

# Removing Uncertainty

How to manage volatile local, state, and federal revenues with long range forecasting



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# What is Revenue Uncertainty?



## Uncertainty

not knowing what's next



## Revenue Uncertainty

not knowing if revenue  
will be received



## Operating Uncertainty

not knowing if public  
services will be provided

# Ways to Mitigate Revenue Uncertainty

- Obvious but easy
  - Fund balance and reserve policies
  - Full transparency on composition and concentration of Budget
- Obvious but difficult
  - Ability to curtail expenditures when revenues decline
- Not so obvious **BUT EASY**
  - **Long range financial planning**
  - Benchmarking and metric monitoring

## Waukegan Park District



25% Fund Balance Policy  
30% Update for certain funds



Strong employment relations  
Flexible functionality



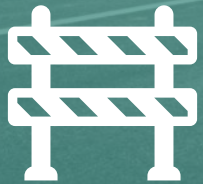
Long range financial planning  
Rating analysis & benchmarking



Synopsis  
powered by AS Synario

Waukegan's Actual Long Range Plan

# What is long range planning? A brief analogy...



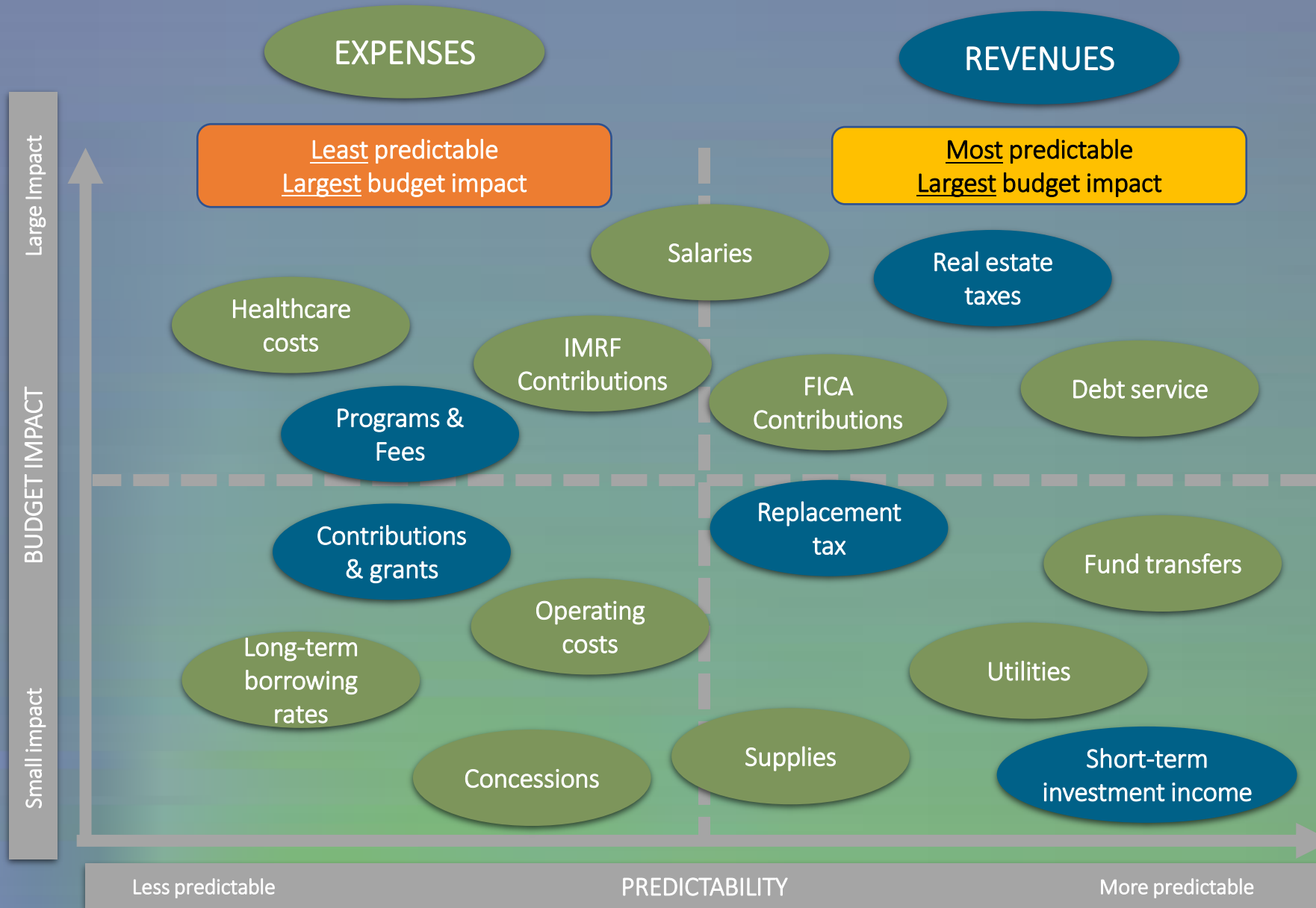
## Guardrails

Provides the boundaries of financial stability vs. operating uncertainty



## GPS

Provides warnings about challenges ahead, allowing time to detour and avoid



# 3 Key Elements to Build a Long-Term Financial Plan



## **Know your starting point**

Adopted budget and potential alternatives (best/worst/expected)



## **Build a Baseline projection**

Known events – the status quo



## **Develop menu of options**

Know which are the low, middle and high hanging fruit

# Know Your Starting Point

- First critical step that sets the initial tone & direction of the long-range financial plan
- Analyze in alternates
  - Focus on major objects only (top left & right quadrants)

## As Adopted

- Original budget
- Used as benchmark for comparison

## Best Case

- Everything comes together perfectly
- Manages upside expectations

## Worst Case

- YTD + pessimistic remainder
- Might include contingency or shortfalls in key revenues

## Expected Case

- YTD + achievable remainder
- Based on historical averages or other metrics

Property Taxes



State/Federal Funding



Programs & Fees



Salaries



Pension Costs



Medical Benefits



# Build a Baseline Projection

- The first step of developing the look forward
- Best practice is to project out 5 years
- The status quo of current conditions, which may include:
  - Known labor increases (if any)
  - Current capital projects underway
  - No property tax increases
  - Current State/Federal funding levels
- This will likely produce a (large) projected deficit – that’s fine.

Your baseline projection is like the diagnosis your doctor gives you after a physical. It reflects your current condition, given the major underlying factors. Then the treatment recommends corrective action in response to the diagnosis.




# Develop a Menu of Options

- Structural deficits require initiatives for both revenues and expenditures



# Potential Wildcard – American Rescue Plan

- The ARP framework provides a massive opportunity for local governments to address critical needs with the financial support of the Federal government
- Is the juice worth the squeeze?  
Structured vs. unstructured spending requirements



**Receipt**  
received in two tranches in  
**2021 & 2022**



**Expenditure**  
must be spent by end of fiscal year  
**2024**



**Capital Projects**  
water, sewer, or broadband infrastructure



**Economic Aid**  
address economic impacts including households & small businesses



**Premium Pay**  
for essential COVID-19 eligible workers



**Revenue Replacement**  
reductions caused by COVID-19 relative to most recent year

# About the Speakers



## Jon Beckmann, MBA, CPRP

Superintendent of Administration & Finance  
Waukegan Park District

Jon Beckmann oversees the Park District's \$29 million dollar annual operating and capital improvement budget. He holds a Master's degree in Business Administration from North Park University with a concentration in Organizational Development and Strategic Leadership. He also holds two undergraduate degrees from Illinois State University in Finance and Insurance/Risk Management. He is accountable for all finance related areas as well as human resources, IT, risk management, and golf operations. Jon is a member of Professional Education Committee and IGFOA Executive Board Member.

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# About the Speakers



## Chris Bamber, CFA

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Chris joined PFM in 2008 and currently serves as a Director in the firm's Malvern office, focusing on the Pennsylvania local government practice advising school districts, townships, boroughs, counties and municipal authorities on the issuance and management of taxable and tax-exempt bond issues for new money and refunding purposes. He has worked on a variety of large and complex financings spanning the spectrum of public finance, including the Allentown Neighborhood Improvement Zone Development Authority, Bethlehem Area School District, the School District of Pittsburgh, the County of Chester and several other local governments and authorities in Pennsylvania. Chris specializes in the financial modeling development and quantitative analysis used to advise clients on complex financing structures and pro-forma projections.

Chris also manages and oversees the long-range planning and forecasting modeling practices for local governments, park districts, and school districts. He works with local governments on developing long-range financial plans to evaluate the affordability of capital improvement plans and other operational initiatives.

Chris graduated from the Pennsylvania State University with a B.S. in Finance and minors in Spanish, International Business and International Studies. He is a registered Municipal Advisor Representative and holds the Charter Financial Analyst (CFA) designation and is a member of the CFA Institute and the CFA Society of Philadelphia.

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