



Budgeting and Financial Planning in an Era of Uncertainty

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V.U.C.A

- Volatile
- Uncertainty
- Complex
- Ambiguity (or **A**ccountability)

Why Plan in Uncertainty?

- To educate decision makers and the public about the specific uncertainties
- To narrow the scope of uncertainty
- To identify options for actions when uncertainties develop into certainties

Budgets are Just Guesses Anyway, Right?

- Good budgets define the art of SWAG.
- Budgets are legally binding guidelines for operations.
- Budgets reflect the priorities and policies of the organization and by extension, the community.

Elements of Financial Planning and Multi-year Budgeting

- Major categories are identified for both revenues and expenditures.
 - Revenues are sorted by similar influences, i.e. sales tax, parking, and hotel tax in high-tourism areas.
 - Expenditures are sorted by similar influences or parameters, i.e. health coverage, pensions, and salaries are separated as there are three separate as well as labor contracts usually governing their growth.
- The longer the timeframe, the more general the assumptions.

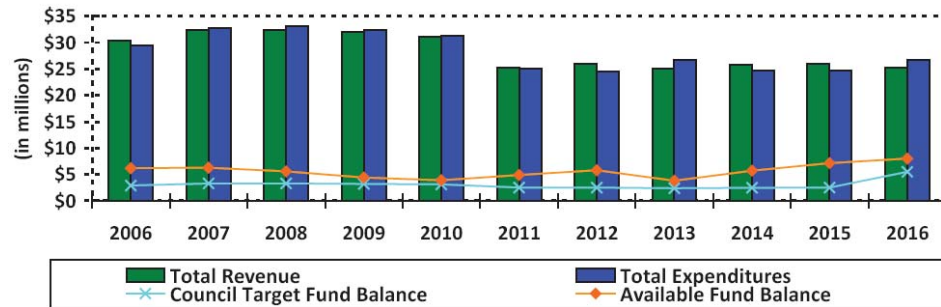
Key Components

- Clearly state assumptions and the bases for those assumptions.
- Keep assumptions consistent throughout forecast.
- Include major projects and capital plans.
- Recognize significant influences: developments, economy, labor contracts,...
- Include most major funds, if not all, separately.
- Include impact on fund balance/reserves.
- Provide analysis of results including implications for current and future decisions and budgets.

City of Madison Heights, MI

FY 2017-21 Financial Forecast, Page 5

General Fund - Fund Balance Compared to Total Revenues and Expenditures



Cautions in Forecasting

- False Specificity
- Too General to be Credible
- Too long or too short a timeframe
- Too Narrow or Too Broad
- Too much reliance on
- Confirmation Bias

Tips and Tricks

- Include several scenarios (best, most likely, worst cases)
- Use consistent formatting and presentation.
- Add graphs to illustrate multi-year comparisons.
- Keep It Simple!
- Have a someone outside the organization review for clarity
- Rinse and Repeat

Questions?

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