



# Financial Forecasting

OCCMA Conference

July 10, 2019

# Our panel



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Forecast5



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# Goals today

- ▶ Show advantages and importance of forecasting
- ▶ Share tools and ideas that help lead to sustainable government decisions
- ▶ Appeal to your creative side
- ▶ Demonstrate that cities have a variety of forecasting tools from which to choose

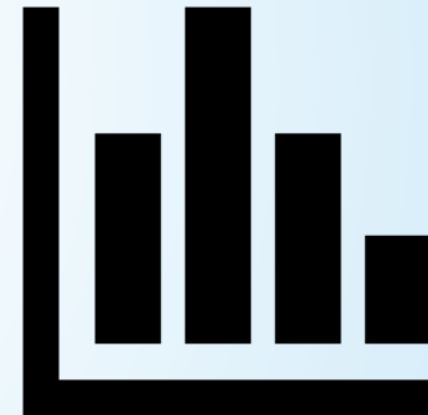
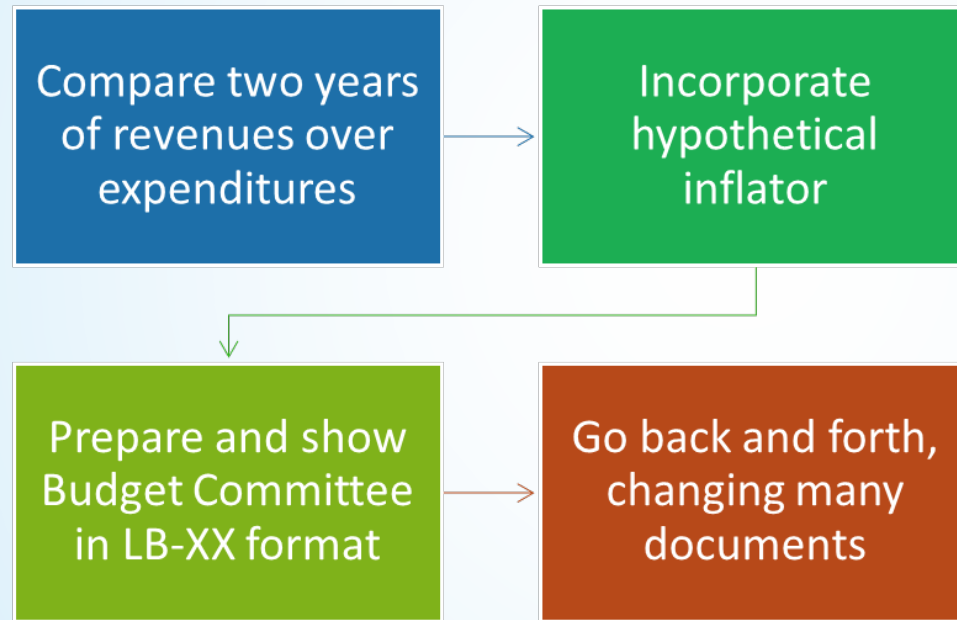
# What they think we do



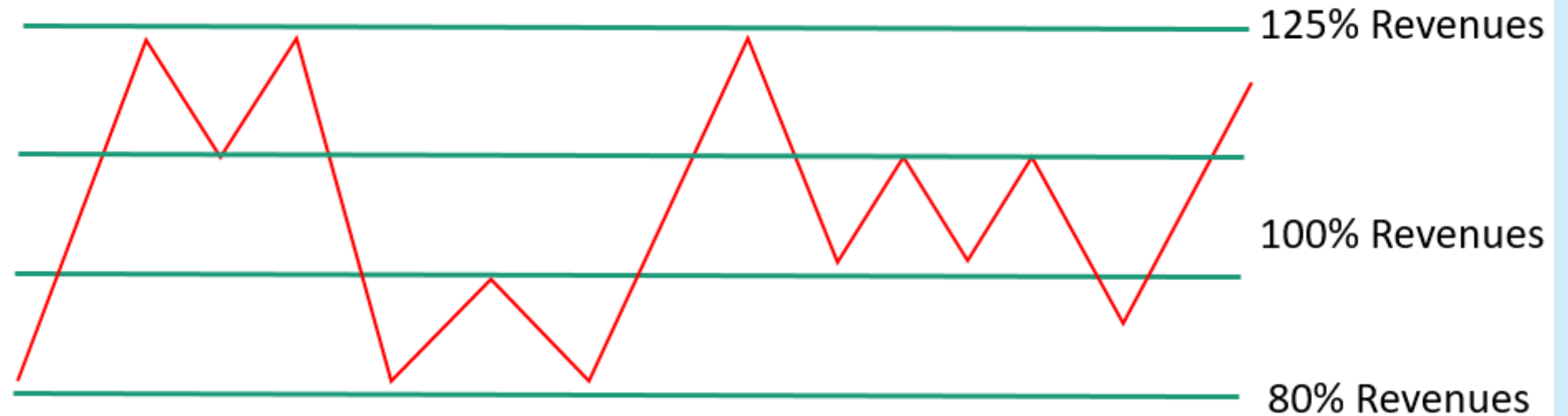


What we actually do

# Standard Budget process



# Yearly budgeting can be subjective!



City Managers and Councils tend to overestimate revenues and underestimate expenditures while Finance Directors are more likely to be conservative, underestimating revenues and overestimating expenditures.

# Budgeting with limited information

- ▶ Does not look at sustainability.
- ▶ Doesn't include long term financial planning.
- ▶ Only provides budget committee with a limited picture.
- ▶ Requires a greater reaction when something unexpected appears.
- ▶ Does not provide the information needed to educate staff, council, or community regarding the state of financial affairs in the city or ability to support policy decisions.
- ▶ Requires a great deal of back and forth work with policy group or in some cases the policy group will make a decision without a defensible justification.







# Financial Policies to be addressed

- ▶ Fund Balance, Contingency, and Reserve Policy
- ▶ Revenue Policy
- ▶ Debt Policy
- ▶ Operating Budget Policy
- ▶ Capital Improvement Policy
- ▶ Purchasing Policy



# Key considerations

- ▶ Council Goals and long range projects
- ▶ Issues to Address through the LRF (operating and capital) such as:
  - Rising personnel costs, including retirement and health benefits
  - Transportation Infrastructure Funding
  - Spinning off or consolidating services
  - Others?



# Interface with other City plans

- Pavement Maintenance Ad Hoc Committee
- Capital Improvement Plans
- Facilities Master Plans
- Equipment Replacement Plans
- Citizens' Rate Review Process
- Economic Development Plan
- Tourism Plan
- Others?

# Scope and Time Horizon

- Funds considered:
  - ❖ General Fund
  - ❖ Admin Support Service Fund
  - ❖ Street Fund
  - ❖ Building Fund
  - ❖ Public Works Funds (rates & SDC funds)
    - Wastewater
    - Water
    - Stormwater
- Time Horizon – Five-year rolling window, updated quarterly or annually in anticipation of the annual budget process



# Financial Model



- Variety of options to build including in-house excel or software packages
- Flexible to address multiple drivers, run “what if” scenarios
- Graphical illustration of key outputs, including revenue vs expenditures in each fund



# Financial Model (continued)

- Focus of revenue projections:
  - ❖ Property taxes
  - ❖ Franchise revenue
  - ❖ State shared revenues
  - ❖ Transient lodging taxes
  - ❖ Marijuana taxes
  - ❖ Gasoline tax and/or transportation fees
  - ❖ New revenue streams



# Financial Model (continued)

- Focus of expenditure projections:
  - ❖ Personnel
  - ❖ Retirement & health benefits
  - ❖ Facilities
  - ❖ Equipment replacement
  - ❖ Large contracts

# Forecast in Action

Assist

- Assists with policy decision

Real Time

- Provides real time estimates

Outreach

- Provides communication/outreach tool

Living

- Creates a living document





# Model Demonstration – City of Aumsville

- ▶ Data Tab for raw financials
- ▶ Various tabs for income/expense assumptions
  - ▶ Expenditure & Revenue growth rates
  - ▶ Capital Purchases
  - ▶ Staffing Changes
- ▶ Master Results
  - ▶ Displays historical results, plus long-range forecast
  - ▶ Drill-down by fund(s) or see overall budget
- ▶ Charts tab for presentation graphics



# Forecast in Action – Aumsville's Experience

- ▶ Council Meetings – live demonstration of fiscal impact on various scenarios
  - ▶ Increasing staffing levels
  - ▶ Creating new revenue sources
  - ▶ Postponing rate increases
- ▶ Budget
  - ▶ Better examination of future position, rather than single-year "balanced budget"
  - ▶ Smaller changes to address future shortfalls, rather than drastic ones for deficits on our doorstep.
- ▶ Communication tool
  - ▶ Provides visuals for public outreach
  - ▶ Demonstrates to staff the impact of their own requests in labor discussions

# Scenario – Adding an FTE

Before

SUMMARY TABLE <i>Police Fund</i>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL Y/E	PROJECTED	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	
					G RATE	17%	1%	5%	5%	5%	5%	
BEGINNING CASH & INVESTMENTS	\$ 84,458.03	\$ 89,138.12	\$ 104,445.10	\$ 107,198.88	\$ 138,898.70	\$ 218,575	\$ 191,204	\$ 125,917	\$ 72,299	\$ 25,784	\$ (12,427)	Beginning Cash
TOTAL REVENUES	\$ 723,427.86	\$ 778,864.23	\$ 735,206.88	\$ 811,016.26	\$ 923,892.89	\$ 1,076,825	\$ 1,089,131	\$ 1,138,672	\$ 1,190,322	\$ 1,244,189	\$ 1,300,381	Total Revenues
TOTAL EXPENDITURES	\$ (727,957.94)	\$ (763,557.25)	\$ (732,753.10)	\$ (779,316.44)	\$ (844,216.50)	\$ (1,104,196)	\$ (1,154,417)	\$ (1,192,290)	\$ (1,236,837)	\$ (1,282,400)	\$ (1,328,124)	Total Expenditures
NET REVENUE	(\$4,530)	\$15,307	\$2,454	\$31,700	\$ 79,676.39	\$ (27,371)	\$ (65,286)	\$ (53,619)	\$ (46,515)	\$ (38,211)	\$ (27,743)	Net Revenue
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	New Rev/(Exp) Assumptions
ENDING CASH & INVESTMENTS	\$79,928	\$104,445	\$106,899	\$138,899	\$ 218,575.09	\$ 191,204	\$ 125,917	\$ 72,299	\$ 25,784	\$ (12,427)	\$ (40,170)	Ending Fund Balance
DIFFERENCE/ADJUSTMENT	\$9,210	\$0	\$ 300	\$ -								
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	90-Day EFB Target

After

SUMMARY TABLE <i>Police Fund</i>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL Y/E	PROJECTED	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	
					G RATE	17%	1%	5%	5%	5%	5%	
BEGINNING CASH & INVESTMENTS	\$ 84,458.03	\$ 89,138.12	\$ 104,445.10	\$ 107,198.88	\$ 138,898.70	\$ 218,575	\$ 191,204	\$ 36,249	\$ (112,978)	\$ (261,464)	\$ (408,461)	Beginning Cash
TOTAL REVENUES	\$ 723,427.86	\$ 778,864.23	\$ 735,206.88	\$ 811,016.26	\$ 923,892.89	\$ 1,076,825	\$ 1,089,131	\$ 1,138,672	\$ 1,190,322	\$ 1,244,189	\$ 1,300,381	Total Revenues
TOTAL EXPENDITURES	\$ (727,957.94)	\$ (763,557.25)	\$ (732,753.10)	\$ (779,316.44)	\$ (844,216.50)	\$ (1,104,196)	\$ (1,154,417)	\$ (1,192,290)	\$ (1,236,837)	\$ (1,282,400)	\$ (1,328,124)	Total Expenditures
NET REVENUE	(\$4,530)	\$15,307	\$2,454	\$31,700	\$ 79,676.39	\$ (27,371)	\$ (65,286)	\$ (53,619)	\$ (46,515)	\$ (38,211)	\$ (27,743)	Net Revenue
						\$ -	\$ (89,669)	\$ (95,608)	\$ (101,971)	\$ (108,786)	\$ (116,085)	New Rev/(Exp) Assumptions
ENDING CASH & INVESTMENTS	\$79,928	\$104,445	\$106,899	\$138,899	\$ 218,575.09	\$ 191,204	\$ 36,249	\$ (112,978)	\$ (261,464)	\$ (408,461)	\$ (552,289)	Ending Fund Balance
DIFFERENCE/ADJUSTMENT	\$9,210	\$0	\$ 300	\$ -								
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	90-Day EFB Target



# How will we pay for it?

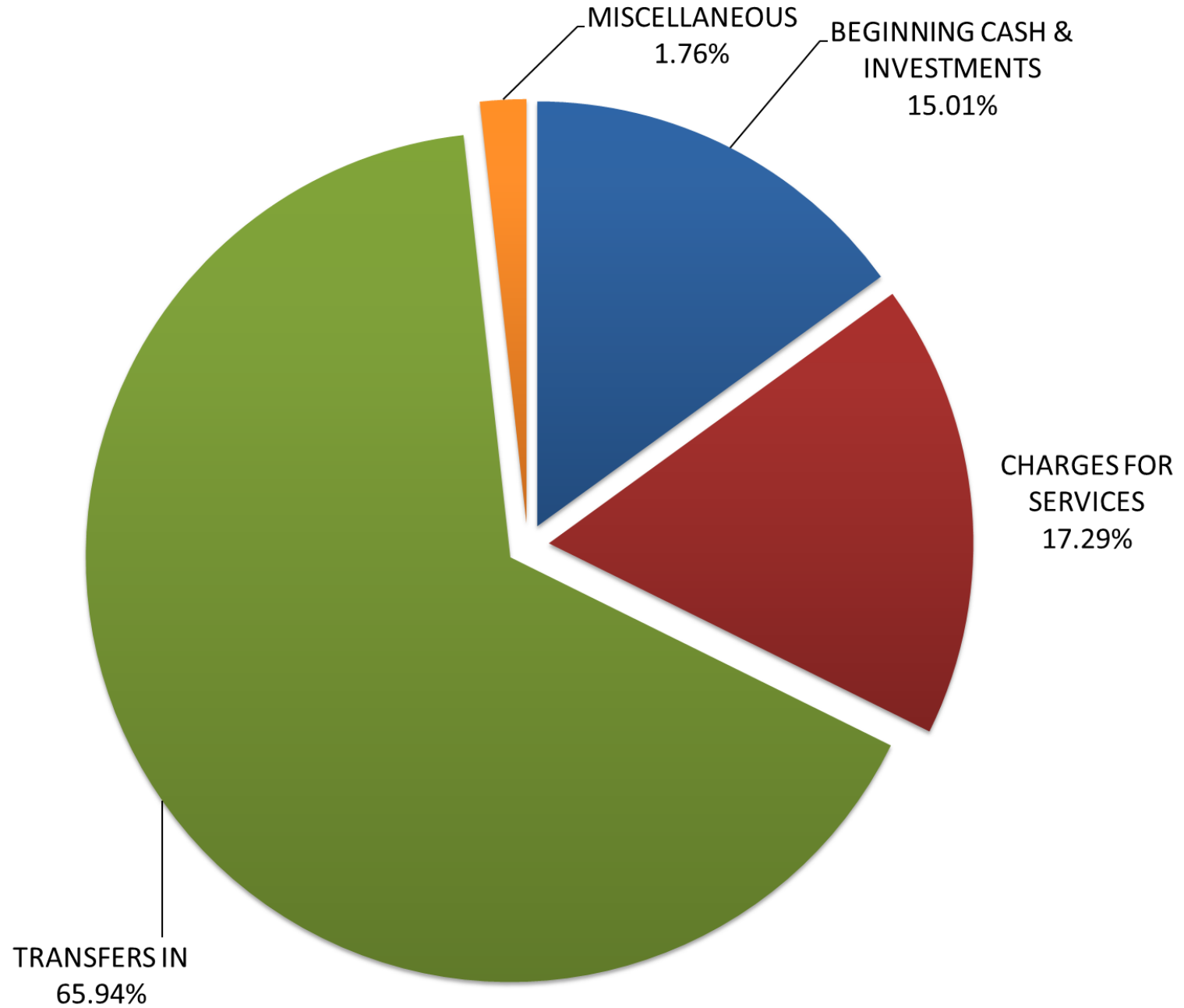
Increase PSF by \$6

SUMMARY TABLE	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
<i>Police Fund</i>	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL Y/E	PROJECTED	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	
					G RATE	17%	11%	4%	4%	4%	4%	
BEGINNING CASH & INVESTMENTS	\$ 84,458.03	\$ 89,138.12	\$ 104,445.10	\$ 107,198.88	\$ 138,898.70	\$ 218,575	\$ 191,204	\$ 146,409	\$ 110,942	\$ 79,816	\$ 53,779	Beginning Cash
TOTAL REVENUES	\$ 723,427.86	\$ 778,864.23	\$ 735,206.88	\$ 811,016.26	\$ 923,892.89	\$ 1,076,825	\$ 1,199,291	\$ 1,252,432	\$ 1,307,682	\$ 1,365,149	\$ 1,424,941	Total Revenues
TOTAL EXPENDITURES	\$ (727,957.94)	\$ (763,557.25)	\$ (732,753.10)	\$ (779,316.44)	\$ (844,216.50)	\$ (1,104,196)	\$ (1,154,417)	\$ (1,192,290)	\$ (1,236,837)	\$ (1,282,400)	\$ (1,328,124)	Total Expenditures
NET REVENUE	(\$4,530)	\$15,307	\$2,454	\$31,700	\$ 79,676.39	\$ (27,371)	\$ 44,874	\$ 60,141	\$ 70,845	\$ 82,749	\$ 96,817	Net Revenue
						\$ -	\$ (89,669)	\$ (95,608)	\$ (101,971)	\$ (108,786)	\$ (116,085)	New Rev/(Exp) Assumptions
ENDING CASH & INVESTMENTS	\$79,928	\$104,445	\$106,899	\$138,899	\$ 218,575.09	\$ 191,204	\$ 146,409	\$ 110,942	\$ 79,816	\$ 53,779	\$ 34,511	Ending Fund Balance
DIFFERENCE/ADJUSTMENT	\$9,210	\$0	\$ 300	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	90-Day EFB Target

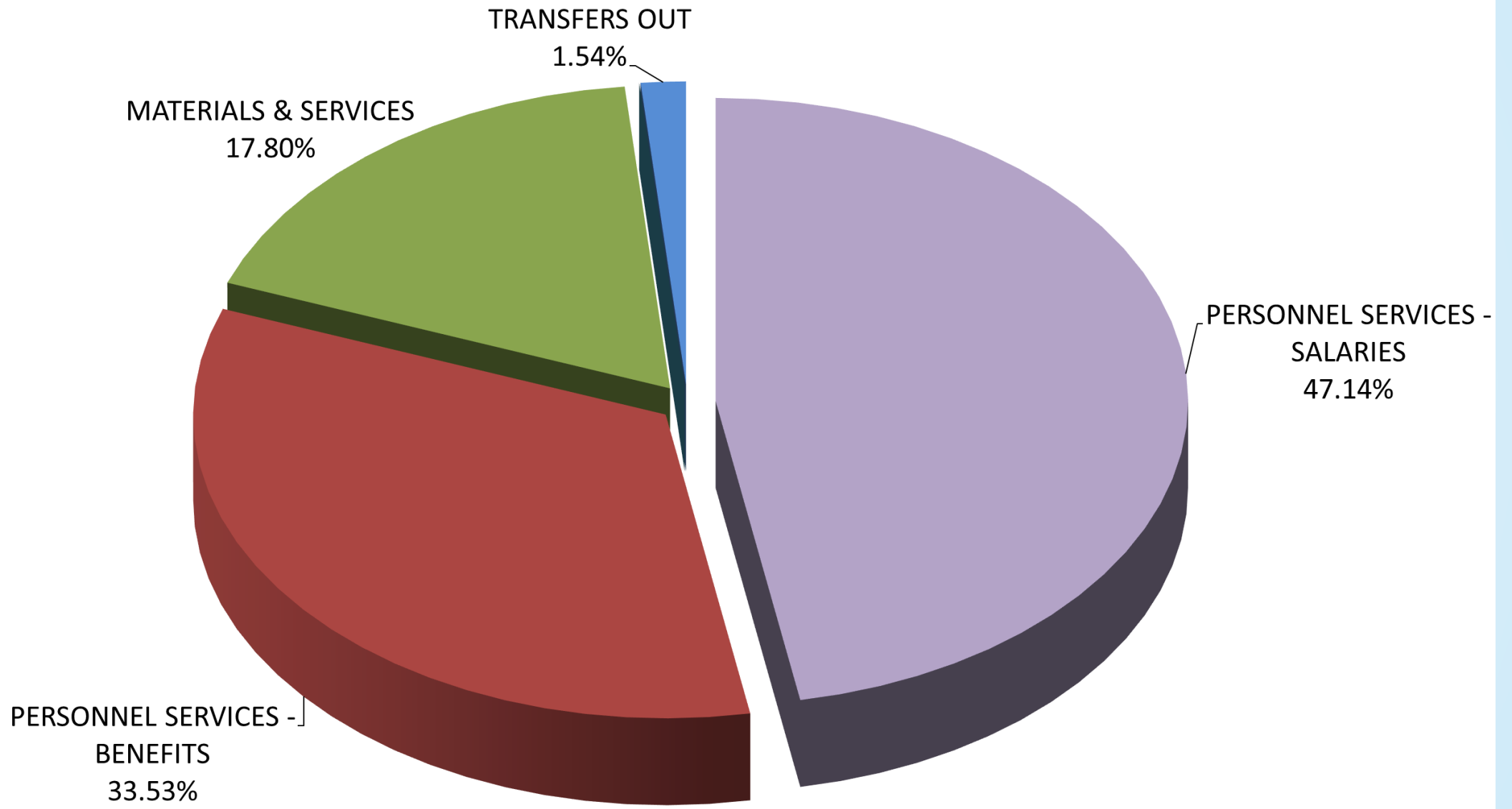
This type of conversation can take place on the spot, leaving all participants better informed and more confident about any final decisions.

Also works for COLA discussions, greater-than-expected benefit expense hikes (PERS), etc.

# 2019-20 SOURCES OF CASH - Police Fund



# 2019-20 USES OF CASH - Police Fund

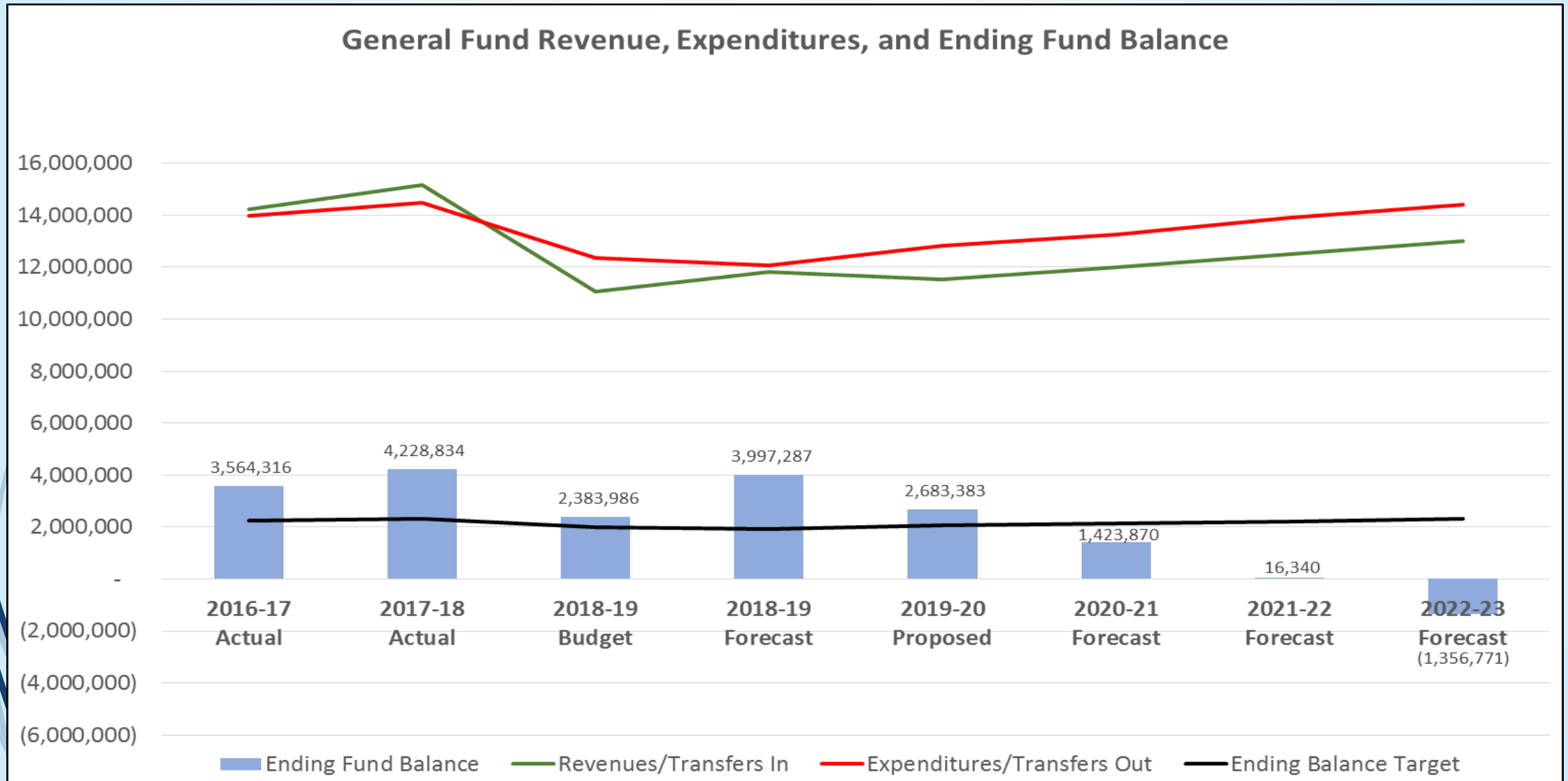


# City of Newberg General Fund – June 2019

	2016-17 Actual	2017-18 Actual	2018-19 Budget	2018-19 Forecast	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
<b>Beginning Fund Balance</b>	3,313,037	3,564,316	3,683,915	4,228,834	3,997,287	2,683,383	1,423,870	16,340
<b>Revenue &amp; Transfers In</b>	14,212,032	15,153,008	11,063,846	11,830,767	11,526,013	12,009,091	12,499,968	13,021,863
<b>Expenditures &amp; Transfers Out</b>	(13,960,753)	(14,488,490)	(12,363,775)	(12,062,314)	(12,839,917)	(13,268,603)	(13,907,498)	(14,394,975)
<b>Annual Surplus/(Shortfall) *</b>	251,279	664,518	(1,299,929)	(231,547)	(1,313,904)	(1,259,512)	(1,407,530)	(1,373,112)
<b>Ending Fund Balance</b>	3,564,316	4,228,834	2,383,986	3,997,287	2,683,383	1,423,870	16,340	(1,356,771)
<b>Fund Balance % (Target = 16%)</b>	25.53%	29.19%	19.28%	33.14%	20.90%	10.73%	0.12%	-9.43%
* Annual Surplus/(Shortfall) Composition								
Public Safety		-	(372,575)	(309,568)	(372,575)	(372,575)	(372,575)	(372,575)
Operational surplus/(shortfall)		664,518	(927,354)	78,021	(941,329)	(886,937)	(1,034,955)	(1,000,537)
Annual Surplus/(Shortfall), as stated above		664,518	(1,299,929)	(231,547)	(1,313,904)	(1,259,512)	(1,407,530)	(1,373,112)



# City of Newberg General Fund – June 2019

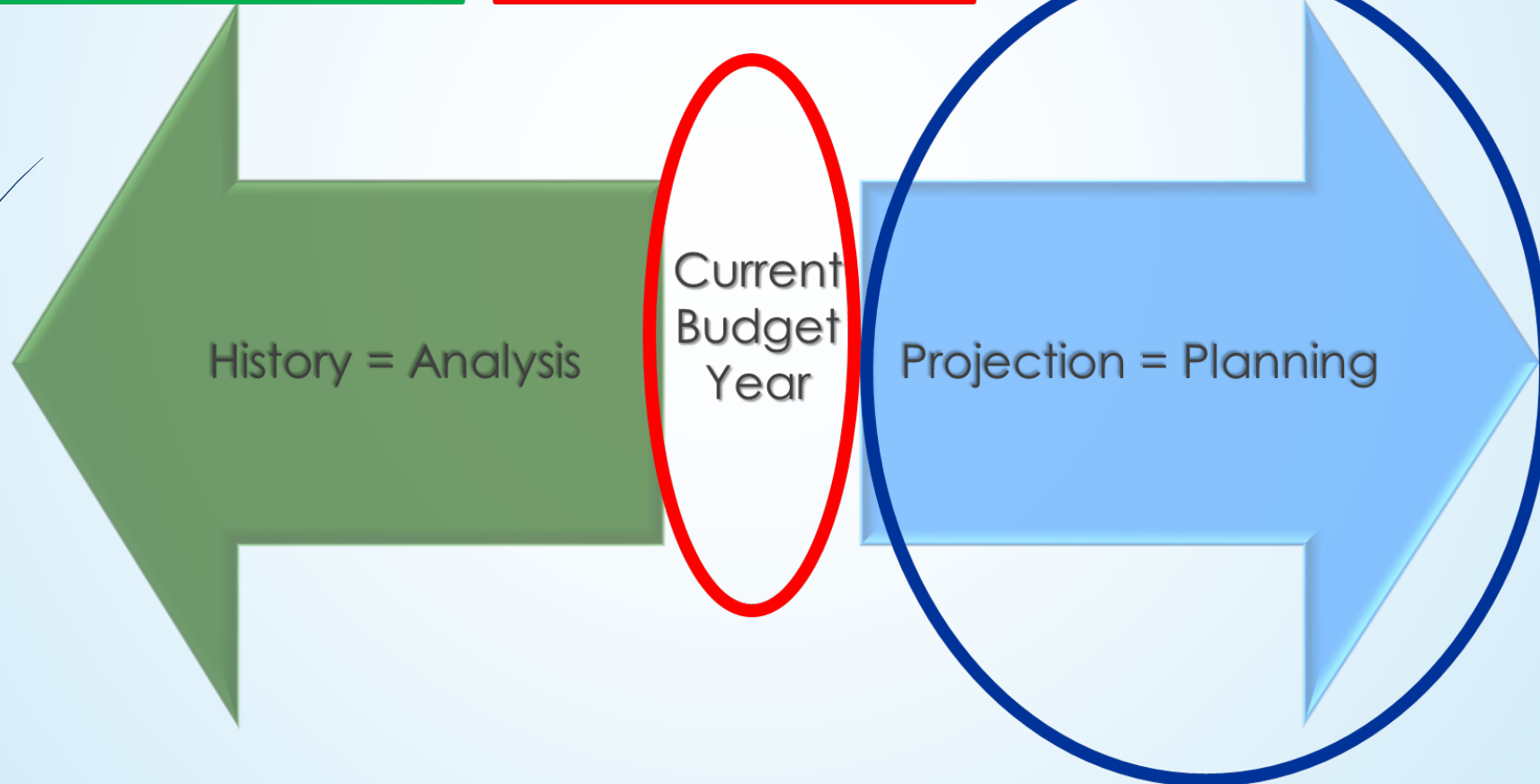


# City of Sherwood and Forecast5

Forecast5 and GL static. Both can be used for reporting.

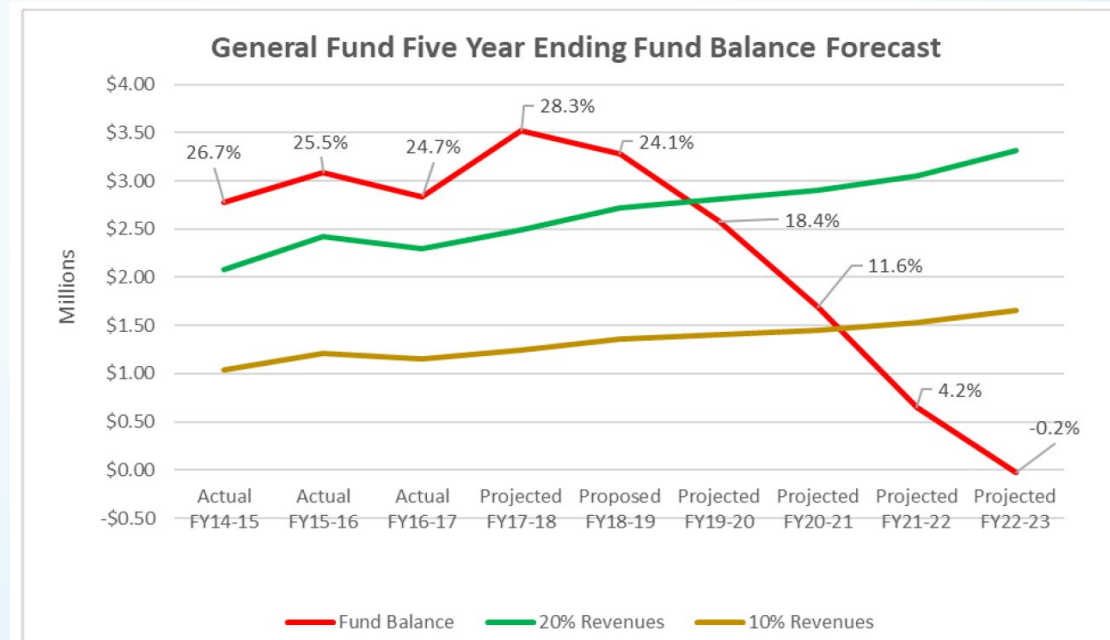
GL is dynamic, Forecast5 updates per city.

Forecast5 is dynamic, GL is static



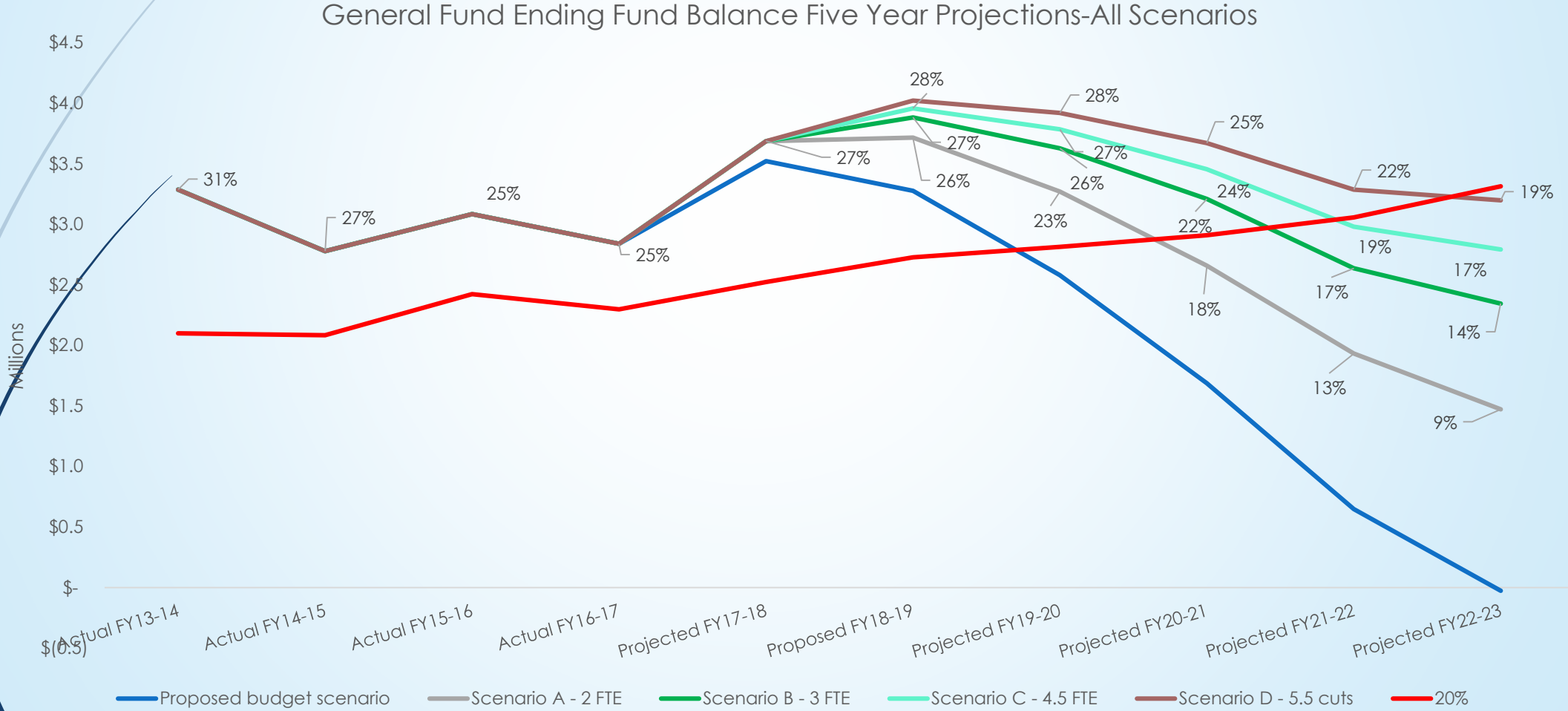
# Scenario comparisons – City of Sherwood

- Specific situation for FY19: implementation of compensation study
  - Implementation city wide. Current year impact on general fund about \$450,000.
  - Current year fund balance could support the implementation due to one time funds from sale of some property BUT what would happen in later years?



- Solution: create multiple scenarios and model them side by side

# Scenario comparisons – City of Sherwood continued





# Pension & OPEB Funding Strategies

## **1. Long Term Planning**

- a. Development of Unfunded Liabilities
- b. Development of Annual Pension Costs

## **2. Explore Funding Options**

- a. Re-Amortizing
- b. Additional Payments

## **3. Budget for Expected Changes – Without Waiting for Your Valuations**

- a. Investment Returns
- b. Policy Changes

## **4. Understand & Budget for the Impact of Bargaining Decisions**

# GovInvest – Pension Analysis

Year: 2016

Years Projected: 25

Assumptions & Adjustments

Discount Rate (%)

Year	2016	2017	2018	2019	2020+
Rate (%)	7.375	7.25	7	7	7

Additional Employee Contribution (%)

Fresh Start

Investment Return (%)

Year	15-16	16-17	17-18	18-19	19-20	20-21+
Rate (%)	0.6	11.2	7.25	7	7	7

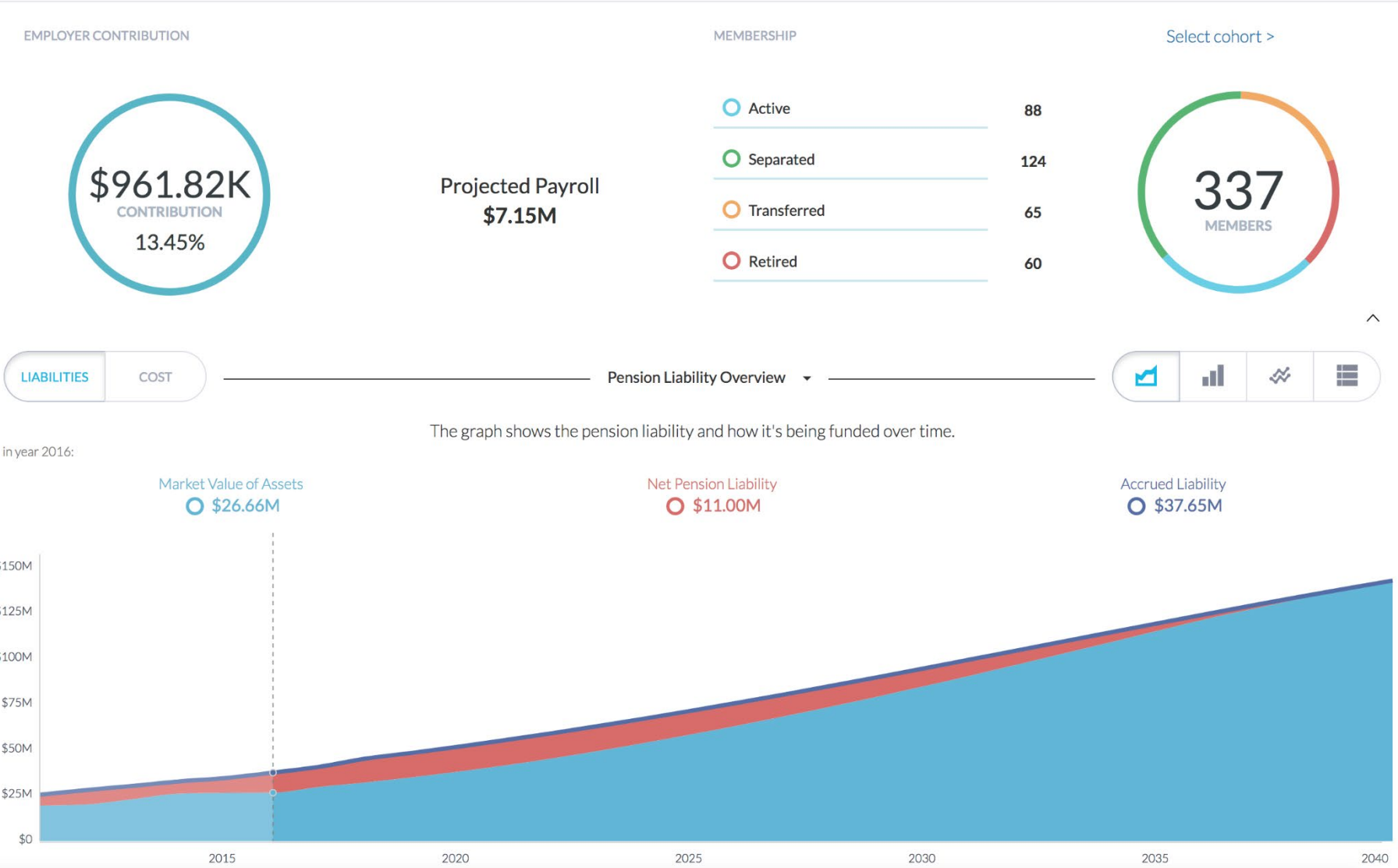
Additional Employer Contributions (\$M)

Year	15-16	16-17	17-18	18-19	19-20	20-21
Amount (\$M)	0	0	0	0	0	0

Members

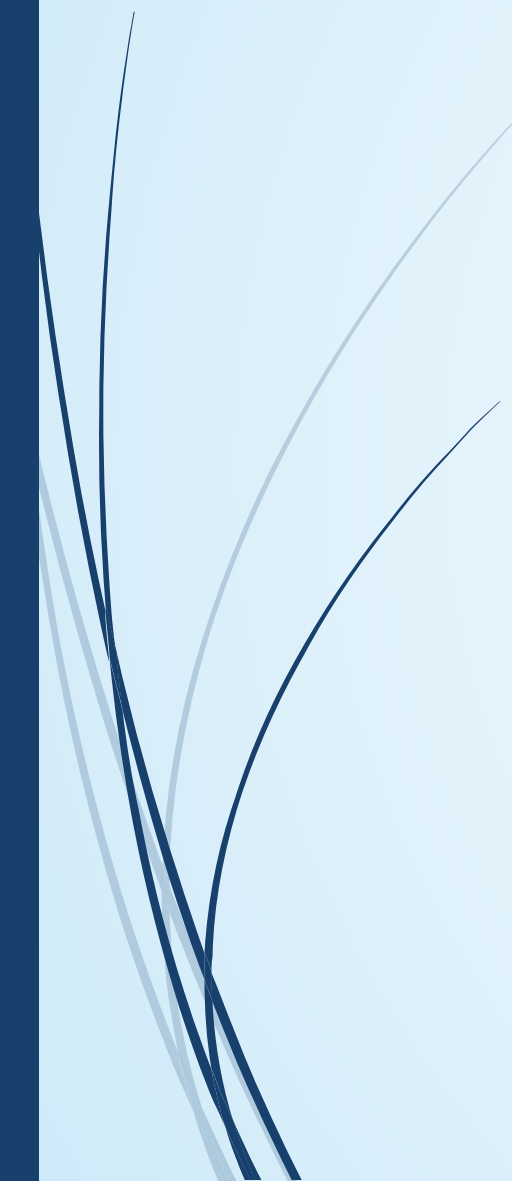
Selected Plans: All

Comparison: CalPERS





# Creating a Centralized Costing Workspace

- ▶ Single source of truth
  - ▶ Same set of assumptions
  - ▶ Consistent data & calculations
  - ▶ Tracking previous proposals
  - ▶ Time-stamping the negotiation process to show progress
- 

# AdastraGov – Labor Costing Analysis

2018 POA Sample Negotiation >>

Projects list

Proposals

Current Proposal

Union Proposal 1

copy rename delete new

save save as discard

Comparisons

Adjustments

Base Pay

Pension

Medical

Other Insurance

Special Pay

Other Benefits

Overtime

Retroactive Pay

AdastraGov Labor Costing Module

City of Willow's Peak Admin

Department



**Projected Payroll**  
\$4.29 M

Dept A	\$8.72M
Dept B	\$8.10M
Dept D	\$5.99M
Other	\$3.82M

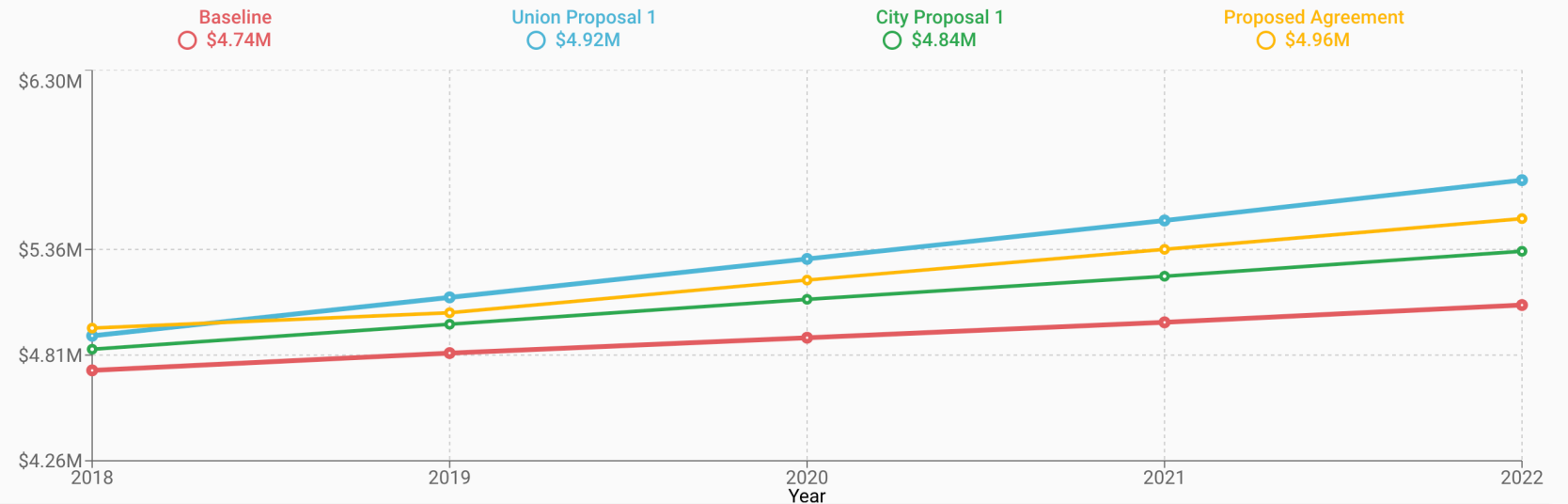


Cost by Year



The annual cost of all pay, benefits, and expenses

in year: 2018







Questions?



# Contact information



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