Estimated	Percentage Change	FY 2017/18 Estimated	Percentage Change	FY 2018/19 Estimated	Percentage Change	FY 2019/20 Estimated	Percentage Change	FY 2020/21 Estimated	Percentage Change
Health Insurance													
SEIU General	3,947,468	4,097,803	3.80%	4,302,483	5.00%	4,517,807	5.00%						
Police (Cafeteria Plan Including Dental Options)	4,130,208	3,982,248	-3.56%	4,484,566	12.61%	4,708,794	5.00%						
Fire	1,937,984	2,125,226	9.70%	2,240,512	5.39%	2,352,838	5.00%						
All Others	2,811,218	3,190,260	22.19%	3,349,773	5.00%	3,517,282	5.00%						
SubTotal	12,826,878	13,396,036	6.09%	14,377,334	7.33%	15,096,201	5.00%						
Deferral Insurance													
SEIU General	195,445	196,935	0.76%	196,935	0.00%	196,935	0.00%						
Police	78,843	82,131	4.17%	82,131	0.00%	82,131	0.00%						
All Others (Except Police Shown Above in Health Section)	127,105	140,941	10.89%	140,941	0.00%	140,941	0.00%						
SubTotal	401,393	420,007	4.54%	420,007	0.00%	420,007	0.00%						
Deferred Compensation													
Management/Executive/Elected	147,800	240,300	62.30%	320,400	33.33%	400,500	25.00%						
Police	198,660	198,660	0.00%	198,660	0.00%	198,660	0.00%						
Fire	25,200	25,200	0.00%	25,200	0.00%	25,200	0.00%						
Confidential	18,800	30,600	62.14%	40,800	33.33%	51,000	25.00%						
SubTotal	388,260	494,760	27.43%	585,060	18.23%	675,360	15.41%						
Other Benefits													
Workers' Compensation Insurance	4,142,845	4,259,195	2.81%	4,441,995	4.29%	4,533,454	2.00%						
Medicare	1,495,707	1,614,072	7.91%	1,683,348	4.29%	1,718,008	2.00%						
Trust Contributions for Retiree Medical - Police	434,400	427,200	-1.68%	439,200	2.81%	439,200	0.00%						
Trust Contributions for Retiree Medical - Fire	280,400	280,400	0.00%	280,400	0.00%	280,400	0.00%						
Life Insurance - Fixed	21,353	21,874	2.44%	21,874	0.00%	21,874	0.00%						
Life Insurance - Variable	216,359	235,292	8.75%	245,852	4.05%	245,852	0.00%						
Disability Insurance	122,721	125,202	2.02%	125,202	0.00%	125,202	0.00%						
City Retirement (Part Time Employees)	84,050	86,838	3.31%	86,838	0.00%	86,838	0.00%						
Unemployment Insurance	75,787	63,808	-16.07%	63,338	-4.29%	67,704	2.00%						
Auto Allowances													
Night Shift Premium													
Cash Uniform Allowances													
Temporary Foreman Pay													
Other Benefits													
Accrued Payroll													
Total Personnel Costs													
Non-Personnel Costs													
Special Non-Personnel Items													
Liability Insurance	70,664,372	75,064,032	6.23%	72,814,352	-3.00%	72,965,676	0.21%	73,189,605	0.31%	72,511,739	-0.93%	70,878,726	-0.78%
Live Nation													
Information Systems Outsourcing													
Animal Control Contract													
GFT Settlement													
Convention and Visitors Bureau / Sports Commission													
Convention Center Operations and Management Fee													
Delelopment Agreements													
Photo Enbriement Program													
SubTotal	70,664,372	75,064,032	6.23%	72,814,352	-3.00%	72,965,676	0.21%	73,189,605	0.31%	72,511,739	-0.93%	70,878,726	-0.78%
Managed Savings / Vacancy Factor	(6,301,000)	(5,655,000)	-10.25%	(4,500,000)	-20.42%	(4,532,700)	2.06%	(4,470,273)	2.56%	(4,817,667)	2.28%	(4,920,284)	2.13%
Year-End and Mid-Year Budget Adjustments	4,340,399	4,501,279	3.71%	-	-	-	-	-	-	-	-	-	-
Approved Supplemental Appropriations From Reserves	5,114,621	750,120	-85.33%	-	-	-	-	-	-	-	-	-	-
Total Expenditures / Transfers Out	249,511,820	262,290,117	5.12%	270,013,252	3.25%	278,776,507	3.25%	288,774,344	3.59%	298,392,977	3.35%	304,334,869	2.06%
Known New Budget Challenges													
Already Committed													
Community Liability Task Force - Remaining Funding Requirement	-	-	-	266,121	-	259,707	1.40%	286,531	2.63%	272,704	2.34%	276,709	2.18%
Police Radio Replacements - Debt Service	-	-	-	387,907	-	775,814	100.00%	775,814	0.00%	775,814	0.00%	775,814	0.00%
PSEC Access Charges	-	-	-	-	-	-	-	-	-	302,568	-	302,712	6.00%
Assistant Library Director	-	-	-	169,835	2.93%	174,301	2.63%	178,380	2.34%	182,208	2.18%	182,208	0.00%
Finance Principal Analyst (Net of Cost Allocation Plan)	-	-	-	36,000	-	37,065	2.93%	38,141	2.93%	39,033	2.34%	39,884	2.18%
2004 Pension Obligation Bonds - Safety	-	-	-	10,400	-	10,747	2.93%	110,184	2.93%	112,762	2.34%	115,220	2.18%
2005 Pension Obligation Bonds - Miscellaneous	-	-	-	348,918	-	348,918	0.00%	348,918	0.00%	348,918	0.00%	348,918	0.00%
2014 + Pension Obligation Notes - Miscellaneous	-	-	-	50,000	-	50,000	1.40%	50,334	2.63%	53,510	2.34%	54,119	2.13%
2004 General Obligation Bonds (Fire Facilities)	-	-	-	459,000	-	459,000	2.00%	468,180	2.00%	477,544	2.00%	487,094	2.00%
WiFi Network Startup Costs Loan	-	-	-	62,000	-	62,000	0.00%	62,000	0.00%	62,000	0.00%	62,000	0.00%
Ryan Bonamico Park Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Chase Capital Lease - Vehicles/Software/Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
Chase Capital Lease - Helicopter	-	-	-	-	-	-	-	-	-	-	-	-	-
Pinnacle Capital Lease - MDCs	-	-	-	-	-	-	-	-	-	-	-	-	-
Pinnacle Capital Lease - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Pinnacle Capital Lease - VOIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Pinnacle Capital Lease - Vehicles/Software/Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank of America Lease - Convention Center FF&E	-	-	-	-	-	-	-	-	-	-	-	-	-
US Bank Capital Lease - Vehicles/Software/Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
SubTotal													
Starting Reserve	40,085,510	34,808,803	-13.19%	34,559,320	-0.72%	39,573,450	14.47%	47,523,665	20.00%	57,965,241	22.00%	67,965,241	17.44%
Less: Reserve Requirement	38,436,735	40,501,988	5.36%	41,816,476	3.23%	43,316,227	3.58%	44,768,947	3.33%	45,880,230	2.48%	46,820,230	2.19%
Reserve Surplus (Deficit)	1,648,775	(5,693,185)	-345.81%	(7,257,156)	-13.19%	(3,742,777)	-46.51%	2,754,718	73.31%	12,085,011	435.31%	21,145,011	174.61%
Surplus (Deficit) w/ Required Reserve Contribution													



EXAMPLE – LIMITED GOVERNING BODY PRESENTATION

- Budget adoption staff report

	Fiscal Year 2019/20 Adopted	Fiscal Year 2019/20 Projected	Fiscal Year 2020/21 Revised	Fiscal Year 2021/22 Projected	Fiscal Year 2022/23 Projected	Fiscal Year 2023/24 Projected
Property Tax	\$ 20,709,866	\$ 20,733,753	\$ 21,513,470	\$ 22,277,610	\$ 23,004,363	\$ 23,804,889
Sales Tax	7,656,608	6,767,012	7,189,772	7,394,689	7,586,951	7,799,386
Franchise Taxes	2,008,391	1,996,728	1,985,000	1,985,000	1,985,000	1,985,000
Other Revenues and Transfers In	9,550,814	9,574,826	8,564,790	9,569,853	9,872,514	10,111,137
Total Projected Revenue	\$ 39,925,679	\$ 39,072,319	\$ 39,253,032	\$ 41,227,152	\$ 42,448,828	\$ 43,700,412
Personnel Costs	14,327,222	14,327,222	15,276,025	15,948,396	16,468,587	16,961,212
Maintenance & Operations	3,039,640	3,039,640	3,161,483	3,212,615	3,356,743	3,352,617
Contract Services	19,552,416	19,552,416	19,144,578	19,736,799	20,311,325	20,911,741
Capital Outlay	442,895	442,895	350,024	212,771	217,026	221,367
Transfers Out	2,339,351	2,339,351	2,039,730	2,099,770	2,136,740	2,173,927
Debt Service	-	-	108,271	179,620	179,620	-
Vacancy Factor	(318,544)	(318,544)	(305,637)	(318,968)	(329,372)	(339,224)
P&R Shutdown Factor	-	-	(580,000)	-	-	-
Mid-Year Items	-	763,843	-	-	-	-
Anticipated Savings	-	(36,816)	-	-	-	-
Total Projected Expenditures	\$ 39,382,980	\$ 40,110,007	\$ 39,194,474	\$ 41,071,003	\$ 42,340,670	\$ 43,281,639
Projected Surplus (Deficit)	\$ 542,699	\$ (1,037,688)	\$ 58,558	\$ 156,150	\$ 108,158	\$ 418,772

- Budget adoption presentation – single slide

	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue	\$ 39.3 million	\$ 41.2 million	\$ 42.4 million	\$ 43.7 million	\$ 45.2 million
Expenditures	\$ 39.2 million	\$ 41.0 million	\$ 42.3 million	\$ 43.3 million	\$ 44.6 million
Projected Surplus	\$ 0.1 million	\$ 0.2 million	\$ 0.1 million	\$ 0.4 million	\$ 0.6 million

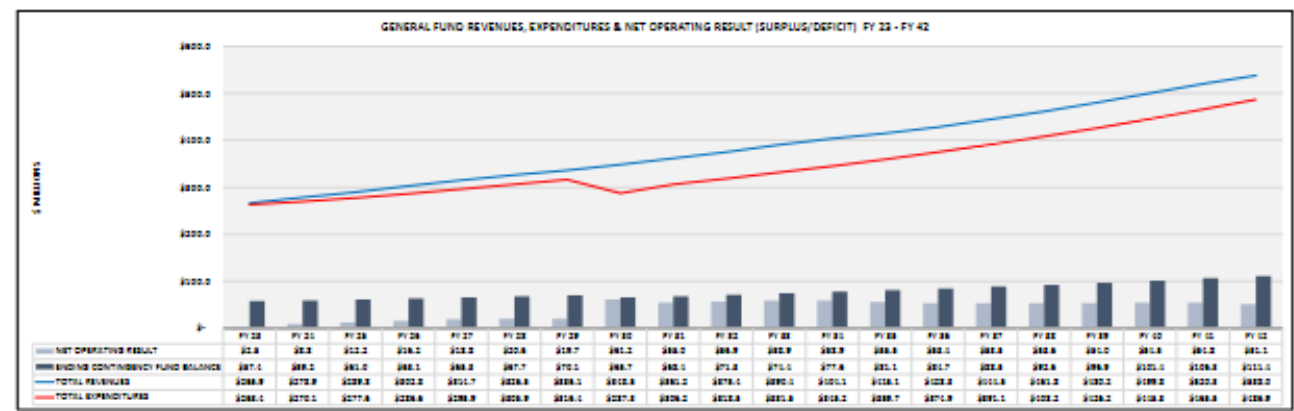
EXAMPLE – EXPANDED GOVERNING BODY PRESENTATION

- Stand-alone annual staff report detailing major assumptions and forecasts for key revenue and expenditure elements

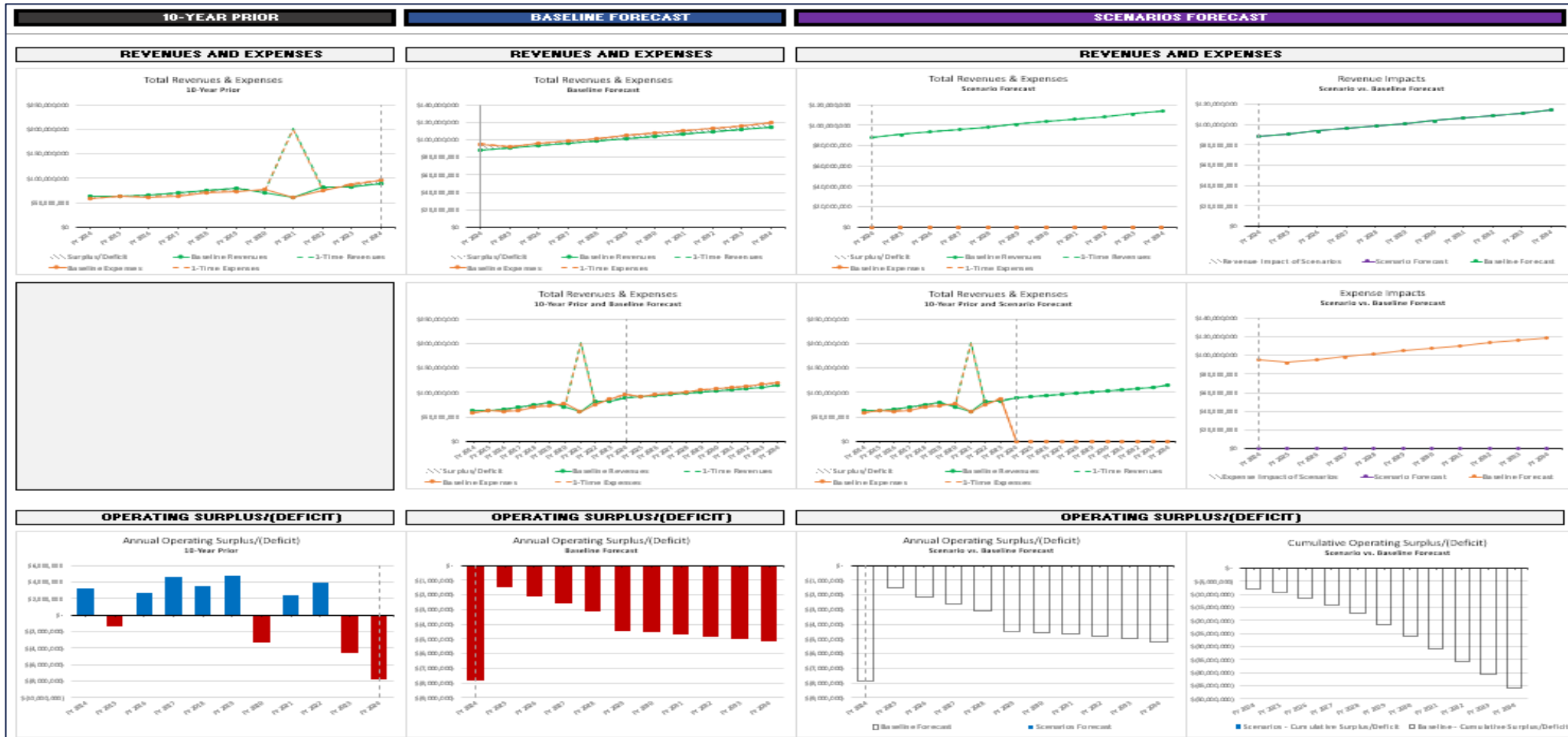
CITY OF NEWPORT BEACH GENERAL FUND LONG-RANGE FISCAL FORECAST
FY 2023 - FY 2042

	FY 2023-23	FY 2024-24	FY 2025-25	FY 2026-26	FY 2027-27	FY 2028-28	FY 2029-29	FY 2030-30	FY 2031-31	FY 2032-32	FY 2033-33	FY 2034-34	FY 2035-35	FY 2036-36	FY 2037-37	FY 2038-38	FY 2039-39	FY 2040-40	FY 2041-41	FY 2042-42	
Property Tax	\$ 128,811,479	\$ 134,728,228	\$ 141,090,461	\$ 147,871,800	\$ 155,099,870	\$ 162,779,820	\$ 170,917,051	\$ 179,522,424	\$ 188,603,281	\$ 198,170,311	\$ 208,232,277	\$ 218,799,011	\$ 229,870,501	\$ 241,447,756	\$ 253,530,789	\$ 266,120,601	\$ 279,217,291	\$ 292,820,859	\$ 306,931,296	\$ 321,548,601	\$ 336,672,776
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales Tax	\$ 41,047,789	\$ 42,819,238	\$ 44,668,210	\$ 46,594,700	\$ 48,597,109	\$ 50,676,071	\$ 52,831,000	\$ 55,062,418	\$ 57,371,811	\$ 59,759,771	\$ 62,227,800	\$ 64,776,400	\$ 67,407,171	\$ 70,120,601	\$ 72,917,291	\$ 75,797,751	\$ 78,761,501	\$ 81,809,151	\$ 84,941,291	\$ 88,158,401	\$ 91,461,101
Growth Rate	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Transient Occupancy Tax	\$ 18,781,800	\$ 19,322,211	\$ 19,863,622	\$ 20,405,033	\$ 20,946,444	\$ 21,487,855	\$ 22,029,266	\$ 22,570,677	\$ 23,112,088	\$ 23,653,499	\$ 24,194,910	\$ 24,736,321	\$ 25,277,732	\$ 25,819,143	\$ 26,360,554	\$ 26,901,965	\$ 27,443,376	\$ 27,984,787	\$ 28,526,198	\$ 29,067,609	\$ 29,609,020
Growth Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other Revenues	\$ 71,707,788	\$ 73,418,917	\$ 75,130,046	\$ 76,841,175	\$ 78,552,304	\$ 80,263,433	\$ 81,974,562	\$ 83,685,691	\$ 85,396,820	\$ 87,107,949	\$ 88,819,078	\$ 90,530,207	\$ 92,241,336	\$ 93,952,465	\$ 95,663,594	\$ 97,374,723	\$ 99,085,852	\$ 100,796,981	\$ 102,508,110	\$ 104,219,239	\$ 105,930,368
Growth Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Total General Fund Revenue	\$ 260,368,157	\$ 270,936,791	\$ 281,505,424	\$ 292,074,057	\$ 302,642,690	\$ 313,211,323	\$ 323,779,956	\$ 334,348,589	\$ 344,917,222	\$ 355,485,855	\$ 366,054,488	\$ 376,623,121	\$ 387,191,754	\$ 397,760,387	\$ 408,329,020	\$ 418,897,653	\$ 429,466,286	\$ 440,034,919	\$ 450,603,552	\$ 461,172,185	\$ 471,740,818
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Regular Services	\$ 82,512,387	\$ 84,332,228	\$ 86,152,069	\$ 87,971,910	\$ 89,791,751	\$ 91,611,592	\$ 93,431,433	\$ 95,251,274	\$ 97,071,115	\$ 98,890,956	\$ 100,710,797	\$ 102,530,638	\$ 104,350,479	\$ 106,170,320	\$ 107,990,161	\$ 109,810,002	\$ 111,629,843	\$ 113,449,684	\$ 115,269,525	\$ 117,089,366	\$ 118,909,207
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Special and Other Fees	\$ 18,718,472	\$ 19,867,711	\$ 21,016,950	\$ 22,166,189	\$ 23,315,428	\$ 24,464,667	\$ 25,613,906	\$ 26,763,145	\$ 27,912,384	\$ 29,061,623	\$ 30,210,862	\$ 31,360,101	\$ 32,509,340	\$ 33,658,579	\$ 34,807,818	\$ 35,957,057	\$ 37,106,296	\$ 38,255,535	\$ 39,404,774	\$ 40,554,013	\$ 41,703,252
Growth Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Benefits ¹	\$ 21,829,284	\$ 22,128,220	\$ 22,427,156	\$ 22,726,092	\$ 23,025,028	\$ 23,323,964	\$ 23,622,900	\$ 23,921,836	\$ 24,220,772	\$ 24,519,708	\$ 24,818,644	\$ 25,117,580	\$ 25,416,516	\$ 25,715,452	\$ 26,014,388	\$ 26,313,324	\$ 26,612,260	\$ 26,911,196	\$ 27,210,132	\$ 27,509,068	\$ 27,808,004
Growth Rate	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Non-Financial Costs ²	\$ 107,382,028	\$ 110,098,288	\$ 112,814,548	\$ 115,530,808	\$ 118,247,068	\$ 120,963,328	\$ 123,679,588	\$ 126,395,848	\$ 129,112,108	\$ 131,828,368	\$ 134,544,628	\$ 137,260,888	\$ 139,977,148	\$ 142,693,408	\$ 145,409,668	\$ 148,125,928	\$ 150,842,188	\$ 153,558,448	\$ 156,274,708	\$ 158,990,968	\$ 161,707,228
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total General Fund Expenditures	\$ 230,868,829	\$ 236,468,237	\$ 242,067,645	\$ 247,667,053	\$ 253,266,461	\$ 258,865,869	\$ 264,465,277	\$ 270,064,685	\$ 275,664,093	\$ 281,263,501	\$ 286,862,909	\$ 292,462,317	\$ 298,061,725	\$ 303,661,133	\$ 309,260,541	\$ 314,859,949	\$ 320,459,357	\$ 326,058,765	\$ 331,658,173	\$ 337,257,581	\$ 342,856,989
Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Revenue (Deficit)	\$ 29,500,328	\$ 34,468,554	\$ 39,436,780	\$ 44,405,006	\$ 49,373,232	\$ 54,341,458	\$ 59,309,684	\$ 64,277,910	\$ 69,246,136	\$ 74,214,362	\$ 79,182,588	\$ 84,150,814	\$ 89,119,040	\$ 94,087,266	\$ 99,055,492	\$ 104,023,718	\$ 108,991,944	\$ 113,960,170	\$ 118,928,396	\$ 123,896,622	\$ 128,864,848

¹ Assumes CalPERS unfunded liability payment remains at a flat \$25 million per year through 2028.
² Assumes transfers out to FFY, CIP, etc. remain flat and includes funds set aside for growth in contingent reserves.



DON'T FORGET ABOUT CHARTS AND GRAPHS



EXAMPLE – DETAILED GOVERNING BODY PRESENTATION

- Multi-chapter document with multiple public discussions
 - Detailed forecasts for each major revenue
 - Detailed expenditure projections
 - Full analysis of long-term needs (facilities, equipment, etc.)
 - Discussion of scenarios and solutions to gaps

The City of **SAN DIEGO**
FISCAL YEAR 2024-2028
FIVE-YEAR FINANCIAL OUTLOOK

Todd Gloria
Mayor
Eric Dargan
Chief Operating Officer

Fiscal Year 2024-2028 Five-Year Financial Outlook

General Fund will also be impacted since the current allocation is based on employee participation in SDCERS prior to Proposition B employees joining SDCERS. The final General Fund allocation will not be known until the participation count is finalized for the members participating in the City's pension system and the allocation is recalculated based on the distribution of Proposition B employees across the City's multiple funds. The increases in the ADC payment are partially offset by a decrease in SPSP-H contributions for employees that join SDCERS.

The final amount of the City's FY 2024 ADC payment will not be known until the June 30, 2022, actuarial valuation report is released in December, and presented to the SDCERS Board of Administration in January.

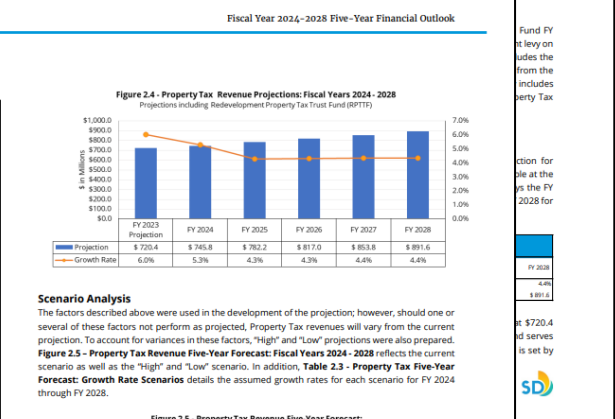
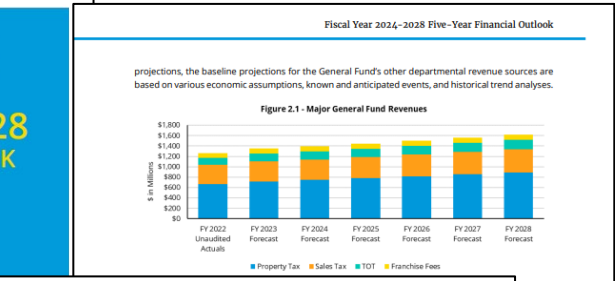
Table 2.21 – ADC Pension Payment and Figure 2.15 – Retirement ADC display the citywide ADC and the General Fund's proportionate share for FY 2023 through FY 2028, based on the June 30, 2021 SDCERS Actuarial Valuation Report and estimated amortization of investment losses from Buck Consultants.

	FY 2023 Adopted	FY 2024 Adopted	FY 2025	FY 2026	FY 2027	FY 2028
GF ADC Estimate (75.9%)	\$ 283.9	\$ 316.4	\$ 368.9	\$ 411.5	\$ 464.3	\$ 517.2
Citywide ADC Estimate	\$ 384.3	\$ 430.2	\$ 491.1	\$ 551.8	\$ 613.6	\$ 675.4

Figure 2.15 – Retirement ADC

Amortization of Proposition B Unfunded Liability
 On November 4, 2022, Chetron, an actuarial consulting firm hired by SDCERS, presented to the SDCERS Board funding options and estimated costs for the members specified herein associated with the unwinding of Proposition B, and entering into the pension system. There are two cost components that will need to be decided on: 1) the unpaid Normal cost for FY 2022 and FY 2023 of \$37.9 million, of which the General Fund is responsible for an estimated \$23.1 million; and 2) the Unfunded Actuarial Liability (UAL) of approximately \$119.2 million generated by the contribution shortfall after assets were transferred from employees' SPSP-H accounts to SDCERS, of which the General Fund is

36 The City of San Diego | Department of Finance |



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The City of San Diego | Department of Finance |

YOUR FINANCIAL MANAGEMENT WORK PLAN

- Many agencies build a recurring, annual work plan that includes various financial management activities
 - Budget development
 - Periodic budget reporting
 - Long-term financial planning
 - Internal audit
 - Other appropriate elements
- Everything that we just discussed can be incorporated into your agency's work plan
 - Develop a routine
 - Get executive and legislative buy-in
 - Stick to it and repeat every year!

CRAFT A PROCESS THAT MAKES SENSE FOR YOUR AGENCY

Small agency with 6 departments

- Annual plan updates
- Finance committee review of draft plan
- Presentation to and approval by governing body



Large agency with 15 departments

- Quarterly plan updates
- Community and stakeholder meetings in concert with strategic planning process
- Finance committee review of plan – in detail
- Initial governing body review with feedback and revisions
- Presentation to and approval by governing body



HELPFUL RESOURCES

HELPFUL RESOURCES

- Visit the Government Finance Officers Association library of best practices and other resources

<https://www.gfoa.org/best-practices--resources>

- Take advantage of relevant educational sessions from GFOA and other organizations
- Seek advice from your mentors and your network
 - Others have been in the same situation and solved the same problems
- Find agencies with document / report / process formats that you like and ask for their original Excel and Word documents
 - A good place to start is larger cities or counties in your region
 - GFOA also has some direct links online to recommended documents from around the country





Questions?

CONTACT INFORMATION

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