



Municipal Budget Forecasting and Impact Analysis in Uncertain Times

April 30, 2020



In The News...



The Crisis's Impact on Budgets

COVID-19 changes can mean big things in small towns

GSU analysis: Georgia governments could see \$1 billion hit in sales tax revenue from coronavirus

The environmental impact of COVID-19

Tech called up 'in the war against the unexpected'

'It's going to get bad'

State, city workers could be next wave of layoffs as tax revenue dries up amid COVID-19

Senior, homeless communities brace for impact of coronavirus



Response Rate: 90 GA cities
63 have fewer than 5,000
residents.

Sample represents 28.8% of
GA city population.

78 of 90 responding cities
expect a revenue shortfall
between March 1 and
December 31, 2020.

52 (80%) of the 78, expect a
shortfall of 10% or more of
their annual budget.

44 of 77 cities that
indicated a cause for
shortfalls, indicate
unanticipated revenue
declines as primary factor
for shortfalls.

31 of 77 cities indicate a
combination of revenue
declines and expenditure
increases as the primary
factor for shortfalls.








COVID-19 and City Budgets

Early Snapshot: A Survey of Georgia Cities

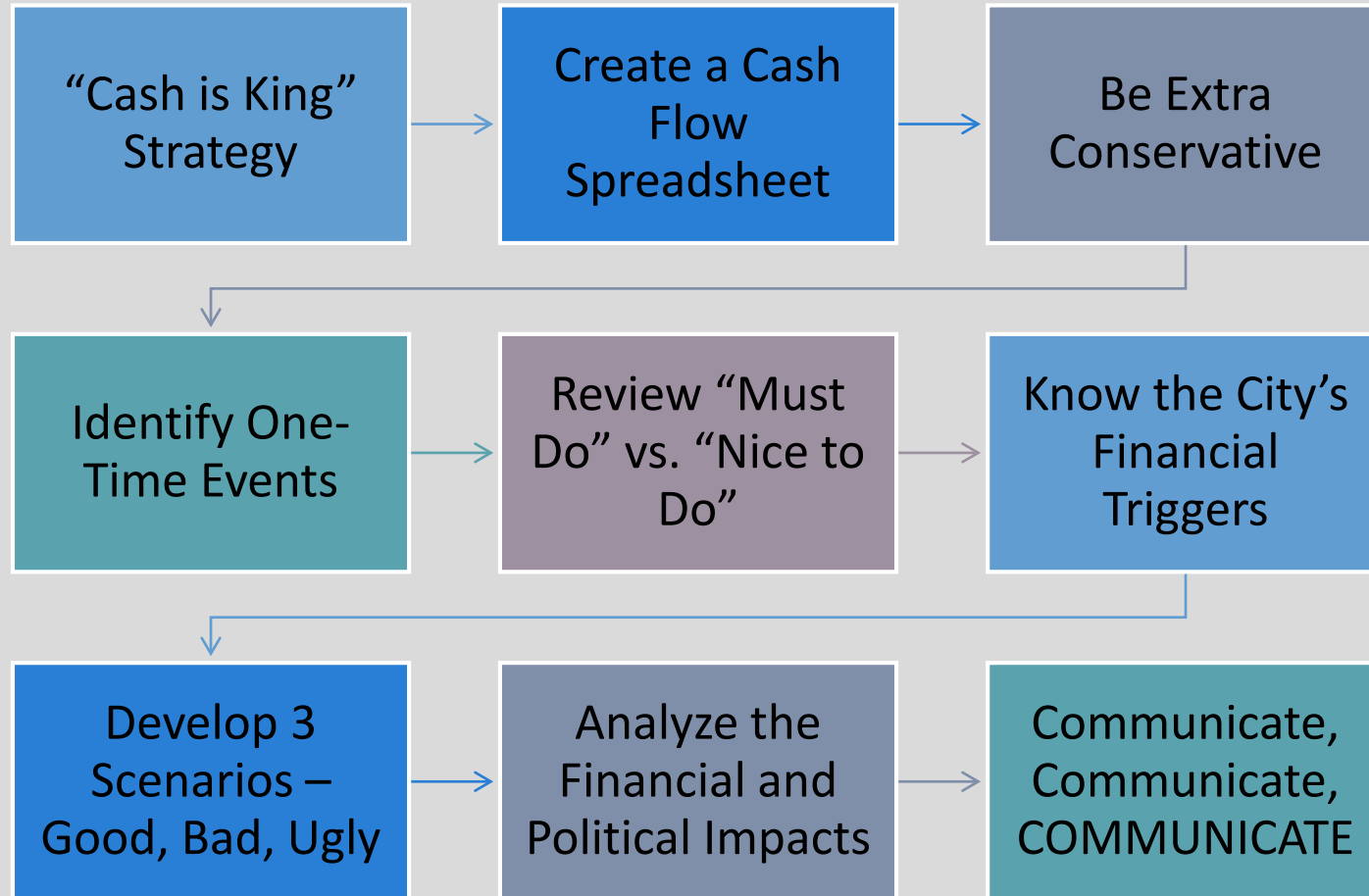
Fiscal Year-End Analysis & the Budget Cycle



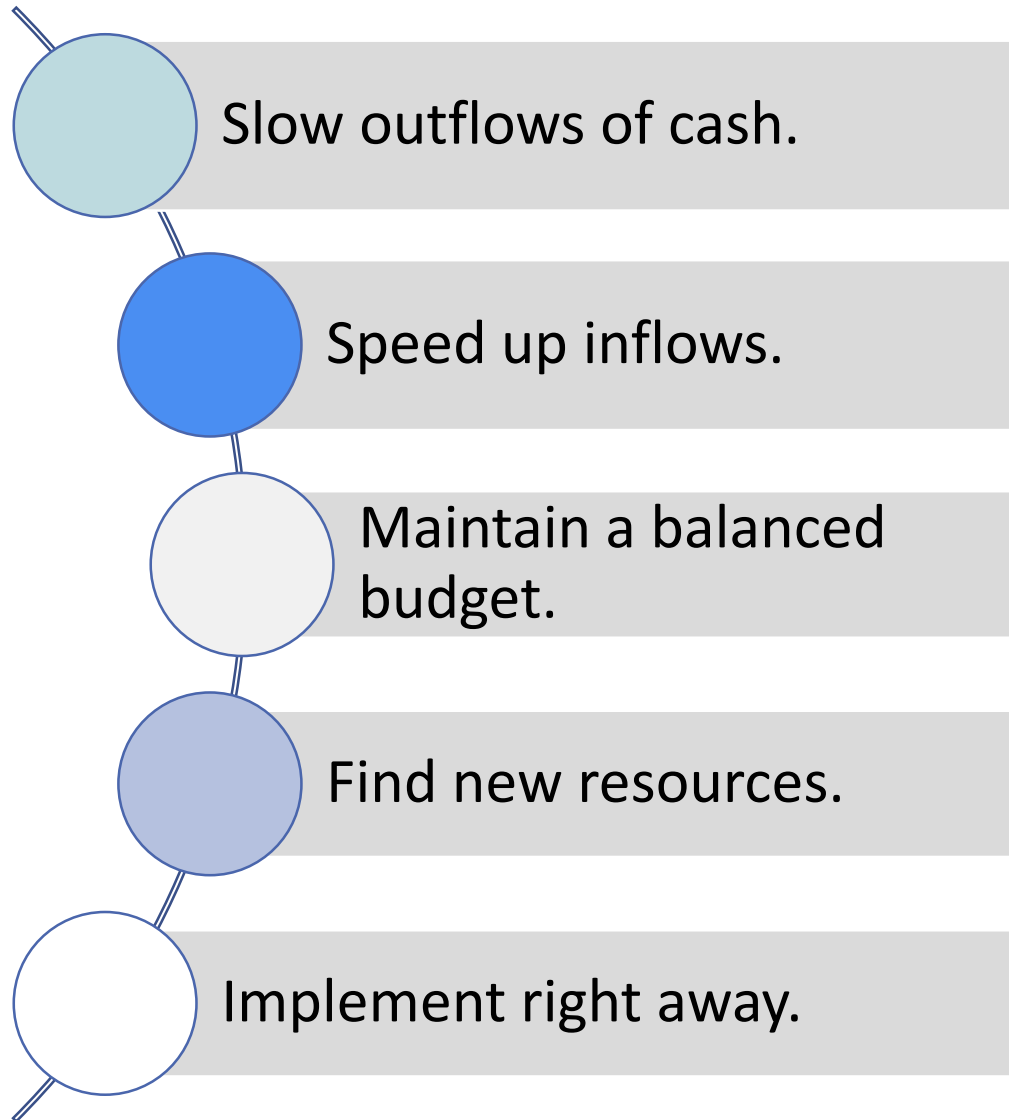
Budget Projections Model - Illustration

A	B	C	D	E	F	G	H	I	J	K	L	M
Disclaimer: This spreadsheet is designed as a model for informational purposes to assist municipal officials in determining the impact of different budget scenarios. GMA does not guarantee or make assurances as to the accuracy or applicability of any calculations made using this model. The calculations resulting from formulas contained in this model are not and should not be treated as financial or legal advice. Care should be taken by users of this spreadsheet to ensure all data fields are accurately populated.										Click on Cell M6 and select a Scenario from the drop down list to view the \$ results.  		
FY 21 Budget Projections Hypothetical, Georgia		FY 2020 Adopted Budget	FY 2021 Working Draft	Scenario 1	Scenario 2	Scenario 3						
Revenues	13,451,300	13,451,300	12,888,975	13,388,200	13,547,400							
Expenditures	13,451,300	13,451,300	13,451,300	13,451,300	13,451,300							
Surplus/(Deficit)	0	0	(562,325)	(63,100)	96,100							
Revenue % Change				-4.18%	-0.47%	0.71%	Scenario \$				Scenario 1	
GENERAL FUND REVENUES		FY 2020 Adopted Budget	FY 2021 Working Draft	Scenario 1	Scenario 2	Scenario 3	Adjusted 1		Adjusted 2		Adjusted 3	\$ Change
31 TAXES												
	311000 - General Property Taxes											
	311100 Real Property - Current year	3,705,000	3,705,000	-10.00%	-2.00%	2.00%	3,334,500		3,630,900		3,779,100	(370,500)
	311110 Public Utility	65,000	65,000	0.00%	0.00%	0.00%	65,000		65,000		65,000	0
	311200 Real Property - Prior year	11,500	11,500	-5.00%	0.00%	0.00%	10,925		11,500		11,500	(575)
	311300 Personal Property - Current year	548,000	548,000	0.00%	0.00%	0.00%	548,000		548,000		548,000	0
	311310 Motor Vehicle	220,000	220,000	0.00%	5.00%	10.00%	220,000		231,000		242,000	0
	311320 Mobile Home	1,000	1,000	0.00%	0.00%	0.00%	1,000		1,000		1,000	0
	311340 Intangible Recording	32,000	32,000	0.00%	0.00%	0.00%	32,000		32,000		32,000	0
	311600 Real Estate Transfer Tax	19,000	19,000	0.00%	0.00%	0.00%	19,000		19,000		19,000	0
	311700 Franchise Taxes	1,080,000	1,080,000	0.00%	0.00%	0.00%	1,080,000		1,080,000		1,080,000	0
	Total 311000 General Property Taxes	5,681,500	5,681,500				5,310,425		5,618,400		5,777,600	(371,075)
	313000 General Sales & Use Taxes											
	313100 Local option sales and use taxes (LOST)	3,825,000	3,825,000	-5.00%	0.00%	0.00%	3,633,750		3,825,000		3,825,000	(191,250)
	Total 313000 General Sales & Use Taxes	3,825,000	3,825,000				3,633,750		3,825,000		3,825,000	(191,250)

Things to Consider...



“Cash is King” Strategy



See GFOA's
[Fiscal First Aid
Resource
Center](#)

Create a Cash Flow Spreadsheet – Why?

	A	B	C
1			
2			
3			
4			
5			
6			
7			
8			

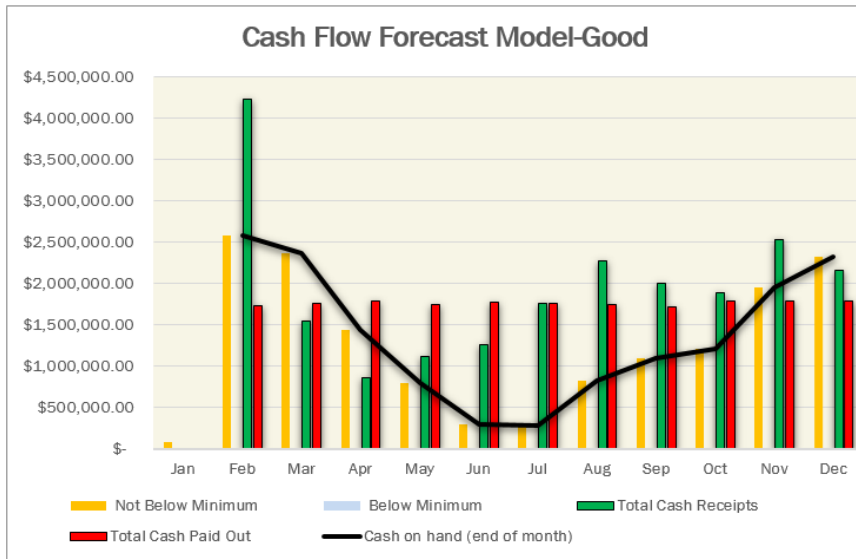
- It's a valuable tool that gives insight into potential liquidity issues over a 12-month rolling period.
- Helps analyze cash inflows and outflows by source and dollar amount to pin-point areas of need & to identify trends for improved decision making.
- Multiple scenarios can be created and saved in separate files.
- See [GFOA Best Practice on Cash Forecasting](#)

Cash Flow Model - Illustration

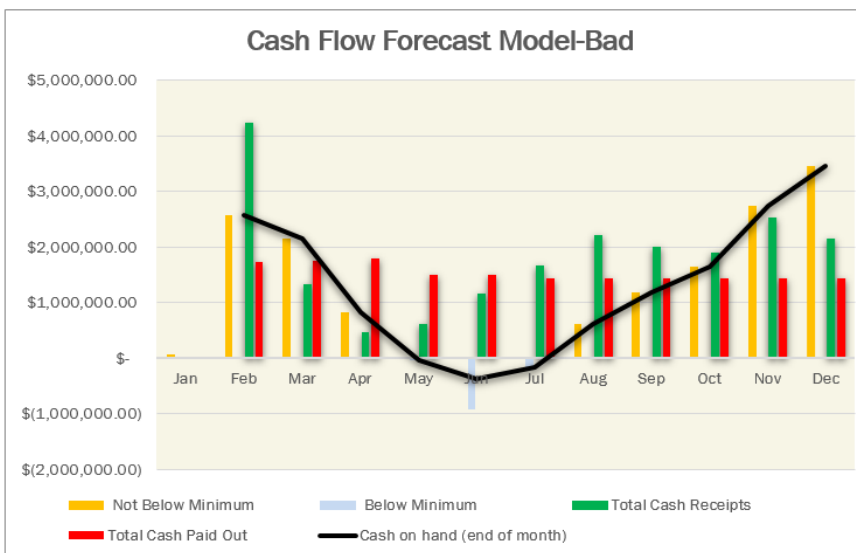
Disclaimer: This spreadsheet is designed as a model for informational purposes to assist municipal officials in determining the impact of different cash-flow scenarios. GMA does not guarantee or make assurances as to the accuracy or applicability of any calculations made using this model. The calculations resulting from formulas contained in this model are not and should not be treated as financial or legal advice. Care should be taken by users of this spreadsheet to ensure all data fields are accurately populated.

Starting cash on hand		\$ 75,000.00	Starting date		Jan 2020	Cash minimum balance alert		\$ 50,000.00						
Cash on hand (beginning of month)		Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Total
		\$ 75,000.00	\$ 2,574,674.91	\$ 2,155,545.30	\$ 835,128.55	\$ (43,977.60)	\$ (376,716.39)	\$ (156,193.40)	\$ 612,670.62	\$ 1,189,379.64	\$ 1,642,363.67	\$ 2,741,322.69	\$ 3,457,991.72	
Cash Receipts		Annualized												
Real Property Taxes	\$3,010,000	\$ 1,505,000.00	\$ 752,500.00	\$ 58,000.00	\$ 43,000.00	\$ 39,000.00	\$ 34,000.00	\$ 26,000.00	\$ 21,000.00	\$ 18,000.00	\$ 15,000.00	\$ 215,000.00	\$ 199,000.00	\$ 2,925,500.00
Public Utility Taxes	\$560,000	\$ 47,000.00	\$ 43,200.00	\$ 41,860.00	\$ 44,220.00	\$ 40,300.00	\$ 38,450.00	\$ 37,600.00	\$ 42,450.00	\$ 44,000.00	\$ 48,750.00	\$ 45,900.00	\$ 44,800.00	\$ 518,530.00
Motor Vehicle Taxes	\$14,375	\$ 1,200.00	\$ 1,250.00	\$ -	\$ -	\$ -	\$ -	\$ 850.00	\$ 800.00	\$ 675.00	\$ 560.00	\$ 750.00	\$ 800.00	\$ 6,885.00
Motor Home Taxes	\$12,500	\$ 1,041.67	\$ 800.00	\$ 275.00	\$ 225.00	\$ 300.00	\$ 350.00	\$ 600.00	\$ 1,200.00	\$ 1,300.00	\$ 1,400.00	\$ 1,500.00	\$ 1,600.00	\$ 10,591.67
Electric Franchise Taxes	\$450,000	\$ 150,000.00			\$ 150,000.00			\$ 150,000.00			\$ 150,000.00			\$ 600,000.00
Gas Franchise Taxes	\$325,000	\$ 81,250.00			\$ 81,250.00			\$ 81,250.00			\$ 81,250.00			\$ 325,000.00
LOST (Local Option Sales & Use Tax)	\$1,956,250	\$ 161,000.00	\$ 25,000.00	\$ 18,000.00	\$ 17,000.00	\$ 17,000.00	\$ 96,000.00	\$ 101,000.00	\$ 166,890.00	\$ 152,000.00	\$ 149,000.00	\$ 156,360.00	\$ 897,000.00	\$ 1,956,250.00
SPLOST (Special Purpose Local Option S&U Tax)	\$395,000	\$ 30,850.00	\$ 5,000.00	\$ 4,000.00	\$ 3,000.00	\$ 3,000.00	\$ 15,800.00	\$ 21,000.00	\$ 32,300.00	\$ 25,770.00	\$ 22,890.00	\$ 34,980.00	\$ 52,890.00	\$ 251,480.00
Cash Paid Out														
Personal Servies Salaries & Wages (General)	\$3,329,850	\$ 277,487.50	\$ 277,487.50	\$ 277,487.50	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 208,115.00	\$ 2,705,497.50
Personal Servies Salaries & Wages (Temporary)	\$387,000	\$ 32,250.00	\$ 38,500.00	\$ 41,300.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,050.00
Personal Services Salaries & Wages (Overtime)	\$167,700	\$ 13,975.00	\$ 19,880.00	\$ 25,670.00	\$ 28,900.00	\$ 32,660.00	\$ 10,480.00	\$ 10,480.00	\$ 10,480.00	\$ 10,480.00	\$ 10,480.00	\$ 10,480.00	\$ 10,480.00	\$ 194,445.00
Group Insurance	\$1,001,100	\$ 83,425.00	\$ 83,425.00	\$ 83,425.00	\$ 83,425.00	\$ 83,425.00	\$ 41,200.00	\$ 41,200.00	\$ 41,200.00	\$ 41,200.00	\$ 41,200.00	\$ 41,200.00	\$ 41,200.00	\$ 705,525.00
Social Security (FICA) Contributions	\$240,842	\$ 20,070.18	\$ 20,823.79	\$ 21,356.37	\$ 14,694.93	\$ 14,928.05	\$ 13,552.89	\$ 13,552.89	\$ 13,552.89	\$ 13,552.89	\$ 13,552.89	\$ 13,552.89	\$ 13,552.89	\$ 186,743.54
Medicare	\$56,326	\$ 4,693.83	\$ 4,870.08	\$ 4,994.63	\$ 3,436.72	\$ 3,491.24	\$ 3,169.63	\$ 3,169.63	\$ 3,169.63	\$ 3,169.63	\$ 3,169.63	\$ 3,169.63	\$ 3,169.63	\$ 43,673.89
Debt Service Interest	\$16,750	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 1,395.83	\$ 16,750.00
Subtotal		\$ 1,730,208.01	\$ 1,751,919.95	\$ 1,787,817.08	\$ 1,490,021.48	\$ 1,498,109.12	\$ 1,445,617.35	\$ 1,436,576.31	\$ 1,427,176.31	\$ 1,439,446.31	\$ 1,435,296.31	\$ 1,437,046.31	\$ 1,431,906.31	\$ 18,311,140.84
Cash Capital Outlays														\$ -
Depreciation (Enterprise-Actually Funded)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Paid Out		\$ 1,730,208.01	\$ 1,751,919.95	\$ 1,787,817.08	\$ 1,490,021.48	\$ 1,498,109.12	\$ 1,445,617.35	\$ 1,436,576.31	\$ 1,427,176.31	\$ 1,439,446.31	\$ 1,435,296.31	\$ 1,437,046.31	\$ 1,431,906.31	\$ 18,311,140.84
Cash on hand (end of month)		\$ 2,574,674.91	\$ 2,155,545.30	\$ 835,128.55	\$ (43,977.60)	\$ (376,716.39)	\$ (156,193.40)	\$ 612,670.62	\$ 1,189,379.64	\$ 1,642,363.67	\$ 2,741,322.69	\$ 3,457,991.72	\$ 5,245,820.74	

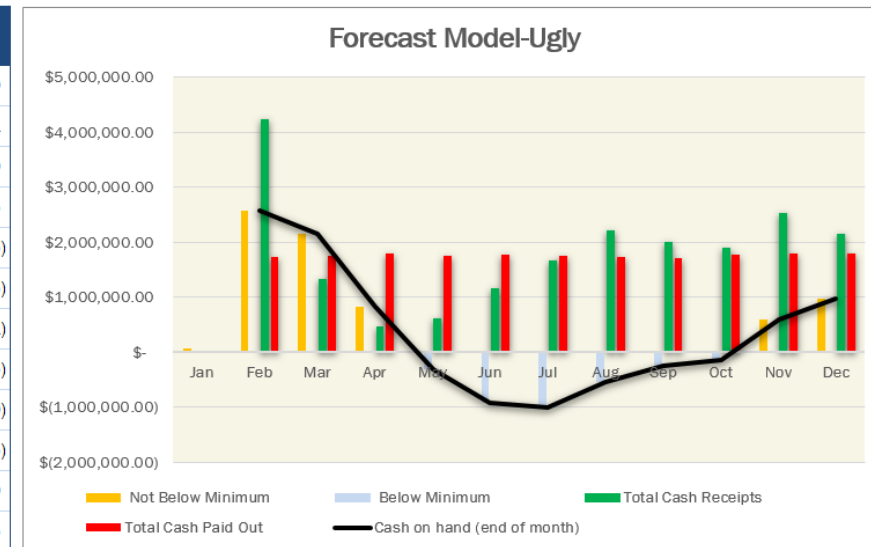
Month	Cash on Hand
January 2020	\$ 75,000.00
February 2020	\$ 2,574,674.91
March 2020	\$ 2,366,805.30
April 2020	\$ 1,430,888.55
May 2020	\$ 797,203.75
June 2020	\$ 287,866.05
July 2020	\$ 281,731.29
August 2020	\$ 819,224.25
September 2020	\$ 1,097,282.20
October 2020	\$ 1,207,975.15
November 2020	\$ 1,955,313.10
December 2020	\$ 2,319,691.05



Month	Cash on Hand
January 2020	\$ 75,000.00
February 2020	\$ 2,574,674.91
March 2020	\$ 2,155,545.30
April 2020	\$ 835,128.55
May 2020	\$ (43,977.60)
June 2020	\$ (907,833.95)
July 2020	\$ (156,193.40)
August 2020	\$ 612,670.62
September 2020	\$ 1,189,379.64
October 2020	\$ 1,642,363.67
November 2020	\$ 2,741,322.69
December 2020	\$ 3,457,991.72



Month	Cash on Hand
January 2020	\$ 75,000.00
February 2020	\$ 2,574,674.91
March 2020	\$ 2,155,545.30
April 2020	\$ 835,128.55
May 2020	\$ (302,776.25)
June 2020	\$ (907,833.95)
July 2020	\$ (1,000,828.71)
August 2020	\$ (536,755.75)
September 2020	\$ (253,737.80)
October 2020	\$ (143,044.85)
November 2020	\$ 604,293.10
December 2020	\$ 968,671.05





Be Extra Conservative



Plan for the worst case scenario. This helps you manage all scenarios in between.

Assume lower revenues & higher expenditures.

Identify One-Time Events



Identify one-time revenues that the city does not receive on a recurring basis (Example: grants).



Identify one-time expenditures the city does not anticipate having in the next budget cycle (Example: laptops).



Back these revenues and expenditures out of budget projections.



Review “Must do” vs. “Nice to do”



Review the current budget and identify mandatory spending vs. discretionary spending.

Ask: “Why do we do this?” and “Should we continue to do this?”

Consider the policy implications of making changes.

All discretionary spending is fair game to cut - must be thoughtfully considered.

Know the City's Financial Triggers

Identify and recognize the city's triggers early.

Know the next steps when the triggers present themselves.

Knowing your City's triggers, allows you to proactively plan for a balanced budget.

Examples: sales tax revenue decrease, increase in delinquent utility accounts, personnel expenses rising...

Examples: Hiring freeze, employee furloughs, early retirement programs, capital projects deferral, internal borrowing....





Develop 3 Scenarios – The Good, The Bad, The Ugly



Start with the worst case scenario and work backwards.



Plan out each scenario to implement if needed.

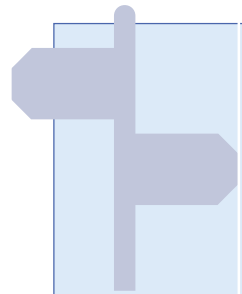


All scenarios should be thoroughly discussed.



Gain consensus of governing body on course of action in each scenario.

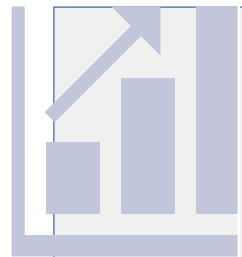
Analyze the Financial And Political Impacts



Before making any decisions, consider the financial and political impacts of each.



Be aware of unintended consequences of personnel and employee benefits decisions.

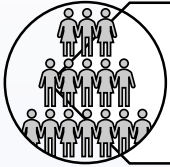


Prepare a cost/benefit analysis for each option under consideration.

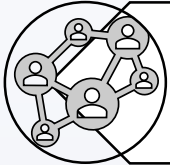


Use data to assist governing body in making tough decisions that may not be favorable in the eye of the public, but are necessary during times of crisis.

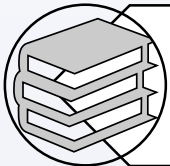
Communicate³



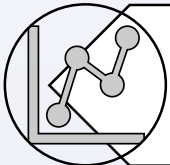
Be candid and transparent in discussions with the governing body, employees, and citizens.



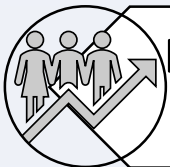
Share information across multiple platforms (website, social media, City Hall).



Educate everyone about the plan and update information as conditions change.



Projections in the midst of a crisis are a “best guess” with much uncertainty.



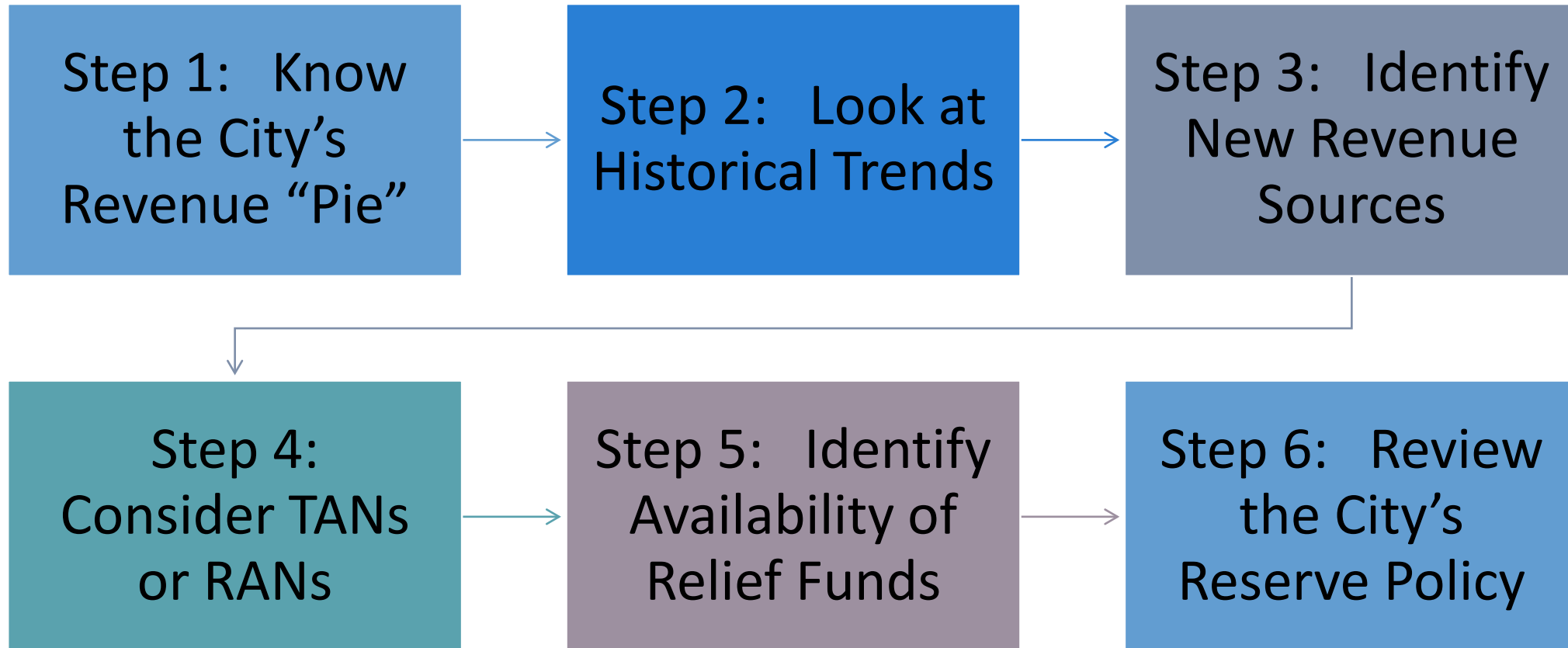
Buy-in from city employees and citizens is critical and will help in the implementation of necessary changes resulting from the crisis.



Revenues



Revenue Projection Process



Step 1: Know the City's Revenue "Pie"

- Which revenue sources are most impacted by the economy?
- Identify the City's top revenue sources.
- What % of the budget does each represent?
- Estimate how much each revenue source will be impacted.
- Examples: sales taxes, property taxes, hotel-motel taxes, alcohol excise taxes, motor vehicle rental excise taxes, franchise fees, court fines, interest.



Step 2: Look at Historical Trends



- Review historical trends by revenue source.
- Go back as far as you have data to compare year over year.
- If you have 2008-2009 recession numbers, review them for applicability.
- Focus on the revenue sources that could be most impacted by an “economic event” and estimate the financial impact.

Step 3: Identify New Revenue Sources

- Brainstorm as a team to identify new revenue sources.
- Use DCA's Uniform Chart of Accounts (UCO) as a reference.
- Revisit fees and charges. How long has it been since fees were reviewed & “re-aligned” with costs to provide services?
- Think about any services the city isn't currently charging for that they should be charging for.



Step 4: Consider TANs or RANs

- Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs) are short-term tools to help with cashflow until the anticipated revenue is received.
- TANs and RANs are debt and must be repaid.
- Requires authorization by the governing body.
- Consult with legal and finance professionals to determine options.
- See [O.C.G.A. Section 36-80-2](#)



Step 5: Identify Availability of Relief Funds

Ask: Are there funds the city can apply for to help mitigate the financial impact of a declared emergency/disaster?

Examples: CARES Act, FEMA/GEMA, CDC, DOJ, Grants.

Documentation is critical to be eligible for reimbursement.

Track all expenditures related to an “event” separately.

Ask eligibility questions BEFORE spending.



Step 6: Review the City's Reserve Policy

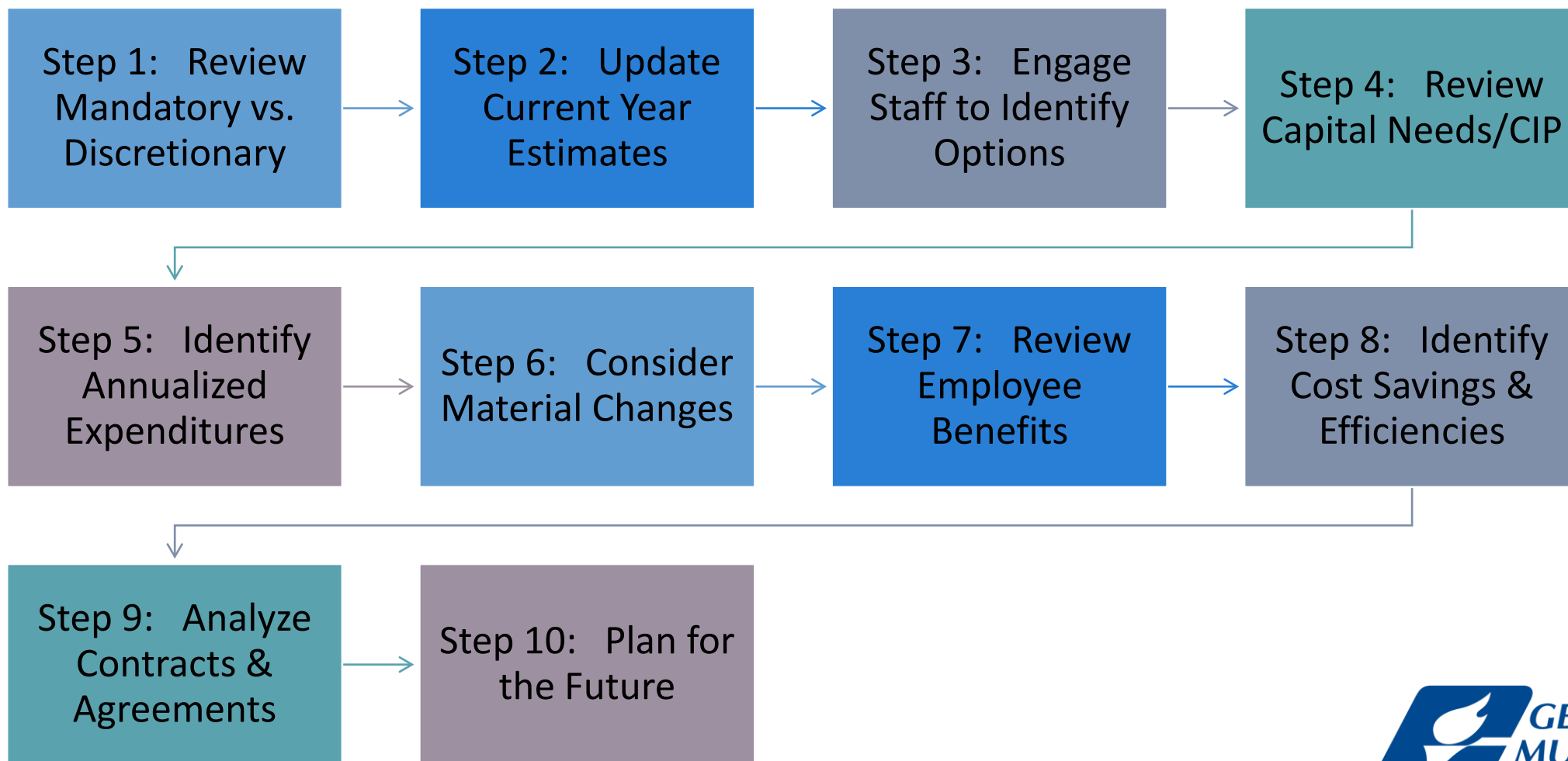
- Does the city have a reserve policy (a.k.a. Fund Balance policy)?
- If so, review the policy to determine flexibility during a financial crisis.
- Based on the policy, will the city have adequate cash to get through the crisis and not violate the policy?
- If no policy, adopt a policy asap!
- Examples:
 - [GFOA - Fund Balance Guidelines](#)
 - [GMA Handbook for Mayors and Councilmembers - Financial Policies](#)



Expenditures



Expenditures Projection Process

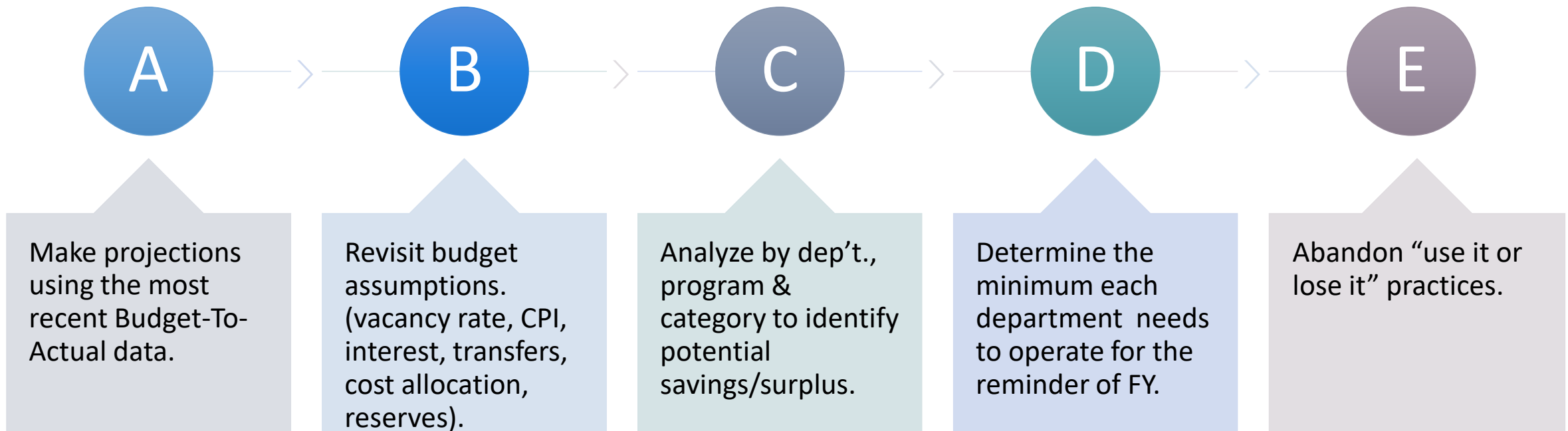


Step 1: Review Mandatory vs. Discretionary Expenditures

- Make a list of services/initiatives that the city “must” provide and the associated costs.
- Analyze why it is a “must”. Is it mandated by federal/state law, city charter or ordinance, contract or agreement, consent order?
- Review levels of service to determine if it is desirable and/or feasible to keep the same level of service. Are there viable cost cutting options?
- What’s left is discretionary – analyze these with a critical eye.



Step 2: Update Current Year Estimates



Step 3: Engage Staff to Identify Options



Include staff in the development of budget impact scenarios. Their input and buy-in is critical.



Start with “unconstrained” brainstorming to formulate cost savings and efficiencies strategies.



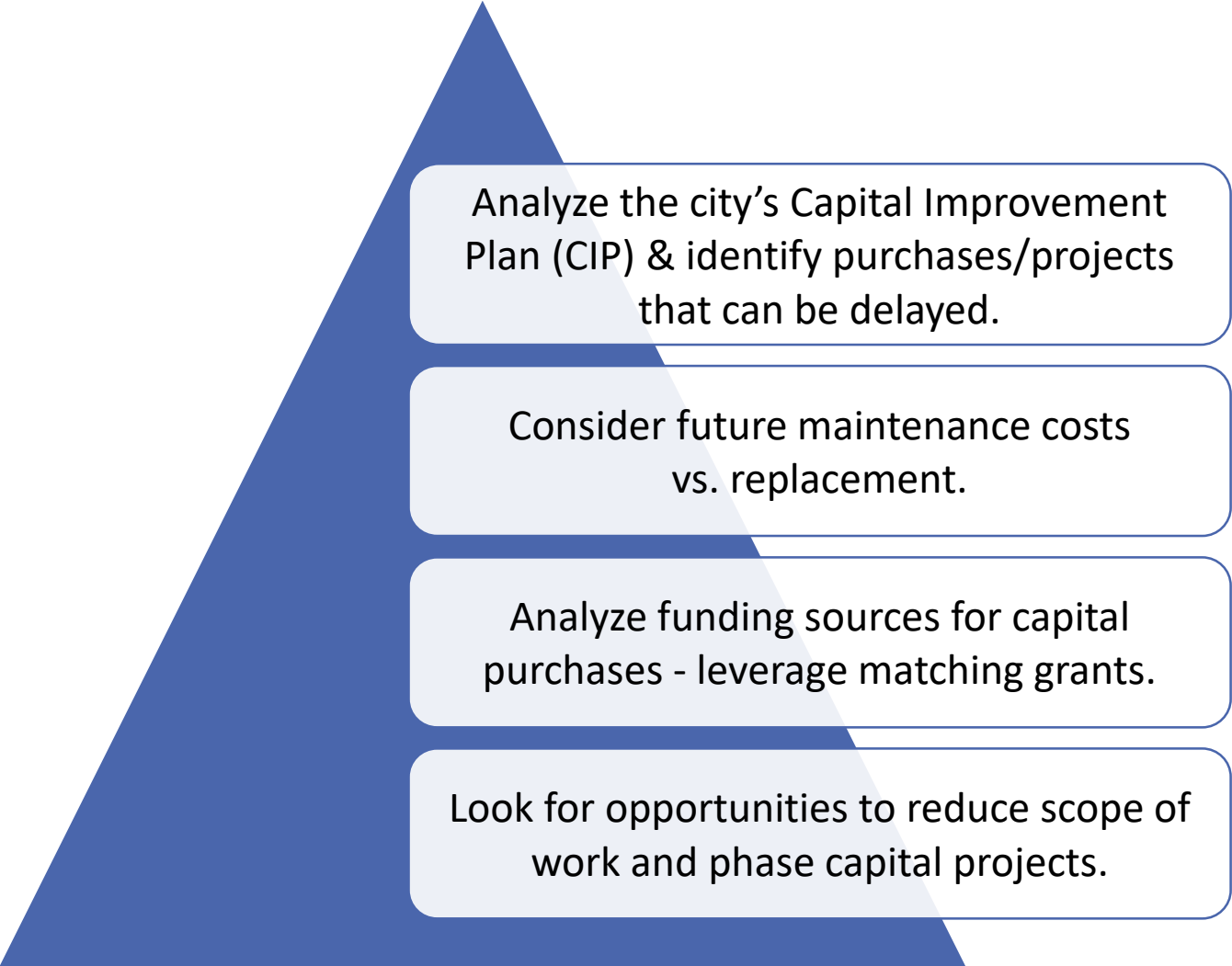
Remember: Those who deliver the services are in a unique position to offer ideas.



Always consider the impact on operations.



Step 4: Review Capital Needs/CIP



Analyze the city's Capital Improvement Plan (CIP) & identify purchases/projects that can be delayed.

Consider future maintenance costs vs. replacement.

Analyze funding sources for capital purchases - leverage matching grants.

Look for opportunities to reduce scope of work and phase capital projects.



Step 5: Identify Annualized Expenditures

List

- Expenditures that must be annualized next fiscal year.

Analyze

- Budget amendments.
- Personnel changes – new positions, raises, benefits changes.
- Operating costs for new facilities/programs coming online.

Determine

- Financial impact of annualized expenditures in next fiscal year.



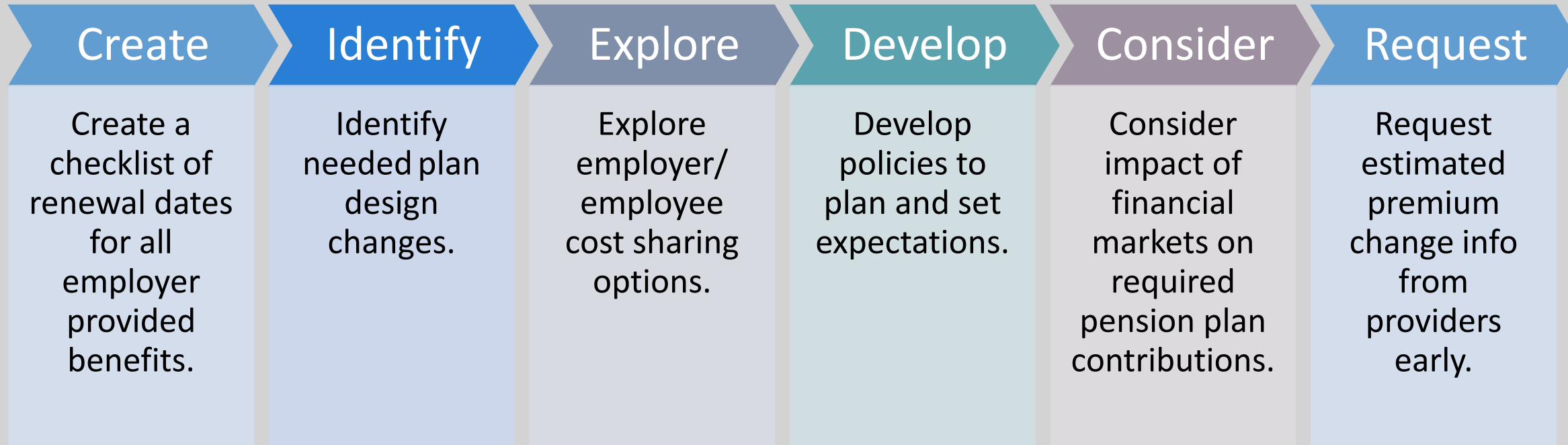
Step 6: Consider Material Changes

- Analyze material changes in service levels, programs and initiatives that could impact other expenditures.
- Create a “checklist of impact” – payroll, benefits, liability, uniforms expense, etc.
- Examples: Creation of a new department or program; eliminating police department; enhancing service level of existing services.
- Adjust the budget accordingly.

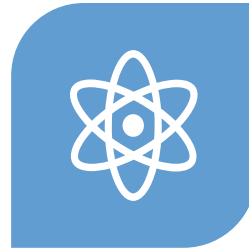


Step 7: Review Employee Benefits

EMPLOYEE
BENEFITS



Step 8: Identify Costs Savings and Efficiencies



Review energy
efficiency
policies.



Analyze
operational
processes.

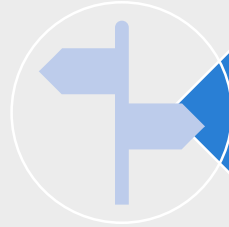


Identify
conservation
opportunities.

Step 9: Analyze Contracts and Agreements



Review annual contracts to determine options for renewal.



Explore options for renegotiating terms of existing contracts.



Identify goods/services to issue bids or RFP's for more competitive pricing.



Take advantage of discounts offered by vendors/suppliers.



Step 10: Plan for the Future

Create

- Create a plan to address a range of outcomes.

Adopt

- Adopt financial management policies & supporting systems.

Establish

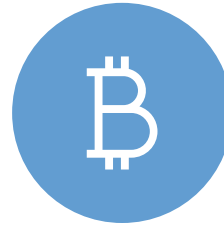
- Establish a mechanism for ongoing engagement.



Best Practices



Best Practices



COMMUNICATE
THE CITY'S
FINANCIAL
CONDITION TO
ALL



PICK LOW-
HANGING FRUIT



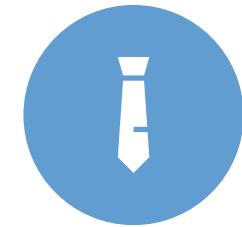
TAKE ADVANTAGE
OF RESOURCES –
DON'T REINVENT
THE WHEEL



EXPLORE ALL
OPTIONS &
IMPACTS BEFORE
MAKING
DECISIONS

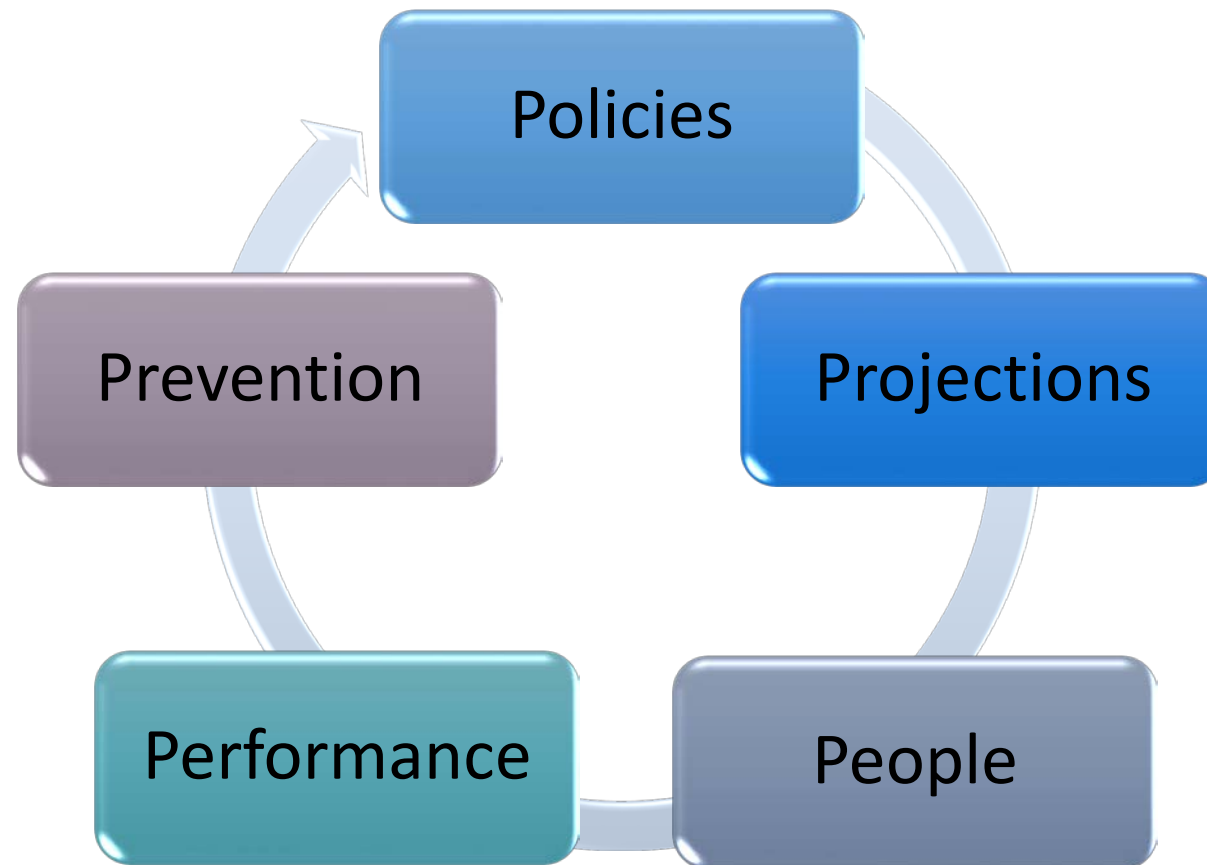


DATA INTEGRITY
AND TREND
ANALYSIS IS
CRITICAL



TIE DECISIONS TO
SERVICE LEVELS

Conclusion – The Five P's



Contact Us

GMA Member Services Consulting Staff Service Areas



Stan Brown: Districts 1 & 2
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sbrown@gacities.com



Artiffany Stanley: Districts 6 & 9
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astanley@gacities.com



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fbroome@gacities.com



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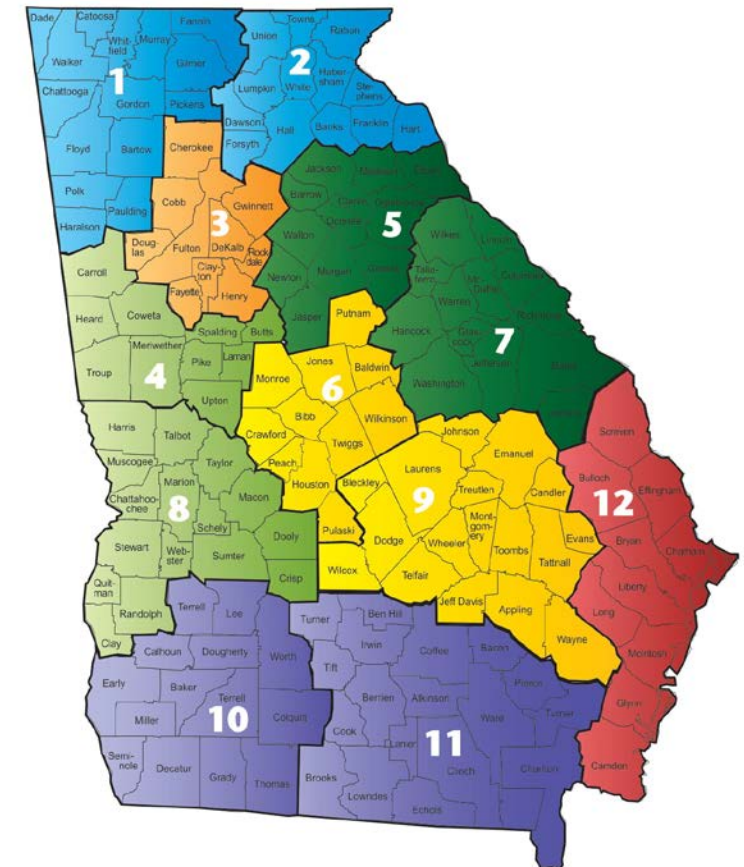
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Resources

Georgia Municipal Association

- [COVID-19 & Municipal Operations](#)
- [COVID-19 Funding Resources](#)
- [COVID-19 FAQ for Municipal Governments](#)
- [GMA Handbook for Georgia Mayors and Councilmembers – Financial Policies](#)

Georgia DCA

- [Uniform Chart of Accounts](#)

Resources

Government Finance Officers Association

- [GFOA-Fiscal First Aid](#)
- [GFOA Fund Balance Guidelines](#)
- [Cash is King: Short-term Strategies to Slow the Flow of Money Out the Door](#)
- [The Importance of Cash Flow Analysis in Times of Fiscal Stress](#)
- [Free Limited-Time Offers from Third-Party Software Firms](#)