



“From the General Ledger to the Financial Projection”

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Financial Projection Perspectives

“The ability to think strategically may be one of the most important legacies of a public official”.

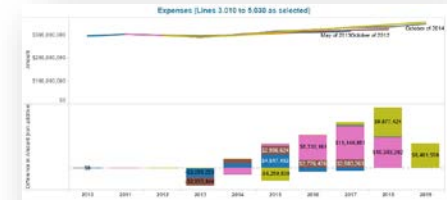
-John Luthy, “Strategic Planning: A guide for Public Managers”



A multi-year financial forecast is more than just a spreadsheet – it is a strategic process and operational tool.

Financial Projection Perspectives

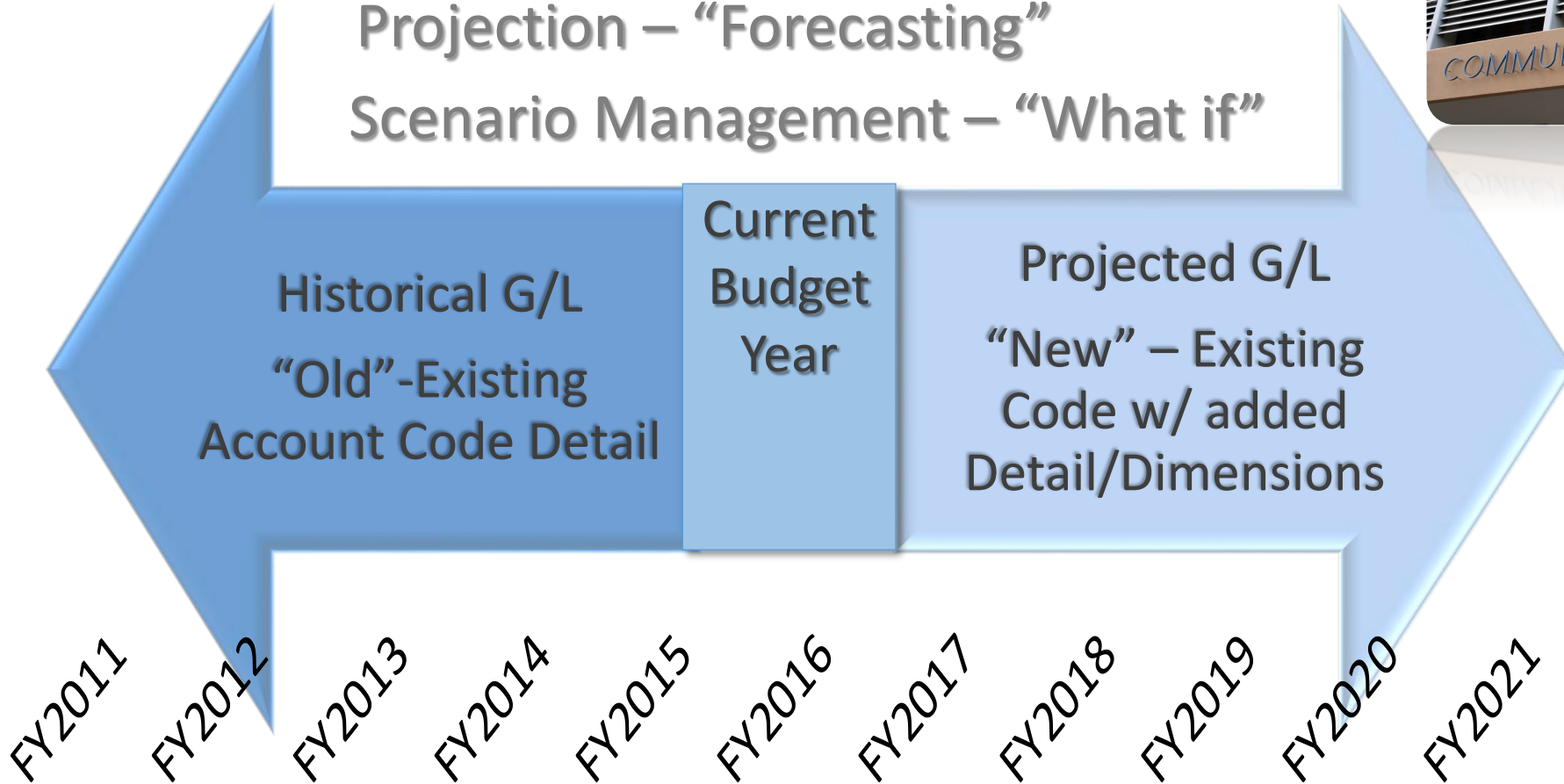
- **Attest** – to the long term financial benefits and strategic planning value that projections provide;
- **Confirm** – that the process of executing a financial projection, along with the data generated, provide increased financial vision and improve administrative decision making and board level governance;
- **Witness** – improved relationships between local governments and communities through increased transparency and accountability that financial projections provide;
- **Confident** – about the decision making value points of organizing information and strategic thoughts into a multi-year operating plan that aligns resources and priorities.



“Create strategies to provide deeper analysis”



Analysis – “Data mining”
Projection – “Forecasting”
Scenario Management – “What if”



FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021

Breaking Down a Multi-Year Projection



FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021

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



What about the issue of unpredictable revenues?



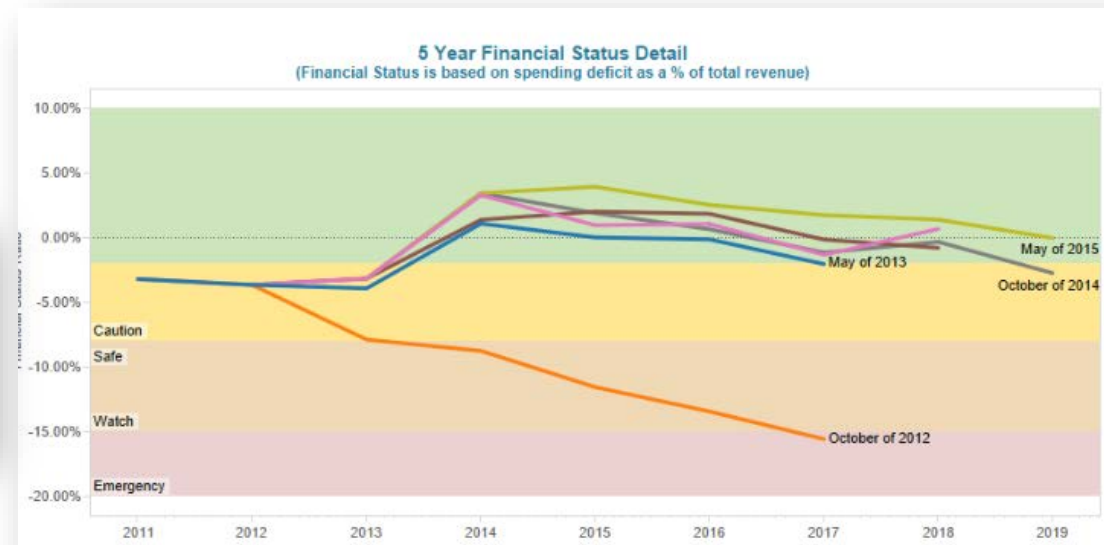
Strategic Forecasting for Advocacy

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<i>Budgetary Level Accuracy (Current Year, Years 1 & 2)</i>				<i>Early Warning (Year 3)</i>	<i>Directional (Years 4 & 5)</i>	
<i>Best – Educated Estimates for Key Revenue Streams</i>						
<i>Decision Band Approach – Establish Ranges for “What if” scenarios</i>						
<i>Organizational Vision Statement/Position – “Where we want to go”</i>						
<i>Financial Gap Analysis – “We need \$___ to support the visionary level of programming and services; Communication Tool for Stakeholders; potential infrastructure/staffing requirements</i>						

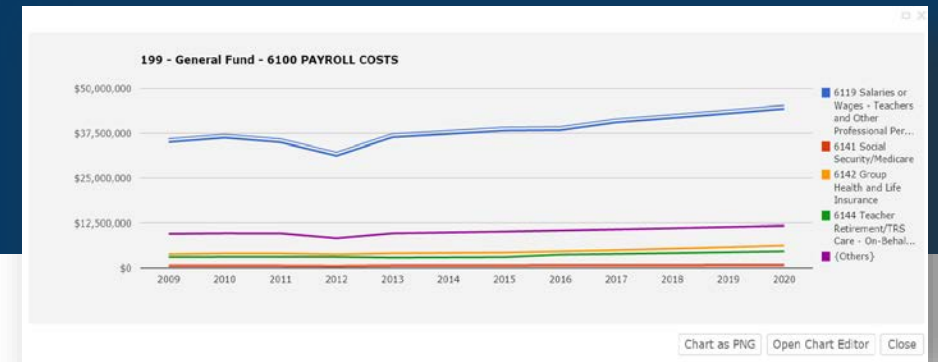


Financial Projection Impact Considerations

- Economic trends at national, state, and local levels;
- Future impact of significant legislative changes to funding formulas, or other mandates;
- Long term impact of salary/benefit agreements, or other employment contracts;
- Short and long term capital plans/needs



Situational Observations



- Simply extending a “current” policy may not be accurate if economic fundamentals do not allow current policy to be executed.
- “Past performance is not indicative of future results”
- Historical performance can provide insight to the overall management of a community college;
- Direction of the trend can be telling in terms of viability of the future projection or plans;
- However, it is the accuracy of the forward looking assumptions that are most relevant to a college’s sustainability.

Using Financial Projection Modeling



Budget Decisions	Role of Financial Projection
Accomplishing organizational goals	To demonstrate affordability of funding strategies to accomplish long-term goals
Tax rate 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 programs	To show how capital improvement plans will affect the operating budget

Financial Projections – Communications Tool

Bond Rating agencies use four broad categories in assigning a bond rating to tax-supported bonds:

1. The economic base of the community
2. The financial condition of the local government
3. Debt factors on existing and proposed debt
4. Governance and **financial planning** of the organization

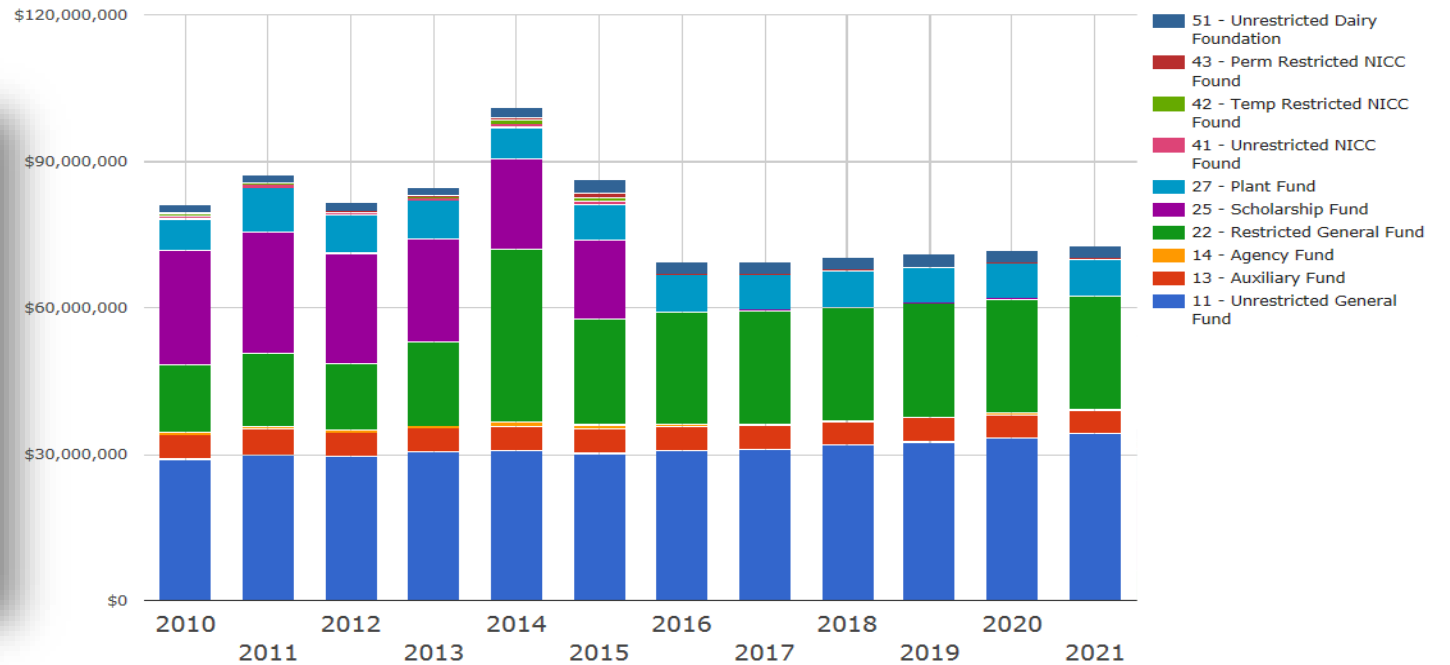
○ Rating agencies evaluate the financial practices of a local government in the following areas:

- Revenue/Expenditure assumptions
- Enrollment trends
- Budget amendments and updates
- Long-term financial planning/capital planning
- Investment management policies
- Debt management policies
- Reserve (Fund balance) policy



Financial Projections – Communications Tool

How do you effectively communicate the impact of resources and restrictions on your strategic plan?





Financial Projections – Communications Tool

Projection Assumptions

- Should be guided by principles-based approach.
 - Consistent with each other
 - Disclosure is a key element for the reader in order to ascertain the overall strength of the entity and viability of any future plans.
 - Best managed entities understand and calculate the impact of potential variances in key assumptions.
- Top-down or bottom-up assumptions. Incorporate assumptions at any level of accounting detail.
- Gain insight by utilizing historical data for forward looking assumptions
- Propagate assumptions with line item control

Scenario: Board Work session May, 2016 6 tuition 6 fees Dave ... Assumptions Results Reports Export As CSV View Notes View Assumptions Save Save As

Revenues				2016	2017		2018		2019	
	Fund	Category	Function Description	Current	%	Projected	%	Projected	%	Projected
Revenues				\$68,972,126	0.73%	\$69,384,945	0.49%	\$69,761,731	0.30%	\$70,007,...
	11 - Unrestricted General Fund			\$30,389,853	2.21%	\$31,040,703	1.16%	\$31,399,512	0.70%	\$31,618,...
		404 - Transcript Fees		\$175	0.00%	\$175	0.00%	\$175	0.00%	\$...
		406 - Other Fees		\$581,130	0.00%	\$1,061,130	0.00%	\$1,061,130	0.00%	\$1,061,...
		410 - Contract Institutional Charges		\$1,489,239	0.00%	\$1,489,239	0.00%	\$1,489,239	0.00%	\$1,489,...
		411 - Resident Tuition		\$10,589,314	3.81%	\$10,993,049	0.76%	\$11,076,796	0.00%	\$11,076,...
		00 - Control		\$10	0.00%	\$10	0.00%	\$10	0.00%	\$...
		11 - Arts and Sciences		\$3,467,197	3.90%	\$3,602,417	0.00%	\$3,602,417	0.00%	\$3,602,...
		12 - Vocational-Technical Education		\$4,810,253	3.90%	\$4,997,852	0.00%	\$4,997,852	0.00%	\$4,997,...
		13 - Continuing Education		\$2,311,855	3.50%	\$2,392,770	3.50%	\$2,476,517	0.00%	\$2,476,...
		412 - Non-Resident Tuition		\$1,446,768	3.90%	\$1,503,192	4.00%	\$1,563,320	0.00%	\$1,563,...



Financial Projections – Communications Tool

Data visualization and reporting

Charting to visualize assumptions

Charting results/analysis and send graphics to report builder

Tabular results with ad-hoc table builder and export to Excel

Scenario: Board August, 2016 6 tuition 6 fees 3% sal each yr

Assumptions Results Report

Revenues

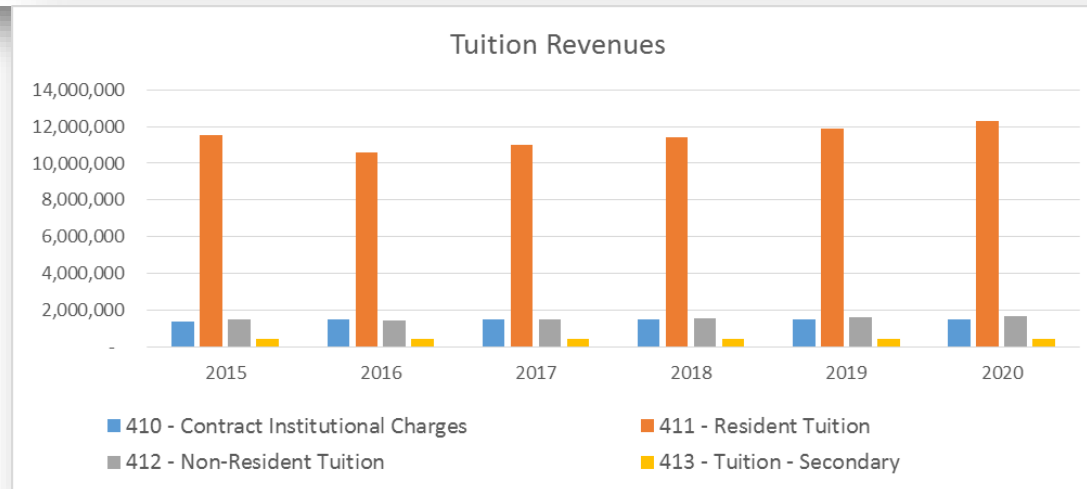
Open Run Auto Save Save As Erase Swap Filters Totals Compare CSV Add to Report Options

Columns ▶ Period ▼

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Filters ▶

Category	2015	2016	2017	2018	2019	2020
410 - Cont...	\$1,351,905	\$1,489,239	\$1,489,239	\$1,489,239	\$1,489,239	\$1,489,239
411 - Resi...	\$11,517,866	\$10,589,314	\$10,993,049	\$11,420,807	\$11,865,256	\$12,327,050
412 - Non-...	\$1,481,868	\$1,446,768	\$1,503,192	\$1,563,320	\$1,625,852	\$1,690,887
413 - Tuiti...	\$418,737	\$434,380	\$434,380	\$434,380	\$434,380	\$434,380





Financial Projections – Communications Tool

Fund 11 (Unrestricted General Fund)

Fund Balances Unrestricted

Description	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
	YTD Actual	YTD Current	YTD Projected	YTD Projected	YTD Projected	YTD Projected	YTD Projected
Fund Balance-Beginning	6,524,939	4,780,361	3,378,693	3,497,390	4,300,578	6,542,560	8,802,964
Revenue							
Student's Fees	480,732	581,305	1,061,305	1,061,305	1,061,305	1,061,305	1,061,305
Tuition							
Credit	10,583,491	9,724,227	10,103,472	10,507,610	10,927,914	11,365,030	11,819,631
Non Credit	2,416,593	2,312,240	2,393,155	2,476,902	2,563,580	2,653,292	2,746,144
High School	1,770,292	1,923,233	1,923,233	1,923,233	1,923,233	1,923,233	1,923,233
Local Support	2,020,034	2,063,089	2,124,982	2,188,731	2,254,393	2,322,025	2,391,686
State Support	10,004,236	10,039,632	10,188,430	10,339,615	10,493,068	10,648,822	10,806,913
Federal Support	8,825	35,359	35,359	35,359	35,359	35,359	35,359
Sales and Services	65,919	62,933	62,933	62,933	62,933	62,933	62,933
Other Income	2,868,713	3,773,834	3,273,834	3,273,834	3,273,834	3,273,834	3,273,834
Revenue Totals	30,218,837	30,515,853	31,166,703	31,869,523	32,595,620	33,345,834	34,121,038
Expenditures							
Salaries	20,244,974	20,656,549	20,656,549	20,656,549	20,656,549	21,146,784	21,146,784
Benefits	5,880,482	5,850,550	5,038,758	5,057,087	4,344,390	4,554,525	4,554,525
Services	4,401,423	3,857,523	3,999,800	3,999,800	3,999,800	4,031,222	4,031,222
Materials, Supplies and Travel	1,078,190	1,361,354	1,161,354	1,161,354	1,161,354	1,161,354	1,161,354
Other Current Expenses	341,232	185,645	185,645	185,645	185,645	185,645	185,645
Capital Outlay	17,113	5,900	5,900	5,900	5,900	5,900	5,900
Expenditures Total	31,963,415	31,917,521	31,048,006	31,066,335	30,353,638	31,085,431	31,085,431
FY Year Change	(\$1,744,578)	(\$1,401,668)	\$118,697	\$803,188	\$2,241,982	\$2,260,404	\$3,035,608
Fund Balance-Ending	\$4,780,361	\$3,378,693	\$3,497,390	\$4,300,578	\$6,542,560	\$8,802,964	\$11,838,572

