ICCCFO Conference

Starved Rock Conference Center

Utica, Illinois

Wednesday, May 1, 2019

WALKING ACROSS THE BUDGET BRIDGE

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    FORECAST5 ANALYTICS

    RETIRED 40 YEAR FINANCIAL OFFICER, NORTHEAST IOWA COMMUNITY COLLEGE

The Strategic linking of

Budget Planning (Next Year)

Monthly Budget Analysis (Current)

Multi-Year Forecasting

Multi-Year Plan:
- Forecasts represent the preparation of YTD actual data plus projected data
- Using budgets for the projected period limits the value of forecasted information

Budget Plan:
- Budget Alignment with Long-Term Strategy?
- Budgeting Dos and Don'ts
- Historical numbers, trends, ratios tell a story!

Monthly Plan:
- Effective Trend Analysis – Budget to Actual – Projected year-end position

Multi-Year Projection Plan

Historical: 5-years of historical actuals highlight performance, trends and assist with future assumptions.

Budgetary: The current year and years 1-2 will be more accurate in terms of projected ending cash balances.

Early Warning: Assumption results compound into year 3. Unfavorable conditions or identified structural deficit may signal an early warning and an opportunity to execute a course correction plan.

Directional: Years 4-5 establish direction. Declining balances is symptomatic of structural deficits. Evaluate the overall financial trajectory – "Let the math play out."

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

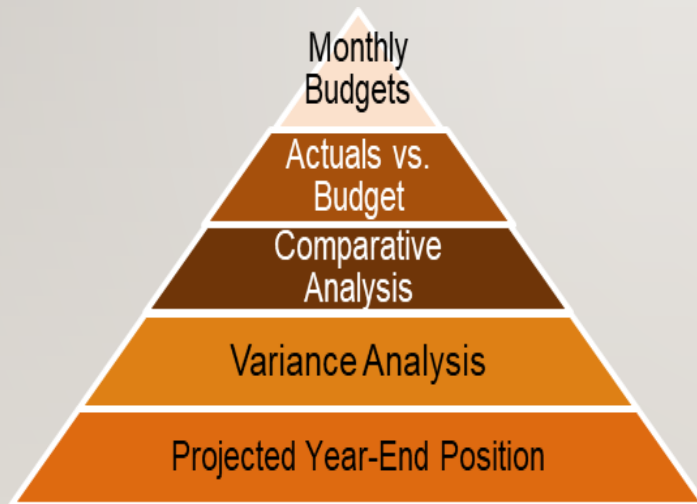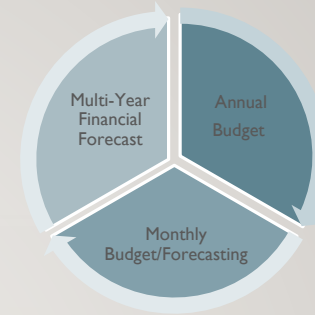| Historical Performance (Prior Years)	Budgetary Level Accuracy (Current Year, Years 1 & 2)	Early Warning (Year 3)	Directional (Years 4 & 5)
Measurement of performance Informs future assumptions	Executable budget template Rev./Exp. variables known	Inflection point for change decisions	Evaluate overall financial trend – "How the math will play out"

----------Decision/Analysis Bands----------

Monthly Performance Analysis Plan

Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Q1			Q2			Q3			Q4		
Current FY19 Budget											

Monthly Budgets

Actuals vs. Budget

Comparative Analysis

Variance Analysis

Projected Year-End Position

- Monthly G/L Upload/Analysis

- Current year projection analysis based on historical monthly trends

- Monthly analysis of current year and historical results with dashboard reporting functionality

- Custom monthly Excel based reporting

Analysis – Data mining/Trending
Projection – Forecasting
Scenario Management – "What if"

Multi-Year Financial Forecast

Annual Budget

Monthly Budget/Forecasting

Historical Actuals/Budgets

Budget - Adjusted w/ YTD actuals + projected

Best/Educated Estimates; Decision Band Approach; Financial Gap Analysis

2020   2021   2022   2023   2024
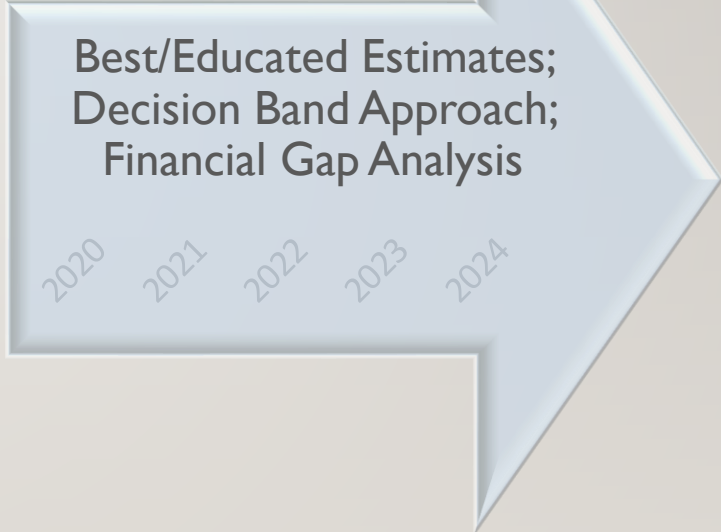
"Create linking strategies to provide deeper short-term & long-term analysis"

Budgetary Level Accuracy
(Current Year, Years 1 & 2)

-----"Bridge"---

Budget - Adjusted
w/ YTD actuals + projected

2020 2021 2022 2023 2024

Updates to Multi-Year Projection/ FY20 Budget Development

Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19

Q1	Q2	Q3	Q4

Current FY19 Budget

Financial Projection Impact Considerations

Bridging Monthly Performance Results w/ Multi-Year Forecast
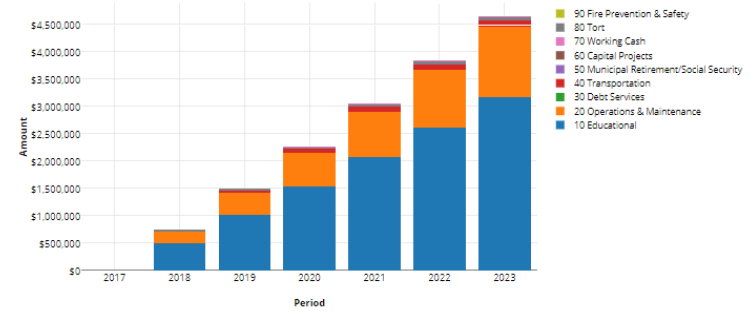

- YTD Variances applied to Current Budget – Compounded YOY Impact (Net Difference Rev./Exp.)

- Multiple updates to out-year assumptions – minimize difference

- Bridge is essential for advancing overall programmatic initiatives

- Aligning resources/priorities during the budget development process

- Budgetary position/parameters on key line items – long term sustainability

Important questions to answer:

Budgeting
Monthly Analysis
Forecasting
Best Practices

Who's influencing strategic decisions?

What are the key financial metrics?

What drives sustainability?

What drives revenue?

What are people accountable for?

Who needs what data?

Best Practices

To direct strategy and set financial priorities, use – Data – Analysis – operational support

Focus on revenue and expenditure drivers – Apply the "80/20 rule"

> ➢ Let the 80/20 rule drive the level of detail behind the budget.

Budget and report to the level of key drivers

Establish a culture of accountability

> ➢ Data and analysis provide the basis for holding people accountable. Accountability drives behavior!

How many times should I review and/or update my Financial Projection?

- Establish a Best Practice – 4, 5, 6 or more times a year.

- Business office monthly task list (business cycle)

- Build the review/update into the Budget Calendar

- Board of Education review (Transparency) – Policy or Procedure?

- Quarterly Financial Reports to Supt./Board (Variance analysis – Expected over/under)

- Bridge early and often

Financial Projections – Communications Tool

FY2019-2020 BUDGET CALENDAR

Date/Period	Budget Task
October, 2018	Administration reviews/refines Financial Projection (1) Preliminary levy information to Board
November, 2018	Administration develops preliminary budget considerations.
December, 2018	Principals notified to prepare itemized annual budget requests.
December, 2018	2018 Levy Hearing and Adoption (Tax Rev. for 2019-2020 budget).
January, 2019	Administration refines/refines budget considerations Review/Refine Financial Projection (2)
February, 2019	Financial Projection (3)/Budget information to Board.
February, 2019	Administration reviews all Capital Outlay considerations
March, 2019	Capital Outlay priority lists to the Board of Education. Review 5-Year Capital Improvement Plans (4)
March, 2019	All Supply/Purchased Services Budgets due.
April, 2019	Begin letting Capital Outlay/Supply bids.
April/May, 2019	Administration refines projected revenue and expenditures Financial Projection Update (5) – Staffing/Benefit Review
July, 2019	Preliminary Budget information to the Board of Education. Financial Projection to Board (6)
August, 2019	Tentative Budget approved by Board of Education.
September, 2019	Public Hearing and adoption of 2019-2020 Budget by Board.

Financial Projections – Communications Tool

Budget Decisions	Role of Financial Projection Updates
Accomplishing organizational goals	To demonstrate affordability of funding strategies to accomplish long-term goals
Making tax rate and user fee adjustments	To provide revenue impacts of alternative rate adjustments beyond the budget year
Creating new positions	To demonstrate affordability of adding new positions
Approving salary and wage adjustments	To demonstrate affordability of annual pay increases, including adjustments
Changing benefit packages	To demonstrate affordability of benefit changes
Analyzing retirement incentives	To support adoption of early retirement programs including succession planning
Analyzing changes in service delivery	To anticipate long-term results on program reduction or expansion
Approving capital replacement and infrastructure maintenance	To support analysis of financing options for ongoing capital replacement and maintenance, including one-time purchases and lease-purchase financing
Analyzing alternative methods of providing services	To support service delivery options of privatization and managed competition
Adopting capital improvement program	To show how capital improvement plans will affect the operating budget

Reporting

What's most valuable?
Budgetary Level: Years 1-3 vs.
Full 5-year forecast
Other discussion and analysis
on a reporting period basis –
Month – Quarter – Year-to-date
Discuss cause and forward-
looking impact

    Determine who needs
to see the analysis and
in what detail
    Re-evaluate reports –
Are the recipients using
it? – If not, why not?

|	Prior YTD	Current YTD	Add: Anticipated Revenues / Expenses	Annual Forecast	Annual Budget	Variance Favorable / (Unfavorable)
REVENUES						
Local	$7,660,459	$7,704,133	$26,459	$7,730,592	$8,233,381	($502,789)
State	$4,651,814	$5,451,209	$5,228,480	$10,679,689	$8,690,882	$1,988,807
Federal	$32,596	$10,535	$3,754	$14,289	$14,296	($7)
Tuition and Fees	$13,713,984	$13,495,603	$129,460	$13,625,063	$13,531,143	$93,920
Sales and Service Fees	$679,853	$785,331	$149,667	$934,998	$731,624	$203,374
Faculties Revenue	$0	$0	$0	$0	$0	$0
Investments	$10,751	$18,722	$54,409	$73,130	$146,000	($72,870)
Other	$188,770	$196,371	$8,773	$205,143	$46,000	$159,143
TOTAL REVENUE	**$26,938,227**	**$27,661,903**	**$5,601,001**	**$33,262,904**	**$31,393,326**	**$1,869,578**
EXPENDITURES						
Instruction	$11,400,305	$11,205,586	$3,513,072	$14,718,658	$16,522,017	$1,803,359
Academic Support	$552,125	$523,616	$143,117	$666,733	$681,556	$14,823
Student Services	$1,586,941	$1,446,225	$506,400	$1,952,626	$2,143,258	$190,632
Public Service/Continuing Education	$548,415	$584,675	$202,169	$786,844	$722,665	($64,179)
Organized Research	$0	$0	$0	$0	$0	$0
Auxiliary Services	$0	$0	$0	$0	$0	$0
Operation and Maintenance of Plant	$0	$0	$0	$0	$0	$0
Institutional Support	$4,205,682	$4,782,442	$2,692,261	$7,474,703	$8,889,491	$1,414,788
Scholarships, Student Grants, and Waivers	$1,814,156	$720,304	$101,865	$822,170	$1,170,066	$347,897
TOTAL EXPENDITURES	**$20,107,625**	**$19,262,849**	**$7,158,884**	**$26,421,733**	**$30,129,052**	**$3,707,320**
TRANSFERS	**$0**	**$0**	**($1,568,539)**	**($1,568,539)**	**($1,425,057)**	**($143,483)**
SURPLUS / (DEFICIT)	**$6,830,601**	**$8,399,054**	**$10,656**	**$5,272,631**	**($160,783)**	**$5,720,381**
ENDING FUND BALANCE	**$19,812,341**	**$23,028,299**		**$20,507,502**	**$15,074,087**	**$5,433,415**

Revenues by Source | Forecast vs. Budget
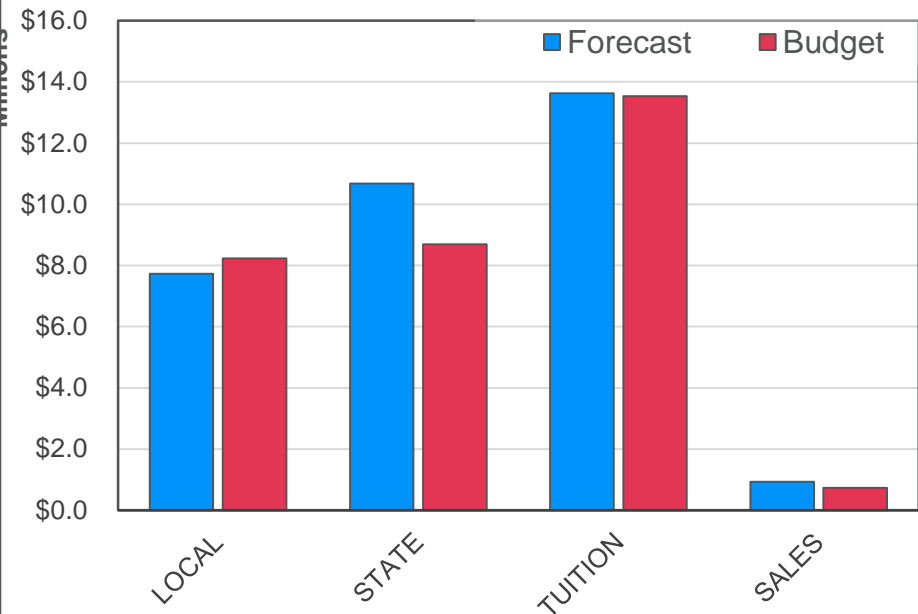
Expenditures by Object | Forecast vs. Budget
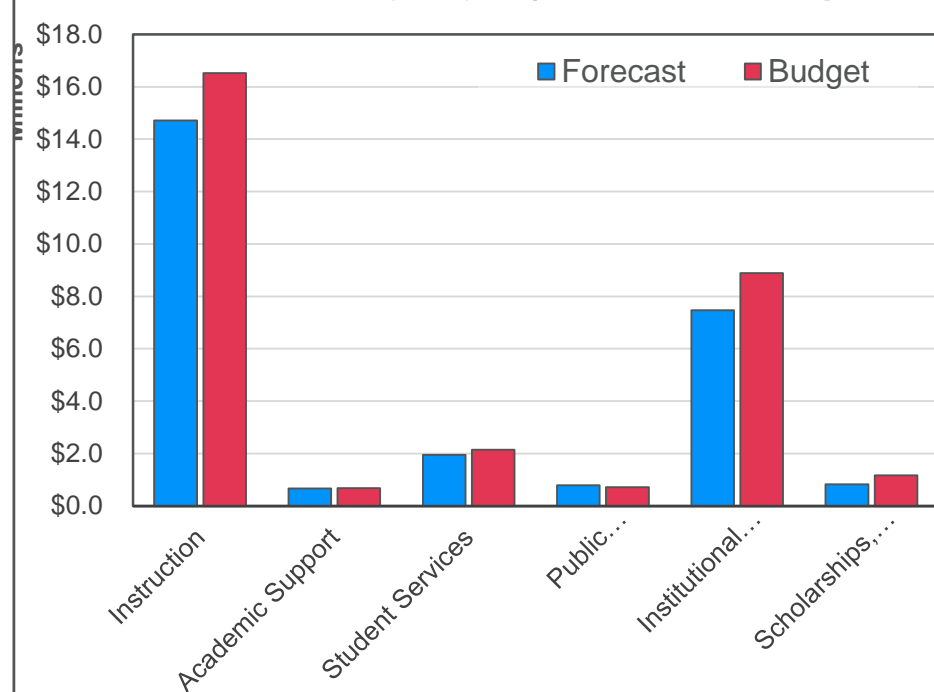
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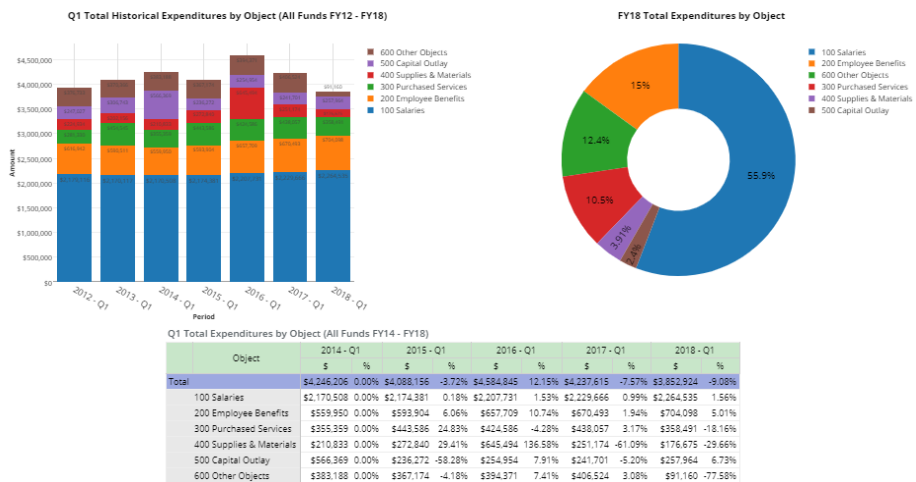
Some have trouble "reading" and interpreting financial reports/presentations – Be clear – Don't assume – Be brief – Use graphs and charts

Make sure it's understandable – Acronyms – Abbreviations

In what format is the data most useful – Varies by user group

Be consistent in formatting – Placement of comparative info.

THANK YOU FOR YOUR TIME

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