PRIORITY BASED BUDGETING WORKSHOP
Part I - Achieving Fiscal Health

Jon Johnson & Chris Fabian
April 9, 2014
A Brief Introduction

JON JOHNSON

CHRIS FABIAN
Pension Funding in the Balance

Source: Milliman Pension Funding Index

<table>
<thead>
<tr>
<th>Jan-12</th>
<th>Feb-12</th>
<th>Mar-12</th>
<th>Apr-12</th>
<th>May-12</th>
<th>Jun-12</th>
<th>Jul-12</th>
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<th>Oct-12</th>
<th>Nov-12</th>
<th>Dec-12</th>
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<tbody>
<tr>
<td>Discount Rate 12/31/2012</td>
<td>Expected Return for the rest of 2012</td>
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<tr>
<td>Baseline Forecast (No Gains or Losses)</td>
<td>3.96%</td>
<td>1.90%</td>
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<tr>
<td>Falling Off the Cliff Forecast (Asset Losses)</td>
<td>3.96%</td>
<td>-20.60%</td>
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Historically low interest rates drive pension funding deficits to new lows.

These results build off of the November 2012 Pension Funding Index, forecasting the pension funding status going forward based on a 20% decline in equities in December as a possible market reaction to “falling off the cliff”. No changes were made to discount rate or contribution assumptions. Visit www.milliman.com/plf for more details on Millman’s monthly pension funding analysis.

Fiscal Cliff?

Congressional deliberations could drive market volatility.
Housing Market – Still Underwater!

The U.S. Housing Crisis: Where are home loans underwater?

With U.S. home values falling by nearly 25% since peak in 2007, many homeowners are now underwater in their mortgages, meaning they owe more than their home is worth. Search our interactive map to discover what percentage of homes in your county or ZIP code are in negative equity, based on Zillow’s first quarter 2012 data.
Personal Savings Rates Trending Toward 0% – AGAIN!!!
Student Loan Debt – the Next Collapse???

Household Debt: Student Debt Rising

- Student Loan Debt
- All Other Household Debt

[Graph showing the increase in student loan debt compared to all other household debt over time.]
The Financials....
From an Elected Officials Perspective
Comparison of Projected Revenues, Outlays, and Deficits in CBO’s March 2009 Baseline and CBO’s Estimate of the President’s Budget

(Billions of dollars)

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<td><strong>Outlays</strong></td>
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<td><strong>Total</strong></td>
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<tr>
<td><strong>Total Deficit</strong></td>
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</tbody>
</table>

**Revenue by Source:**
- American Association for the Severely Handicapped
- Operating and Capital Budgets

**Accounts:**
- Operating and Capital Budgets
  - 2009 Actual
  - 2007 Budget
  - 2006 Budget

**Incomes:**
- Annual Dues
- Operating and Capital Budgets
- Budgetary Authority

**Expenditures:**
- Budgetary Authority
- Budgetary Authority
- Budgetary Authority

**Difference:**
- Budgetary Authority
- Budgetary Authority
- Budgetary Authority

**Note:**
- Including Social Security - please see bottom of page for presentation of expenses.
- Postal & Box
- Light
- Operating
- Snow Removal
- Other

**Capital Impacts:**
- Capitol Impacts
- Closure
- Sign
- Rail Crossing

**Total Outlays:**
- Operating and Capital Budgets
- Budgetary Authority
- Budgetary Authority

**Total Deficit:**
- Total Deficit
- Total Deficit
- Total Deficit

**Total Revenue:**
- Total Revenue
- Total Revenue
- Total Revenue

**Total Outlays:**
- Total Outlays
- Total Outlays
- Total Outlays

**Total Deficit:**
- Total Deficit
- Total Deficit
- Total Deficit

**Sources:**
- Congress

**Footnote:**
- 2008 Dues increases of $25/year or
- 2009/2010 levels based on CBO estimates
- $25/bill

- Breakdown of Loan Guarantees, Homeowners, Homeowner, Disaster, Promote, Build
- $10,370.34, Repair of Retirement, etc.
- $205,000
- Out Director - $500,000 and Snow Removal - $250,000

**Center for Priority Based Budgeting**
- Using a Clear, Last to First, Community Resources as Results
“I’ll pause for a moment so you can let this information sink in.”
What are your Elected Officials really thinking?

- What does all this financial information really tell me?
  - Are you saying everything is fine?
  - Are you saying we need to make cuts?
  - Are you saying we need to raise taxes?
  - Are you saying we have more money to spend?

- What are you asking me to decide?

  OR

- Are you just wanting my “rubber stamp” of approval?
The Beginnings ....

Fiscal Health & Priority Based Budgeting
DOES THIS LOOK FAMILIAR ?????

- Fund Balance
- Uses of Funding
- Sources of Funding

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

2009-2010 Projected Budget
2010-2011 Budget Forecast

$- $(50,000,000) $(100,000,000) $(150,000,000) $300,000,000

$- $(50,000,000) $(100,000,000) $(150,000,000) $300,000,000

$- $(50,000,000) $(100,000,000) $(150,000,000) $300,000,000
Become a Diagnostician

Achieving Fiscal Health & Wellness
Phase I: Initial Diagnosis, Prescription and Treatment Plan

Fiscal Health & Wellness
Diagnostic:

☐ Spending Within Our Means?
  - Start with Revenues?
  - Differentiate Ongoing vs. One-time?
  - Distinguish Program vs. General Gov.?
☐ Establishing and Maintaining Our Reserves?
  - Reserve Requirements?
  - Reserve Inventory?
☐ Understanding Variances?
  - Too Many Contingencies?
  - Forecasting Tools?
☐ True Cost of Doing Business?
  - Internal Service Funds?
  - Full Cost Plan?
☐ Long-term Decision Making?
  - Trend Analysis?
  - Scenario Planning?
  - Decision Support Tools?
☐ Results of Government?
  - Clear, comprehensive Results?
  - Clear ‘Value’ of Results?
☐ Program Valuations?
  - Program Inventory?
  - Strategy Maps – Cause & Effect?
☐ Resource Allocation Based on Prioritization?

Prescription of Fiscal Health Treatment Options to:
- Spend Within Our Means
- Establish and Maintain Reserves
- Understand Variances
- Establish True Cost of Doing Business
- Integrate Long-term Planning into Decision Making

Prescription of Fiscal Wellness Treatment Options to:
- Sustain Fiscal Health Achievements
- Identify, Define and Value Results of County
- Value Programs (Based on Results)
- Evaluate Program Efficiency
- Support Resource Allocation Decision Making with Program Prioritization
Achieving Fiscal Health & Wellness

2 Strategic Initiatives

Fiscal Health

- Incorporate Economic Analysis and Long-term Planning into Decision Making
- "Spend Within Our Means"
- Transparent About the "True Cost Doing Business"
- Understand Variances (Budget vs. Actual)
- Establish and Maintain Revenues

Long-term Fiscal Wellness

- Support Resource Allocation Decision Making with Prioritization of Programs
- Achieve Fiscal Health
- Value Programs Based on Evidence of their Influence on Results
- Identify, Define and Value the Results of Government
- Identify Programs and Services
BRINGING VISION INTO FOCUS
WITH A NEW "LENS"
Who is Looking through the “New Lens”

ARIZONA - Chandler; Queen Creek; Goodyear

CALIFORNIA - Walnut Creek; San Jose; Monterey; Sacramento; Seaside; Fairfield; Mission Viejo; Salinas; Temple City, Hermosa Beach

CANADA - Edmonton; Alberta Ministry of Health

COLORADO - Boulder; Longmont; Fort Collins; Wheat Ridge; Jefferson County; Thornton; Dillon Valley Water/Sewer District; Victor; Mountain View Fire Protection District; Loveland

FLORIDA - Lakeland; Delray Beach; Pasco County; Plantation

GEORGIA - Roswell, Cobb County

IDAHO – Post Falls

ILLINOIS – Boone County

KANSAS - Shawnee

MISSOURI - Branson

MONTANA - Billings

NEBRASKA - Grand Island

NEW MEXICO - San Juan County, Los Lunas

NEVADA - Douglas County

NORTH CAROLINA - Cary, Garner

OHIO - Blue Ash; Cincinnati

OREGON - Tualatin; Springfield

PENNSYLVANIA - Lehigh County

TEXAS - Plano; Southlake

VIRGINIA - Chesapeake; Christiansburg

WYOMING - Green River
ICMA
Leaders at the Core of Better Communities

Best Practice

Alliance for Innovation
Transforming Local Government

Straight Ahead
Today’s challenges have required local governments to work differently, looking to new and innovative approaches to service delivery, while at the same time reducing costs and increasing efficiency of operation. While “best” practices are always important for managers to follow and implement, it is those “leading” practices—creative and innovative ways to approach service delivery—that hold the greatest promise for us to truly “reinvent” government and the ways we do business…”

Robert O’Neill, Executive Director, International City/County Management Association (ICMA)
CPBB Publications on Fiscal Health & Wellness
Achieving Fiscal Health

-OR-

Confessions of a 30-year Finance Director!
ACHIEVING FISCAL HEALTH

- Incorporate Economic Analysis and Long-term Planning into Decision Making
- "Spend Within Our Means"
- Transparent About the "True Cost Doing Business"
- Establish and Maintain Revenues
- Understand Variances (Budget vs. Actual)
Strategic Questions

1. How much do we have available to spend? (not “How much do you need”?)
Approach to Fiscal Health #1: “Spend Within Your Means”

Apply Diagnostics - **DO YOU**…

- **Start with revenues?**
  - Know what “drives” each major revenue source?
  - Prepare a formal organization-wide **Revenue Manual**?

- **Distinguish one-time from ongoing sources and uses?**
  - Have a process in place to “track” them separately?
  - Demonstrate this differentiation in your forecasts and other financial documents?

- **Differentiate Program Revenues from General Government Revenues?**
  - Adjust budget allocations to departments for changes in associated Program Revenues?
## Executive Summary

### General Fund

<table>
<thead>
<tr>
<th></th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
<th>2009 Budget</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>As Amended</td>
<td>Ongoing</td>
<td>One-Time</td>
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<td>Beginning Fund Balance</td>
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<td>45,873,254</td>
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<td>41,577,385</td>
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<td>41,577,385</td>
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<td>General Governmental Revenues</td>
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<td>117,935,085</td>
<td>117,935,085</td>
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<td>Taxes &amp; Special Assessments</td>
<td>53,545</td>
<td>56,500</td>
<td>0</td>
<td>49,000</td>
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<tr>
<td>Licenses &amp; Permits</td>
<td>5,667,608</td>
<td>6,213,000</td>
<td>5,765,000</td>
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<td>Charges for Services</td>
<td>475,647</td>
<td>1,356,070</td>
<td>513,620</td>
<td>261,500</td>
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<td>Intergovernmental Assistance</td>
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<td>200,000</td>
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<td>Fines &amp; Forfeitures</td>
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<td>Other Income</td>
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<td>50,000</td>
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<td>Intra-County Transactions (Transfers)</td>
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<td>3,549,984</td>
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<td>Social Services HVAC</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Patrol Fund (for Emergency Mgmt)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Public Trustee Fund (net revenues)</td>
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<td>0</td>
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<td>Total General Governmental Revenues</td>
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<td>136,576,239</td>
<td>130,535,789</td>
<td>6,040,450</td>
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### Source of Funds

#### General Governmental Revenues

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<tr>
<th></th>
<th>2008 Budget</th>
<th>2009 Budget</th>
<th>2009 Budget</th>
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<td>As Amended</td>
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<tr>
<td>Taxes &amp; Special Assessments</td>
<td>117,935,085</td>
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<td>118,251,318</td>
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<td>Licenses &amp; Permits</td>
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<td>Charges for Services</td>
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<td>100,000</td>
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<tr>
<td>Intra-County Transactions (Transfers)</td>
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<td>Treasurer's Fees</td>
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#### Departmental/Program Revenues

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<td>15,319,225</td>
<td>308,793</td>
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</table>
Approach to Fiscal Health #1: “Spend Within Your Means”

Available Treatments:

- **Achieve ongoing alignment**
  - Fund operating expenditures with reliable ongoing revenues
  - Prevent reliance on volatile revenues (that might not come in!)

- **Achieve one-time alignment**
  - Fund one-time costs with one-time sources
  - Ensure reserves aren’t used for ongoing expenses

- **Promote revenue diversification and enhancement**
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)

2. Why do we need to keep “money in the bank”?
Approach to Fiscal Health #2: Establish and Maintain Reserves

Apply Diagnostics - **DO YOU**...

- Understand what makes up Fund Balance(s) and why you hold reserves?
  - Have a formal “inventory” of all restricted or designated fund balance reserves, stating their purpose, the authority establishing them and how they are to be calculated?

- Have a written fund balance reservation policy?
  - Monitor fund balances to ensure that reserves are maintained?
  - Ensure established working capital reserves are sufficient to meet emergency needs or short-term revenue shortfalls?

- Monitor Fund Balance levels to ensure they “aren’t too little” OR “too much”, but “just right”?
Determining the “Right” Level

- Baseline recommendation (General Fund):
  - 5% to 15% of operating revenue
  - 1 to 2 months operating expenditures

- Adjust for:
  - Historic Events and Past Experience
  - Government Size
  - Revenue Stability
  - Future Capital Needs
Standard & Poor's Views

- **Low** = 0% or “below”
- **Adequate** = 1% to 4%
- **Good** = 4% to 8%
- **Strong** = 8% to 15%
- **Very Strong** = Above 15%
Approach to Fiscal Health #2: Establish and Maintain Reserves

Available Treatments

- Establish a **written Working Capital/Emergency Reserve policy**
  - Provides back-up plan for emergencies, revenue shortfalls, or other unforeseen changes

- Identify, document and understand all reserves

- Review adequacy of Fund Balance levels
  - Hold only appropriate amount in reserve to establish credibility with internal and external stakeholders

- Set aside funding for long-range plans, major maintenance and asset replacement
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
Approach to Fiscal Health #3: Understand Variances

Apply Diagnostics - DO YOU...

- Include cyclical (one-time) expenditures in ongoing operating budgets?
- Allow Departments to budget for contingencies?
- Consistently have revenue/expenditure variances at year-end?
  - Overlook thorough analysis of budget-to-actual variances?
- Count on “savings” resulting from budget-to-actual variances?
- Have large capital project “carry-forwards” at year end?
Types of Variance Analysis

- **Revenues & Expenditures**
  - Budget to Actual
  - Historical year to year actuals
  - Cyclical trends
  - Ongoing vs. one-time occurrence

- **Multi-year Capital Projects**
  - Eliminate Carry-forwards
  - Avoid excessive “change orders”
Types of Variance Analysis

- **Employee Compensation**
  - Comp Plan vs. Actual Wages Paid
    - Hiring Range
    - Maximum Range
  - Market Comparison - based on total compensation
  - Approved FTE Count

- **Accounts Receivable**
  - Difference between amounts due and amounts billed?
  - Difference between amounts billed and amounts collected
# Salary/Benefit Projection Tool

## 2009 Salary & Benefit Forecasting Tool

<table>
<thead>
<tr>
<th>Fund</th>
<th>Department</th>
<th>Division</th>
<th>% Increase</th>
<th>Home Business Unit</th>
<th>Title</th>
<th>FTE</th>
<th>Earned Salary @ 12/31/08</th>
<th>Earned Salary @ 12/31/09</th>
<th>Earned Taxes &amp; Benefits @12/31/09</th>
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<tbody>
<tr>
<td>00050</td>
<td>(All)</td>
<td>(All)</td>
<td>5.0%</td>
<td>53120</td>
<td>Accounting Technician</td>
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<td>41,410</td>
<td>43,346</td>
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<td>Administrative Coordinator II</td>
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<td>59,944</td>
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<td>18,470</td>
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<td></td>
<td></td>
<td></td>
<td>Administrative Specialist III</td>
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<td>40,703</td>
<td>42,606</td>
<td>11,150</td>
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<td>Dir OS &amp; Comty Resrce Dept</td>
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<td>79,562</td>
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</tr>
</tbody>
</table>
Approach to Fiscal Health #3:
**Understand Variances**

Available Treatments:

- **Strive to align budget with actuals (a source of “hidden treasure”)**
  - Refine salary and benefit projections, to align with actual costs incurred
  - Provide more effective budget monitoring and management to eliminate variances
- **Identify and eliminate the “fluff”**
- **Fund cyclical expenditures with one-time funding sources**
- **Consolidate contingencies maintained in department budgets**
- **Analyze and understand revenue variances**
- **Promote multi-year budgeting for capital projects**
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much”???????????
Approach to Fiscal Health #4: Transparent About “True Cost of Doing Business”

Apply Diagnostics – **DO YOU…**

- Allocate overhead and administrative costs to Funds and/or Departments that benefit from those services?
- **Utilize Internal Service Funds** to align delivery and cost of internal services with customer demand?
  - Know what services are best adapted to an Internal Service Fund approach?
  - Understand how internal charges are established and distributed?
  - Ensure that internal customers perceive that costs are transparent and there is an ability to influence those costs by altering their own demand?
Approach to Fiscal Health #4: 
Transparent About “True Cost of Doing Business”

Apply Diagnostics - **DO YOU**...

- Identify total cost (direct AND indirect) for all programs?
  - Prepare a **Full Cost Allocation** plan in addition to an **OMB A-87 Cost Allocation Plan**?
  - How is this **Plan** incorporated into the budget process?

- Establish fees for service that recapture appropriate level of total costs of providing that service?
Internal Service Funds (ISF)

**What Do We Mean?**
- Approach to fairly and equitably allocate costs of "internally focused" services to those who use them
- Usually involve internal service providers such as Fleet, I.T. and Facilities

**Why Should They Be Used?**
- Better articulate what services are provided
- Identify the "true cost of doing business"
- Generate better conversations about value of these services to end user
- Facilitate better dialogue about service delivery options and choices
Key Components of an ISF

- Program Inventory
  - Identify programs – distinct from “tasks” (too small) or divisions (too large)
  - Determine base level of service
  - Determine discretionary levels of service above base levels

- Program Costs
  - Direct costs
  - Indirect costs (internal services have these too!)
  - Organizational administrative/overhead costs

- Basis for “Charging” Program Costs to End User
  - Identify how “demand” or “need” is generated
  - Determine appropriate allocation methodology
Approach to Fiscal Health #4: Transparent About “True Cost of Doing Business”

Available Treatments:

- **Establish Internal Service Funds** and engage Departments in assessing demands for these services.

- **Promote enhancement of cost recovery** for programs where appropriate.

- **Diversify cost burden from General Fund** by appropriately sharing costs among other dedicated revenue streams.

- **Inventory and cost all programs**
  - Utilize Full Cost Plans to better determine the true cost (direct and indirect) of offering programs/services.
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much”????????
5. “What’s the plan” and what could cause it to change?
6. What does the future look like?
7. “What if………..”???
Approach to Fiscal Health #5: Economic Analysis & Long-term Planning

Apply Diagnostics - **DO YOU**...

- Incorporate **ALL** long-term plans developed within the organization into your financial forecasts?

- Prepare comprehensive, multi-year Capital Improvement Plan, and clearly identify associated ongoing operating costs?
  - Understand how the CIP impacts the budget process and your long-term financial forecasts?

- Identify only **relevant economic indicators** to monitor?

- Effectively utilize appropriate “tools” to communicate financial position to all stakeholders (elected officials, citizens and staff)?
KEY ECONOMIC INDICATORS

- Both External and Internal
- Focus on only what is relevant!!!!!!
- Utilize **TRENDS** over Benchmarks
- Demonstrate organizational impacts
Available Treatments:

- **Prepare a 5 to 10 year financial forecast**
  - Use relevant key indicators and trend analysis to improve decision-making
  - Update and present on regular basis throughout the year
  - Identify potential points of failure and plan for needed changes

- **Utilize simple, graphic communication tool to illustrate fiscal health position to all stakeholders**
  - Keep decision makers focused on high-level stewardship role
  - Access impact of “today’s” decisions on future financial sustainability
  - Allow scenario-planning which encourages flexible and adaptive decision-making
Looks like a Financially “Healthy” Organization - Right?
Let’s Look through a Different Lens!

CITY OF WHEAT RIDGE, COLORADO
COMBINED GENERAL and CAPITAL FUNDS
Wednesday, May 15, 13

Fiscal Health Diagnostic (Are objectives met?)

<table>
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<tr>
<th>Objectives</th>
<th>Status</th>
<th>1st Year Missed</th>
<th>1st Year Impact</th>
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<tbody>
<tr>
<td>Set Aside Reserves</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
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<tr>
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<tr>
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<td>$0</td>
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Note: Items in “Blue” can be modified; items in “Black” cannot.

Additional Ideas for Revenue Enhancement

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<tr>
<th>Description</th>
<th>R</th>
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<th>Year 1</th>
<th>Year 2</th>
<th>One-Time</th>
<th>Year</th>
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<td>Increase Sales Taxes</td>
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<td>$0</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2013</td>
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<tr>
<td>Sell City Hall (sell assets)</td>
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<td>$0</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2014</td>
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<tr>
<td>ULTIMATE ELECTRONICS CLOSES</td>
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<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2012</td>
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<td>Anticipated Increase in Sales Tax Revs</td>
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<td>2015</td>
<td>2017</td>
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<td></td>
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<tr>
<td>Fill Gap</td>
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<td></td>
<td>2014</td>
<td>2015</td>
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<td>Adjust Reserve Policy</td>
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Ongoing Alignment

One-time Alignment (as of year-end)

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<th>Ongoing Initiatives</th>
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<th>First Year $</th>
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<td>N</td>
<td>2013</td>
<td>$</td>
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<tr>
<td>CIP - Wadsworth Reconstruction - 39th to 46th</td>
<td>N</td>
<td>2014</td>
<td>$</td>
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<tr>
<td>CIP - Pedestrian &amp; Bike Master Plan</td>
<td>N</td>
<td>2015</td>
<td>$</td>
</tr>
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<td>CIP - Dispatch Center</td>
<td>N</td>
<td>2016</td>
<td>$</td>
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<thead>
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<th>First Year $</th>
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<td>CIP - 32nd Ave. Reconstruction - Wadsworth to Kipling</td>
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<td>2012</td>
<td>$</td>
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<tr>
<td>CIP - Wadsworth Reconstruction - 39th to 46th</td>
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<td>2013</td>
<td>$</td>
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<td>CIP - Dispatch Center</td>
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<td>$</td>
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"FISCAL HEALTH DIAGNOSTIC TOOL" – Tell the Story with a “Picture”

**GENERAL FUND**
Monday, June 08, 2009

**Fiscal Health Diagnostic (Do we meet the objectives?)**

<table>
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<tr>
<th>Objectives</th>
<th>Status</th>
<th>1st Year Missed</th>
<th>1st Year Impact</th>
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</thead>
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<tr>
<td>Set Aside Reserves</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
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<tr>
<td>Fund “True Cost of Business”</td>
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<td>$0</td>
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(Key: Items in “Blue” can be modified; items in “Black” can not)

**Ideas for Cost Containment or Additional Revenue**

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<th>Description</th>
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<th>Year n</th>
<th>One-time</th>
<th>Year</th>
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**Ongoing Business Cases**

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**One-time Business Cases and 5-Year Plan**

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Live Demonstration of

“Fiscal Health Diagnostic Tool”
Tools of Fiscal Wellness

- Identify Community “RESULTS”
  - Supplemented by Internal Organization’s “Governance” Results

- Communicate meaning of Results using “RESULTS MAPS”

- Inventory of Programs and Services
  - Supported by associated Program Costs; Program Revenues and FTE

- Evaluate “what we do” against “what we are in business to do”

- Allocate resources based on Community Priorities
  - Looking through the “NEW LENS” of the “Resource Alignment Diagnostic Tool”
Diagnostic Questions to Ask

Does your organization differentiate between ONE-TIME and ONGOING revenues and expenditures?

If yes, how are they tracked? Does your forecast demonstrate this differentiation?

How does your organization differentiate “program” revenues from “enterprise” revenues such as taxes, earnings on investments, franchise fees, etc.?

Does your organization prepare a formal Revenue Manual?

If yes, what type of information is included?
Diagnostic Questions to Ask

Does your organization have a written fund balance reservation policy?

   If yes, how are you monitoring those reserves to ensure that they are properly and adequately maintained?

Are established working capital reserves sufficient to meet emergency needs or short-term revenue shortfalls?

Does your organization have an inventory of all restricted or designated fund balance (reserves)?

   If yes, does it indicate the purpose for the reserve, cite the authority for its establishment and show how it is calculated?
Diagnostic Questions to Ask

Are variances between budgeted and actual revenues and expenditures analyzed and explained?

If yes, how do those variances impact future budget cycles?

Does your organization utilize a formal Compensation Plan to establish employee salary/wage ranges?

If yes, how often is the plan updated?

When assessing the adequacy of employee compensation, are employee benefit packages included in this assessment?
Diagnostic Questions to Ask

Does your organization utilize Internal Service Funds?

If yes, what are the services provided by each fund and how are internal charges established and distributed?

Are appropriate demand metrics evaluated when determining how internal charges are to be assessed or distributed?

Do internal customers perceive that the calculation and assessment of those internal charges is transparent and that they can influence those charges by altering their own demand?

Does your organization prepare a Full Cost Allocation plan in addition to an OMB A-87 Cost Allocation Plan?

If yes, how is this plan incorporated into the budget process?
Diagnostic Questions to Ask

Does your Five-Year forecast incorporate ALL other long-term plans developed by your organization?

Does your organization prepare a Capital Improvement Plan (CIP) ?
If yes, what information is included and how is it utilized in your budget process and your financial forecasts?

What tools does your organization use to communicate financial information to its elected decision-makers?