07: Advanced Priority Based Budgeting: Applied Learning Seminar

Trainer(s):

Jon Johnson, Chris Fabian, & Kathie Novak
Center for Priority Based Budgeting (CPBB)
NLC University Training
Advanced Priority Based Budgeting: Applied Learning Seminar (Part I)

Kathie Novak, Jon Johnson & Chris Fabian
March 8, 2014
A Brief Introduction

JON JOHNSON

CHRIS FABIAN
Earlier Today: Introduction
Fiscal Health & Wellness through Priority Based Budgeting

Fiscal Health
- Incorporate Economic Analysis and Long-term Planning into Decision Making
- "Spend Within Our Means"
- Transparent About the "True Cost Doing Business"
- Establish and Maintain Revenues
- Understand Variances (Budget vs. Actual)

Long-term Fiscal Wellness
- Support Resource Allocation Decision Making with Prioritization of Programs
- Achieve Fiscal Health
- Value Programs Based on Evidence of their Influence on Results
- Identify, Define and Value the Results of Government
- Identify Programs and Services
Recap: “From the Dias”
An Elected Official’s Perspective

“I’ll pause for a moment so you can let this information sink in.”
"States and cities have deep structural problems that will not go away just because the country is coming out of the recession that started in 2008."

"Local governments must stop using budget gimmicks that obscure the true extent of their money problems."

-Volcker-Ravitch Report
BRINGING VISION INTO FOCUS WITH A NEW “LENS”
“Failure to understand financial outcomes is more dangerous to states and localities than ever, and there’s a big gap between what public leaders know about finance and what they need to know.”

"Today’s challenges have required local governments to work differently, looking to new and innovative approaches to service delivery, while at the same time reducing costs and increasing efficiency of operation. While “best” practices are always important for managers to follow and implement, it is those “leading” practices—creative and innovative ways to approach service delivery—that hold the greatest promise for us to truly “reinvent” government and the ways we do business…"

Robert O’Neill, Executive Director, International City/County Management Association (ICMA)
CPBB Publications on Fiscal Health & Wellness
Achieving Fiscal Health

-OR-

Confessions of a 30-year Finance Director!
Case Study
Case Study

- The City of Wheat Ridge is a Home Rule Municipality located in Jefferson County, Colorado.
- Wheat Ridge is a western suburb of Denver.
- Area: 9.1 sq. miles
- Population: 30,717 (2012)
- 2014 Budget: $27,760,611
Case Study

2002:

• Patrick Goff hired as Deputy City Manager in June
• City didn’t focus on long range planning
• City didn’t have reserve policy
• City didn’t have a “good set of financial documents”
• City had Elected Treasurer, no Finance Director
• With recession, City laid off 35.5 FTE
• Began more forecasting and analysis
• Councils really didn’t understand the full fiscal picture
2010:

- Patrick Goff appointed City Manager
- Conducted a “Financial Check-up” with Clifton Gunderson
  - Recommendations:
    - Develop a Reserve Policy
    - Develop a Debt Policy
    - Develop a system for identifying “core services”
- Trying to become fiscally responsible
  - Looked at “Budgeting for Outcomes”
  - Trying to incorporate Performance Measures
- Heard a PBB Presentation at an Alliance for Innovation Workshop

- Jumped in with both feet!
Case Study

- **Used the “Fiscal Health Diagnostic Tool” at the City Council Strategic Planning Retreat in 2012**
ACHIEVING FISCAL HEALTH

Fiscal Health

Incorporate Economic Analysis and Long-term Planning into Decision Making

"Spend Within Our Means"

Transparent About the "True Cost Doing Business"

Establish and Maintain Revenues

Understand Variances (Budget vs. Actual)
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
Approach to Fiscal Health #1: “Spend Within Your Means”

Apply Diagnostics - **DO YOU**…

- **Start with revenues?**
  - Know what “**drives**” each major revenue source?
  - Prepare a **formal** organization-wide **Revenue Manual**?

- **Distinguish one-time from ongoing sources and uses?**
  - Have a process in place to “track” them separately?
  - Demonstrate this differentiation in your forecasts and other financial documents?

- **Differentiate Program Revenues from General Government Revenues?**
  - Adjust budget allocations to departments for changes in associated Program Revenues?
Exercise: “Spend Within Your Means”

<table>
<thead>
<tr>
<th>General Government</th>
<th>One-time</th>
<th>Ongoing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Revenue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Refer to your workbook for both:
- Revenue Analysis
- Expense Analysis
Take-away:

“Spend Within Your Means”

Refer to your workbook for:
- Revenue Manual
# Differentiate Ongoing and One-time

## EXECUTIVE SUMMARY

### GENERAL FUND

<table>
<thead>
<tr>
<th>Source</th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Ongoing</td>
<td>One-Time</td>
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<tr>
<td></td>
<td></td>
<td>As Amended</td>
<td>As Amended</td>
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<tr>
<td></td>
<td>43,963,923</td>
<td>45,873,254</td>
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<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
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<td></td>
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<tr>
<td><strong>General Governmental Revenues</strong></td>
<td></td>
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<tr>
<td>Taxes &amp; Special Assessments</td>
<td>110,359,249</td>
<td>117,935,085</td>
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<tr>
<td>License &amp; Permits</td>
<td>53,545</td>
<td>56,500</td>
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<td>Charges for Services</td>
<td>5,667,608</td>
<td>6,213,000</td>
<td>5,765,000</td>
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<tr>
<td>Intergovernmental Assistance</td>
<td>475,647</td>
<td>1,356,070</td>
<td>513,620</td>
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<td>Fines &amp; Forfeitures</td>
<td>131,056</td>
<td>246,000</td>
<td>46,000</td>
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<td>Investment Income</td>
<td>4,262,577</td>
<td>2,500,000</td>
<td>2,500,000</td>
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<td>Other Income</td>
<td>528,244</td>
<td>50,000</td>
<td>50,000</td>
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<td><strong>Intra-County Transactions (Transfers)</strong></td>
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<td></td>
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<td>Indirect Cost Allocation</td>
<td>4,502,535</td>
<td>3,549,984</td>
<td>3,549,984</td>
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<td>Treasurer’s Fees</td>
<td>2,426,922</td>
<td>2,669,600</td>
<td>2,669,600</td>
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<td>Interfund Transfers</td>
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<tr>
<td>Employee Benefits Fund</td>
<td>4,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
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<td>Social Services HVAC</td>
<td>1,742,688</td>
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<td>Patrol Fund (for Emergency Mgmt)</td>
<td>1,982</td>
<td>0</td>
<td>0</td>
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<td>Public Trustee Fund (net revenues)</td>
<td>916,259</td>
<td>0</td>
<td>250,855</td>
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<td><strong>Total General Governmental Revenues</strong></td>
<td>135,068,312</td>
<td>136,576,239</td>
<td>130,535,789</td>
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<td>6,040,450</td>
<td>138,455,769</td>
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<td><strong>Departmental/Program Revenues</strong></td>
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<tr>
<td>Intergovernmental Assistance</td>
<td>5,018,614</td>
<td>4,214,427</td>
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<tr>
<td>Fines &amp; Forfeitures</td>
<td>30,814</td>
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<td>License &amp; Permits</td>
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<td>2,892,000</td>
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<td>Charges for Services</td>
<td>15,399,233</td>
<td>16,724,024</td>
<td>14,809,624</td>
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CENTER FOR PRIORITY BASED BUDGETING

[Further content provided in the document is not shown here.]
Approach to Fiscal Health #1: “Spend Within Your Means”

Available Treatments:

- **Achieve ongoing alignment**
  - Fund operating expenditures with reliable ongoing revenues
  - Prevent reliance on volatile revenues (that might not come in!)

- **Achieve one-time alignment**
  - Fund one-time costs with one-time sources
  - Ensure reserves aren’t used for ongoing expenses

- **Promote revenue diversification and enhancement**
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)

2. Why do we need to keep “money in the bank”? 
Approach to Fiscal Health #2: Establish and Maintain Reserves

Apply Diagnostics - **DO YOU**…

- **Understand what makes up Fund Balance(s) and why you hold reserves?**
  - Have a formal “inventory” of all restricted or designated fund balance reserves, stating their purpose, the authority establishing them and how they are to be calculated?

- **Have a written fund balance reservation policy?**
  - Monitor fund balances to ensure that reserves are maintained?
  - Ensure established working capital reserves are sufficient to meet emergency needs or short-term revenue shortfalls?

- **Monitor Fund Balance levels to ensure they “aren’t too little” OR “too much”, but “just right”?**
Exercise:
“Establish and Maintain Reserves”

• In your workbook, give us examples of reserves of your fund balance (and what they’re intended to do)
• Write down as many as you can think of
• Include specific “policy” you’ve established for each reserve as well, if you know

Refer to your workbook for:
- Reserve Inventory Exercise
Take-away:
“Establish and Maintain Reserves”

Standard & Poor’s Views

- Low = 0% or “below”
- Adequate = 1% to 4%
- Good = 4% to 8%
- Strong = 8% to 15%
- Very Strong = Above 15%

Refer to your workbook for:
- Working Capital Reserve Guidelines
Approach to Fiscal Health #2: Establish and Maintain Reserves

Available Treatments

- **Establish a written Working Capital/Emergency Reserve policy**
  - Provides back-up plan for emergencies, revenue shortfalls, or other unforeseen changes

- **Identify, document and understand all reserves**

- **Review adequacy of Fund Balance levels**
  - Hold only appropriate amount in reserve to establish credibility with internal and external stakeholders

- **Set aside funding for long-range plans, major maintenance and asset replacement**
Strategic Questions

1. How much do we have available to spend? - *(not “How much do you need”?)*
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
Approach to Fiscal Health #3: **Understand Variances**

Apply Diagnostics - **DO YOU**...

- Include cyclical (one-time) expenditures in ongoing operating budgets?
- Allow Departments to budget for contingencies?
- Consistently have revenue/expenditure variances at year-end?
  - Overlook thorough analysis of budget-to-actual variances?
- Count on “savings” resulting from budget-to-actual variances?
- Have large capital project “carry-forwards” at year end?
Take-away:  
"Understand Variances"

### Budgeted Amounts

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Final</th>
<th>Actual Amounts</th>
<th>Variance With Final Budget Positive (Negative)</th>
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<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Property and ownership taxes</td>
<td>$4,749</td>
<td>$4,749</td>
<td>$4,785</td>
<td>36</td>
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<tr>
<td>Sales and use taxes</td>
<td>36,746</td>
<td>37,541</td>
<td>38,157</td>
<td>1,316</td>
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<tr>
<td>Franchise fees</td>
<td>4,023</td>
<td>4,023</td>
<td>4,003</td>
<td>(20)</td>
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<td>Licenses and permits</td>
<td>1,761</td>
<td>1,761</td>
<td>2,246</td>
<td>485</td>
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<td>Intergovernmental</td>
<td>4,063</td>
<td>4,195</td>
<td>4,701</td>
<td>606</td>
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<td>Charges for services</td>
<td>324</td>
<td>324</td>
<td>546</td>
<td>222</td>
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<tr>
<td>Recovered costs</td>
<td>162</td>
<td>158</td>
<td>475</td>
<td>307</td>
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<tr>
<td>Fines and forfeitures</td>
<td>1,246</td>
<td>1,246</td>
<td>1,225</td>
<td>(23)</td>
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<td>Internet</td>
<td>400</td>
<td>400</td>
<td>1,324</td>
<td>924</td>
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<td>Administrative services</td>
<td>5,106</td>
<td>5,144</td>
<td>5,144</td>
<td>3</td>
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<tr>
<td>Miscellaneous</td>
<td>588</td>
<td>88</td>
<td>57</td>
<td>(31)</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>58,173</td>
<td>59,036</td>
<td>63,603</td>
<td>3,725</td>
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</table>

### EXPENDITURES

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund administration</td>
<td>3,462</td>
<td>4,162</td>
<td>3,931</td>
<td>231</td>
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<tr>
<td>Legislative</td>
<td>394</td>
<td>428</td>
<td>339</td>
<td>40</td>
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<tr>
<td>Judicial</td>
<td>840</td>
<td>850</td>
<td>767</td>
<td>83</td>
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<tr>
<td>Management</td>
<td>2,869</td>
<td>2,576</td>
<td>2,452</td>
<td>228</td>
</tr>
<tr>
<td>Legal</td>
<td>1,227</td>
<td>1,206</td>
<td>1,144</td>
<td>62</td>
</tr>
<tr>
<td>Finance</td>
<td>2,605</td>
<td>2,561</td>
<td>2,456</td>
<td>123</td>
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<td>Human resources</td>
<td>1,243</td>
<td>1,234</td>
<td>1,192</td>
<td>42</td>
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<td>Public safety</td>
<td>18,202</td>
<td>18,273</td>
<td>17,528</td>
<td>545</td>
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<tr>
<td>Public works</td>
<td>18,281</td>
<td>18,168</td>
<td>17,792</td>
<td>376</td>
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<td>Planning</td>
<td>2,206</td>
<td>2,365</td>
<td>2,109</td>
<td>247</td>
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<tr>
<td>Information technology</td>
<td>2,911</td>
<td>2,962</td>
<td>2,838</td>
<td>114</td>
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<tr>
<td>Enterprise services</td>
<td>190</td>
<td>190</td>
<td>186</td>
<td>4</td>
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<tr>
<td>Total current expenditures</td>
<td>52,260</td>
<td>55,079</td>
<td>52,386</td>
<td>2,103</td>
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<tr>
<td>Capital outlay</td>
<td>483</td>
<td>438</td>
<td>382</td>
<td>40</td>
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<tr>
<td>Total expenditures</td>
<td>52,743</td>
<td>55,511</td>
<td>53,758</td>
<td>2,233</td>
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### EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES

<p>| | | | | |</p>
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<tr>
<td>6,460</td>
<td>4,427</td>
<td>10,365</td>
<td>9,390</td>
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### OTHER FINANCING SOURCES (USES)

<p>| | | | | |</p>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>(12,527)</td>
<td>(13,188)</td>
<td>(12,813)</td>
<td>(375)</td>
</tr>
<tr>
<td>Total other financing (uses)</td>
<td>(12,527)</td>
<td>(13,188)</td>
<td>(12,813)</td>
<td>(375)</td>
</tr>
</tbody>
</table>

### NET CHANGE IN FUND BALANCE

|                      | 6,077    | (6,761) | (2,428) | 6,333                                         |

### FUND BALANCE, BEGINNING

|                      | 31,032   | 31,032 | 31,032 |                                               |

### FUND BALANCE, ENDING

|                      | 24,955   | 22,271 | 28,604 | 6,333                                         |

Refer to your workbook for:
- Where to Look, and
What to Look for in Your C.A.F.R.
Take-away:

“Understand Variances”

- **Revenues & Expenditures**
  - Budget to Actual
  - Historical year to year actuals
  - Cyclical trends
  - Ongoing vs. one-time occurrence

- **Multi-year Capital Projects**
  - Eliminate Carry-forwards
  - Avoid excessive “change orders”

- **Employee Compensation**
  - Comp Plan vs. Actual Wages Paid
    - Hiring Range
    - Maximum Range
  - Market Comparison - based on total compensation
  - Approved FTE Count

- **Accounts Receivable**
  - Difference between amounts due and amounts billed?
  - Difference between amounts billed and amounts collected

Refer to your workbook for:
- **Types of Variance Analysis**
Available Treatments:

- **Strive to align budget with actuals (a source of “hidden treasure”)**
  - Refine salary and benefit projections, to align with actual costs incurred
  - Provide more effective budget monitoring and management to eliminate variances
  - Identify and eliminate the “fluff”
- **Fund cyclical expenditures with one-time funding sources**
- **Consolidate contingencies maintained in department budgets**
- **Analyze and understand revenue variances**
- **Promote multi-year budgeting for capital projects**
Case Study

• Use of the Variance Exercise in the annual budget process resulted in:
  o Creation of a $100,000 contingency fund, which included cutting $70,000 in contingency funds across department budgets
  o $300,000 reductions in 2013 budget
  o Additional $179,000 reductions in 2014 budget

Almost $500,000 in “FOUND MONEY” in 2 years
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much”???????????
Approach to Fiscal Health #4: Transparent About “True Cost of Doing Business”

Apply Diagnostics - **DO YOU...**

- Allocate overhead and administrative costs to Funds and/or Departments that benefit from those services?
- Utilize Internal Service Funds to align delivery and cost of internal services with customer demand?
  - Know what services are best adapted to an Internal Service Fund approach?
  - Understand how internal charges are established and distributed?
  - Ensure that internal customers perceive that costs are transparent and there is an ability to influence those costs by altering their own demand?
Key Components of Understanding the “True Cost of Doing Business”

- **Program Inventory**
  - Identify programs – distinct from “tasks” (too small) or divisions (too large)
  - Determine base level of service
  - Determine discretionary levels of service above base levels

- **Program Costs**
  - Direct costs
  - Indirect costs (internal services have these too!)
  - Organizational administrative/overhead costs

- **Basis for “Charging” Program Costs to End User**
  - Identify how “demand” or “need” is generated
  - Determine appropriate allocation methodology
Developing Program Inventories

- Create a comprehensive listing of all services offered by each operating division (to both “external” and “internal” users)
- Provide a better understanding of “what we do” to staff, administration, elected officials and citizens
- Provide a framework to better understand how resources are used to support “what we do”
- Provide a valuable tool for staff, management and elected officials to use when faced with budgetary “choices” about how funds are distributed.
- Allow for the preparation and discussion of a “program budget” rather than a “line-item budget”
Take-away:

“Transparent About True Cost of Doing Business”

1) Associate **Salary & Benefit Costs** with your **Personnel**

2) Assign **Personnel** to the **Programs** they Provide

3) Associate **Non-Personnel Costs** with **Programs**

**Line item** Budget is now expressed as a **Program Budget!**

Refer to your workbook for:
- **Developing Program Costs**
Key is understanding how personnel line items are distributed (per FTE, on a percentage of salary basis, etc.)
2) Assign Personnel to the Programs they Provide

- Estimate for a given year (this is not a time study!)
- Accuracy, not precision, is the goal
- Can’t allocate an FTE over 100% (no matter how overworked they think they are)
3) Associate Non-Personnel Costs with Programs

Choose a reasonable allocation methodology:
- Divide costs by FTE (i.e. supplies line item)
- Assign costs directly to program (i.e. annual audit)
Exercise:

“Transparent About True Cost of Doing Business”

- In your workbook, give us examples of “Internal Service Funds” in your organization
- What departments lend themselves best for establishing Internal Service Funds
- Give us an example of a service, and the methodology you use to “charge” for that service

Refer to your workbook for:
- Setting up “Internal Service Funds”
Approach to Fiscal Health #4: Transparent About “True Cost of Doing Business”

Available Treatments:

- **Establish Internal Service Funds** and engage Departments in assessing demands for these services

- **Promote enhancement of cost recovery** for programs where appropriate

- **Diversify cost burden from General Fund** by appropriately sharing costs among other dedicated revenue streams

- **Inventory and cost all programs**
  - Utilize Full Cost Plans to better determine the true cost (direct and indirect) of offering programs/services
1. How much do we have available to spend? (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much”?
5. “What’s the plan” and what could cause it to change?
6. What does the future look like?
7. “What if………..”?
Approach to Fiscal Health #5: Economic Analysis & Long-term Planning

Apply Diagnostics - **DO YOU**...

- Incorporate **ALL** long-term plans developed within the organization into your financial forecasts?

- Prepare comprehensive, multi-year Capital Improvement Plan, and clearly identify associated ongoing operating costs?
  - Understand how the CIP impacts the budget process and your long-term financial forecasts?

- Identify only relevant economic indicators to monitor?

- Effectively utilize appropriate “tools” to communicate financial position to all stakeholders (elected officials, citizens and staff)?
Take-away:

"Transparent About True Cost of Doing Business"

- Long-term financial forecasting
- “Data Visualization” (Tell Your “Story” with a Picture)
- Scenario Planning (“What if…”)

Refer to your workbook for:
- Fiscal Health Diagnostic Modeling
Looks like a Financially “Healthy” Organization – Right?
Let's Look through a Different Lens!

CITY OF WHEAT RIDGE, COLORADO
COMBINED GENERAL and CAPITAL FUNDS
Wednesday, May 15, 13

Fiscal Health Diagnostic (Are objectives met?)

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Status</th>
<th>1st Year Missed</th>
<th>1st Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set Aside Reserves</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
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<tr>
<td>Achieve “Ongoing” Alignment</td>
<td>Does Not Meet</td>
<td>2014</td>
<td>($137,866)</td>
</tr>
<tr>
<td>Achieve “One-time” Alignment</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
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</tbody>
</table>

Note: Items in “Blue” can be modified; items in “Black” cannot

Additional Ideas for Revenue Enhancement

<table>
<thead>
<tr>
<th>Description</th>
<th>R</th>
<th>Ongoing</th>
<th>Year 1</th>
<th>Year 2</th>
<th>One-Time</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Sales Taxes</td>
<td>R</td>
<td>50</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2013</td>
</tr>
<tr>
<td>Sell City Hall (sell assets)</td>
<td>R</td>
<td>50</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2014</td>
</tr>
<tr>
<td>ULTIMATE ELECTRONICS CLOSES</td>
<td>R</td>
<td>50</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2012</td>
</tr>
<tr>
<td>Anticipated Increase in Sales Tax Revs</td>
<td>R</td>
<td>50</td>
<td>2015</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fill Gap</td>
<td>N</td>
<td></td>
<td>2014</td>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjust Reserve Policy</td>
<td>N</td>
<td>10%</td>
<td>2013</td>
<td></td>
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</tbody>
</table>

Ongoing Alignment

![Ongoing Alignment Graph]

<table>
<thead>
<tr>
<th>Ongoing Initiatives</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP - 32nd Ave., Reconstruction - Wadsworth to Kipling</td>
<td>N</td>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Wadsworth Reconstruction - 36th to 40th</td>
<td>N</td>
<td>2014</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Pedestrian &amp; Bike Master Plan</td>
<td>N</td>
<td>2015</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Dispatch Center</td>
<td>N</td>
<td>2016</td>
<td>$</td>
</tr>
</tbody>
</table>

One-time Alignment (as of year-end)

<table>
<thead>
<tr>
<th>One-time Projects</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP - 32nd Ave., Reconstruction - Wadsworth to Kipling</td>
<td>N</td>
<td>2012</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Wadsworth Reconstruction - 36th to 40th</td>
<td>N</td>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Pedestrian &amp; Bike Master Plan</td>
<td>N</td>
<td>2014</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Dispatch Center</td>
<td>N</td>
<td>2015</td>
<td>$</td>
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</tbody>
</table>

Fund Balance & One-time Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund Balance</th>
<th>One-time Revenue</th>
<th>One-time Expenditures</th>
<th>Reserve Policy</th>
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<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2010</td>
<td></td>
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<td>2015</td>
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<tr>
<td>2016</td>
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</tr>
<tr>
<td>2017</td>
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</table>

$15,000,000

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
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</tr>
</tbody>
</table>
Case Study

Not just the recession, but a systemic problem that needed to be addressed!
“FISCAL HEALTH DIAGNOSTIC TOOL” – Tell the Story with a “Picture”

GENERAL FUND
Monday, June 08, 2009

Fiscal Health Diagnostic (Do we meet the objectives?)

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Status</th>
<th>1st Year Missed</th>
<th>1st Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set Aside Reserves</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
</tr>
<tr>
<td>Fund &quot;True Cost of Business&quot;</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
</tr>
<tr>
<td>Achieve “Ongoing” Alignment</td>
<td>Does Not Meet</td>
<td>2010</td>
<td>($1,492,879)</td>
</tr>
<tr>
<td>Achieve “One-time” Alignment</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
</tr>
</tbody>
</table>

(Key: Items in “Blue” can be modified; items in “Black” can not)

Ideas for Cost Containment or Additional Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>R/E</th>
<th>Ongoing</th>
<th>Year 1</th>
<th>Year n</th>
<th>One-time</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raising Taxes</td>
<td>R</td>
<td>$1,500,000</td>
<td>2007</td>
<td>2012</td>
<td>$0</td>
<td>2009</td>
</tr>
<tr>
<td>Use FB for Ongoing</td>
<td>N</td>
<td>2010</td>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ongoing Alignment, 2008-2012

- Ongoing Revenues
- Ongoing Expenses

One-time Alignment, 2008-2012

- One-time Sources
- One-time Expenses
- Reserve Policy

Ongoing Business Cases

<table>
<thead>
<tr>
<th>Ongoing Projects</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detention Center Expansion</td>
<td>Y</td>
<td>2009</td>
<td>$760,000</td>
</tr>
<tr>
<td>Sheriff’s PC Replacement</td>
<td>Y</td>
<td>2009</td>
<td>$35,232</td>
</tr>
<tr>
<td>Assessor System</td>
<td>Y</td>
<td>2009</td>
<td>$316,046</td>
</tr>
<tr>
<td>Treasurer’s System</td>
<td>N</td>
<td>2009</td>
<td>-</td>
</tr>
</tbody>
</table>

One-time Business Cases and 5-Year Plan

<table>
<thead>
<tr>
<th>One-time Projects</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detention Center Expansion</td>
<td>Y</td>
<td>2009</td>
<td>$9,500,000</td>
</tr>
<tr>
<td>Sheriff’s PC Replacement</td>
<td>Y</td>
<td>2009</td>
<td>$440,400</td>
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<tr>
<td>Assessor System</td>
<td>Y</td>
<td>2009</td>
<td>$3,950,580</td>
</tr>
<tr>
<td>Treasurer’s System</td>
<td>N</td>
<td>2009</td>
<td>$-</td>
</tr>
</tbody>
</table>

(Colors and details are for illustrative purposes. Actual data should be reviewed for accuracy.)
Live Demonstration of
City of Wheat Ridge

“Fiscal Health
Diagnostic Tool”
Diagnostic Questions to Ask

Does your organization differentiate between **ONE-TIME** and **ONGOING** revenues and expenditures?

If yes, how are they tracked? Does your forecast demonstrate this differentiation?

How does your organization differentiate “program” revenues from “enterprise” revenues such as taxes, earnings on investments, franchise fees, etc.?

Does your organization prepare a formal Revenue Manual?

If yes, what type of information is included?
Diagnostic Questions to Ask

Does your organization have a written fund balance reservation policy?
If yes, how are you monitoring those reserves to ensure that they are properly and adequately maintained?

Are established working capital reserves sufficient to meet emergency needs or short-term revenue shortfalls?

Does your organization have an inventory of all restricted or designated fund balance (reserves)?
If yes, does it indicate the purpose for the reserve, cite the authority for its establishment and show how it is calculated?
Diagnostic Questions to Ask

Are variances between budgeted and actual revenues and expenditures analyzed and explained?

  If yes, how do those variances impact future budget cycles?

Does your organization utilize a formal Compensation Plan to establish employee salary/wage ranges?

  If yes, how often is the plan updated?

When assessing the adequacy of employee compensation, are employee benefit packages included in this assessment?
Diagnostic Questions to Ask

Does your organization utilize Internal Service Funds?

If yes, what are the services provided by each fund and how are internal charges established and distributed?

Are appropriate demand metrics evaluated when determining how internal charges are to be assessed or distributed?

Do internal customers perceive that the calculation and assessment of those internal charges is transparent and that they can influence those charges by altering their own demand?

Does your organization prepare a Full Cost Allocation plan in addition to an OMB A-87 Cost Allocation Plan?

If yes, how is this plan incorporated into the budget process?
Diagnostic Questions to Ask

Does your Five-Year forecast incorporate ALL other long-term plans developed by your organization?

Does your organization prepare a Capital Improvement Plan (CIP)?
   If yes, what information is included and how is it utilized in your budget process and your financial forecasts?

What tools does your organization use to communicate financial information to its elected decision-makers?