Budget 101: Budget Projections

Agenda

1. Review of 2023 Budget Calendar

2. Budget 101: Budget Projections

    *   **What** are budget projections?
    *   **Why** do we do them?
    *   **How** are projections completed?

3. Budget in Real Life: Conversation with Libraries

4. Breakout Rooms: Share tips and questions with peers

5. Q&A and Close Out

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Review of 2023 Budget Calendar

Key Dates for 2023 Budget Development

	Capital	Operating
Kick-Off Meeting	Tuesday, March 22 10:30am	Tuesday, June 21 2:00pm
Agency Requests Due	Friday, April 22	Friday, July 22
Agency Briefings with Mayor's Office	May 6 – 20	August 10 – 17
Executive Budget introduced to Common Council (CC)	Tuesday, September 6	Tuesday, October 11
Finance Committee (FC) Briefings	September 12 – 13	October 17 – 18
FC Amendment Meeting	September 28	October 31
CC Amendment Week		November 7 – 11
CC Budget Adoption Meetings		November 15 – 17

Simplified Calendar View

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Capital	• 3/22: Capital Kick Off	• 4/22: Agency Cap Requests Due	• 5/6 - 5/20: Agency Briefings				• Finance Committee Meetings		• Common Council Meetings
Operating				• 6/21: Operating Kick Off	• 7/22: Agency Op Requests Due	• 8/10 - 8/17: Agency Briefings		• Finance Committee Meetings	
Projections	• Year end analysis & Cost to Continue planning			• Mid Year Projections & Agency Meetings	• Mid Year Resolution (Intro 7/19; adopt 8/2)			• Year End Projections & Agency Meetings	• Year End Resolution (Intro 11/22, adopt 12/6)

Budget Contacts Meetings

March

- **March 16:** Budget Contacts Kick-Off & Budget 101 on Chart of Accounts
- **March 22:** Capital Budget Kickoff
- **March 31:** Capital Budget Work Session

April

- Analyst met directly with all agencies to discuss Cost to Continue (C2C) for operating budget

May 25 & 26

- **May 25:** Budget 101 on completing budget projections
- **May 26:** Training on Munis Cubes, with live demos and exercises

June

- **June 21:** Operating Budget Kickoff
- Analyst meet directly with all agencies to discuss projections

Late June/ Early July

- Understanding the base budget (e.g. assumptions for salaries + benefits, salary savings, inter-dept charges)
- Operating Budget Work Session

Budget 101:
Completing budget projections

What are budget projections?

Projections are ...

- ... an **analytical exercise** using quantitative and qualitative data to understand where you are in your budget.

- ... a **management and planning tool** that helps evaluate agency activities and plan for the year.

- ... **developed in collaboration** between agency staff and finance to forecast how the City will end the year.

- ... **used to reappropriate funds** through the mid-year and year-end budget resolutions.
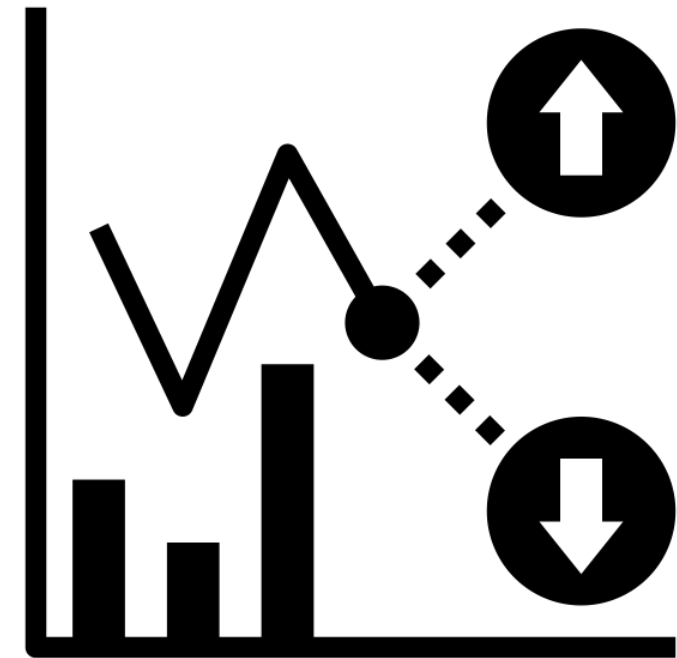
Prediction by Kamin Ginkaew from NounProject.com

Why do we do projections?

The budget is a plan for spending in a fiscal year. Projections are a way to monitor the plan and make adjustments needed to provide services and meet goals.

Citywide/ Finance Perspective

- Ensure compliance with State programs that limit our operating expenditures

- Manage budgetary issues City wide and inform prudent financial decisions

- Check the assumptions used to build the budget are consistent with what is actually happening

- Inform administrative approvals such as requests to fill positions

- Transparency: published in next year's budget, shared with Mayor's office and Finance Committee

Agency Perspective

- Provide agencies with a detailed look at their budget performance in order to make adjustments to work plans
  - *Is something you budgeted for no longer happening? Is there a new opportunity or priority you want to find resources for?*

- Identify budget issues early and monitor trends
  - *Are certain budget lines projected to be over/ under budget? Do you need a transfer across majors to avoid a budget stop?*
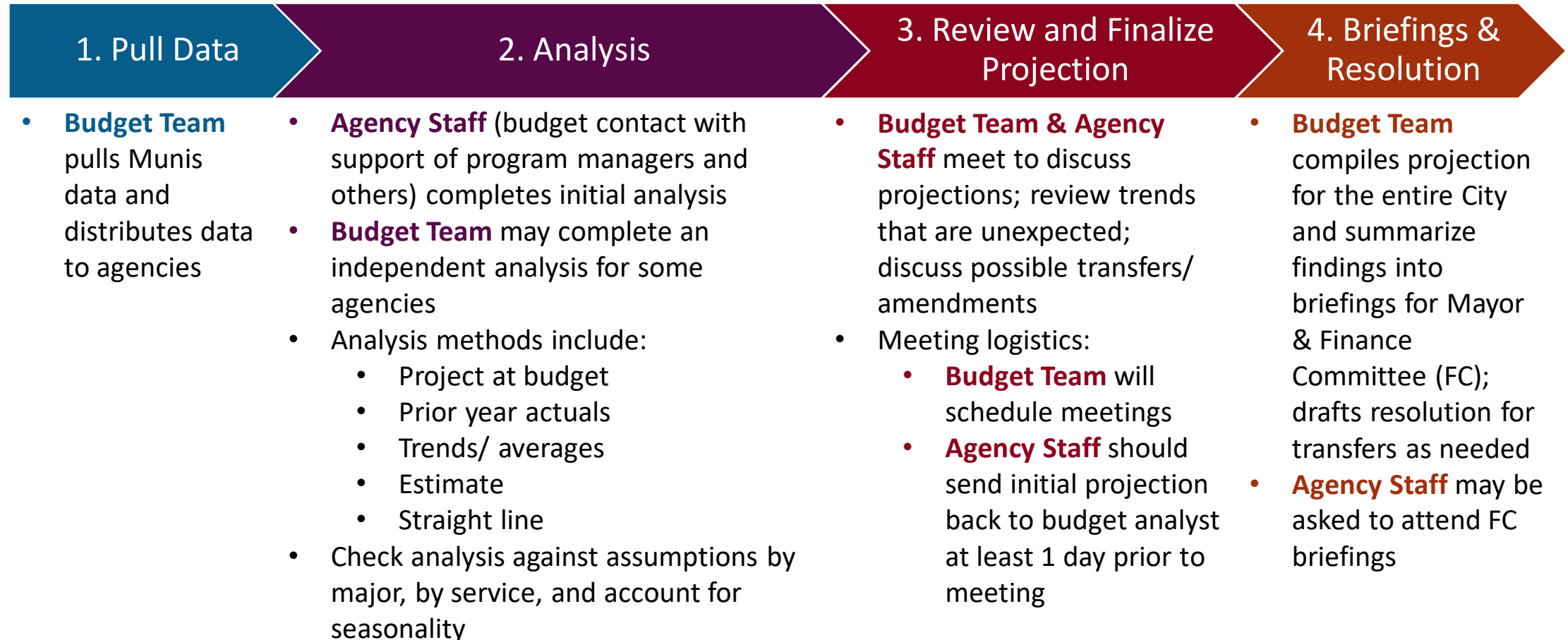
When? 2022 Timeline

Mid Year Projection

- **June 1:** Budget team pulls Munis data covering January 1 – May 31

- **Week of June 6:** Budget team shares data file with agency; agency staff have ~2 weeks to complete preliminary projection

- **June 21 – July 1:** Budget team meets with agencies to review and finalize projections

- **July 5-12:** Budget team prepares city-wide mid-year appropriation resolution

- **Resolution:** 7/19 Intro at CC → 7/25 FC → 8/2 Adopted

Year End Projection

- **October 3:** Budget team pulls Munis data covering January 1 – September 30

- **Week of October 3:** Budget team shares data file with agency; agency staff have ~2 weeks to complete preliminary projection

- **Oct. 19 – Nov. 4:** Budget team meets with agencies to review and finalize projections

- **November 7 - 15:** Budget team prepares city-wide mid-year appropriation resolution

- **Resolution:** 11/22 Intro at CC → 11/28 FC → 12/6 Adopted

How? Process and Workflow

1. Pull Data	2. Analysis	3. Review and Finalize Projection	4. Briefings & Resolution

• **Budget Team** pulls Munis data and distributes data to agencies	• **Agency Staff** (budget contact with support of program managers and others) completes initial analysis
	• **Budget Team** may complete an independent analysis for some agencies
	• Analysis methods include:
	  • Project at budget
	  • Prior year actuals
	  • Trends/ averages
	  • Estimate
	  • Straight line
	• Check analysis against assumptions by major, by service, and account for seasonality
		• **Budget Team & Agency Staff** meet to discuss projections; review trends that are unexpected; discuss possible transfers/ amendments
		• Meeting logistics:
		  • **Budget Team** will schedule meetings
		  • **Agency Staff** should send initial projection back to budget analyst at least 1 day prior to meeting
			• **Budget Team** compiles projection for the entire City and summarize findings into briefings for Mayor & Finance Committee (FC); drafts resolution for transfers as needed
			• **Agency Staff** may be asked to attend FC briefings

Step 1: Pull & Distribute the Data

- This step is performed centrally by the Budget Team to ensure consistency in data

- Budget Team will send a formatted spreadsheet with columns to 1) enter your agency projection 2) calculate the difference between projection and budget and 3) enter notes

- Report is pulled from Munis Using the YTD Budget Report or GL Cubes with the following parameters:

  - Fund
  - Agency
  - Service
  - Org Code

  - Character Code
  - Object
  - Original Budget
  - Revised Budget

  - Actual
  - Encumbrance
  - Requisitions

Data Notes:

- After the data is pulled, **Budget staff ensures accuracy of the Revised Budget** amount by crosschecking agency budget against the original budget & any approved budget amendments; the Revised Budget column includes any encumbrances that may have carried forward from the prior year

- **Data is pulled prior to month end close deadlines** to reduce the turnaround time associated with performing projections

Step 2: Analysis – Methods

Analysis relies on both quantitative and qualitative data – some objects will be a straightforward calculation, some will require discussion with agency staff about the status of projects.

Project @ Budget	Prior Year Actuals	Trends/ Averages

• The projection equals the revised budget
 	
• Examples:
   • Most inter-departmental charges & billings
   • CCB charges
   • VEBA
	• The projection is based on the prior year actuals
	
	• Example:
	   • Compensated Absence – most actuals are posted at year-end; prior year may be a good indication of what the current sick leave payouts will be depending on turnover in the agency
		• The projection is based on an average of prior years' actuals or on trends
		
		• Examples:
		   • Weather dependent costs (e.g. snow removal)
		   • Office Supplies or Furniture trends based on work from home/ return to office patterns

Step 2: Analysis – Methods, Continued

Additional analysis methods:

Estimates	Straight line	Which method should I use?

• The projection is based on an estimate
 	
• Examples:
  • Unexpected event or repair
  • Overtime anticipated due to vacancies
  • Anticipated purchased services or consulting contracts scheduled for later in the year
	• The projection is based on the year-to-date actuals and assumes the remainder of the year will be consistent with those actuals
	
	• Examples:
	  • Utilities that are not weather dependent
	  • Waste disposal
	  • Regular, recurring charges
	  • Personnel costs (if agency has stable staffing)
		• It depends – this is highly variable based on agency
		
		• Budget Team will provide a one-pager with suggestions of which objects/ majors should use which methods
		
		• Budget Analysts will provide payroll assumptions to use in your projection and benefits data

Step 2: Analysis Tips

Accurate projections require tacit knowledge from staff and understanding of agency operations.

- Do not assume a straight line projection
    - Data is pulled before month end close dates and some transactions may not be posted
    - Make adjustments for seasonality and one-time payments that hit your budget
    - Check with Program Managers to incorporate any hiring or purchasing they are anticipating but have not yet initiated

- Review the data by major – Excel Pivot Tables are a useful tool
    - Look for inconsistencies in data – for example, if the amount is not consistent with prior year or historical trends, if there are unexpected surpluses/deficits, or large changes from a prior projection
    - If something looks "off," analyze expenditures within that major or service at a more granular level using Account Inquiry or Account Central. Ask staff who are managing services/ projects/ programs for additional information.

- As you review accounts, update the amounts in the Projected column of your data and note your assumptions

Step 3: Review & Finalize Projection

- Budget Team and Agency Staff meet to review the analysis at the major & service level to see where there is variation between the projection and budget
  - Understand operational factors contributing to variance
  - Come to consensus on projection

- Projection is intended to be a tool for management to have updated information regarding the status of their budget
  - Identify potential issues/ challenges (e.g. budget stops if trending over budget) and discuss strategies for addressing issues
  - What to do if trending over/ under budget

Step 4: Briefings and Resolution

- Budget Team compiles analysis into a Citywide report, which is used to generate a briefing for the Mayor's Office & Finance Committee
  - Agencies that have high levels of variation in their budget will be asked to attend the Finance Committee meeting to answer any questions from the Committee members
  - 2021 Mid Year Briefing, Legistar 66849

- Budget Team will prepare a mid-year and year-end budget resolution to re-appropriate funds if needed (e.g. intra-agency transfers, carryforward encumbrances, transfers from direct appropriations)
  - 2021 Mid Year Appropriation Resolution, Legistar 67094

- In addition, mid-year resolution is published in Budget book

Projections in Real Life: Library Edition

Small Group Discussions

In breakout rooms:

1. Introduce yourself (name, agency)

2. What works well in your agency? Do you have tips or suggestions to share?

3. What questions do you still have about projections?

Be prepared to report out to the main group – we will try to share tips and answer questions in our follow up.