



BEST PRACTICES IN CREATING AND MANAGING AN EFFECTIVE LONG-TERM PLAN

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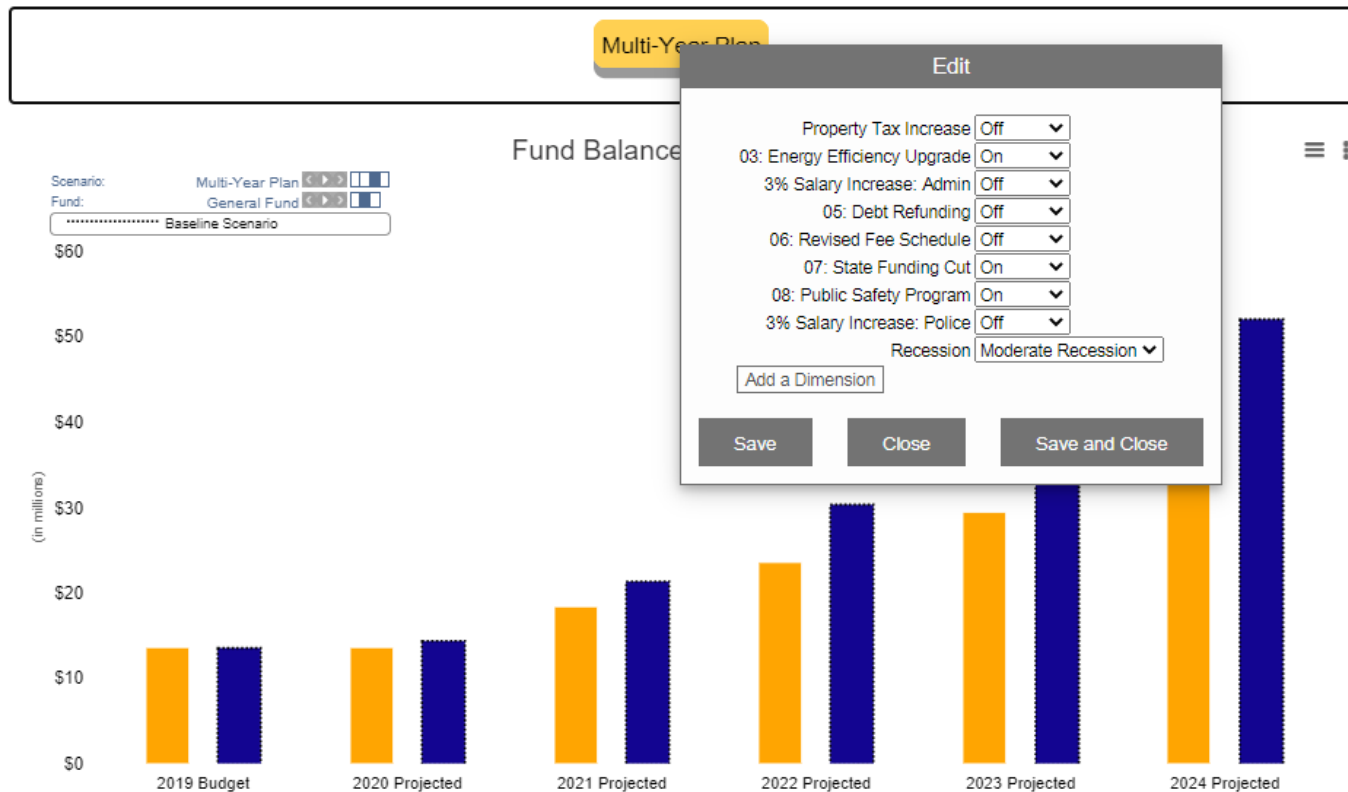


Adopting A Long-Term Perspective

- ◆ Economic impacts (and other effects, as well) will likely carry forward pass 2021 and potentially well beyond
- ◆ As you move **from triage to stability**...
- ◆ The next step **toward sustainability** is to refresh (or establish, if not already in place) your **multi-year financial plan** to take into account concerns such as:
 - Multi-year revenue effects
 - Increased long-term pension costs
 - Capital program strategy
 - New emergency preparedness requirements
 - Revised fund balance and rainy day fund policy



Multi-year Projections vs. Multi year Planning





Why practice multi-year planning?

1) Better way to bridge the structural gap

- In the current environment, confronting long term fiscal challenges takes time and can't be done effectively in a single year

2) It changes the budget conversation

- Communication with boards, committees, and members of public about the long term direction of a local government (*sometimes*) helps the conversation

3) Widely considered a best practice

- Rating agencies such as Moody's and S&P frequently note a local government's use of long range planning in its "Management" score



What is EFFECTIVE long-range planning?



- 1) A guide for the general fiscal direction for an entity
- 2) A planning tool for seeing "what-if" certain events happen
- 3) An early warning system for major fiscal events and challenges
- 4) A living dynamic document



- 5) **NOT** an absolute predictor of future events
- 6) **NOT** a stale, static document
- 7) **NOT** a replacement of the Manager's job/purpose
- 8) **NOT** (*that*) difficult to do

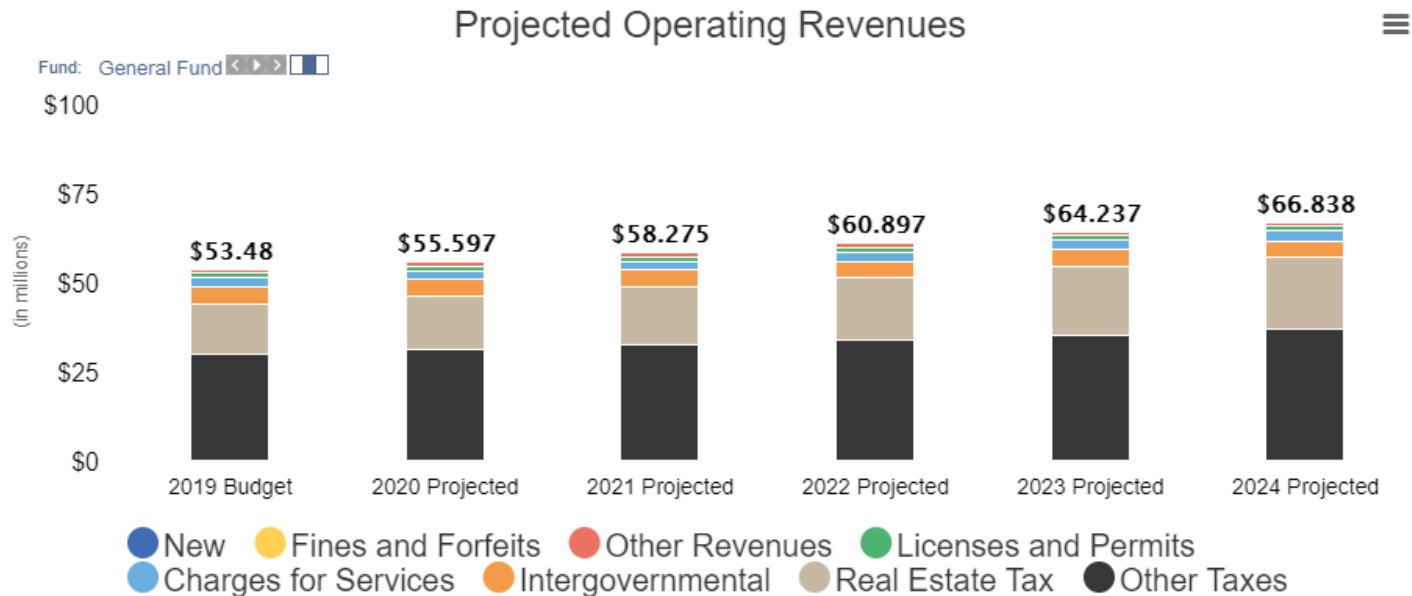


Best Practices for Managing an Effective Long-Term Plan #1

Develop a baseline that represents the current state of your municipality

- ◆ A baseline projection shows what your revenues and expenditures will be absent significant changes

Your baseline projection is like the diagnosis your doctor gives you after a physical. It reflects your current condition, given the major underlying factors.





Best Practices for Managing an Effective Long-Term Plan #2

Avoid false precision

- Don't get bogged down by excruciating levels of detail, especially in an Excel environment
 - (e.g. modelling every single employee's salary)
- Creates a false precision that may actually subtract from the quality/purpose of long range planning
- Paint in broad strokes when necessary; color in the lines when appropriate



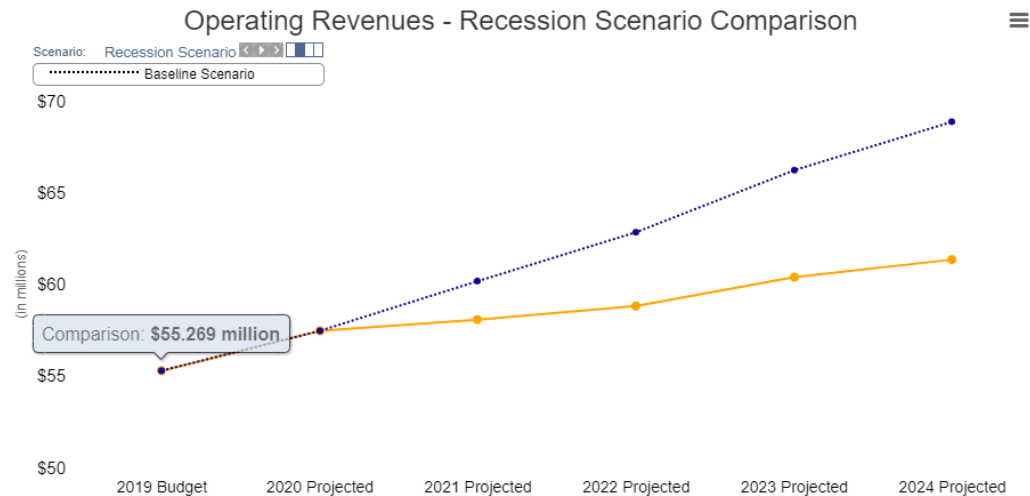


Best Practices for Managing an Effective Long-Term Plan #3

Use what-ifs and initiatives to drive results to action

- Effective long range planning is also about determining *what if* certain events happen
- Like getting fitted for new glasses - you have to try on many different versions to see what works best and what doesn't

Recession Scenario

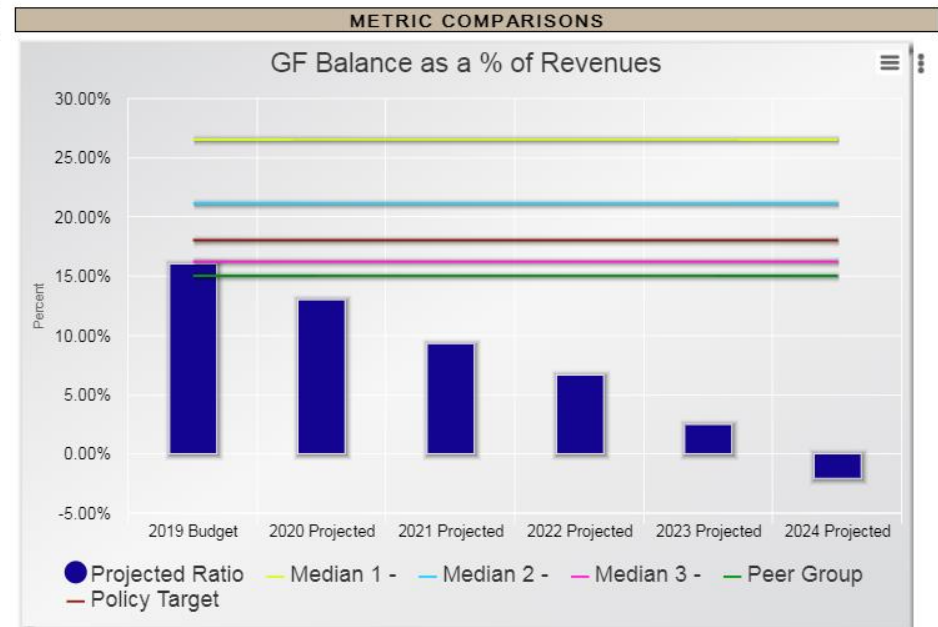
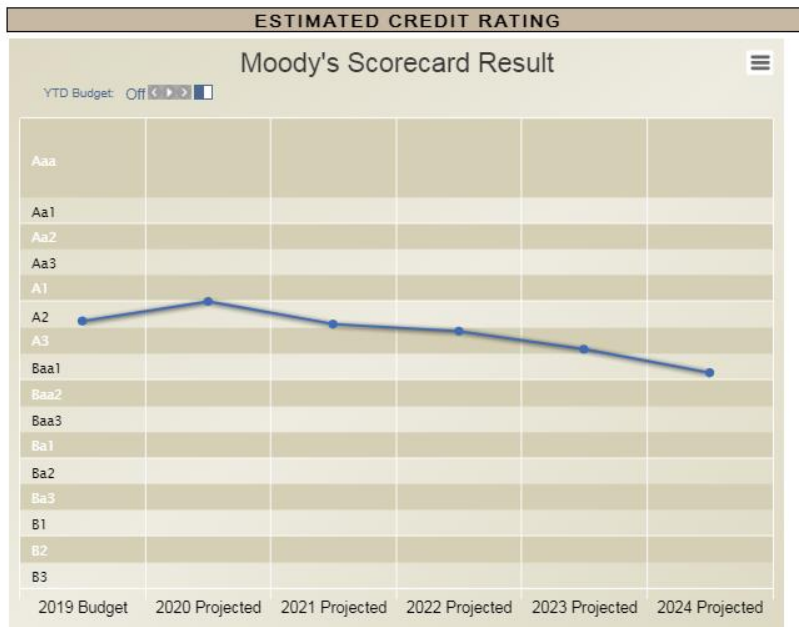




Best Practices for Managing an Effective Long-Term Plan #4

Use quantitative and qualitative metrics to evaluate long range projections

- ◆ Curing structural deficits should not be the only goal of long range planning
- ◆ Monitoring other metrics like estimated credit ratings and comparisons is also important

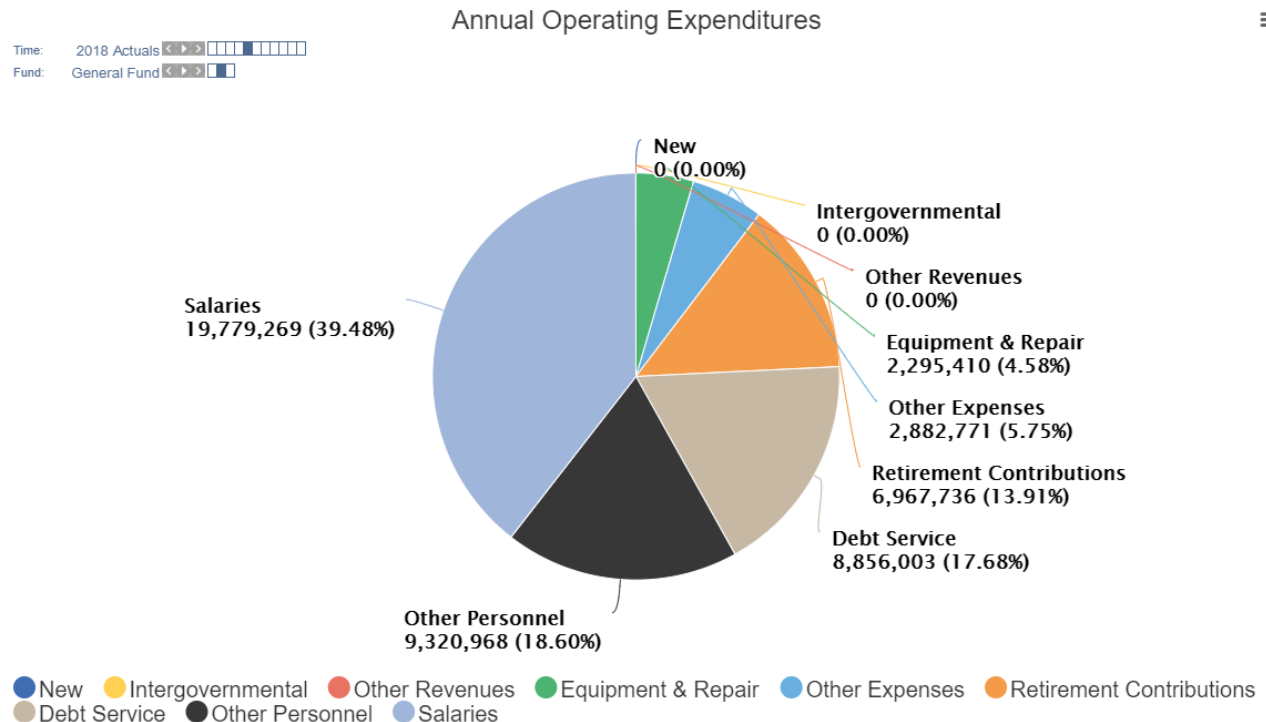




Best Practices for Managing an Effective Long-Term Plan #5

Tell your financial story to drive stakeholders to action

- Are you incurring a deficit? Is it one time, or is it something structural?
- What is the long term impact of certain decisions?
- How do you wish to spend limited resources?

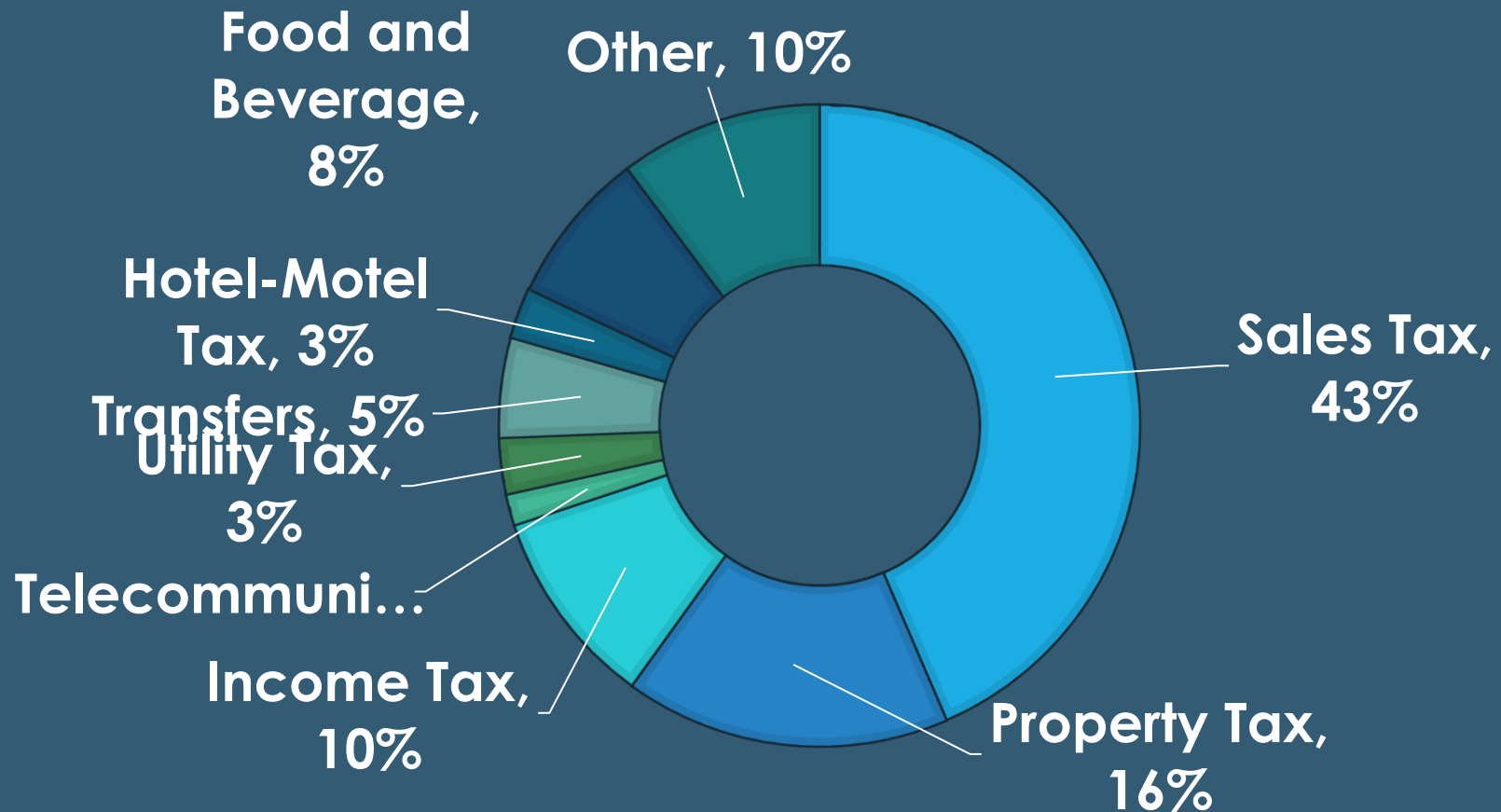


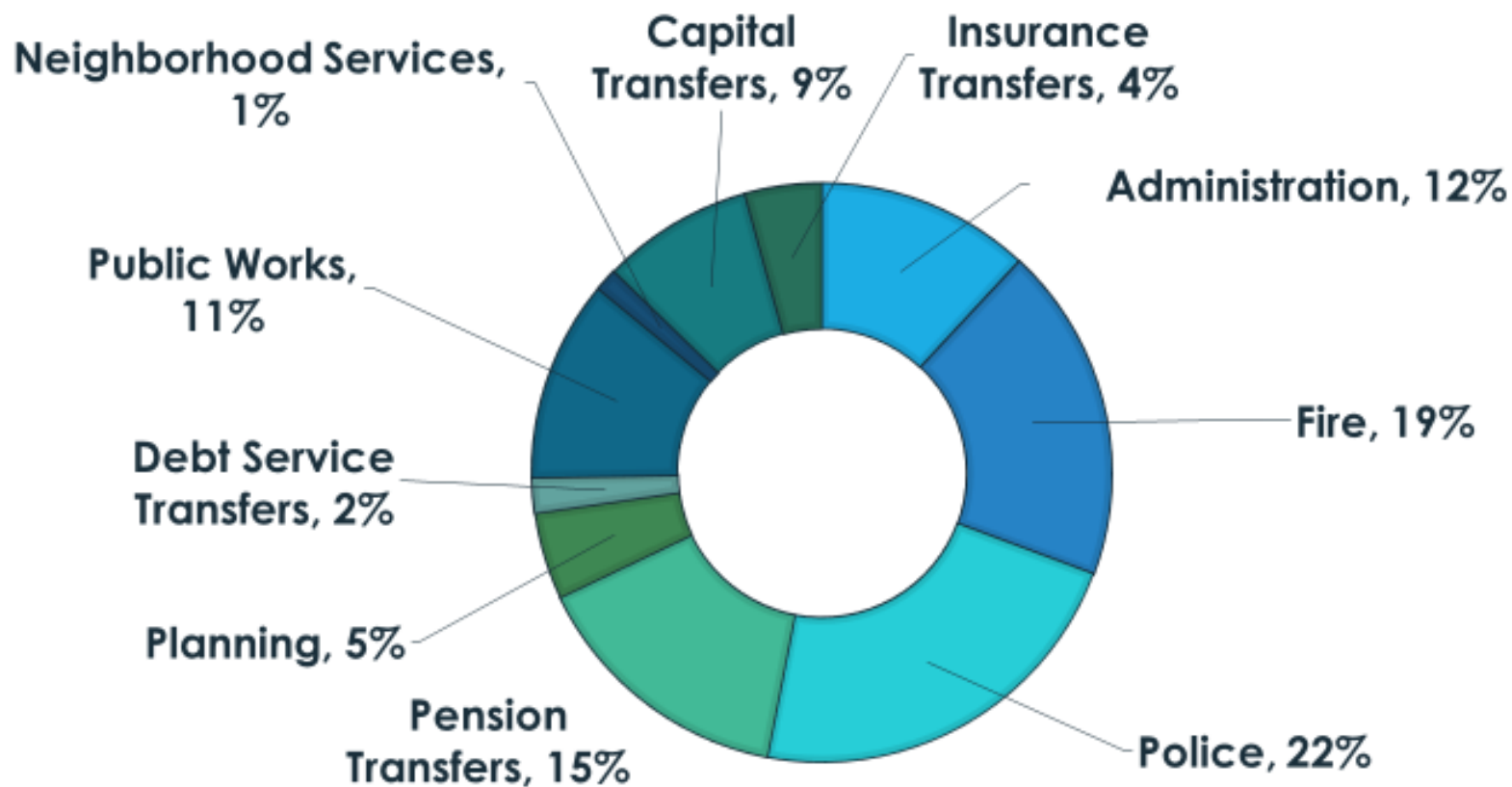
City of Champaign Background

- Population: 90,739
- Major Employer University of Illinois at Urbana-Champaign
- FY 21/22 Budget \$149.21 in revenue and \$139.55 in expenditures
- 2022 Capital Projects budget: \$46.2 million
- 10 Year Capital Plan: \$444.8 million, 136 Projects, 14 Funds



FY 2021/22 General Fund Revenues





FY 2021/ General Fund Expenditures

BASIS OF FORECASTING



Starting Point for Decision-Making



General Fund Focus



Indicates Trends



Tests Financial Policy Targets

Key Financial Policies



Maintaining an unassigned General Fund balance of no less than 10% of expenditures, not including transfers



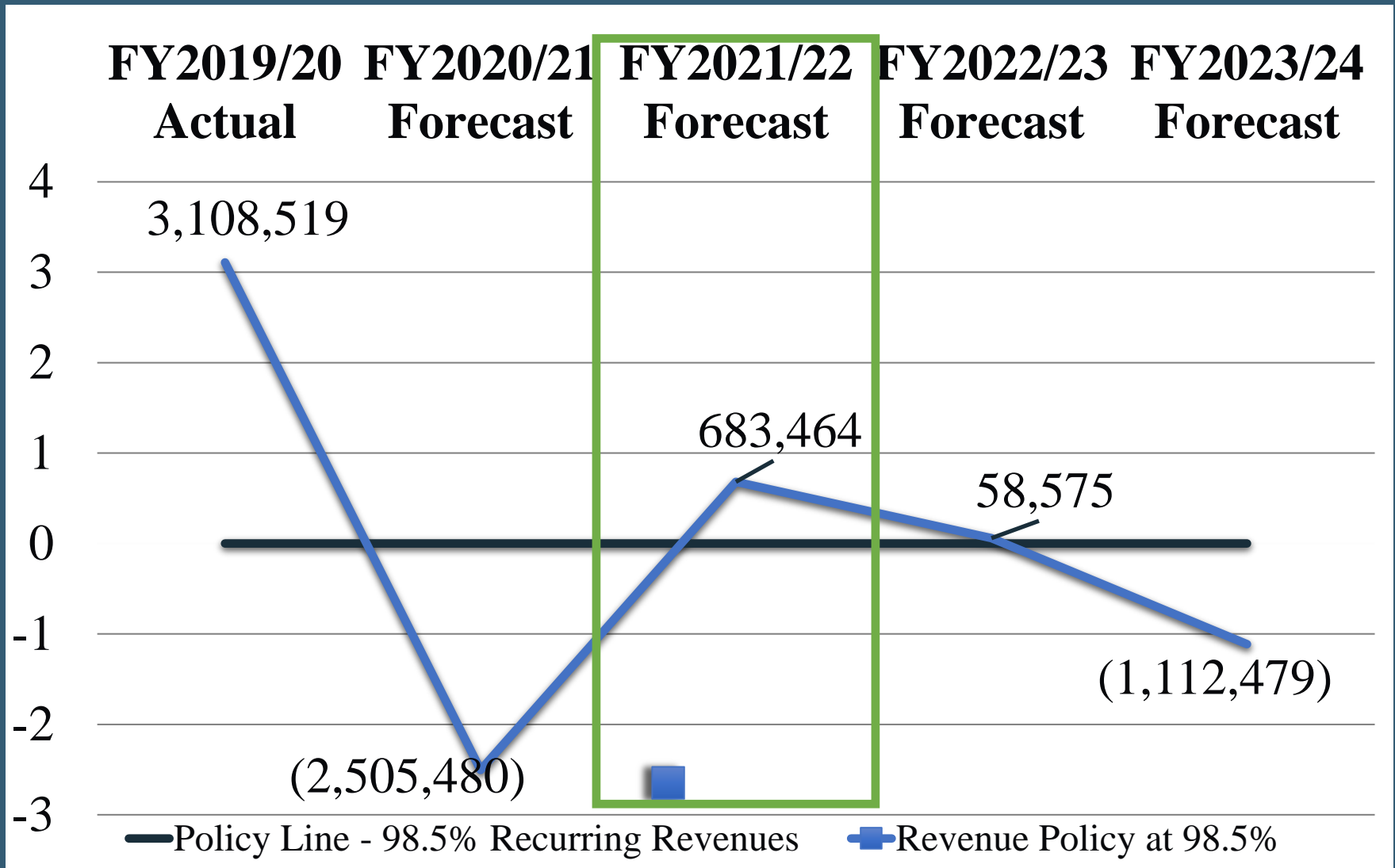
Recurring expenditures in the General Fund should not be budgeted greater than 98.5% of recurring revenues

One Time Funds

- American Rescue Plan Act
 - \$25.3 million allocation
 - Half in June 2020, and other half one-year later
- Local CURES \$3.3 million
- Shifting of revenue from FY 20/21 to FY 21/22 due to delay of tax filings



General Fund Forecasted Recurring Revenue Policy Variance at 98.5%



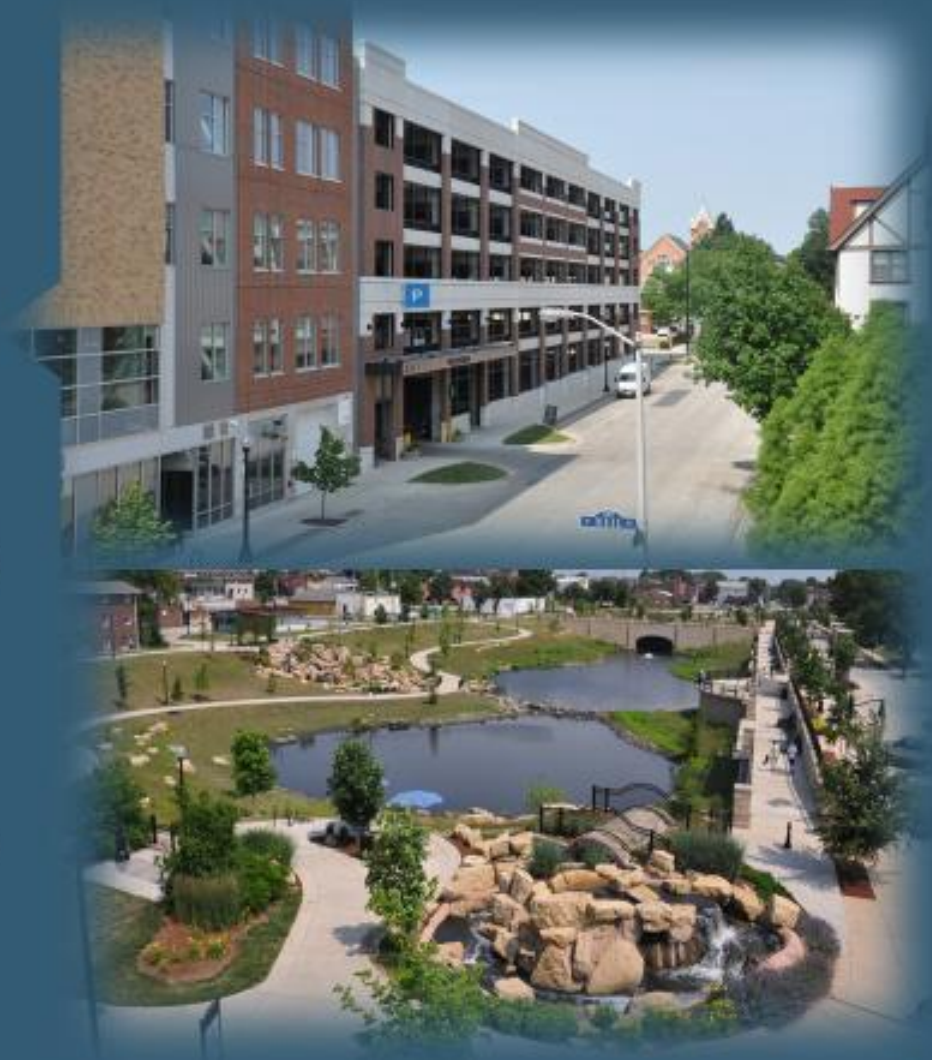
Forecasting Revenue



- Review Revenue Monthly
- Review national trends, but consider local conditions
- Look forward beyond immediate conditions
- Develop multiple scenarios

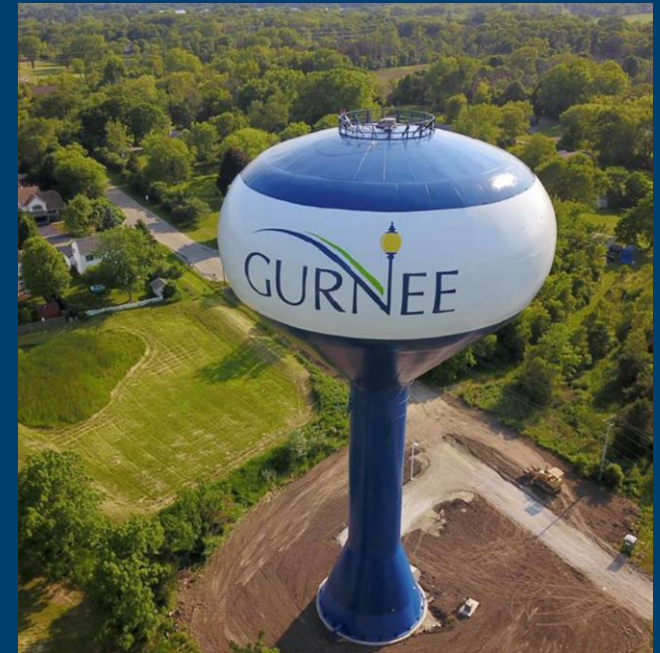
Capital - 10 Year Planning

- Annually create a 10-year Capital Improvement Plan, which includes a 10-year outlook for all Capital Funds
- Process guided by a team made up of members from the City's Planning and Development, Finance, Public Works, Neighborhood Services and City Managers Office
- Team is guided in making decisions by:
 - The City's financial policies
 - Council goals
 - Recommendations of various plans and studies
 - Public safety needs



About The Village of Gurnee

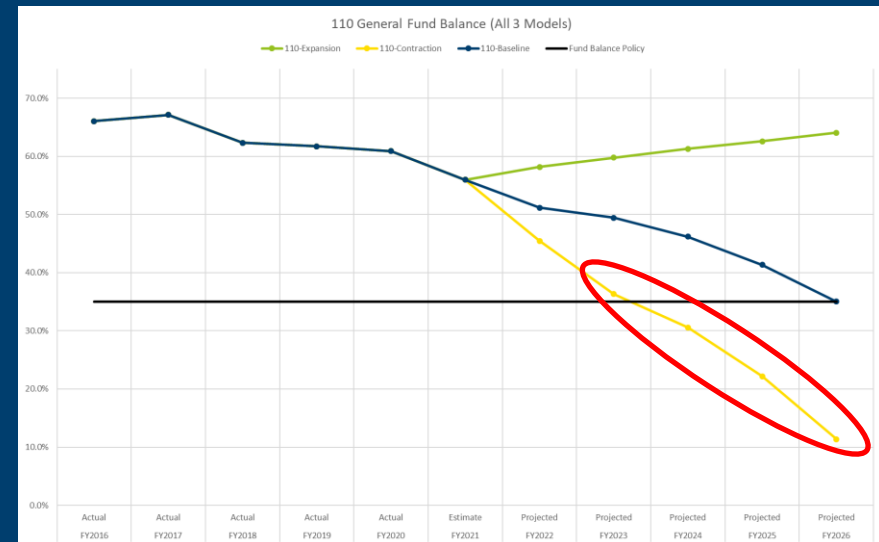
- Population: 30,378
- FY22 General Fund Budget: \$41,225,441
- FY22 Capital Program: \$8,784,330
- No Property Tax
- Rely Heavily on Consumer Based Taxes
 - Big Three
 - Gurnee Mills Mall
 - Six Flags Great America
 - Great Wolf Lodge
 - Big Four
 - Sales Tax
 - Hotel Tax
 - Amusement Tax
 - Food & Beverage Tax



Multi-Year Planning

Multi-Year Financial Forecast

- Operating & Capital Funds
- 5-Years Major Revenues & Expenditures
- Major Revenues (70%) - 3 Scenarios Based on Economic Cycles/COVID Recovery
 - Baseline – 75%/25%/Long-Term Average Rate of Change
 - Expansion – 100%/Upper Limits of Historical Rate of Change
 - Contraction – 50%/25%/25%/Lower Limits of Historical Rate of Change
- Major Expenditures (75%)
 - Historical Averages & “Knowns”
- Identify Capital Funding → Multi-Year Capital Plan



Fiscal Contingency Plan

- Roadmap for Decision Making During a Financial Crisis
 - “Trigger Events” Identify Crisis
 - 2 Consecutive Quarters of Declines in Major Revenues Vs. Prior Year Actuals AND Budget
 - Circumstance Determined by Village Administrator
 - Natural Disasters
 - Adverse State Action
 - Large Unexpected Losses/Claims
 - Sudden Closure of Big Three
 - Actions
 - Increased Reporting
 - Village Board & Employee Groups
 - Duration Assessment
 - Fund Balance Monitoring
 - Identify & Implement Operating Adjustments

- Mar 2001–Nov 2001
 - dotcom Bubble/9-11/Enron Scandal
- Dec 2007–Jun 2009
 - The Great Recession
- Feb 2020–Present
 - COVID-19 Crisis
- LGDF Reduction Threats
- Large Taxpayer Interruptions
- Property Tax Freeze

Fiscal Contingency Plan

- Operating Adjustment Matrix

- 3 Tiers

- Time to Realize Benefit
 - Impact to Mission & Values

- Department Participation

- Updated & Reviewed Annually During Budget

- Sets Priorities and Consequences

- Open Position vs. Furloughs

- Reflects Organization Mission & Leadership

- Tax Increases
 - Service Reduction/Cuts

- Balance use of Fund Balance with Operating Adjustments

Mission & Core Values Impact	Full Impact	<u>Tier 3 Action</u>	Contracted service elimination	Position consolidation/elimination
		Personnel hours reductions	Wage freeze	Service or program reduction/cuts
		Overtime freeze	Wage & benefit freeze	Tax increases
		Capital & infrastructure deferral		Legislative advocacy
		<u>Tier 2 Actions</u>	Capital lease/rental	Charges for service review
Overtime & benefit review	Reduce capital programs	Non-essential service review		
Fund balance drawdown		Open position consolidation		
Reduce non-essential service contracts				
<u>Tier 1 Actions</u>	Operating expense review	Outsource services		
Open positions review	Re-negotiate operating contracts			
Fund balance drawdown	In-source contracts			
Delay capital expenditures				
Short-Term		Long-Term		
Time to Realize Benefits of Action				

Fiscal Contingency Plan

- Other Benefits
 - Avoid Panic Mindset
 - List of Actions with Dollars Ready for Consideration
 - Decision Making Power Shared
 - Department Leadership Participates in Adjustment Matrix
 - Department Leadership Transition
 - Shape Future 50/50 Operating Decisions
 - Create Matrix Actions
 - Non-Essential Services Outsource vs. In-House
 - Village Leadership “What-if” Comfort
 - If We Take This Action How Does It Impact Our Ability to Respond to a Crisis?

Thank you!

