Multiyear Financial Planning

Dan Acquilano- Manager
Division of Local Government and School Accountability

NYS COMPTROLLER
THOMAS P. DiNAPOLI

The Budget

The budget is a plan of the services we want to provide to our taxpayers, and the funding sources to pay for the services.

- Lifespan of beginning of the Fiscal Year, to the end of the Fiscal Year only.
- Budgets should include some 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 plans.
    - Ex. Reserves- Why do we have them? When will we use them? When will they be sufficiently funded?

What is a Multiyear Plan?

It is a plan which 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

Multiyear Financial Plan

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

- A Budget: authorizes spending limitations through 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…?"

Before You Get Started

- Obtain financial data from www.openbookny.com or from your municipal software, and from your Finanacial Statements.

- Collect department head projections on their programs.

- Visit OSC website and review multi year planning tools http://www.osc.state.ny.us/localgov/planbudget/index.htm

- Gather documentation on legally established reserves.

- Ensure you have developed a Fund Balance Policy for all operating funds.

Elements of a Multiyear Financial Plan

1. Revenue Projections

2. Expenditure projections

3. Annual Operating Deficits/Surpluses

4. Reserve Balances

5. Fiscal improvement Plan

Multiyear Financial Plan

Revenue Projections

- Real Property Taxes- review trends. Try to keep in line with normal trends in your plan to prevent. Adjustments can be made later.
- PILOTS- ensure they are in line with actual agreements on hand.
- Sales Tax and other non-property tax revenues- review trends, but consider the changing local economy and policy changes (at the State, County and Local levels).
- State/Federal Aid- Normally kept constant due to high unpredictability. Normally better to underestimate than overestimate.

Multiyear Financial Plan

Revenue Projections (contd.)

- Departmental income- determined almost entirely by local policies, therefore are very predictable in the short term.
- Other Local Revenues- review trends, keep fluctuations reasonable by using inflation, or other known factors.
- Interfund Transfers- relying on these as a regular financing source could indicate the need for policy changes or rate changes in other funds.
- 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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Expenditure Projections

Project by Object of Expenditure

- Personal Service (.1)- number of staff and salary agreements, can consider re-negotiations here.
- Equipment and Capital Outlay (.2)- Refer to your Multiyear Capital Plan.
- Contractual (.4)- best source of information on these will be department heads. Ask them to explain their projections to determine if reserves need to be established.
- Debt Service (.6)- Use known debt schedules as basis. Refer to your Multiyear Capital Plan.

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Expenditure Projections (contd.)

- Employee Benefits (.8)- based on health care and retirement costs.
- Interfund Transfers (.9)- relying on these as a regular financing source could indicate the need for policy changes or rate changes in other funds.
- Others- might include contingencies, which are one way to plan for unforeseeable events, such as major tax shortfalls or emergency expenditures.

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Expenditure Projections (contd.)

Project by Function

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

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Operating (Deficits)/Surpluses

- Projected Revenues less Projected Expenditures equals projected Operating (Deficit)/ Surplus.
- Too many years of either 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, continuous use of unrestricted fund balance can be a result of many years of operating deficits.
- Do they align with your Fund Balance Policy?

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Fiscal Improvement Plan

The plan is a useful tool, but only shows outcomes based on a set of projections. To make the information more useful in decision making, management should adopt a written Fiscal Improvement Plan.

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?

Multiyear Planning

Conclusion

- Multiyear planning is essential to sound budgeting and fiscal oversight processes.
- Multiyear plans allow management to think in terms of future needs and future impacts of today's decisions.
- A good Multiyear planning process can not only help mangers 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