Learning Objectives

• Overview
• Financial Plan Elements
• Financial Planning Tools
• Monitoring
Overview

The budget is a plan of the services to be provided to your taxpayers, with the corresponding funding sources to pay for the services.

- Lifespan of the budget is one fiscal year.
- Budgets should include 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 planning.
    - Ex. Reserves - Why do we have them? When will we use them? When will they be sufficiently funded?

Overview

A multiyear plan 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
Overview

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

• A **Budget** authorizes spending limitations using 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...?”

Financial Plan Elements

• Revenue Projections
• Expenditure Projections
• Annual Operating Deficits/Surpluses
• Reserve Balances
• Fiscal Improvement Plan
Financial Plan Elements

Revenue Projections

- **Real Property Taxes** – Review trends and try to keep in line with normal trends in your plan. Adjustments can be made later.
- **PILOTs** – Ensure figures match the contractual agreements on-hand and are being enforced.
- **Sales Tax and Other Non-Property Tax Revenues** – Review trends but consider the changing local economy and policy changes (State, county and local levels).
- **State/Federal Aid** – Review documentation and programs supported by the aid. Review calculations and funding levels. Normally better to underestimate than overestimate.

---

Financial Plan Elements

Revenue Projections

- **Departmental Income** – Determined by local policies and operations. More predictable in the short-term.
- **Other Local Revenues** – Review trends and keep fluctuations reasonable by using inflation or other known factors.
- **Interfund Transfers** – Relying on another fund as a regular financing source could indicate the need for policy changes or rate changes in the recipient fund.
- **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.
Financial Plan Elements

Expenditure Projections

Project by Object of Expenditure:

- **Personal Service (.1)** – Number of staff, salary schedules and contractual/union agreements. Consider renegotiations here.
- **Equipment and Capital Outlay (.2)** – Review inventory and maintenance records. Refer to your Multiyear Capital Plan.
- **Contractual (.4)** – Talk to your department heads and ask them to explain their projections to determine long-term outcomes of operations, such as the funding of reserves.
- **Debt Service (.6 & .7)** – Use established debt schedules as basis. Refer to your Multiyear Capital Plan.

Expenditure Projections

- **Employee Benefits (.8)** – Based on health care and retirement costs. Anticipate timing of rate changes by providers.
- **Interfund Transfers (.9)** – Relying on another fund as a regular financing source could indicate the need for policy changes or rate changes in the recipient fund. Review equity concerns.
- **Others** – Contingencies are often used in budgeting for unforeseeable circumstances. Long-term identifiable items should be addressed in the funding of reserves.
Financial Plan Elements

Expenditure Projections: Project by Function

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

Financial Plan Elements

Operating (Deficits)/Surpluses

- Projected Revenues less Projected Expenditures equals Projected Operating (Deficit)/Surplus.
- Too many years of either deficits or surpluses 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, or continuous use of unrestricted fund balance can be a result of many years of operating deficits.
Financial Plan Elements

Reserves Balances

• Through formal resolution, the local government can establish reserve funds, earmarking resources for the future acquisition and repair of essential capital assets.
• Also, can be used to help endure short-term fiscal pressures such as revenue short or unanticipated expenditures.

Financial Plan Elements

Fiscal Improvement Plan

This part of the plan identifies goals to improve the long-term fiscal condition of the municipality, specifies the local actions necessary to achieve those goals and defines performance measures that will help measure progress.

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?

Financial Planning Tools

**Information:**
- [www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)
- Multiyear Financial Planning LGMG

**Data Gathering:**
- Use your financial accounting system reports.
- [https://www.osc.state.ny.us/open-book-new-york](https://www.osc.state.ny.us/open-book-new-york) – Multiyear compare

**Data Analysis:**
- Develop a spreadsheet.
  - Extend past the trend years captured.
- OSC’s Multiyear Financial Planning Spreadsheet
  - Municipal [.xls]

---

**Local Government Data Search**

You can search six reports:
- Property Tax Cap: Factors used by local governments to calculate their real property tax levy limit.
- Revenues and Expenditures: Local government revenue and expenditure data.
- Tax Limit: The maximum amount of real property tax in the county and villages may levy.
- Balance Sheet: Local government asset, liability and equity data.
- Debt: Local government summary of debt related activity. Installment purchase contract data is not available for school districts prior to 2005.
- Multi-year Compare: 2 to 5 year presentation of local government Balance Sheet, Revenue, Expenditure, Fund Balance/Net Assets and Budget data by fund.

**Report:**
- Property Tax Cap
- Revenues and Expenditures
- Tax Limit
- Balance Sheet
- Debt
- Multi-year Compare

**Report Type:**
- Trend
- Comparison

Submit

You can also download bulk detailed account-level data of revenues, expenditures and balance sheets. Download the following zipped .csv files:
- Single class of local government for all years,
- All classes of local government for a single year, or
- All classes of local government for all years.

**Download bulk data files:**
- Revenue, Expenditure, and Balance Sheet Account Code Level Data
- Debt
- Property Tax Cap
- Download Data

Select ‘Search Local Government Data’ from landing page.

Most useful for multiyear planning purposes.

For more advanced analysis.
Report starts with Balance Sheet and goes through Revenues/Expenditures by Fund.

Determine approach to best handle object code analysis.

Determine if function level and/or sub-function/department level is best approach.
Planning Resources

- Utilize publications and webinars at Board meetings.
- Make your own or use this as a guide.

Town of XYZ

Four-Year Financial Plan, Fiscal Years 2015-2018

General Fund

- Tells the account codes included.
- This date changes them all.
Monitoring

- A plan is only as good as the results it produces.
- Follow-up is essential to determine if program goals are being met.
- Routine monitoring of financial results helps to ensure your overall fiscal health remain on schedule and within budget.
- Stay ahead of changes and make amendments when necessary.

Summary

- Multiyear planning is essential to sound budgeting and fiscal oversight processes.
- Multiyear plans allow management to think in terms of future needs and the 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

Division of Local Government and School Accountability
localtraining@osc.ny.gov