



CITY OF MENIFEE

SUBJECT: Multi-Year Budget Planning and Forecast Model

MEETING DATE: April 5, 2023

TO: Mayor and City Council

PREPARED BY: Rochelle Clayton, Assistant City Manager

REVIEWED BY: Rochelle Clayton, Assistant City Manager

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

Receive and file summary report on City's Multi-Year Budget Planning and the 10-Year Financial Forecast Model.

DISCUSSION

As part of the City's efforts to enhance and expand overall financial management operations, the City has concentrated efforts into incorporating multi-year financial planning. Multi-year planning provides the City Council, City staff, and public with greater certainty on planned staffing, programs and services, and the necessary revenues needed to accommodate these.

In December 2020, staff prepared a 5-year plan for the police department which incorporated a staffing plan over five years in order to project the 5-Year Police Financial Model, which served as an effective planning tool in the first years of municipal police operations. To expand on long-term financial planning, in the fall of 2022 the City engaged Urban Futures to prepare a base 10-Year Financial Model, which can be tailored and actively managed by staff in the regular financial management activities of the City.

In development of the City's 10-Year Financial Model, working with Urban Futures, the model incorporated known and anticipated factors that may have a significant impact on future revenues and expenditures. The overall foundation of the model incorporates historical city revenues and expenditures as well as general and relevant economic trends and outlooks, and applicable econometrics/data.

The 10-Year Financial Model serves as a planning tool, which further enables the City to plan a 2-Year Budget. There are many advantages to adopting a 2-year budget, including long-term project planning which can better align with Council's Strategic Goals set in the 2023-2028 Strategic Plan recently adopted. It can also allow for better internal project development and staff

scheduling, such as with the upcoming financial accounting system conversion, where the heaviest workload on Finance staff will occur during the (typical) budget season of 2024. With the adoption of a 2-Year Budget covering fiscal years 2023-24 and 2024-25, the only budget action that may be needed during this timeframe next year will be a mid-cycle budget adjustment, which is a fraction of the workload compared to a full budget preparation.

As with an annual budget, where staff analyzes the actual performance compared to the adopted budget during a given year in order to request approval of a mid-year adjustment, the same process will occur during each fiscal year of a 2-year budget. Likewise, as the end of the first fiscal year approaches and needs of the City may change along the way, a mid-cycle adjustment could be requested.

A 2-year budget process is typically as follows:

- 2-Year Budget Adoption for FY2023-24 & FY2024-25 in May 2023 (*4 months of labor-intensive budget planning*)
- FY 2023-24 Mid-**Year** Adjustment in February 2024 (*6 weeks of analysis and planning*)
- FY 2024-25 Mid-**Cycle** Adjustment in May 2024 (*6 weeks of analysis and planning*)
- FY 2024-25 Mid-**Year** Adjustment in February 2025 (*6 weeks of analysis and planning*)

A 2-year budget is a planning tool which allows for long-term financial and project planning. Going forward staff will continue to proactively use the 10-Year Financial Model in development of budgets and long-term financial planning.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

ATTACHMENTS

None.