

WELCOME TO THE



Michigan
Municipal
Executives

2026 Winter Institute

DIY Financial Forecasting

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Brighton

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Are You Ready to Build a Model?



- Pre-conference work completed?
 - Download model template
 - Watch videos for instructions on populating template
<https://app.screencast.com/collections/g000300KFt88UALYuqzNkcSpyZJb2>
 - Load your data into the template
 - Budget
 - Fund balance
 - Existing debt
 - Capital
- Goal is to understand mechanics of a model; need to tailor and expand for use in your full budget forecast
- Partner if needed for the session
- Assistance required? Account string formulas need to be fixed?

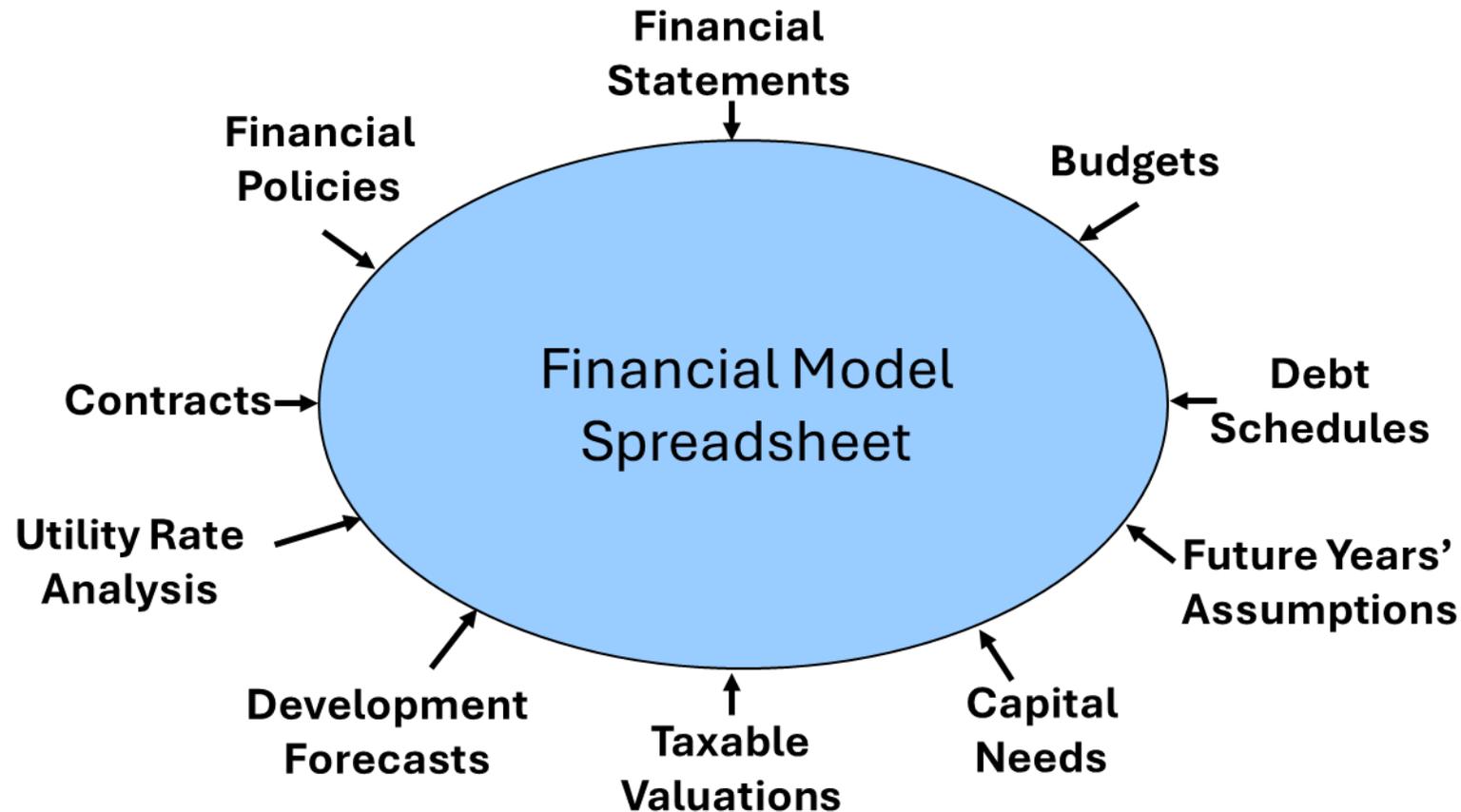




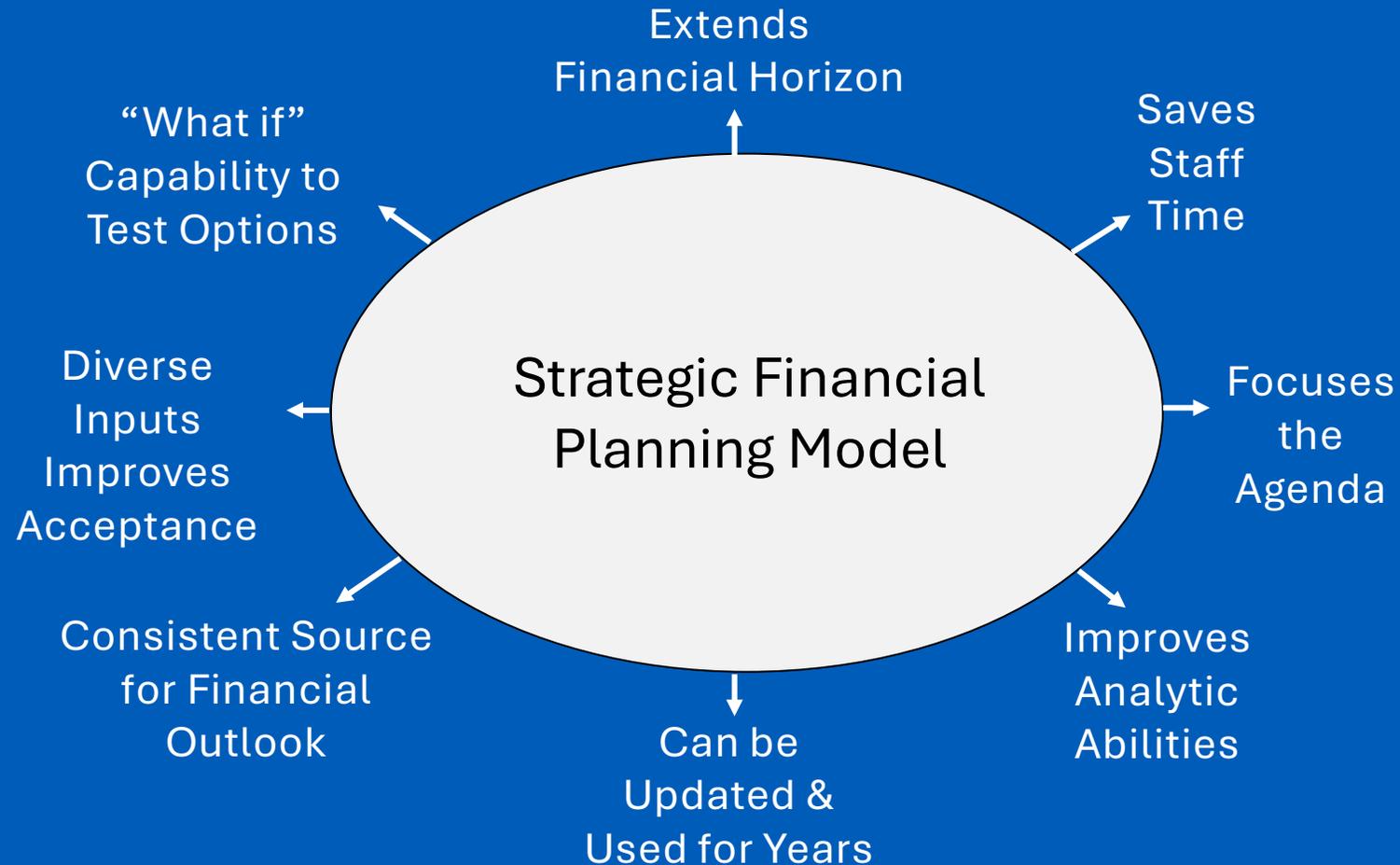
Why Financial Forecasting?

- Management and policy analysis
 - Evaluate impact of proposed budgets, policies, legislation or changes to operations
 - Test scenarios involving compensation, capital projects, debt, revenue options
 - Project future impacts of current budgets
 - Planning horizon extended from one year to many years; focus on 5-year period
 - Economic uncertainty makes forecasting more challenging but also more necessary
- Single source of financial estimates
 - Eliminate multiple spreadsheets typically used by finance departments
 - Present one “big picture” of revenues, expenditures and fund balance
 - Consistent & transparent projections for elected officials, management, rating agencies and the public
 - Support grant and millage requests

An Integrated Strategic Financial Management Tool



Increased Ability to Manage Financial Decision Making





The Value of a Financial Model

- Reduces potential for costly mistakes associated with service offerings, staffing and financial decisions
- Comprehensive, dynamic analysis capability
- Saves staff time when conducting analysis
- Integrates best practices from other municipalities
- Can be updated and used year after year
- Generates dialogue to focus the agenda
- Informs management of water & sewer revenue requirements
 - Supports rate setting at a high level



From Budget to Forecasting Model

- Zero out capital and debt line-items for future years
- Delete “Additions to” or “Use of Fund Balance” lines
 - Need to show surpluses/deficits in fund balance
- Zero out “Contingency” line-items
- Assign assumptions
 - Modify or add more assumptions if needed
- “Custom” assumptions should include a note
- “Transfers” should be reviewed and adjusted as needed
- “Grant” revenue typically zero in future years
 - Grant-related expenses should be adjusted

Expanding the Model



- Additional years can be added
- Change start year for annual updates
- Annually, update the model
 - Prior year actuals
 - Current year amended budget
 - Next year proposed or adopted budget
 - Debt schedules
 - Capital
 - Assumptions
- Additional funds can be added
- Detailed calculation tabs, for example taxes, and wages for current year budget can be built into the forecast document

Additional Thoughts



- Decide if you have resources to create a comprehensive model
 - If needed, engage an experienced consultant to assist with initial model development
- Long-term forecasting can help smooth water & sewer rate increases
 - Considers long-term needs of the utilities
 - Allows testing the impact of cash vs. debt financing of capital
- Bonus discussion: How to read the audit – do you ever look back at it during the year?

Q&A Discussion



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