

### **1. Revenue Forecasting**

We use a moving average forecast methodology for most revenue sources. I would highlight that a well thought out revenue manual that details org/object codes, source descriptions, authorizing statutes, forecast methodology, current year rates/collections, and miscellaneous notes will help establish a foundation for how your organization forecasts, tracks, and reports your revenues. More specifically, our forecast is an exponential moving average forecast which smooths the prior year's data for outliers and generates a trend line with standard error. For example, exhibits A, B, and C, include our smoothed data followed by an average expected increase with high and low standard error. We use this information in total and in the aggregate for revenue sources that make sense. For example, sales taxes and property taxes are reasonable applicable to this methodology. However, a revenue source like a PILOT program or parking permit fees, remain relatively static from year to year. We take this forecast and use it when communicating with our stakeholders to provide a reasonable guess of future revenues. Additionally, we use this information to compare with our forecasted expenditures and provide visualizations of what a financially sustainable future may look like. This forecast is the most critical tool in our budget process, as it is used to set the stage for what other variables may be in play each budget year (see Excel file and Exhibit C). The big takeaway is to know what works best for your organization and to create a framework like a revenue manual to help guide your organization through this process.

### **2. Position Control**

We utilize a combination of our Munis software, org. charts in Excel/budget request packets, and an Excel database for producing the salary budget. This information is given to HR every year and assists in their updating of the Munis software system. The departmental requests are done in their request packets and overlaps with budget kickoff and evaluating requests. We are highly reliant on HR using our backup information when they manage the position control system.

### **3. Budget Kick-Off**

Our budget office starts the budget process through a presentation and training with our management team. This provides the opportunity for departments to ask questions and re-familiarize themselves with work done in prior years. We provide information on personnel requests, updates on values, goals, and objectives, fee schedules, CIP requests, and basic operating requests. It is important to also update your team on current projects, programs, and initiatives, and refocus the team on the City's vision statement, mission statement, and priority areas. We try to keep the high-level priorities and mission current in all aspects of our requests.

### **4. Evaluating Requests**

Evaluating requests is one of the more challenging and demanding (time and energy) processes of budget development. We spend multiple months working through each request, from personnel to fee schedule revisions, capital projects, and base level travel or professional services. We meet with each department, usually twice (one operating, one capital), to figure out as much as we can regarding each

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Brian Pahle, Assistant City Manager

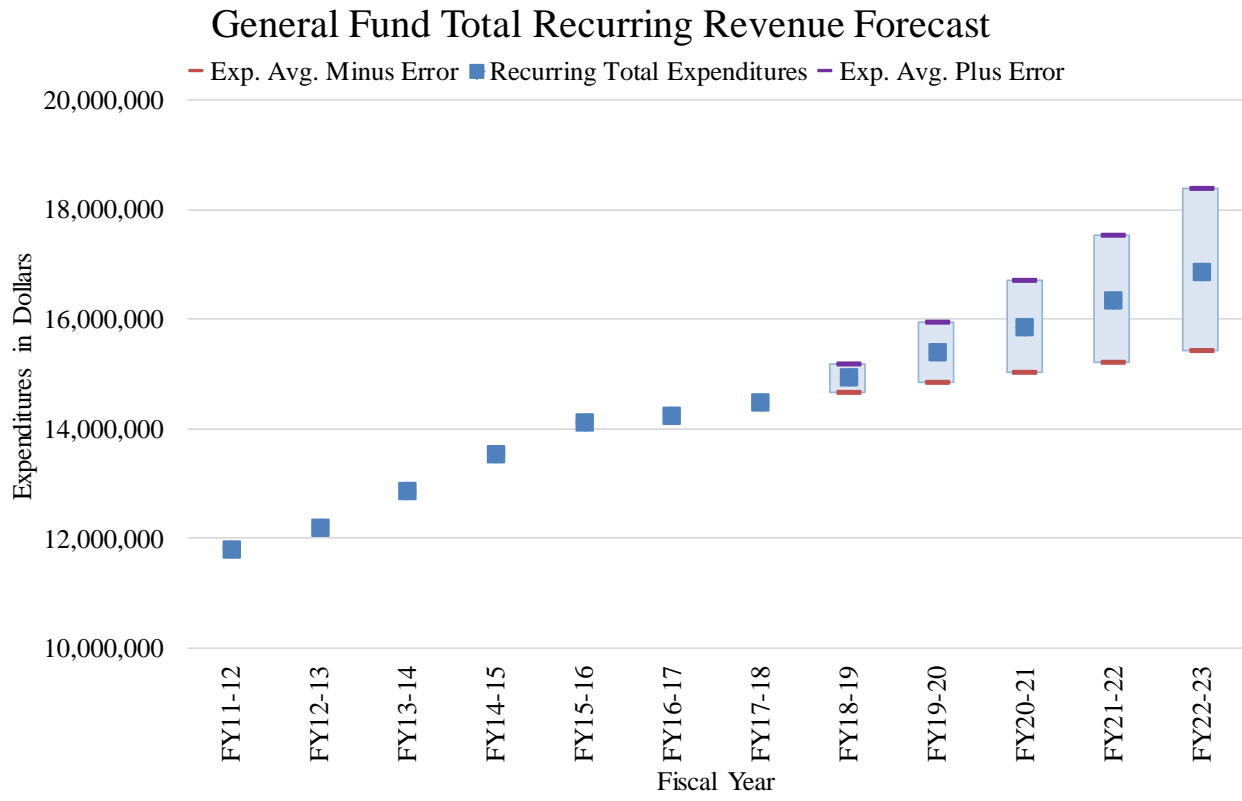
request. Much like budget kick-off we try to focus on our City-wide priorities, mission and vision. Many times we will discuss priorities with departments then allow them to go back and revise their request to a certain percentage of their original request. We try to allow departments flexibility in their operating requests but get more involved in the CIP process, personnel, and fee schedule. For us, it comes down to prioritization, the extent of a program or product impact, and how directly it relates to our City-wide priorities. Ultimately, we package critical discussion points in memos to the City Council and provide them bite-size pieces of the budget as a whole for them to consider prior to our formal workshop in May. This gives Council time to also evaluate and ask questions regarding critical decision points in the upcoming budget.

## **5. Sharing the Budget**

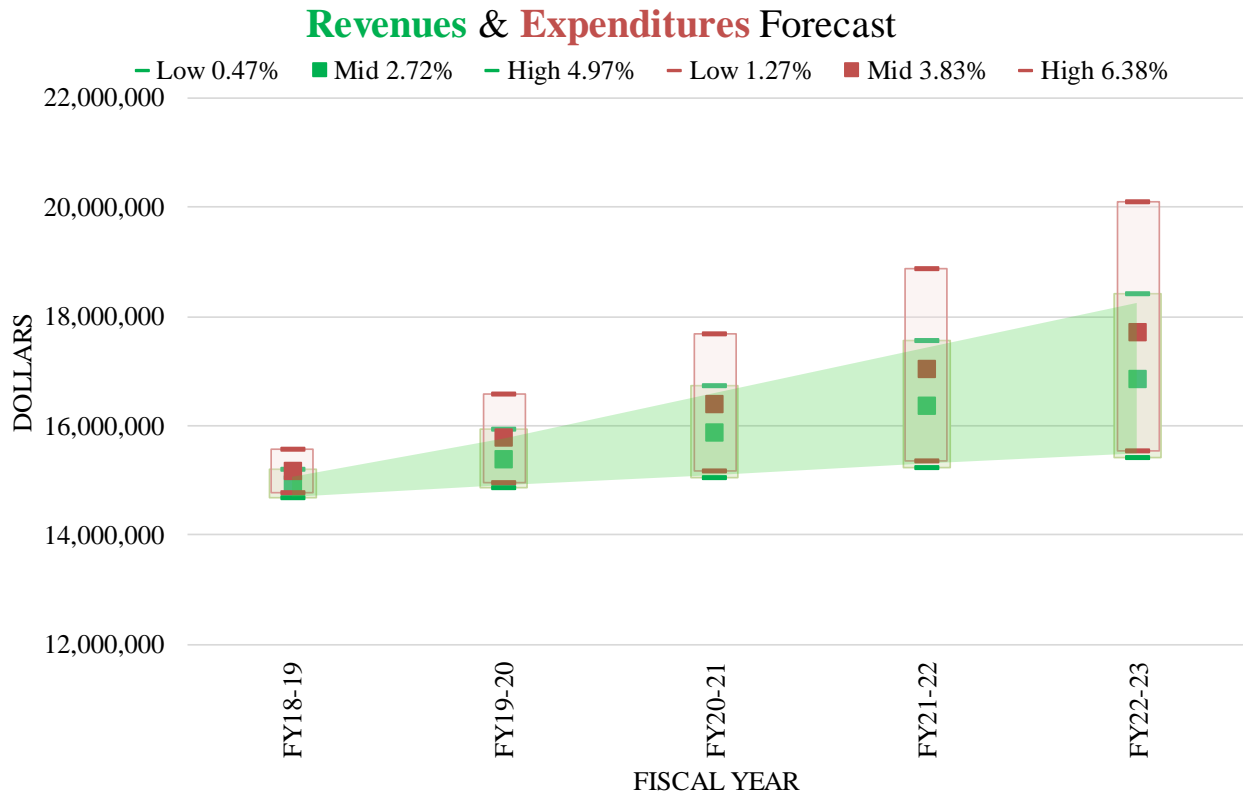
Sharing the budget is arguably the most important function of what we do in the development of our annual budget. We do our best to receive citizen input and involvement from the beginning of the process through adoption. In a nutshell, we provide public input sessions in the fall of the year to set the stage for what is at the forefront of our stakeholder's minds. We normally try to prime the pump with a few hot topics and then open the floor for general Q&A. We do this with each council member, so for us we have five (5) meetings at various locations around the City. We have a Council/Staff retreat in February, which sets the tone for the rest of the budget formulation process. This is normally covered extensively by local media and promoted by our communications officer. During the evaluation process, we write memos to City Council, which also in turn get summarized and highlighted through various media outlets. This sets the stage for our stakeholders to know what issues are coming to the Council level in May. Finally, we have our budget workshop in May followed by our official public hearing and budget adoption in June. Additionally, we use a dashboard (summarized information found on pages 76-99 of FY18-19 budget document) that frames our most important financial indicators, what projects are included in the upcoming budget, and how they are going to be funded. This information is available to the public and highlighted at each Council event.

Overall, I think it is important that everyone know that each organization is unique. You all will have your own distinct practices and programs for how you formulate, execute, and adopt your budgets. Our ability to frame this process to meet our own organization's needs is what makes our profession so great. Take examples with you today and make sure to remember what you do for your local government is important and valuable.

**Exhibit A – General Fund Total Revenue Forecast (Exponential Moving Average)**



**Exhibit B – Total Revenues Overlaid Total Expenditures**



\*Shaded area = potential for financial sustainability\*

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**Exhibit C – Forecast Summary Table with Potential Variables/Impacts**

	<b>ESTIMATE FY18-19</b>	<b>FORECAST FY19-20</b>	<b>FORECAST FY20-21</b>	<b>FORECAST FY21-22</b>	<b>FORECAST FY22-23</b>	<b>FORECAST FY23-24</b>
<b><u>Operating Budget</u></b>						
Revenues	14,530,906	14,978,483	15,439,845	15,915,419	16,405,641	16,910,962
Recurring Expenditures	14,384,098	14,862,698	15,357,223	15,868,201	16,396,182	16,941,730
<b>Non-Recurring Capacity</b>	<b>\$ 146,808</b>	<b>\$ 115,784</b>	<b>\$ 82,623</b>	<b>\$ 47,217</b>	<b>\$ 9,459</b>	<b>\$ (30,767)</b>
Revenue Variable(s)	1,089,589	1,402,808	0	0	0	194,834
Expenditure Variable(s)	279,013	1,044,318	0	289,062	0	0
Adj. Revenues	15,620,495	16,889,441	17,409,664	17,945,911	18,498,676	19,263,301
Adj. Recurring Expenditures	14,663,111	16,195,312	16,734,177	17,580,033	18,164,971	18,769,371
Adj. Non-Recurring Capacity	957,384	694,128	675,487	365,879	333,705	493,929
Pay-Go CIP	826,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Surplus/(Deficit)</b>	<b>\$ 131,384</b>	<b>\$ (305,872)</b>	<b>\$ (324,513)</b>	<b>\$ (634,121)</b>	<b>\$ (666,295)</b>	<b>\$ (506,071)</b>
<b><u>Ad Valorem Tax</u></b>						
One Cent on Tax Rate	162,294	191,507	193,915	196,353	198,821	203,792
Current Tax Rate	0.4900	0.4900	0.4900	0.4900	0.4900	0.4900
Tax Rate Equivalent	(0.0081)	0.0160	0.0167	0.0323	0.0335	0.0248
<b>Adj. Tax Rate (cents)</b>	<b>\$ 0.4819</b>	<b>\$ 0.5060</b>	<b>\$ 0.5067</b>	<b>\$ 0.5223</b>	<b>\$ 0.5235</b>	<b>\$ 0.5148</b>
<b><u>Debt Service Coverage</u></b>						
Financing Obligation	5.16%	10.09%	10.18%	10.35%	9.77%	9.26%
<b><u>Fund Balance</u></b>						
Total Fund Balance	6,944,418	7,075,802	6,769,930	6,445,418	5,811,296	5,145,002
Available Fund Balance	5,275,802	4,969,930	4,645,418	4,011,296	3,345,002	2,838,931
<b>% Available</b>	<b>34.35%</b>	<b>28.40%</b>	<b>25.72%</b>	<b>20.88%</b>	<b>16.87%</b>	<b>14.00%</b>