Budgeting and Financial Planning in an Era of Uncertainty

Melanie D. Purcell, CPFO, SHRM-SCP
California League of Cities - Municipal Finance Institute
December 2017

V.U.C.A

• Volatile
• Uncertainty
• Complex
• Ambiguity (or Accountability)
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

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?

Melanie Purcell, CPFO
City of Sausalito Administrative Services Director
415/289-4105
mpurcell@Sausalito.gov