Budget 201
Advanced Budgeting Strategies
2022 MCFOA Conference
Meet the Presenters

Jean McGann, CPA
President - Abdo Financial Solutions
Partner - Abdo

Licensed to practice as a CPA in Minnesota, Mrs. McGann provides expertise in financial management services, accounting, and customized solutions for governments, businesses, nonprofits and professional service firms.

Victoria Holthaus, CPA
Partner – Abdo Financial Solutions

Victoria’s experience includes service to Minnesota municipalsizes and joint ventures where she held finance and administrative roles. With Abdo Financial Solutions, she provides financial management services and customized solutions for local governments and nonprofit agencies.
Today’s Agenda

• Strategic Process
• Advanced Budget Elements
• Financial Strategy
Polling Question

MULTIPLE CHOICE
When do you start your budget process?

1. April or May   2. July or August
Polling Question

MULTIPLE CHOICE
When do you start your budget process?

1. April or May  2. July or August

☑️ July or August
Predictions are hard, especially about the future.
- Yogi Berra

Strategic Process

Aligning goals to budget, organizational buy in and collaborative thinking are keys to the strategic process.
Aligning Council Goals

What kind of goals will the Council set?
Aligning Council Goals to Internal Performance

- Collaborative / shared service
- Service review
- Workforce staffing overview
- Infrastructure review
- Economic development needs assessment
- Moving toward pay-as-you-go financing
- Improving debt position
Key Performance Indicators (KPIs)

- Economic Development
  - New tax base (# of residential homes, greater % of commercial or industrial base, # of housing projects completed)

- Financial Position
  - Fund Balance
    - General Fund – 35-50% of expenditures
    - Utility Fund – 6-12 months working capital, 1-year debt service and capital

- Infrastructure
  - Pavement and utility condition assessments
Long-term Planning

- A five to ten-year needs assessment
  - *Utilities*
  - *Streets*
  - *Equipment*
  - *Facilities*
- Overview of annual taxes, cash and debt position
- Focus on stability in tax rate, healthy cash position, and reduction or elimination of debt
- Ultimate goal: pay-as-you-go financing
Staff Objectives vs. Council Objectives

**STAFF OBJECTIVES**
- Sustainability
- Continuity of operations
- Workforce planning
- Service delivery
- Balancing Council director with human resource capacity

**COUNCIL OBJECTIVES**
- “Hold the line” on taxes and fees
- Quality services
- Customer service
- Responsiveness
Collaboration Amongst Leadership

- Internal leadership and Council leadership alignment
- One Team concept
- Internal understanding of all budget objectives – not just individual departments
- Alignment of long-term plan with budget objectives
<table>
<thead>
<tr>
<th>APRIL - MAY</th>
<th>MAY - JUNE</th>
<th>JUNE - JULY</th>
<th>AUGUST</th>
<th>by SEPT 30</th>
<th>OCTOBER</th>
<th>NOV - DEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Plan (LTP) revisions</td>
<td>Goal setting session with council</td>
<td>Staff preparing budget requests in line with council directive from goal session</td>
<td>Council receives preliminary budget/levy request</td>
<td>Review of enterprise fund budgets/levy</td>
<td>Refinement of budgets and fee schedule</td>
<td>Council receives final budget/levy request AND approves between Nov 25 – Dec 28</td>
</tr>
</tbody>
</table>

**Long-term Plan Adoption**

**Best Practice Budget Calendar**

Sets the maximum amount that may be levied

Approval dates are set in Statute
Advanced Budget Elements

Funding for the Future: Planning for Today and Beyond
Polling Question

YES OR NO

Does your City save for capital needs?

1. Yes 2. No
Advanced Budget Elements

- Internal Allocations
  - Wages and benefits
  - Utility funds administrative charges
- Internal service funds allocations
  - Fleet
  - Information Technology
  - Building
- Long-term Plan
- Debt Management
- Fees
Internal Allocations

• Wages and Benefits
  • Allocations to funds/departments
  • Health and other benefit considerations
  • Union contracts
  • Staffing modifications

• Utility funds administrative charges
  • Administration and finance
  • Building department
### Internal Allocations

#### WAGES & BENEFITS

<table>
<thead>
<tr>
<th>Name</th>
<th>Position Title</th>
<th>12/31/2019 Pay</th>
<th>2020 Hz</th>
<th>2020 Grade After Anniversary</th>
<th>2020 Step After Anniversary</th>
<th>Anniversary Adjustment Date</th>
<th>2020 Pay Pre Step</th>
<th>2020 Pay Post Step</th>
<th>2020 Pay % of Ytd</th>
<th>2020 Pay Pre Step % of Ytd</th>
<th>2020 Pay Post Step % of Ytd</th>
<th>FY 2020 Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doe, John</td>
<td>City Clerk</td>
<td>33.00</td>
<td>2,080</td>
<td>2020 Grade After Anniversary</td>
<td>2020 Step After Anniversary</td>
<td>1/1/2020</td>
<td>33.83</td>
<td>35.83</td>
<td>0.00</td>
<td>1.00</td>
<td>1.00</td>
<td>707,741.51</td>
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<tr>
<td>Doe, Jane</td>
<td>Acct. Deputy Clerk</td>
<td>24.47</td>
<td>2,080</td>
<td>2020 Grade After Anniversary</td>
<td>2020 Step After Anniversary</td>
<td>12/11/2020</td>
<td>25.08</td>
<td>26.00</td>
<td>0.95</td>
<td>0.06</td>
<td>52,575.97</td>
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</table>

#### ADMINISTRATIVE TRANSFERS

<table>
<thead>
<tr>
<th>Company</th>
<th>Annual Budget 2021 (2.5% Increase)</th>
<th>Annual Budget 2022 (2.5% Increase)</th>
<th>Change from 2021 to 2022</th>
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<tbody>
<tr>
<td>09001 - General Fund</td>
<td>294,675.20</td>
<td>302,042.88</td>
<td>-7,366.68</td>
</tr>
<tr>
<td>TOTAL REVENUE (GENERAL FUND)</td>
<td>-294,675.20</td>
<td>-302,042.88</td>
<td>-7,366.68</td>
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<tr>
<td>09010 - Icon Excellent Authority</td>
<td>36,599.44</td>
<td>37,423.27</td>
<td>912.80</td>
</tr>
<tr>
<td>09300 - Savvy</td>
<td>58,032.10</td>
<td>58,376.83</td>
<td>1,344.73</td>
</tr>
<tr>
<td>09301 - Water</td>
<td>69,377.48</td>
<td>69,722.15</td>
<td>3,344.67</td>
</tr>
<tr>
<td>09302 - Golf Course</td>
<td>11,083.23</td>
<td>11,314.18</td>
<td>2,230.95</td>
</tr>
<tr>
<td>09303 - Ice Arena</td>
<td>11,083.23</td>
<td>11,314.18</td>
<td>2,230.95</td>
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<tr>
<td>09304 - Storm Water</td>
<td>24,325.50</td>
<td>25,486.14</td>
<td>1,160.64</td>
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<tr>
<td>09400 - C-Range Operators</td>
<td>36,509.44</td>
<td>37,423.27</td>
<td>912.80</td>
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<tr>
<td>09410 - Information Technology</td>
<td>50,413.73</td>
<td>50,974.07</td>
<td>1,560.34</td>
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<tr>
<td>TOTAL EXPENSE (ALL FUNDS)</td>
<td>294,675.20</td>
<td>302,042.88</td>
<td>-7,366.68</td>
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</tbody>
</table>
Internal Service Funds Allocations

- Fleet
  - Replacements, additions, dispositions
- Information technology
  - Direct and indirect costs
  - Infrastructure
  - Software and software maintenance
  - Hardware or Cloud Technology
- Building
  - Facility assessments
## Internal Service Funds Allocations

### FLEET

<table>
<thead>
<tr>
<th>Asset ID</th>
<th>Make</th>
<th>Description</th>
<th>Year</th>
<th>Expected Life</th>
<th>Replacement Year</th>
<th>Disposal Date</th>
<th>Original Cost</th>
<th>CY Actual Operation Rate</th>
<th>Cust.</th>
<th>Service</th>
<th>San Const.</th>
<th>Water</th>
<th>Signs</th>
<th>Welding</th>
<th>Inspect</th>
<th>Maint.</th>
<th>Parts</th>
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<tbody>
<tr>
<td>1</td>
<td>Ford</td>
<td>Pick Up</td>
<td>2002</td>
<td>13</td>
<td>0</td>
<td></td>
<td>27,478.00</td>
<td>Mo</td>
<td>1,353</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Toro</td>
<td>Zerimum mower</td>
<td>2020</td>
<td>5</td>
<td>2025</td>
<td></td>
<td>13,888.00</td>
<td>Mo</td>
<td>2,676</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>SkyJack</td>
<td>Scissors Lift</td>
<td>2019</td>
<td>16</td>
<td>2034</td>
<td>Mo</td>
<td>10,812.00</td>
<td>Mo</td>
<td>728</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Rotary</td>
<td>4 Post Lift</td>
<td>2020</td>
<td>12</td>
<td>2022</td>
<td></td>
<td>16,164.00</td>
<td>Mo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Stepp</td>
<td>Asphalt patch trailer</td>
<td>2020</td>
<td>16</td>
<td>2030</td>
<td>Mo</td>
<td>40,215.00</td>
<td>Mo</td>
<td>234</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sterling</td>
<td>Water Tanker</td>
<td>2003</td>
<td>20</td>
<td>2023</td>
<td></td>
<td>124,489.00</td>
<td>Mo</td>
<td>9,210</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

### INFORMATION TECHNOLOGY

<table>
<thead>
<tr>
<th>Direct allocations</th>
</tr>
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<tbody>
<tr>
<td>Arview</td>
</tr>
<tr>
<td>Johnson Control</td>
</tr>
<tr>
<td>Access Point</td>
</tr>
<tr>
<td>Net Motion</td>
</tr>
<tr>
<td>Monitor for Conference Room</td>
</tr>
<tr>
<td>Locate services</td>
</tr>
<tr>
<td>Active Network (formerly MaxIce)</td>
</tr>
<tr>
<td>Calendar Wiz</td>
</tr>
<tr>
<td>LEGO, Plymouth IT Services, Training Officer 2000 V3</td>
</tr>
<tr>
<td>Watchguard</td>
</tr>
<tr>
<td>Cisco Analog Voice Gateway</td>
</tr>
<tr>
<td>Logis</td>
</tr>
<tr>
<td>Capital Items</td>
</tr>
<tr>
<td>Total Direct Allocations</td>
</tr>
<tr>
<td>Total City-wide Allocation</td>
</tr>
<tr>
<td>Total Account</td>
</tr>
</tbody>
</table>

| 0004 - Street       | 400 | 35,588 | 35,588 |
| 0038 - Parks Budget | -   | 29,752 | 29,752 |
| 0180 - Pool         | -   | 22,337 | 23,299 |
| 0101-Mayor/Council  | -   | 6,270  | 6,270  |
| 0115 - City Manager | -   | 15,399 | 15,399 |
Long-term Plan

- Includes all funds
- Accounts for revenues, expenditures (expenses), and existing or projected debt
- Incorporates reserve policies
- Growth assumptions
- Impact to community
# Long-term Plan

## Capital Improvement Plan - Parks Infrastructure Fund 9233

**Schedule of Planned Capital Outlay 2021 to 2031**

<table>
<thead>
<tr>
<th>Department</th>
<th>Year to Replace</th>
<th>Item</th>
<th>Cost</th>
<th>2021 Estimated Amounts</th>
<th>2022 Estimated Amounts</th>
<th>2023 Estimated Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks &amp; Recreation</td>
<td>2021</td>
<td>Parks concrete, trail work</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>2021</td>
<td>Parks Corner Park play equipment project</td>
<td>185,000</td>
<td>185,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>2021</td>
<td>Parks frisbee golf equipment</td>
<td>12,000</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>2021</td>
<td>Parks court, equipment painting, benches</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>2021</td>
<td>Parks lighting improvements</td>
<td>68,000</td>
<td>68,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

## Schedule of Property Taxes Levied and Tax Rates

**For the Years Ended December 31, 2020 (Actual) and 2021 to 2031 (Estimated)**

### Property Taxes Levied for General Purposes

<table>
<thead>
<tr>
<th>Property Taxes Levied for General Purposes</th>
<th>2020 Actual Amounts</th>
<th>2021 Estimated Amounts</th>
<th>2022 Estimated Amounts</th>
<th>2023 Estimated Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>9001 General</td>
<td>$10,511,431</td>
<td>$10,879,465</td>
<td>$11,393,354</td>
<td>$11,934,538</td>
</tr>
<tr>
<td>9015 Economic Development Authority</td>
<td>$348,000</td>
<td>$365,000</td>
<td>$153,000</td>
<td>$203,000</td>
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<tr>
<td>9015 HRA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9203 Street Infrastructure</td>
<td>$1,467,333</td>
<td>$1,540,700</td>
<td>$1,617,735</td>
<td>$1,698,622</td>
</tr>
</tbody>
</table>
Long-term Plan
Debt Management

• How much debt can the community withstand?
• Legal compliance
• Considers potential calls or refinancing
Debt Management
Fees

- Analyze true cost of providing service
- Direct and indirect costs should be considered
- Incorporates utilities
Financial Strategy

Debt stability?
Lower taxes?
Additional services?
Reduced crime?
Financial Strategy

What are some elements of your financial strategy?
Keeping Council Strategic

- Focus on strategic objectives – not “pencils and paperclips”
- Incorporate long-term plan objectives into budget presentation
- Discuss impacts to community
- Review debt levels
Budgeting is a Process, not an Event
Council Goals

- Strategic planning session
- Clear articulation of goals
- Collaboration amongst council
Budget Alignment

- Budget direction aligns with goals
- “One team” approach within City leadership
- Council collaboration
Measure Progress

- Key performance indicators
- Clear understanding of performance objectives
Long-term Plan (LTP) revisions

Goal setting session with council

Staff preparing budget requests in line with council directive from goal session

Council receives preliminary budget/levy request

Review of enterprise fund budgets/levy

Council approves preliminary budget / levy

Refinement of budgets and fee schedule

Council receives final budget/levy request AND approves between Nov 25 – Dec 28

Long-term plan adoption

Additional Resources: LMC Budgets Dates 101

Sets the maximum amount that may be levied

Approval dates are set in Statute
Key Take-Aways

• Collaborate
• Think Strategically
• Align budget to Council goals
• Measure performance
• Review performance with Council and community
Questions?