



Short- and Medium-Term Budget Strategies; Other Considerations

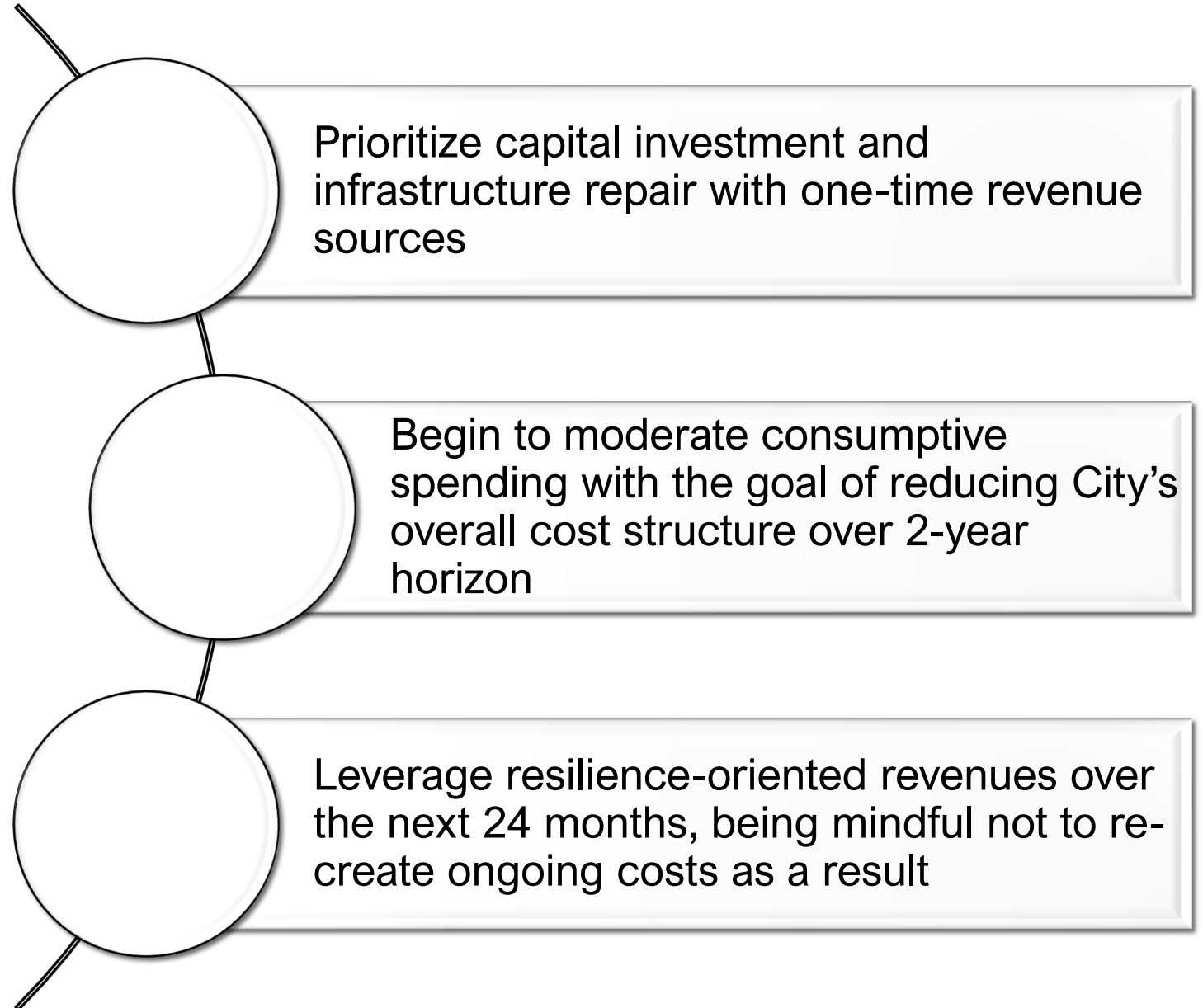
Long Term Financial Policy and Audit Committee

8 April 2021

***Philosophical approach
to FY 21/22 Budget is
relatively
straightforward***

*“Windfalls . . . can, if
mismanaged, make things
worse, not better . . . “*

M. Mandelbaum



FY 22 budget proposes to be year 1 of a 2-year effort to re-align the City's cost structure within current revenue constraints

1. *FY 22 baseline = Began w/FY 20 actuals*
2. *Requests for appropriations that exceed FY 20 actuals to be made with consideration of the entire organization*
3. *Expenditure reduction goals (would require elimination of most vacant positions)*
4. *Deferred maintenance allocation*
5. *Preservation of one-time monies for capital investment*
6. *Timely management information reporting from Finance to organization*
7. *Ensure FY 22 financial outcomes validated with supporting structures, i.e., cash management and timely financial closes*

Modify budgetary practices

- Manage appropriations processes with budget adoption and mid-year reporting
- Performance measurement and reporting: Budget-to-actual performance
- Rolling forecast implementation

Implement supporting financial structures

- Cash management and cash performance measurement
- Support budget with affordability framework

Soft monthly financial closes across departments and in Finance

- Ability to ascertain financial position

Increase reporting frequency to City Council, City Manager and Departments

FACTOR ASSESSMENT

**FINANCIAL
APPROACH MUST
ACCOUNT FOR
OVERALL
ORGANIZATIONAL
HEALTH**

Factor assessment / examination of key causes: Issues typically reside in three (3) areas: Environmental, organizational and financial

Environmental	Community needs / resources
	Governmental constraints
	Disaster risk
	Political cultures
	External economic conditions
Organizational	Management practices
	Policies
	Choices
	Decisions
Financial	Revenues to expenditures
	Operating position
	Structural deficits
	Debt burden
	Unfunded liabilities
	Inadequate capital investment

Santa Rosa's own risk assessment suggests moderating certain practices . . . choices and decisions impact community vibrancy and balance sheet outcomes alike

Organizational

- Heavy reliance on outside services
- Potential internal intellectual capacity diminished
- Are existing recruitment policies / practices able to align with, and support organizational agility and necessary skill sets?
- Are organizational necessities / reforms subjugated to those of bargaining units?

Financial

- Budget-balancing difficulties; high fixed costs combined with stagnant to declining revenues
- Limited resources to finance future needs
- Service level alterations
- Unfunded liabilities
- Internal services and risk management cost structures unsupportable
- Lack of capital investment / re-investment

Environmental

- Susceptibility to socio-economic forces
- Adjustments to long-term socioeconomic and demographic changes
- Successive natural disasters
- Homelessness
- Unmet community needs
- Pandemic

***With the genesis of financial challenges typically in budgetary practices, altering such practices represent the first step towards improving financial performance . . .
Some symptoms may include:***

Budgetary Stress	Cash Flow Challenges	Inadequate Planning	Management Capacity
<ul style="list-style-type: none"> ▪ Initial faulty assumptions ▪ Weak or non-existent revenue and/or expenditure controls ▪ Little monitoring of financial activity ▪ External factors also at play (natural disasters) ▪ Negative environmental trends ▪ Timing-related transactions 	<ul style="list-style-type: none"> ▪ Largely resulting from budgetary issues but can be rooted in other causes • Budgetary transfers may not be monitored or carried out effectively • Cash performance not fully documented and/or understood • Arrears, which effectively mean that the budget begins in a deficit position 	<ul style="list-style-type: none"> ▪ Inability to address deteriorating infrastructure • Not fully able to account for multi-year obligations such as labor contracts, contractual services or indebtedness • Lack of ability to adjust for non-recurring revenues or time-limited grants <p>One-time events not differentiated</p>	<ul style="list-style-type: none"> ▪ Understaffing of key fiscal positions • Inadequate training or professional competency • Fractured decision-making / communication or lack of understanding by decision-makers • Inadequate/ weak financial infrastructure and systems

***Frequently,
inconsistent
presentation of
information is at issue
- likely not done if not
required and/or
available for
presentment.***

***Timely management
information reporting
sets the stage for
performance
reporting***

Linkages and resulting performance measurement

- Begin the practice of linkages of strategic goals to priorities

Data Integrity

- Reliably-sourced data
- Current and complete numbers
- Assumptions (data or methodological)
- Are trends and results cogent?

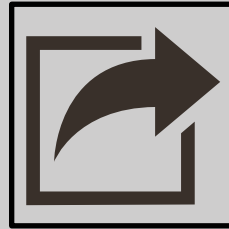
Trend Analyses

- Historical data may be indicative of future performance
- Puts information in context, i.e., continuation upward/downward/ or fluctuating
- Should trigger corrective action before condition worsens

Graphics

- Draw direct attention to the summary of financial condition
- Should help to focus discussion on larger trends and issues

***One-time revenues
offer a unique
opportunity to re-
consider and prioritize
how best to
strategically invest in
Santa Rosa's future***



Resilience



Capital Investment