



TURNING YOUR FINANCIAL DATA INTO INFORMATION

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TURNING YOUR FINANCIAL DATA INTO INFORMATION— THE VILLAGE OF BROOKFIELD'S FORAY INTO A FIVE YEAR PLAN...

- ▶ HISTORICALLY THE VILLAGE HAD NO FIVE YEAR PLAN
 - ▶ Prior administrations had no interest in developing a long-range plan
 - ▶ Prior to 2009 no long-term Finance Staff—Several Staff changes over a ten year period
 - ▶ Relied on annual budgets to determine needs (immediate and short term future)

TURNING YOUR FINANCIAL DATA INTO INFORMATION— THE VILLAGE OF BROOKFIELD'S FORAY INTO A FIVE YEAR PLAN...

- ▶ NEW MANAGEMENT DETERMINED LONG-RANGE PLAN WAS FISCALLY RESPONSIBLE
 - ▶ Recommended by Rating Agencies
 - ▶ Recommended and used by prior Municipality
 - ▶ Trustee involvement in financial decisions
- ▶
- ▶ DEVELOPMENT OF FIVE YEAR PLAN AS A RESULT OF FINANCIAL ISSUES
 - ▶ Revenue stream were low-Board wanted an overall review of revenue stream
 - ▶ Cutbacks in Staff were required
 - ▶ Programs/services were reviewed for efficiencies and effectiveness-several were slimmed down or eliminated

TURNING YOUR FINANCIAL DATA INTO INFORMATION— THE VILLAGE OF BROOKFIELD'S FORAY INTO A FIVE YEAR PLAN...

- ▶ ANNUAL TWO YEAR BUDGET PREPARED AS PART OF FIVE YEAR PLAN
 - ▶ Essential to prepare both and present to Board at the same time
 - ▶ Avoids multiple presentations of different documents
 - ▶ Time frames easily understood when presented side by side
 - ▶ Department Heads more involved as work is not spread over a longer time frame
 - ▶ Prepared and approved under one resolution-one document
 - ▶ Two year budget figures fold into five year plan
 - ▶ Assumptions made for the two year budget can be easily extended to the five year plan at the same time; adds to efficiencies
 - ▶ Changes can be readily folded into each document so that certain values will not materially differ from one document to another

TURNING YOUR FINANCIAL DATA INTO INFORMATION— THE VILLAGE OF BROOKFIELD'S FORAY INTO A FIVE YEAR PLAN...

- ▶ USE OF BUDGET AND FIVE YEAR PLAN TOGETHER AS ONE PLANNING DOCUMENT
 - ▶ Mainly used by Staff to coordinate capital needs
 - ▶ Ultimately Management can look at short term trends together with longer term possibilities and make adjustments to expense reductions or revenue increases.
 - ▶ These adjustments in the short term are then expanded over the five year period to determine if the expected future budgets can be sustainable, especially as it concerns capital acquisition and construction.
 - ▶ Explores the long-term effect of any debt issuances that may be required, especially as it relates to capital acquisition and construction

TURNING YOUR FINANCIAL DATA INTO INFORMATION— THE VILLAGE OF BROOKFIELD'S FORAY INTO A FIVE YEAR PLAN...

► ISSUES TO BE AWARE OF

- Department Heads unusual ability to believe they are the only Department that matters-the Five Year Plan helps to show them how everything interacts.
- Board and Departments need to understand the fluidness of the long-term portion. Budgets are fixed to an extent—longer term plans are not and can be changed depending on the economics facing the Village.
- Union Negotiations rely on various financial documents including the five year plan (be careful in your assumptions)

Financial Projection Perspectives

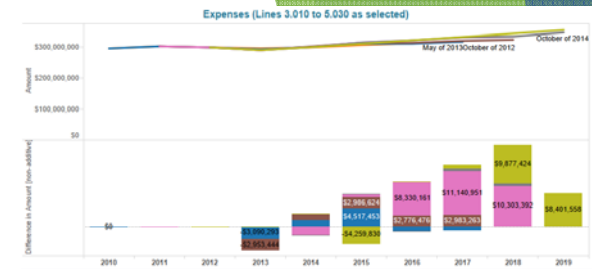
“The ability to think strategically may be one of the most important legacies of a public official”.

-John Luthy, “Strategic Planning: A guide for Public Managers”



A multi-year financial forecast is more than just a spreadsheet - it is a strategic process and operational tool.

Financial Projection Perspectives



Attest - to the long term financial benefits and strategic planning value that projections provide;

Confirm - that the process of executing a financial projection, along with the data generated, provide increased financial vision and improve administrative decision making and board level governance;

Witness - improved relationships between local governments and communities through increased transparency and accountability that financial projections provide;

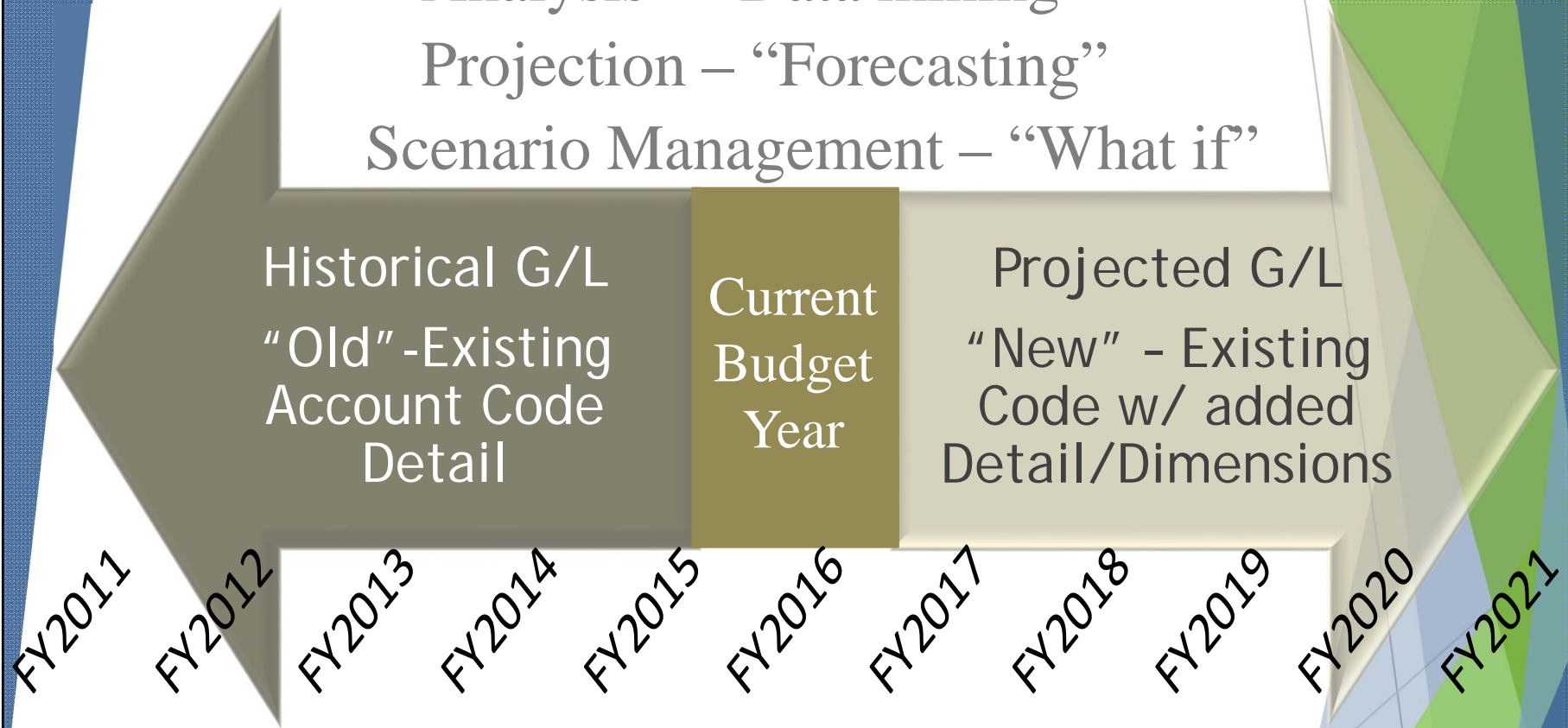
Confident - about the decision making value points of organizing information and strategic thoughts into a multi-year operating plan that aligns resources and priorities.

“Create strategies to provide deeper analysis”

Analysis – “Data mining”

Projection – “Forecasting”

Scenario Management – “What if”



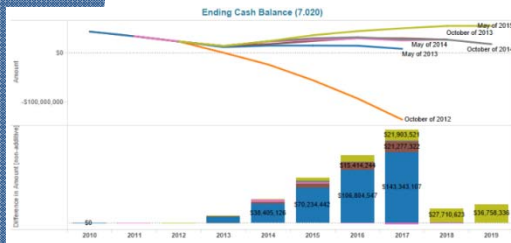
Financial Projections – Source Data

“Everything Counts in your General Ledger”

The general ledger can be a rich source of data for financial analytics.

- Analytic tools can help transform your G/L detail with database functionality for sorting, summarizing, and analyzing your financial data.
- Enabling users to look at their financial data from different angles, searching for outliers, identifying trends, and forecasting accurate and forward looking assumptions is invaluable.
- It provides a control mechanism for the accountability of revenues, expenditures, and the relative impact on balances.
- Every aspect of your account matters!

G/L acct. code: 10.1130.8.332.3.70.1720
(Fund, Function, Object, Detail Object, Location, Program, etc...)



Breaking Down a Multi-Year Projection

FY2011

FY2012

FY2013

FY2014

FY2015

FY2016

FY2017

FY2018

FY2019

FY2020

FY2021

*Historical
Performance (Prior
Years)*

*Measurement of
performance*

Informs future assumptions

*Budgetary
Level Accuracy
(Current Year,
Years 1 & 2)*

*Executable
budget
template*

*Rev./Exp.
variables
known*

*Early
Warni
ng
(Year
Inflectio
n point
for
change
decisions*

*Direction
al
(Years 4 &
5)
Evaluate
overall
trend –
“How the
math will
play out”*

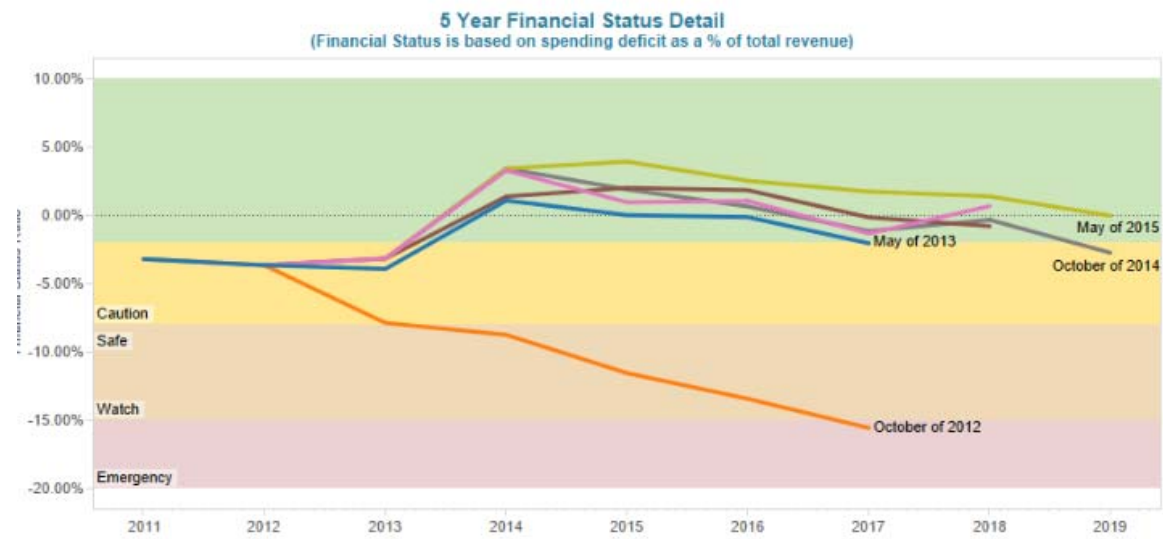
Financial Projection Impact Consideration s

Economic trends at national, state, and local levels;

Future impact of significant legislative changes to funding formulas, or other mandates;

Long term impact of salary/benefit agreements, or other employment contracts;

Short and long term capital plans/needs



Situational Observations

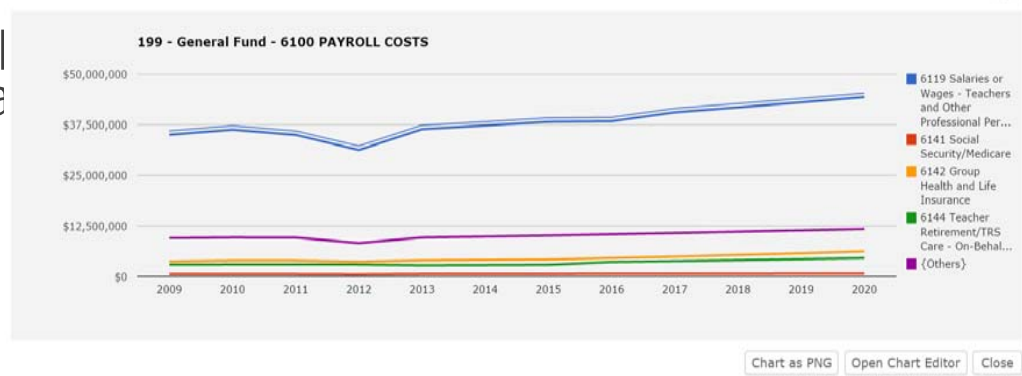
Simply extending a “current” policy may not be accurate if economic fundamentals do not allow current policy to be executed.

“Past performance is not indicative of future results”

Historical performance can provide insight to the overall management of a school district;

Direction of the trend can be telling in terms of viability of the future projection or plans;

However, it is the accuracy of the forward looking assumptions that determine the district's sustainability.



Using Financial Projection Modeling

Budget Decisions	Role of Financial Projection
Accomplishing organizational goals	To demonstrate affordability of funding strategies to accomplish long-term goals
Making tax rate and user fee adjustments	To provide revenue impacts of alternative rate adjustments beyond the budget year
Creating new positions	To demonstrate affordability of adding new positions
Approving salary and wage adjustments	To demonstrate affordability of annual pay increases, including adjustments
Changing benefit packages	To demonstrate affordability of benefit changes
Analyzing retirement incentives	To support adoption of early retirement programs including succession planning
Analyzing changes in service delivery	To anticipate long-term results on program reduction or expansion
Approving capital replacement and infrastructure maintenance	To support analysis of financing options for ongoing capital replacement and maintenance, including one-time purchases and lease-purchase financing
Analyzing alternative methods of providing services	To support service delivery options of privatization and managed competition
Adopting capital improvement program	To show how capital improvement plans will affect the operating budget

Financial Projections – Communication s Tool

Bond Rating agencies use four broad categories in assigning a bond rating to tax-supported bonds:

The economic base of the community

The financial condition of the local government

Debt factors on existing and proposed debt

Governance and financial planning of the organization

- S&P evaluates the financial practices of a local government in the following areas:

- Revenue/Expenditure assumptions
- Budget amendments and updates
- Long-term financial planning/capital planning
 - Investment management policies
 - Debt management policies
 - Reserve (Fund balance) policy

Financial Projections – Communications Tool

Projection Assumptions

- Should be guided by principles-based approach.
 - Consistent with each other
 - Disclosure is a key element for the reader in order to ascertain the overall strength of the entity and viability of any future plans.
 - Best managed entities understand and calculate the impact of potential variances in key assumptions.
- Top-down or bottom-up assumptions. Incorporate assumptions at any level of accounting detail.
- Gain insight by utilizing historical data for forward looking assumptions
- Propagate assumptions with line item control



Scenario: Base Scenario

Revenues

	Fund	Function	Sub Function	2015	2016		2017		2018	
				Current	%	Projected	%	Projected	%	Projected
Revenues				\$73,720,564	0.92%	\$74,396,334	0.92%	\$75,080,888	0.92%	\$75,774,342
10 EDUCATION				\$57,615,286	1.17%	\$58,291,056	1.17%	\$58,975,610	1.18%	\$59,669,064
		1000 LOCAL		\$51,982,277	1.30%	\$52,658,046	1.30%	\$53,342,601	1.30%	\$54,036,055
			1100 AD VALOREM TAXES	\$46,822,877	1.30%	\$47,431,574	1.30%	\$48,048,184	1.30%	\$48,672,811
			1200 PAYMENTS IN LIEU OF TAXES	\$1,026,314	1.30%	\$1,039,656	1.30%	\$1,053,171	1.30%	\$1,066,863
			1300 TUITION	\$301,495	1.30%	\$305,414	1.30%	\$309,385	1.30%	\$313,407

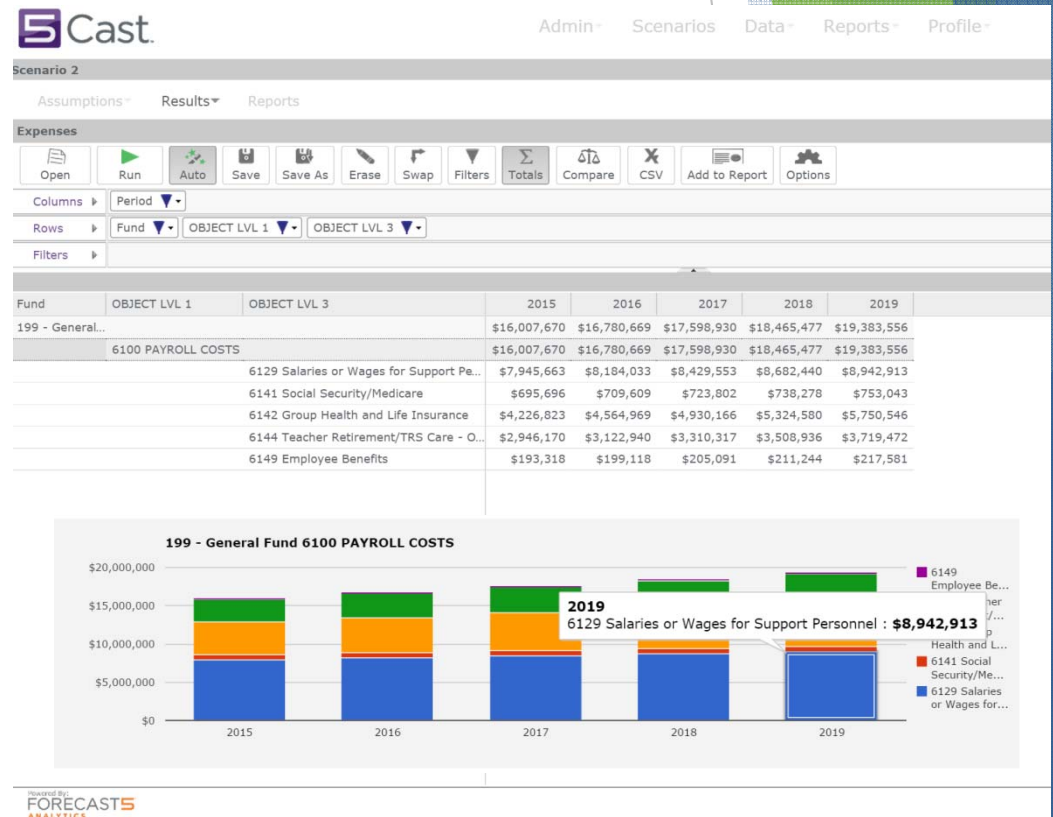
Financial Projections - Communications Tool

Data visualization and reporting

Charting to visualize assumptions

Charting results/analysis and send graphics to report builder

Tabular results with ad-hoc table builder and export to Excel



Financial Projections - Communications Tool

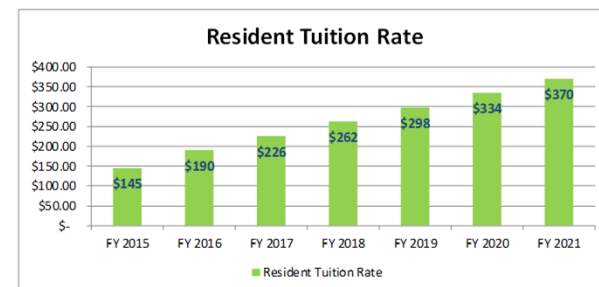
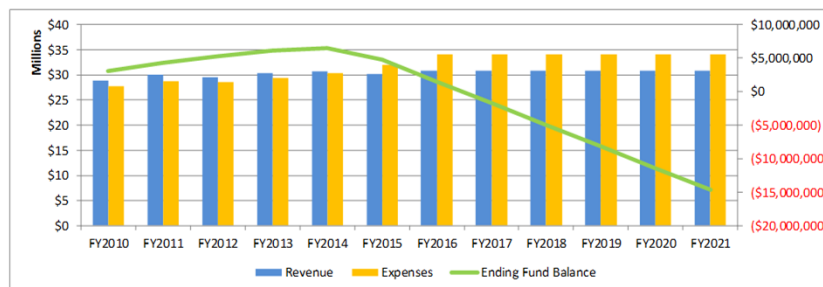
FORECAST⁵ ANALYTICS

Fund 11 (Unrestricted General Fund)

Fund Balances
Unrestricted



	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Description	YTD Actual	YTD Actual	YTD Actual	YTD Actual	YTD Actual	YTD Actual	YTD Current	YTD Projected	YTD Projected	YTD Projected	YTD Projected	YTD Projected
Fund Balance-Beginning	1,893,860	3,031,265	4,303,095	5,235,744	6,174,373	6,524,939	4,780,361	1,539,925	(1,700,511)	(4,940,947)	(8,181,383)	(11,421,819)
Revenue												
Student's Fees	691,592	675,469	605,707	585,186	545,282	480,732	637,182	637,182	637,182	637,182	637,182	637,182
Tuition	16,114,041	16,443,660	16,796,161	16,521,235	15,331,753	14,770,376	15,137,522	15,137,522	15,137,522	15,137,522	15,137,522	15,137,522
Local Support	1,672,337	1,749,157	1,791,271	1,867,567	1,936,785	2,020,034	2,056,764	2,056,764	2,056,764	2,056,764	2,056,764	2,056,764
State Support	7,494,657	7,963,173	8,213,079	8,864,741	9,621,022	10,004,236	9,979,558	9,979,558	9,979,558	9,979,558	9,979,558	9,979,558
Federal Support	1,368,780	1,337,359	639,130	590,809	488,073	8,825	132,298	132,298	132,298	132,298	132,298	132,298
Sales and Services	47,256	56,741	71,388	69,764	82,526	65,919	65,919	65,919	65,919	65,919	65,919	65,919
Other Income	1,543,303	1,738,872	1,465,209	1,795,252	2,664,813	2,868,713	2,813,536	2,813,536	2,813,536	2,813,536	2,813,536	2,813,536
Revenue Totals	28,931,966	29,964,431	29,581,946	30,294,553	30,670,254	30,218,837	30,822,779	30,822,779	30,822,779	30,822,779	30,822,779	30,822,779
Expenditures												
Salaries and Related Costs	22,094,108	22,812,487	22,415,723	23,866,640	24,188,833	26,125,456	27,085,368	27,085,368	27,085,368	27,085,368	27,085,368	27,085,368
Services	2,979,986	3,327,576	3,605,335	3,689,142	4,275,580	4,401,423	4,912,837	4,912,837	4,912,837	4,912,837	4,912,837	4,912,837
Materials, Supplies and Travel	971,661	1,109,070	999,760	1,060,390	1,142,815	1,078,190	1,496,777	1,496,777	1,496,777	1,496,777	1,496,777	1,496,777
Other Current Expenses	1,703,736	1,443,469	1,572,721	633,211	581,720	341,232	497,021	497,021	497,021	497,021	497,021	497,021
Capital Outlay	45,070	0	55,758	106,542	130,740	17,113	71,212	71,212	71,212	71,212	71,212	71,212
Expenditures Total	27,794,560	28,692,602	28,649,297	29,355,924	30,319,689	31,963,415	34,063,215	34,063,215	34,063,215	34,063,215	34,063,215	34,063,215
FY Year Change	\$1,137,406	\$1,271,829	\$932,649	\$938,629	\$350,566	(\$1,744,578)	(\$3,240,436)	(\$3,240,436)	(\$3,240,436)	(\$3,240,436)	(\$3,240,436)	(\$3,240,436)
Fund Balance-Ending	\$3,031,265	\$4,303,095	\$5,235,744	\$6,174,373	\$6,524,939	\$4,780,361	\$1,539,925	(\$1,700,511)	(\$4,940,947)	(\$8,181,383)	(\$11,421,819)	(\$14,662,255)
Estimated Credit Rate Increase Needed							\$36.01	\$36.01	\$36.01	\$36.01	\$36.01	\$36.01



- 5Cast is a quantitative analysis and financial projection engine used to assist decision-making processes by running multiple scenario comparisons
- 5Cast allows users to build multiple models and manage multiple scenarios per model
- Scenario comparison can be executed directly within a model or through pre-defined reports
- Financial forecasting model projects revenues, expenses and fund balances