### **Multiyear Planning with Tools**

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Division of Local Government and School Accountability



# **The Budget**

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?



### What is a Multiyear Plan?

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



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### **Multiyear Financial Plan**

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...?"



- Revenue Projections
- Expenditure Projections
- Annual Operating Deficits/Surpluses
- Reserve Balances
- Fiscal Improvement Plan



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#### **Financial Plan Elements**

#### **Revenue Projections**

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



#### **Revenue Projections**

- <u>Departmental Income</u> 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.



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### **Financial Plan Elements**

#### **Expenditure Projections**

Project by Object of Expenditure:

- <u>Personal Service (.1)</u> Number of staff, salary schedules and contractual/union agreements. Consider renegotiations here.
- <u>Equipment and Capital Outlay (.2)</u> Review inventory and maintenance records. Refer to your Multiyear Capital Plan.
- <u>Contractual (.4)</u> 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.
- <u>Debt Service (.6 & .7)</u> Use established debt schedules as basis. Refer to your Multiyear Capital Plan.



#### **Expenditure Projections**

- <u>Employee Benefits (.8)</u> 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.



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#### **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)



#### **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.



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#### **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 shortterm fiscal pressures such as revenue short or unanticipated expenditures.



#### **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. <u>Identify Goals</u>: Are you trying to achieve expenditure reductions, revenue generation or build reserves?
- 2. <u>Local Actions</u>: What will you do to achieve your goals? What policy changes need to be addressed?
- 3. <u>Performance Measures</u>: How will you measure your levels of success in reaching your goals?

Sample Fiscal Improvement Plan can be found in Appendix A of the guide. https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf



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### **Financial Planning Tools**

#### Information:

- https://www.osc.ny.gov/local-government/resources/planning-resources
- Multiyear Financial Planning LGMG

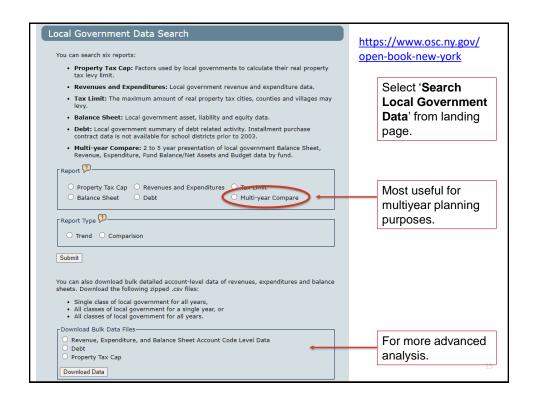
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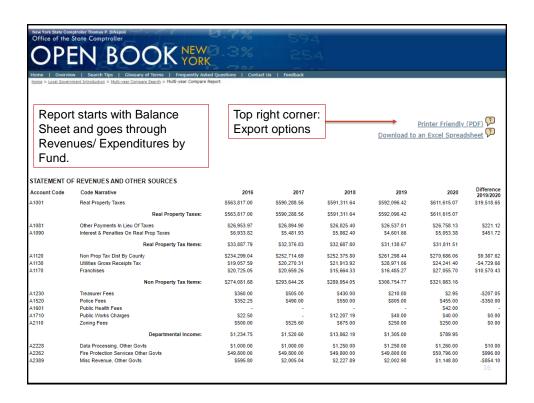
- Use your financial accounting system reports.
- https://www.osc.ny.gov/open-book-new-york
- Multiyear compare

#### Data Analysis:

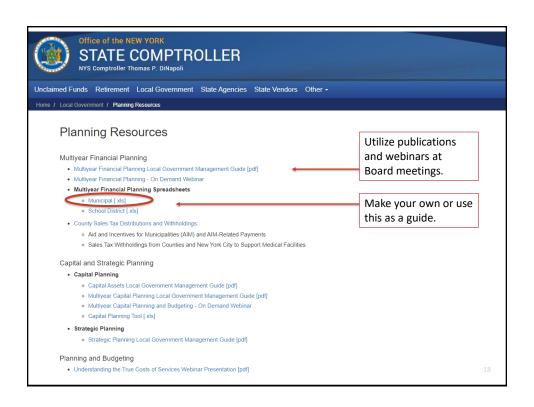
- Develop a spreadsheet.
  - Extend past the trend years captured.
- OSC's Multiyear Financial Planning Spreadsheet
  - Municipal [.xls]
  - School District [.xls]

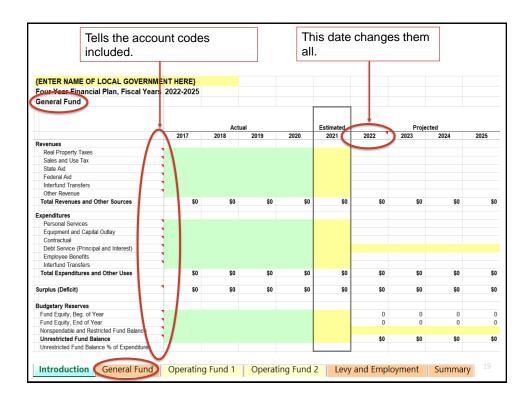






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Determine approach to best handle object code analysis.							
101	Legislative Board, Pers Serv	\$10.800.00	\$10.800.00	\$10.050.00	\$10.800.00	\$10.800.00	\$0.0
04	Legislative Board, Pers Serv  Legislative Board, Contr Expend	\$302.47	\$10,800.00	\$1,110.20	\$1,637.28	\$410.71	-\$1,226.5
01	Municipal Court, Pers Serv	\$7,717.00	\$7,717.00	\$7,717.00	\$10.250.00	\$9.568.30	-\$1,220.5 -\$681.7
102	Municipal Court, Pers Serv Municipal Court, Equip & Cap Outlay	31,717.00	37,717.00	\$249.98	310,230.00	\$5,300.30	-3001.7
104	Municipal Court, Equip & Cap Outlay  Municipal Court, Contr Expend	\$2.817.30	\$4.256.42	\$5.297.52	\$2,430.04	\$2.923.63	\$493.5
101	Mayor, Pers Serv	\$5,400.00	\$5,400.00	\$5,400.00	\$5,400.00	\$5,400.00	\$400.0
102	Mayor, Equip & Cap Outlay	33,400.00	\$3,400.00	33,400.00	\$1,175.85	\$3,400.00	30.0
2104	Mayor, Contr Expend	\$2,727.03	\$2.960.56	\$1,491.08	\$3.048.34	\$2,694.04	-\$354.3
3251	Treasurer, Pers Serv	\$82,570.02	\$86,570.12	\$91,569.92	\$101,322.63	\$97,635.63	-\$3,687.0
3252	Treasurer, Equip & Cap Outlay	502,570.02	\$422.60	\$2,704.26	\$2,451.68	507,000.00	-55,007.0
3254	Treasurer, Contr Expend	\$17.627.43	\$19.092.85	\$20,770.78	\$20,783.56	\$27,102,31	\$6,318.7
3554	Assessment, Contr Expend	\$271.20	\$272.00	\$1,264.92	\$275.39	\$269.20	-\$6.1
101	Clerk pers Serv	\$5.074.16	\$5,000.00	\$3,333,36	0270.00	\$1.815.00	
104	Clerk,contr Expend	-		•		\$155.75	
201	Law. Pers Serv	\$3,705.00	\$3,705.00	\$3,705.00	\$3,705.00	\$2,161,25	-\$1.543.7
204	Law, Contr Expend	\$18,538.05	\$5,679.25	\$16,993.75	\$2,656.25	\$5,345,85	\$2,689.6
201	Operation Of Plant Pers Serv	\$4,774.12	\$3,941,44	\$2,953.20	\$3,361.86	\$3,376.06	\$14.2
202	Operation Of Plant Equip & Cap Outlay			\$119.99			
204	Operation Of Plant Contr Expend	\$45,732.08	\$37.002.45	\$48,976,85	\$43,866,51	\$39,199,85	-\$4,666.6
04	Unallocated Insurance, Contr Expend	\$47,542,44	\$51,405.05	\$53,994.34	\$57,000.06	\$60,296,74	\$3,296.6
9204	Municipal Assn Dues, Contr Expend	\$1,526.00	\$1,609.60	\$1,336.00	\$1,646.00	\$1,611.00	-\$35.0
<b>\</b> /	General Government Support:	\$257,124.30	\$245,984.06	\$279.038.15	\$271.810.45	\$270,765,32	





### **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?



### **Management Analysis**

- 1. Identify what types of assets and expenditures will be included in the capital plan.
- 2. Decide how long a period 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.



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# **Management Analysis**

- 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.



### **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.



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# **Capital Inventory**

#### The inventory should include:

- A brief description of the asset (or group of assets)
- Its location
- Its estimated useful life
- Its remaining useful life
- Its current condition
- Its estimated replacement value.

\*Insurance policy and provider is a starting point.\*



# **Capital Planning Tools**

#### Information:

- https://www.osc.ny.gov/local-government/resources/planning-resources
- Multiyear Capital Planning LGMG
- Capital Assets LGMG (Appendix A for forms)

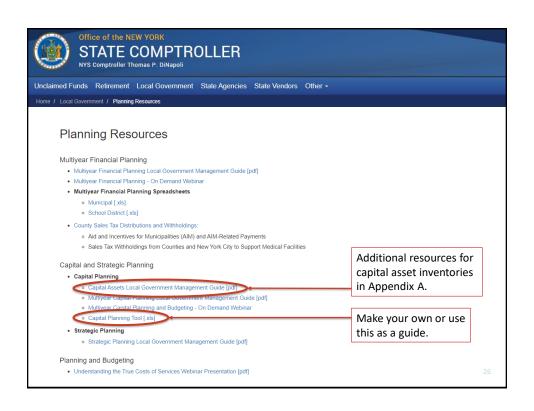
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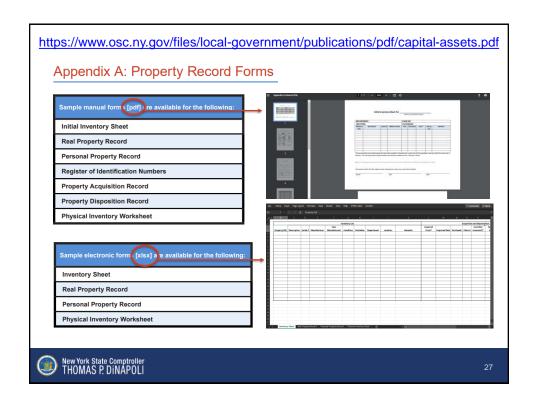
- Use your financial accounting system reports.
- · Asset inventories.
- Asset acquisition and maintenance records.

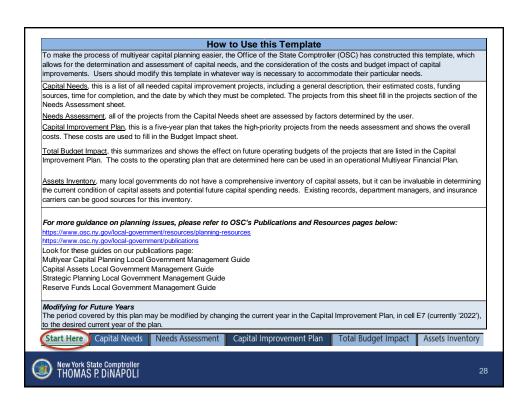
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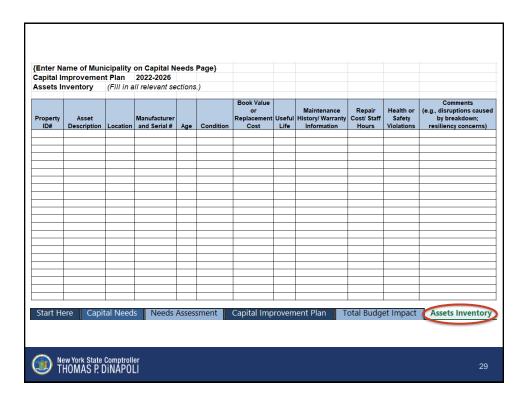
- Develop a spreadsheet
  - Extend past the trend years captured.
- OSC's Multiyear Capital Planning Spreadsheet
  - Capital Planning Tool [.xls]











### **Prioritizing 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.



### **Prioritizing Capital Projects**

- 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.

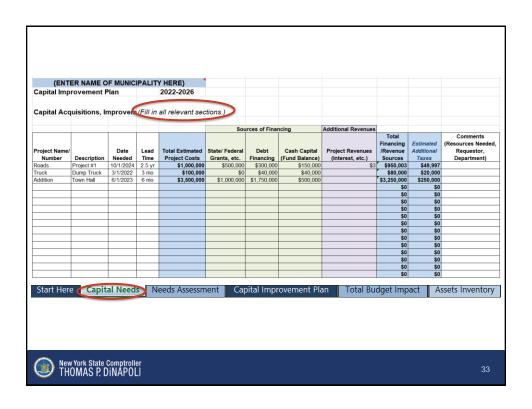


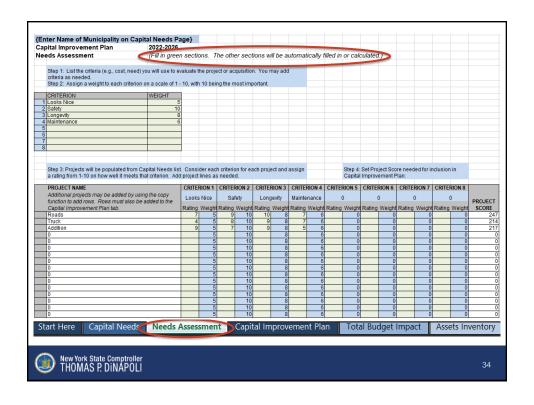
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### **Prioritizing Capital Projects**

- 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.







### **Assessing Budget Impacts**

- This is where the multiyear capital plan and budgeting 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.



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### **Assessing Budget Impacts**

- 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.
- 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.



### **Assessing Budget Impacts**

- 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.

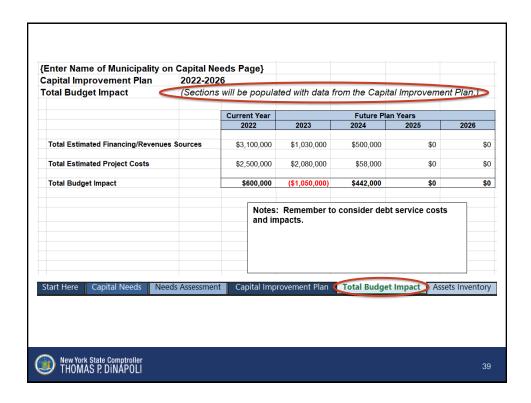


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### **Assessing Budget Impacts**

- 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.





# **Financing Capital Acquisitions**

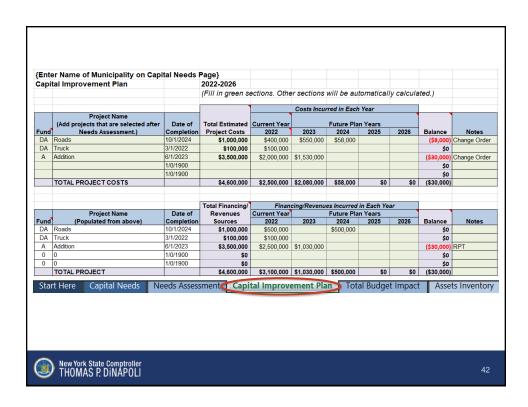
- Adequate Operating Position
  - A healthy cash position is the first essential element of an effective capital financing strategy.
- Designated Capital Reserves
  - Certain capital projects (particularly those funded with dedicated charges or fees) should have capital reserve funds established and annual transfers made into those reserves.



### **Financing Capital Acquisitions**

- A Mix of Pay-As-You-Go and Debt Financing
  - Maintaining a balance of pay-as-you-go and debt financing is important.
- Local Debt Capacity
  - Because debt creates long-term fixed costs, local governments should use various metrics to track their debt burden in relation to indicators that reflect their ability to pay these costs and still meet future capital infrastructure needs.





### **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.



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# **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!



### **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.



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### **Questions?**

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