

2022 Municipal Finance Institute

Wednesday, December 7



LEAGUE OF  
CALIFORNIA  
CITIES

Strengthening California Cities  
through Advocacy and Education

# Creative Budget Management Strategies

**Presenter:**

Lauren Lai, CPA, MPA,  
Finance Director, City of Milpitas



Submit questions via email during  
the session to our panelists at

[QuestionsCalCities@gmail.com](mailto:QuestionsCalCities@gmail.com)



# Lauren Lai, MPA, CPA Biography

- 25 years of professional experience
- Finance Director of City of Milpitas, Monterey, Marina, Capitola
- Two decades of award-winning budget & ACFRs
- Forward thinking, innovative, strategic in finances & public engagement

Education

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# Creative strategies to manage a complex, multi-faceted City budget.

Tips and tricks in key areas

# Fundamentals - Roles & Calendars

- **Create transparency and defining engagement**
- **Set the roles** – “budget liaisons”, department leads, with a focus on collaboration, expertise
- **Set calendar for budget development** – with flexibility, consideration of other organization calendar demands and includes public engagement
- **Set calendar for public engagement** – i.e. polling, online surveys, etc
- **Schedule meetings for review** – with departments, city manager and council briefings, oversight committees.
- **Collaborate to develop the calendars and publish**



# Use Effective Budget Development Tools.

More than just spreadsheets and Outlook calendars

# Project Management Tools – collaboration!

- **OneNote** – agenda and discussion details
- **Smartsheet** – collaboration project management tool, assigns, workflow, calendars and dashboards,
- **OneDrive (SharePoint)** – collaborative file sharing
- **Tableau** – dynamic, financial reporting
- **Mach Forms** – budget request submittals by departments
- **OpenGov** – budget development
- **wDesk** – publication tool
- **Adobe cloud** – PDF review and collaboration



# Project Management - Smartsheet



smartsheet

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File Automation Forms

FY2023-24 Budget ☆

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|    | Risk | Task  | Description   | City Staff  | New Assignments | Assigned To | Start Date | Finish Date |
|----|------|---|---|-------------|-----------------|-------------|------------|-------------|
| 29 | Flag | CMO Meeting to discuss funding requests                     | Department Head meeting with CMO to discuss funding requests                          | Michael     |                 |             | 12/05/22   | 12/09/22    |
| 30 | Flag | City Manager Office Following Up Meeting, If necessary.     | Follow up meeting may be requested after review of preliminary funding requests.      | Michael     |                 |             | 12/11/22   | 12/22/22    |
| 31 | Flag | Briefing with the City Manager                              | Briefing with the City Manager regarding preliminary 10 year forecast and base budget | Budget Team |                 |             | 12/17/22   | 12/17/22    |
| 32 | Flag | Depts to Submit Mid-Year Budget Adjustments                 | Submit Phase II Mid-Year Budget Adjustments, announce via info memo from CMO          | Victoria    | Christine       |             | 12/04/22   | 12/18/22    |
| 33 | Flag | Base Budget Reconciliation Worksheet                        | Reconcile base budget, compare and contrast with PY base budget                       | Budget Team | Christine       |             | 12/04/22   | 12/18/22    |
| 34 | Flag | Telephone and Online Community Polling by FM3               | Telephone and Online Community Polling by FM3   | Charmaine   |                 |             | 01/02/23   | 01/31/23    |
| 35 | Flag | Community Polling Survey FM3 - update the website as an FYI | Community Polling Survey FM3 - update the website as an FYI                           | Charmaine   |                 |             | 11/28/22   |             |
| 36 | Flag | Conduct Community Polling Survey FM3                        | Conduct Community Polling Survey FM3  | Charmaine   |                 |             | 12/05/22   | 12/19/22    |
| 37 | Flag | Press Release for Community Polling Survey                  | Press Release on Community Policy Results/Next Steps                                  | Charmaine   |                 |             | 01/18/23   |             |
| 38 | Flag | Community Survey FM3 briefing to ELT                        | Community Survey FM3 briefing to ELT  | Charmaine   |                 |             | 01/10/23   | 01/10/23    |
| 39 | Flag | Community Survey FM3 briefing to City Council               | Community Survey FM3 briefing to City Council   | Charmaine   |                 |             | 01/17/23   | 01/17/23    |
| 40 | Flag | Open Townhall Survey - PIO to decide with CMO               | Open Townhall Survey - PIO to decide with CMO   | Charmaine   |                 |             | 11/14/22   |             |
| 41 | Flag | Update workforce plan                                       | Update workforce plan with payroll snapshot   | Victoria    | Christine       |             | 01/02/23   | 01/05/23    |
| 42 | Flag | Dept Budget Proposal Submission in OpenGov                  | Dept Budget Proposal Submission in OpenGov  | Budget Team |                 |             | 01/05/23   | 01/11/23    |



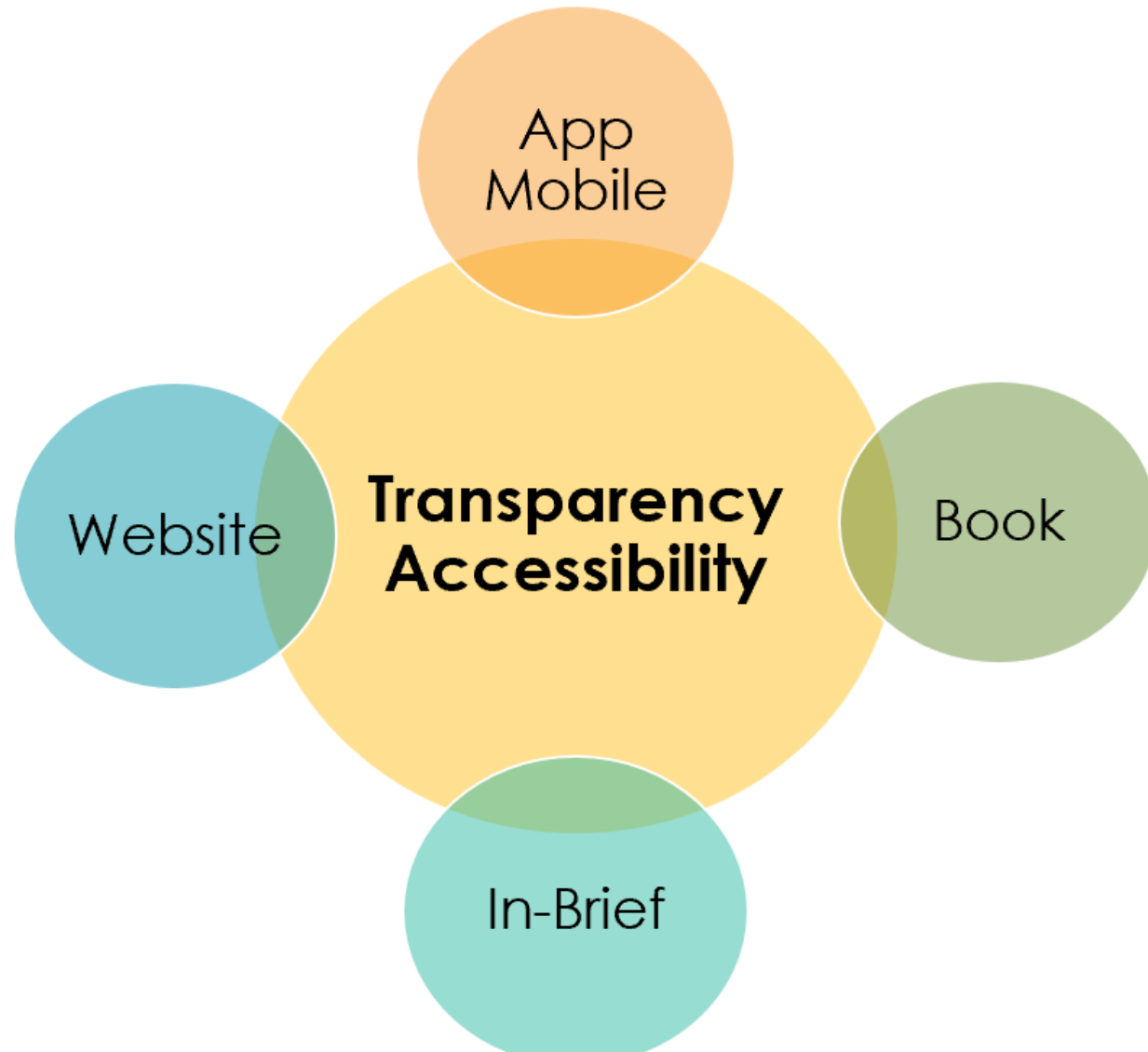


# Budget Publication – wDesk & Adobe

- Collaboration tools
- Integrate figures
- Integrate edits
- Improve efficiency
- Improve outcome



| Financial Information                   |                      |                             |
|---|----------------------|-----------------------------|
| Budget Summary                          |                      |                             |
|   | Grand Total          | General Fund <sup>(1)</sup> |
| <b>Estimated Revenues</b>               |                      |                             |
| Property Taxes                          | \$42,636,192         | \$42,636,192                |
| Sales Taxes                             | 33,827,435           | 33,827,435                  |
| Transient Occupancy Tax                 | 8,329,238            | 8,329,238                   |
| Licenses, Permits & Fines               | 11,484,759           | 11,484,759                  |
| Charges For Services                    | 72,076,668           | 5,969,453                   |
| Franchise Fees                          | 6,058,428            | 5,448,428                   |
| Use of Money & Property                 | 3,031,210            | 264,000                     |
| Other Taxes                             | 4,984,984            | 1,067,452                   |
| Intergovernmental Revenue               | 3,604,159            | 1,081,728                   |
| Other Revenue                           | 32,030,807           | 349,657                     |
| Operating Transfers In                  | 10,992,934           | 7,168,628                   |
| <b>sub-total</b>                        | <b>229,056,814</b>   | <b>117,626,970</b>          |
| <b>Other Financing Sources</b>          |                      |                             |
| (Increase) Decrease in Fund Balance     | (9,859,020)          | 0                           |
| (Increase) Decrease in CIP Reserve      | (11,417,591)         | 0                           |
| Other Financing Sources                 | 0                    | 0                           |
| <b>sub-total</b>                        | <b>(21,276,611)</b>  | <b>0</b>                    |
| <b>TOTAL</b>                            | <b>\$207,780,203</b> | <b>\$117,626,970</b>        |
| <b>Budgeted Appropriations</b>          |                      |                             |
| Personnel Services                      | \$105,890,225        | \$93,537,069                |
| Non-Personnel Expenditures              | 60,171,888           | 22,179,917                  |
| Capital Outlay                          | 2,074,032            | 371,318                     |
| Operating Transfers Out                 | 10,992,934           | 341,866                     |
| <b>sub-total</b>                        | <b>179,129,079</b>   | <b>116,430,170</b>          |
| Capital Improvements                    | 23,976,000           | 0                           |
| Debt Service                            | 4,675,125            | 1,196,800                   |
| <b>sub-total</b>                        | <b>28,651,125</b>    | <b>1,196,800</b>            |
| <b>TOTAL</b>                            | <b>\$207,780,203</b> | <b>\$117,626,970</b>        |
| <b>Fund Balance</b>                     |                      |                             |
| Fund Balance 7/01/2022                  | 324,387,606          | 53,739,788                  |
| Net Changes in Fund Balance             | 21,276,612           | 0                           |
| <b>TOTAL</b>                            | <b>\$345,664,218</b> | <b>\$53,739,788</b>         |
| Restricted                              | \$28,387,987         | \$0                         |
| Restricted for CIP                      | 158,300,137          | 0                           |
| Committed for CIP                       | 80,515,966           | 0                           |
| Committed, Artificial Turf              | 1,440,000            | 1,440,000                   |
| Committed, Technology                   | 7,000,000            | 7,000,000                   |
| Committed, Facilities                   | 2,000,000            | 2,000,000                   |
| Committed for PERS                      | 7,958,147            | 2,826,484                   |
| Committed, Workers' Compensation        | 2,344,962            | 2,344,962                   |
| Future Deficit Reserve                  | 1,452,576            | 1,452,576                   |
| Capital Reserve, Unassigned             | 12,178,036           | 0                           |
| Contingency Reserve, Unassigned         | 18,253,286           | 18,253,286                  |
| Budget (Rate) Stabilization, Unassigned | 26,209,542           | 18,253,286                  |
| <b>TOTAL</b>                            | <b>\$345,664,218</b> | <b>\$53,739,788</b>         |



# Budget Publication

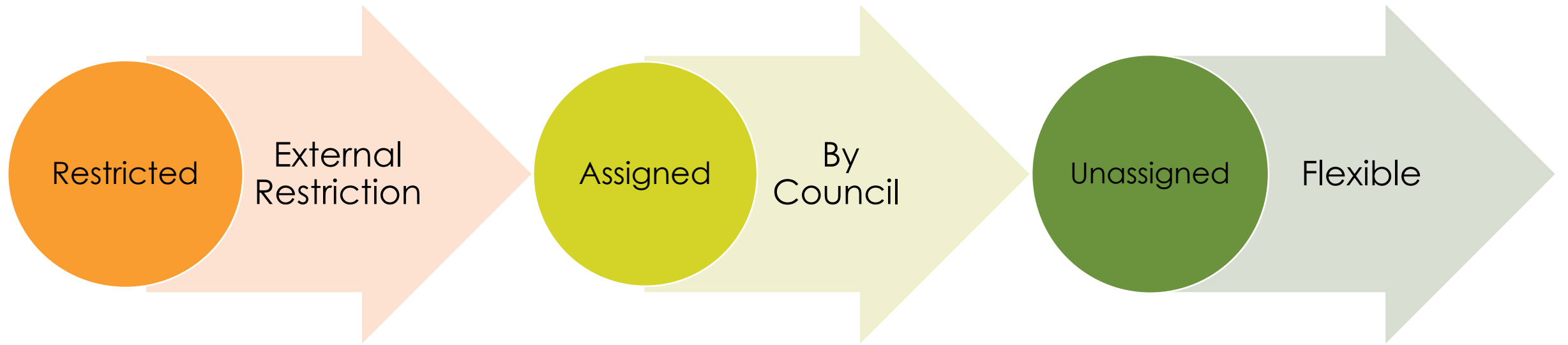
For different  
audiences

# Staffing Costs - Tips



- Create a robust budget model (excel, OpenGov or other tools)
- Identify significant factors
- Focus on critical assumptions
- Cross verify results –(i.e. actuarial reports)
- Vacancy Assumption
- Calculate 1% labor COLA for contingency planning

# Fund Balance – Why it Matters?



- Compliance!
- Maximize funding
- Reduce claw-back

- Policy matters
- Council Prioritizations

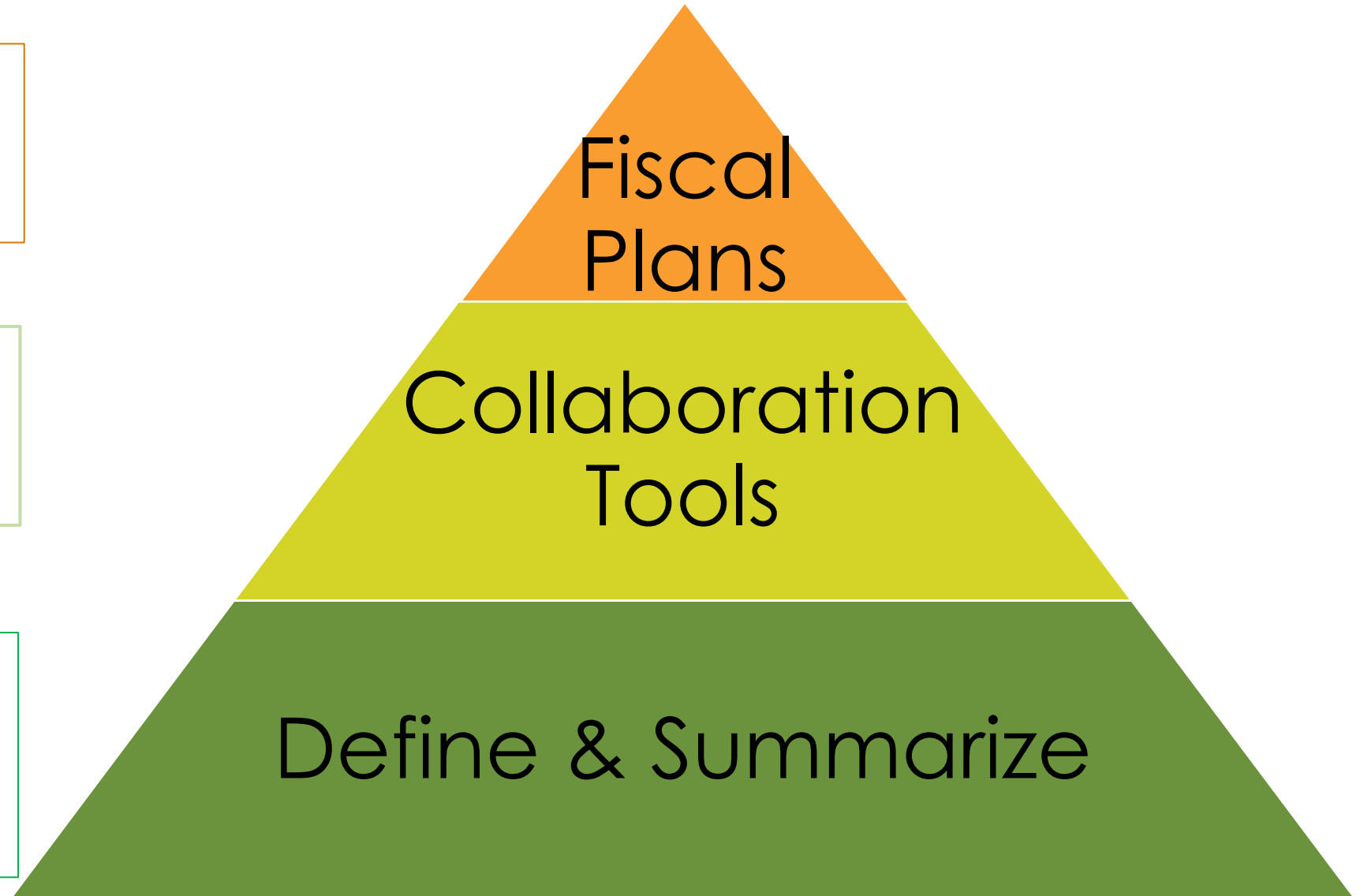
- Creative strategies

# Fund Sources – Put it into Action!

- Incorporate resources into fiscal planning & budget development

- Dashboards
- Current & projected balances
- Trends, analytics

- Summarize in a spreadsheet
- Sources/restrictions
- Governing rule(s)
- Links to file(s)



# Long-Range Forecasting

## Examples

- General Fund
- Enterprise funds –
  - Utility Master Infrastructure Plans
  - Utility Financial Plans
- Other significant funds - RDA
- Pension
- Facility
- Fleet



## Tips

- Create models that are easy to understand
- Make the assumptions apparent (avoid imbedding assumptions in formulas)
- Make the model dynamic for scenario planning
- Articulate goals, objectives, risks, contingencies
- Disclose what is not considered or unfunded

# Fiscal Policies – so much room for creativity!

## Key Objectives

- Fiscal discipline
- Fiscal sustainability
- Accountability
- Transparency
- Internal Controls
- Operational efficacy
- Compliance with mandates
- Achieve public priorities
- ➔ guides budget development

## Short list of Favorites

- Reserve policies (% varies)
- Internal service funds (i.e. fleet, IT)
- Pension Reserve policy
- City Manager budget authority
- City Manager contract authority
- City Manager staffing authority (i.e. overstrength, add/delete)
- City Manager unanticipated expenditure reserve
- Periodic reporting








# Succeeding with the Council – and their requests

- Challenge – so many requests and often unfunded
- Solutions
  - Policies (i.e. request requires funding)
  - Staffing impact (i.e. a request that takes 4+ hours requires council approval)
  - Voting tool for prioritization
- Provide Council with plan for engagement
  - Budget study sessions
  - Council retreats
  - Mid-year Updates
  - Proposed budget discussion and direction

# Public Engagements – How to effectively listen?

- Formal Community Survey
  - Community perception, priorities,
  - Use trends for services, budget
  - Use trends to inform new revenue options
- Online City Townhall Budget Survey
  - Informal
  - Open-ended questions
  - Information gathering
- In-person engagements
  - Community gathering places
  - Business groups
  - Chambers
  - Local Committees

## Survey Specifications

|                          |   |
|--------------------------|---|
| Sample Universe          | Adult Residents in the City of Milpitas   |
| Total Interviews         | 795   |
| Dates                    | January 5-January 20, 2021  |
| Contact Method           |  Telephone Calls  Email Invitations  Postcards |
| Data Collection Mode     |  Telephone Calls  Online Survey   |
| Language                 | English, Spanish, Vietnamese and Chinese  |
| Margin of Sampling Error | +/-4.0% at the 95% confidence level   |

# Presenting the Budget – telling the story

- Concise and easy to understand
- Reflective of Council priorities, Community feedback, polls
- Economic landscape – macro and micro/local
- Emerging legislation
- Current finances and urgencies
- Continued policy improvements
- Unfunded mandates – what and why
- Optimism & concerns ahead, strategies, continued long-term planning
- Integrity and confidence comes with monitoring and reporting to the Council and public

# Closing Remarks

- Use tools to improve project management, collaboration and better results
- Engagement is critical
- Council priorities and excellent public service are essential drivers of creative solutions
- Continue professional develop (CSMFO, GFOA, League)
- Hire & retain talent -- it takes a TEAM.
- Continue to enjoy the creative journey and embrace innovations.