

Multiyear Planning

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The Budget

The budget is a plan of the services we want to provide to our taxpayers, and the funding sources to pay for the services.

- Lifespan of beginning of the Fiscal Year, to the end of the Fiscal Year only.
- Budgets should include some considerations for future events beyond the end of the Fiscal Year
 - Easy to get tunnel vision worrying about this year only.
 - Difficult to justify fund balance amounts without future plans.
 - Ex. Reserves- Why do we have them? When will we use them? When will they be sufficiently funded?



What is a Multiyear Plan?

It is a plan which allows decision-makers to set long-term priorities and work toward goals, rather than making choices based only on the needs and politics of the moment.

- Types of Plans:
 - Multiyear Financial Plan
 - Multiyear Capital Plan



Multiyear Financial Plan

A Multiyear financial plan projects revenues and expenditures for several years into the future.

- A Budget: authorizes spending limitations through appropriations.
- A Multiyear financial plan: illustrates what will happen to a government's ability to pay for and provide services, given a set of policy and economic assumptions.

“Can we continue on the path we are on?”

“What might be the impact of our decision to...?”



Elements of a Multiyear Financial Plan

1. Revenue Projections
2. Expenditure projections
3. Annual Operating Deficits/Surpluses
4. Reserve Balances
5. Fiscal improvement Plan



Multiyear Financial Plan

Revenue Projections

- Real Property Taxes- review trends. Try to keep in line with normal trends in your plan to prevent. Adjustments can be made later.
- PILOTS- ensure they are in line with actual agreements on hand.
- Sales Tax and other non-property tax revenues- review trends, but consider the changing local economy and policy changes (at the State, County and Local levels).
- State/Federal Aid- Normally kept constant due to high unpredictability. Normally better to underestimate than overestimate.



Multiyear Financial Plan

Revenue Projections (contd.)

- Departmental income- determined almost entirely by local policies, therefore are very predictable in the short term.
- Other Local Revenues- review trends, keep fluctuations reasonable by using inflation, or other known factors.
- Interfund Transfers- relying on these as a regular financing source could indicate the need for policy changes or rate changes in other funds.
- One-Time Revenues- be careful not to include these in your overall plan, try to segregate these and match them to a one-time expenditure.



Multiyear Financial Plan

Expenditure Projections

Project by Object of Expenditure

- Personal Service (.1)- number of staff and salary agreements, can consider re-negotiations here.
- Equipment and Capital Outlay (.2)- Refer to your Multiyear Capital Plan.
- Contractual (.4)- best source of information on these will be department heads. Ask them to explain their projections to determine if reserves need to be established.
- Debt Service (.6)- Use known debt schedules as basis. Refer to your Multiyear Capital Plan.



Multiyear Financial Plan

Expenditure Projections (contd.)

- Employee Benefits (.8)- based on health care and retirement costs.
- Interfund Transfers (.9)- relying on these as a regular financing source could indicate the need for policy changes or rate changes in other funds.
- Others- might include contingencies, which are one way to plan for unforeseeable events, such as major tax shortfalls or emergency expenditures.



Multiyear Financial Plan

Expenditure Projections (contd.)

Project by Function

- General Governmental Support
- Public Safety
- Health
- Transportation
- Economic Opportunity and Development
- Culture and Recreation
- Home and Community Services
- Employee Benefits/ Fringes
- Debt Service
- Interfund Transfers
- Other (Contingencies)



Multiyear Financial Plan

Operating (Deficits)/Surpluses

- Projected Revenues less Projected Expenditures equals projected Operating (Deficit)/ Surplus.
- Too many years of either can result in widening budgetary gaps.
 - Unreasonable Fund Balance Levels can be a result of many years of operating surpluses.
 - Poor financial condition, interfund borrowing, continuous use of unrestricted fund balance can be a result of many years of operating deficits.



Multiyear Financial Plan

Fiscal Improvement Plan

The plan is a useful tool, but only shows outcomes based on a set of projections. To make the information more useful in decision making, management should adopt a written Fiscal Improvement Plan.

1. Identify Goals: are you trying to achieve expenditure reductions, revenue generation, or build reserves?
2. Local Actions: what will you do to achieve your goals? What policy changes need to be addressed?
3. Performance Measures: how will you measure your levels of success in reaching your goals?



Town of XYZ									
Four Year Financial Plan, Fiscal Years 2015-2018									
General Fund									
	Actual				Estimated	Projected			
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues									
Real Property Taxes									
Sales and Use Tax									
State Aid									
Federal Aid									
Interfund Transfers									
Other Revenue									
Total Revenues and Other Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures									
Personal Services									
Equipment and Capital Outlay									
Contractual									
Debt Service (Principal and Interest)									
Employee Benefits									
Interfund Transfers									
Total Expenditures and Other Uses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surplus (Deficit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budgetary Reserves									
Fund Equity, Beg. of Year						0	0	0	0
Fund Equity, End of Year						0	0	0	0
Nonspendable and Restricted Fund Balance									
Unrestricted Fund Balance						\$0	\$0	\$0	\$0
Unrestricted Fund Balance % of Expenditures									

Multiyear Capital Plan



Multiyear Capital Plan

A Multiyear Capital Plan identifies all capital and major equipment needs, incorporates a process for prioritizing projects, and includes a maintenance cycle to sustain current capital assets.

- What assets do we currently own?
- What are our local government's capital investment needs?
- How have we prioritized these needs?
- How much will they cost to build and maintain?
- What is our fiscal capacity to support capital spending over time?
- What is the best way to finance these capital investments?
- How can we effectively manage these projects?
- How much will they cost to operate once constructed?



Multiyear Capital Plan

Management Analysis

1. Identify what types of assets and expenditures will be included in the capital plan.
2. Decide how long a period of time the capital plan should encompass.
3. Develop data and information requirements for decision making and recordkeeping purposes.
4. Develop a specific timetable for creating and reviewing the capital plan.



Multiyear Capital Plan

Management Analysis (contd.)

5. Determine who will be participating in the planning process (elected officials, department heads, etc.), and at what points in the process.
6. Decide when public meetings or hearings will be held to elicit public participation.
7. Finally, be sure to formally approve the plan annually and make sure it is evaluated regularly in future years.



Multiyear Capital Plan

Start with a Capital Inventory

The inventory should include but need not be limited to:

- Utility and sanitation assets, including sewer and water systems, solid waste facilities, and municipal electric and lighting systems.
- Highways, roads and bridges.
- Public buildings.
- Certain equipment, vehicles and furnishings.
- Land or rights to land.
- Certain improvements to land other than buildings.



Multiyear Capital Plan

Start with a Capital Inventory (contd.)

The inventory should include:

1. A brief description of the asset (or group of assets)
2. Its location
3. Its estimated useful life
4. Its remaining useful life
5. Its current condition
6. Its estimated replacement value.



Multiyear Capital Planning

Prioritize Capital Projects

1. Using your asset inventory, identify future capital needs for replacement, enhancement, or repair of current capital assets.
2. Determine potential future capital needs not currently owned or listed on the inventory.
3. Based on the discussed future capital needs, begin to prioritize them based on a determined set of criteria.



Multiyear Capital Planning

Prioritize Capital Projects (contd.)

4. Discuss with managers and department heads, and formalize the priority of needs based on the criteria established.

Factors to consider when evaluating potential projects:

- Health and safety concerns
- Legal mandates by court order State or federal governments.
- Economic, environmental, or social value to the community or region.
- Operational benefits to the local government.
- Specific needs or demands for improved service, timeliness or cost savings.
- Investment return (e.g., saving on maintenance).
- Capacity to leverage other resources (e.g., matching funds).
- Project feasibility (cost, time frames, management capacity).
- Project risks.



Multiyear Capital Planning

Prioritize Capital Projects (contd.)

5. Next, the process should prioritize and rank projects in order of importance so that decision makers can effectively evaluate these requests.

- Departmental or functional priorities - Departments should create project lists that reflect the urgency of need from an operational perspective.
- Fiscal priorities - Here, the focus is on such factors as the impact projects will have on debt affordability measures, debt service costs, capital reserve funds, cash flow and operating costs once the project is completed.
- Executive priorities - Local government leaders should also assess capital needs within the context of their broader community objectives.



Multiyear Capital Plan

Assess Budgetary Impact

This is where the Multiyear capital plan and the Multiyear financial plan begin to come together.

- A multiyear capital plan should provide accurate, reasonable estimates of each project's budgetary impact, including debt service costs, impact on capital reserve funds and fund balance, and future operating expenditures.



Multiyear Capital Plan

Assess Budgetary Impact (contd.)

- **Current and Future Debt Service Costs** – Large capital projects often must be funded with the issuance of debt. Estimates should be prepared on the principal and interest costs associated with issuing bonds for these types of projects.
- **Lease- or Installment-Purchase Contracts** – These costs for purchases of equipment, machinery and apparatus are similar in some respects to purchases made with debt proceeds, in that they are funded over a period of more than one year, subject to certain terms and conditions.



Multiyear Capital Plan

Assess Budgetary Impact (contd.)

- **Pay-As-You-Go Costs** – Some capital expenditures may be paid for out of current appropriations in the year acquired.
- **Reserve Funds** – Through formal resolution, the local government can establish reserve funds, earmarking resources for the future acquisition and repair of essential capital assets.
- **Future Operating Costs** – To the extent possible, future operating costs necessary to utilize the capital asset should be estimated.



Multiyear Capital Plan

Assess Budgetary Impact (contd.)

- **Impact on Revenues** – Certain capital expenditures need to be financed with increased fees or user charges.
- **New Costs and/or Savings Associated with New Capital Assets** – While the construction of new capital assets often result in new operating costs, it can also produce savings if the investment improves efficiency.



Multiyear Capital Plan

Adoption

- The local government should seek public input on the proposed capital plan. This will allow public interest groups, business leaders, and community residents to review program priorities and to voice any concerns.
- Governing board approval of the multiyear capital program does not generally extend beyond the first year of the capital program and should be renewed each year.



Multiyear Capital Plan

Monitoring

- A plan is only as good as the results it produces.
- Follow-up is essential to determine if capital program goals are being met.
- Routine monitoring of approved capital projects helps to ensure that projects remain on schedule and within budget.
- Amend when necessary!



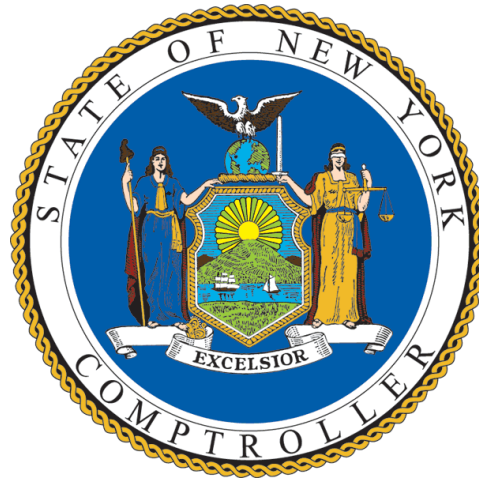
Multiyear Planning

Conclusion

- Multiyear planning is essential to sound budgeting and fiscal oversight processes.
- Multiyear plans allow management to think in terms of future needs and future impacts of today's decisions.
- A good Multiyear planning process can not only help managers develop structurally balanced, realistic budgets, but can also help explain financial decision making to the taxpayers to gain support and acceptance.



Thank You



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