



The Importance of Long-Term Planning

Wednesday, November 29, 2023



Overview

- Local Government is often challenged with the task of providing/maintaining services with fewer resources
 - Few opportunities to increase revenue
 - Revenue impacted by changes in the economy
 - Operating costs outpace the growth in property tax and other revenue
 - Increase circuit breaker losses
- Underscores need for local units of government to extend planning horizons beyond one year





A COMPREHENSIVE APPROACH TO FINANCIAL PLANNING

- Connects fiscal management with policy/operational management
- Allows effective communication with stakeholders and key decision makers
 - Education
- “Big picture” considerations
 - How do we resolve financial issues as we work to improve the quality of life in our community?



MULTI-YEAR FINANCIAL PLAN

- Defines current financial position
- Forecasts receipts, disbursements and potential funding gaps
- Vital component of decision making – manage uncertainties and anticipate future risk
- A living document – update annually and make course corrections as needed

Shortfalls of Annual Budgets



Isn't a financial plan

Meets a statutory requirement



Only focused on next year

Are trends developing?



Reactive

Should know there is a problem year(s) before



Often budget does not meet prioritized initiatives

Planning for the Long-Term



Historical activity →



Current Budget →



Projected future →



Identify issues →



Propose solutions →

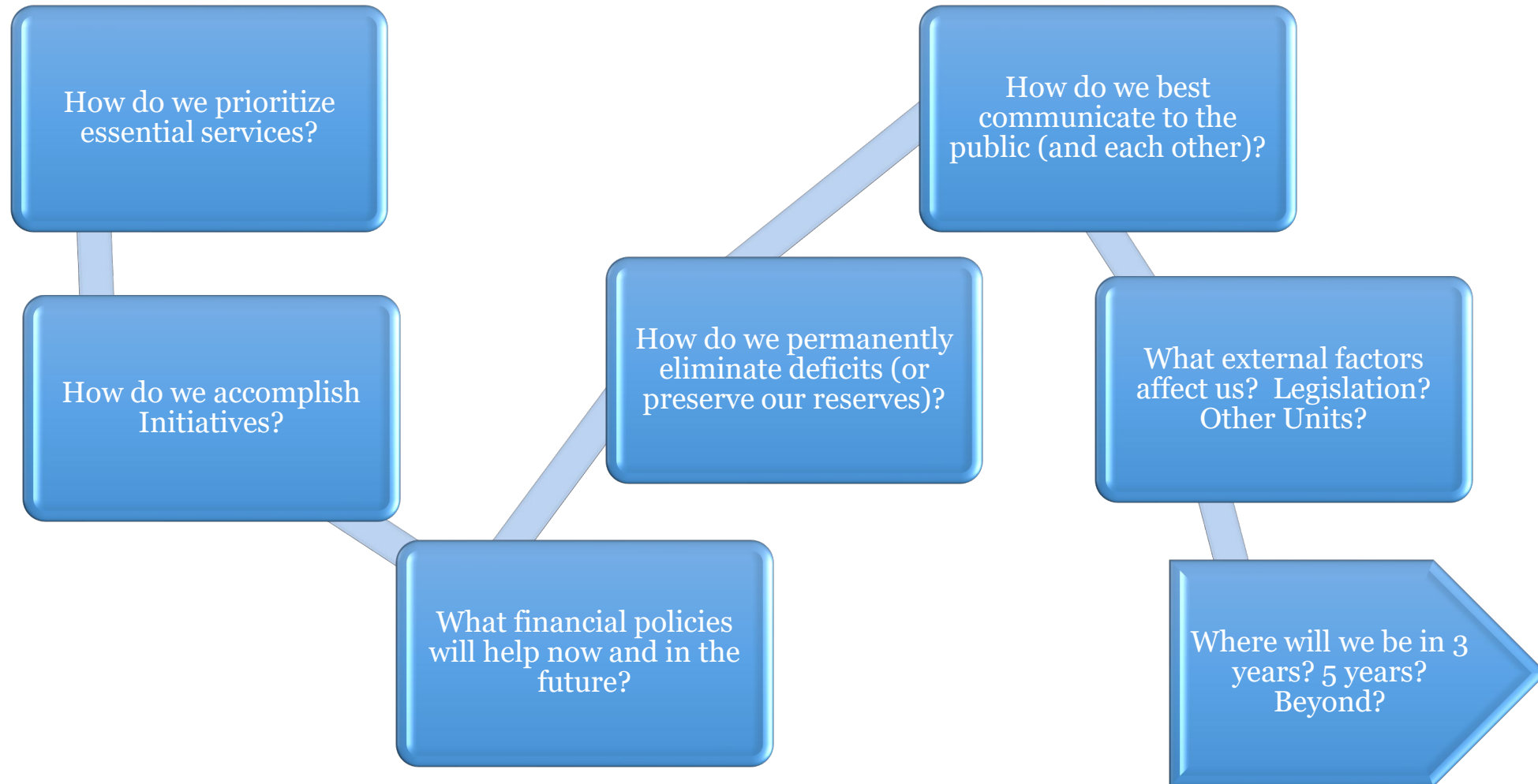


Stakeholder impact →



Implement
Solutions/Monitor
Impact

WHAT ISSUES DO WE FACE?



WHERE DO WE START?

- Ask yourself...
 - Where Have We Been?
 - Where Are We Now?
 - Where Are We Going?
- What are our goals, initiatives, promises?
- Do these align?



Where Have We Been?



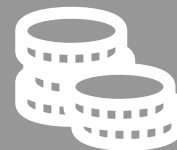
Analyze last 2 to 3 years of historical data

Look for budget surplus or shortfalls



Trends of expense increases

Salary increases
Inflationary increases



Trends of revenues

State-distributed revenue
Miscellaneous revenues

Where Are We Now?



Can we afford our current budget?



Evaluate budget to actual reports



Do we have enough cash reserves to absorb an unexpected loss in revenue?

Where Are We Going?

What projects do we want to complete?

Can increases in expenses be sustained in the next budget year and beyond?

Are we building cash balances to support future projects?

Multi-Year Capital Planning

Should answer the following questions:

- What are the Unit's capital investment priorities?
- How much will it cost to construct, operate, and maintain?
- What is the fiscal capacity of the Unit to support capital spending over time?

Should have a clear mission:

- To maintain and improve the Unit's capital assets over time
- To improve quality of place
 - People and business attraction

Should be flexible:

- Respond to new needs and address emergencies

Multi-Year Capital Planning Process

Develop policies

- Establish process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of the asset

Needs assessment

- Identify all capital and major equipment needs
- Prioritize

Affordability analysis

- Balance capital priorities with fiscal constraints

Prioritizing Capital Projects – Factors to Consider

Health and safety
concerns

Legal mandates

Economic,
environmental, or
social value

Operational benefits

Specific needs or
demands for
improved service
(community input)

Return on
investment (saving
on maintenance
costs)

Capacity to leverage
other resources
(matching funds for
grants)

Project feasibility
(cost, timetables,
management
capacity)

Project risks



Identify Issues (Operating and Capital)

- Funding Gaps
- Reliance on/Depletion of Cash Reserves
- Plan includes all essential services?
- Can we meet infrastructure needs?
- Are we allocating funds for quality of place?



Propose Solutions

- Is there a better way to use or reallocate already available resources?
- Can we reduce costs?
- Can we better manage the growth of costs?
- Are there ways to generate new revenue?

Examples of Local Government Revenue Sources

Property Taxes

Local Option Taxes

- Income Taxes
- Vehicle Taxes

User and License Fees

- Parks, recycling, building permits, liquor licenses

Value Capture

- Impact Fees
- Special Assessment District
- TIF (Tax Increment Financing)

Financial Arrangements

- Public-Private Partnerships (P3's)
- Privatization
- Donations, Grants, Crowd-Funding

Adopting the Financial and Capital Plan



Summary document describing the needs, priorities, costs, financing, and timing of projects



Formal adoption of the plan



Incorporate plan into the budget process



Update the plan annually

Benefits of Multi-Year Financial and Capital Planning



Demonstrates strong management
(particularly important to bond rating
agencies)



Can be proactive rather than reactive



Helps to prioritize projects and
develop a plan to finance those
projects



Efficient use and management of
resources - helps spread the costs of
capital improvements over time

THANK YOU

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