



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: June 7, 2011
To: Honorable Mayor & City Council
From: Troy Bell, National Urban Management Fellow
Subject: Long Range Financial Forecast Tool and Model
Attachments: 1. Power Point Presentation on Financial Forecast Tool and Model

INTRODUCTION

The 5 year financial forecast tool and model were developed to provide a management instrument that would offer assistance in making policy decisions. The tool captures and displays aspects of the financial condition of the city and is intended to enable policy makers to have some insight into the short-term and long-term impacts potentially created by financial decisions based on specific assumptions.

DISCUSSION

In 2010 the City of Beverly Hills entered into an agreement with National Urban Fellows, Inc. (NUF) for a class of 2011 Management Fellow. Troy Bell was selected as the City's Fellow and he will complete his nine-month internship with the City on June 7th. During his tenure with the City, Troy worked on several significant projects including the development of this Long Range Financial Forecast Tool and Model.

In addition to the inclusion of the current year budget package, the tool was developed to accept an upload of 4 or more years of actual historical data on the city's revenues and expenditures. Based on assumptions regarding future year growth rates and events, the tool is designed to calculate and display projections of the growth or decline of revenues, expenditures, and the resulting fund balances from year to year. Each of the underlying assumptions used by the tool to make the projections is developed by staff based on best available data and is intended to be articulated in an addendum to the model. The model allows policy makers to run multiple scenarios that vary the assumptions one at a time or in any number of combinations. This feature gives relevant decision makers the opportunity to gauge the potential fiscal impacts of decisions based on a range of various conservative or optimistic conditions.

Meeting Date: June 7, 2011

Next Steps: Upon execution of the contract for PFM services to provide the spreadsheet tool, the tool will be used to establish a benchmark of multi-year projections based on growth assumptions. In order to further refine the accuracy of the model, the city's salary and benefit information will be disaggregated and subsequently integrated into the model. Staff will then work to articulate the underlying assumptions with a description of the basis for each of these assumptions. Scenarios can then be generated based on variations in these assumptions, and the addition of future events to the scenarios, e.g. the start of a large development project, the completion of a new hotel, etc. As the model evolves, the foundation for the assumptions can be further enhanced and refined by the utilization of trend analysis on various factors to better identify potential predictors or indicators of prospective financial impacts.

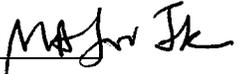
FISCAL IMPACT

\$15K "not to exceed" services contract from funds allocated in FY 2010/2011 under the Administrative Services budget. The services are available to assist in the further refinement and development of the tool and model.

RECOMMENDATION

Staff recommends the City Council receive and file this report.

Jeff Kolin, City Manager
Approved By



Attachment 1



Developing a Financial Forecast Tool

Troy Bell, Special Assistant - City Manager's Office

National Urban Management Fellow

May 18, 2011



Overview

1. Purpose
2. Value Add
3. Development Process
4. Tool Features
5. Next Steps



Purpose

- Financial Forecast Tool
- Capture Articulate and Display
- Financial Condition of the City and
- The factors affecting that condition
- Up to 5 years into the future
- Based on Specific Assumptions and Potential Events
- Evaluate Condition based on variations in Assumptions and Potential Events



Value

- Provides a Declarative Management Tool
- To *help* make more informed Policy Decisions
- Based on a better overall understanding of the potential mid-term impacts associated with such decisions assuming some future conditions
- And to be able to adjust decisions as future conditions are realized



Development Process

- Create Spreadsheet and Display Tool
- Populate with Actuals and Current Year Proposed Budget
- Define Assumptions and Future Events
- Provide Supporting Evidence for Assumptions and Explanation of Future Events*
- Make Projections based on... AKFE
- Run Scenarios as needed that vary Budget Aspects, Assumptions, Future Events



The Features

- Spreadsheet Selection:
 - GFAO, Cognos, PFM, Other Cities
- Baseline Budget Data Drop (A294)
 - Easy to maintain
- Assumptions – Growth Rates and Events/Initiatives
 1. Growth rate assumptions
 2. Initiative manager, Initiative Data, Initiative Descriptions
 3. Wage increase table
 4. Dashboard and Scenario



Next Steps

- Complete PFM Agreement - Spreadsheet & Services
- Complete Narration Support for Each Assumption
- Salary/Benefit Data Disaggregation and Input –
PERS, OPEB, Benefits, Wages by MOU
- ID & Define Projected Impact of Anticipated
Future Events
- Perform Review of Factors Exercise
 - Basic Trend Analysis on Historical Actuals
 - Internal/External Factors - Brain Storming and
Trend Analysis