

WELCOME TO THE



Michigan
Municipal
Executives

2026 Winter Institute



Leveraging Forecasting for Financially Resolute Budgets



January 20, 2026

Agenda



- Session Overview
- Building the Foundation
- Legal Framework
- Engaging Staff and Elected Officials in the Budget Process
- Financial History & Diagnostic Thinking
- Forecasting & City of Brighton Case Study
- Bringing It Together



Agenda – Discussion items



- Share one budget decision that shaped their community and one they wish had gone differently.
- Review a budget
- How do you handle a challenging budget discussion with elected officials or staff?
- Discuss long-term risks that are often overlooked.
- Give an example of how forecasting helped:
 - Accomplish a large-scale project
 - Building reserves
 - With utilities rates
 - Manage debt
- What one budget practice will you end or start this year?





Building the Foundation





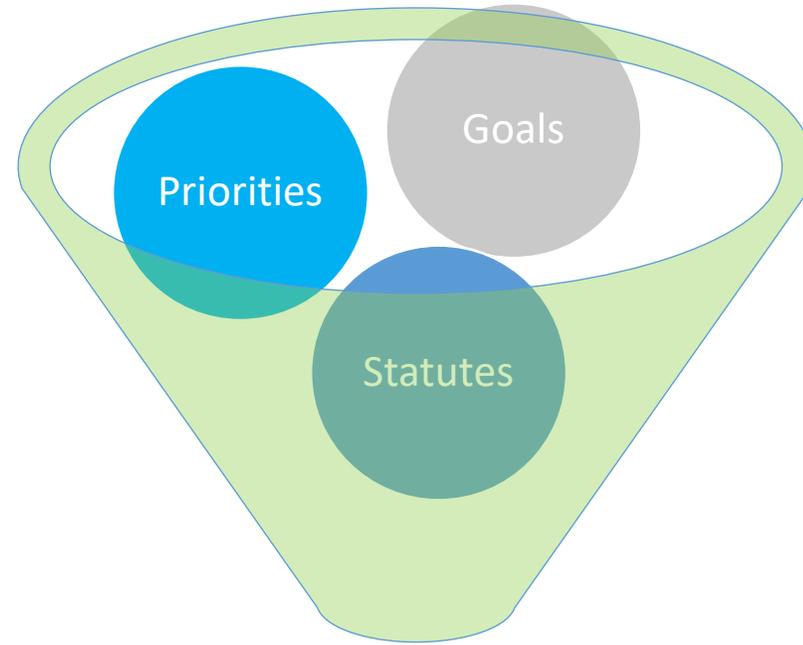
Budget Cycle



Budget Process



Budget Funnel



Statutes



Management Tool VS Accounting Tool



Where Budgets Can Fail

Impacts of treating the budget as an exercise instead of a tool



- Financial Instability
 - Under budgeting - i.e., projecting expenses lower than actual, thus causing cuts mid-year or leading to deficits
- Service Instability
 - Over budgeting - i.e., budgeting to conservative - locking up resources for other uses
 - Failing to consider long-term cost of projects (ie. Maintenance)
- Infrastructure Decay
 - Deferred maintenance due to insufficient funding
- Decreased Economic Growth
 - Not prioritizing the correct services can hinder growth
- Reduced Accountability and Transparency
 - Inadequate budget practices will result in a lack of clarity on the use of resources and greater mistrust by public
- Increased Cost of Borrowing
 - Poor budgeting can lead to lower bond ratings
- Lack of Trust
 - Trust is required by City Council, Staff, Residents, and Business Owners



Group Reflection Exercise

Share with the group either:

- One budget decision that shaped your community in a positive way
- One budget decision that you wish had gone differently.

OVERSIGHT

GOVERNMENT

Lawmaking

New Laws

Regulations

Requirements

LEGISLATION

The Legal Framework



Legal Framework

- Uniform Budgeting and Accounting Act (PA 2 of 1968)
 - Uniform Budget manual for Local Units of Government
- Budget Hearings of Local Governments (PA 43 of 1963)
- Planning Enabling Act (PA 33 of 2008)
- Charter Township Act (Public Act 359 of 1947)
- Local Charters/Ordinances



Legal Framework

- Polices
 - Fund Balance Policy
 - Budget Policy (sets the process)
 - Debt Management Policy
 - Post-Audit Policy
 - Procurement
 - Capital Asset / Depreciation Policy
 - Investment policy
 - Others



Legal Framework

- Budget Hearings of Local Governments (PA 43 of 1963)
 - Must hold a public hearing before adoption
 - Publication Notice
 - 6 days before hearing (7 days for a charter township)
 - Time and place of hearing
 - Location of budget for inspection
 - 11 point bold face
 - “The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing”



Legal Framework

- Uniform Budgeting and Accounting Act (PA 2 of 1968)
 - Budget adapted before the start of the fiscal year.
 - Budget for general and all special revenue funds
 - Prior year actual, current year estimates, and the proposed budget amount
 - Beginning and ending fund balances
 - Follow the Uniform Chart of Accounts
 - Adopted via a budget appropriations resolution



Budget Appropriations Resolution

- Elements - required
 - Set forth the mills to be levied and the purpose
 - Authorizes officers and employees to expend funds.





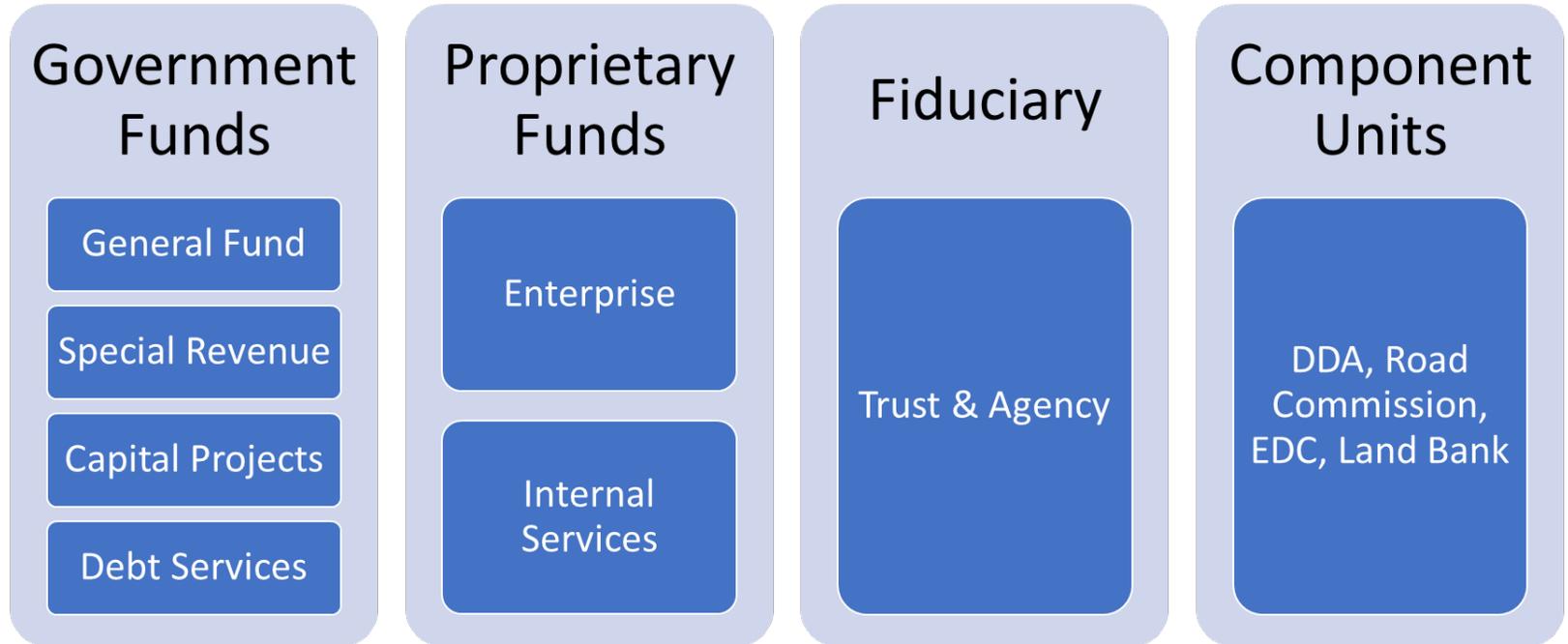
Budget Appropriations Resolution

- Elements – Optional
 - Budget approval level
 - Options: Fund, cost center (ie Department), or line item
 - How budget amendments or transfers are handled
 - Assigning fiscal officer to provide periodic fiscal reports
 - Other?



- Uniform Chart of Accounts

Funds and accounts



Legal vs Leadership Requirements

Legal Requirements

- Adopt a balanced budget
- Budget includes required elements
- Follow notice rules
- Stay within authorized spending and amend the budget when over

Leadership Requirements

- Explain what the numbers mean
- Show future risks before they become crises
- Align spending with community priorities
- Build trust through clarity and consistency
- Use the budget to drive decisions, not justify them



Group Reflection Exercise

- Review sample budget





Engaging Staff and Elected Officials in the Budget Process



Staff Role in Budget

- Moving Beyond Silos
 - Organization over Departments
- Educating Staff
 - Using Historical Data
 - Realistic Forecasts
 - Reallocating Budgets



What Elected Officials Want

Funding of Public Services

Addressing Priorities and Values of Constituents

Achieving Financial Stability

Responsible Stewardship of Taxpayer Dollars

Earning Public Trust and Confidence

Adhering to Legal Requirements



Governing Body Retreats

- Early in the budget process
 - Discuss priorities
 - Define projects goals
 - Refine strategic plan



Budget Workshops



Budget Development

Budget Message/Transmittal Letter

Resolution

Organization Chart & Fund Structure

Fund Summaries

Department Details

Policies and Glossary

Strategic Plan

Department Goals and Metrics

Graphs and Charts

Distinguished Budget Awarded



Group Relection Exercise

- Provide an example of a challenging budget issue you had with elected officials and how you handled it.





Financial History & Diagnostic Thinking



Discussion Item

Environmental Factors

- Community Needs and Resources
- Economic Conditions
- Intergovernmental Constraints
- Natural disasters and emergencies
- Political Culture



Organizational Factors

- Interpersonal Relationships
- Township Board Practices and Policies
- Employee KSA's



Financial Condition

- Revenues
- Expenditures
- Operating Position
- Debt Structure
- Unfunded Liabilities
- Condition of Assets

Fiscal Solvency

Short-term – Cash Solvency

- Money on hand to pay bills
- Cash Ratio
 - $(\text{Cash} + \text{Cash equivalents}) / \text{liabilities}$

Medium-term – Budget Solvency

- Resources you have to cover unplanned/unexpected events over the short term and long term.
- General Fund Ratio
 - $\text{Unrestricted fund balance}^* / \text{General Fund Expenditures}$

Fiscal Solvency

Long-term – Long Term Solvency

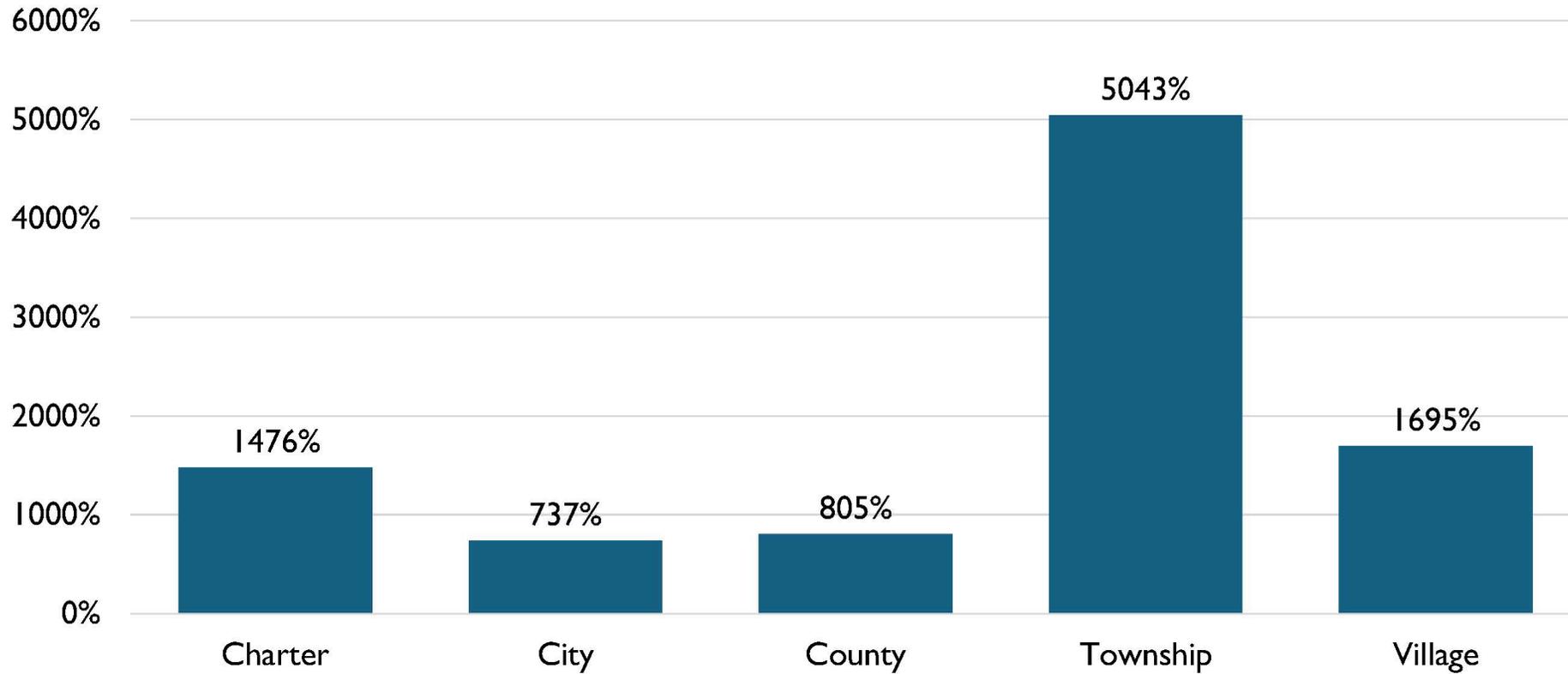
- Impact of existing long-term obligations on future resources.
- Government Net Position
 - Government Net Position / Government-wide Revenues

Service Solvency

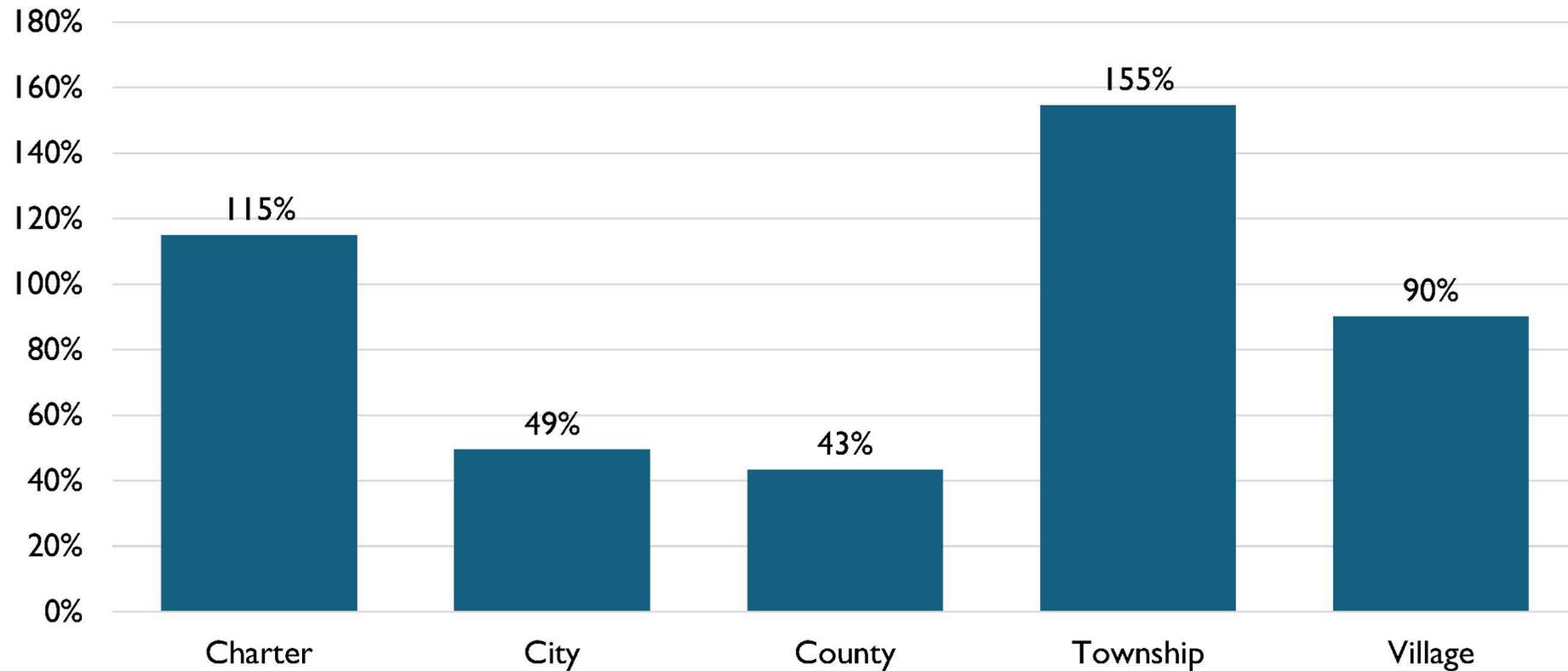
- Ability of the government to provide and sustain a service level that citizens require and desire.
- Taxable Value per Capita
 - Taxable Value /Population



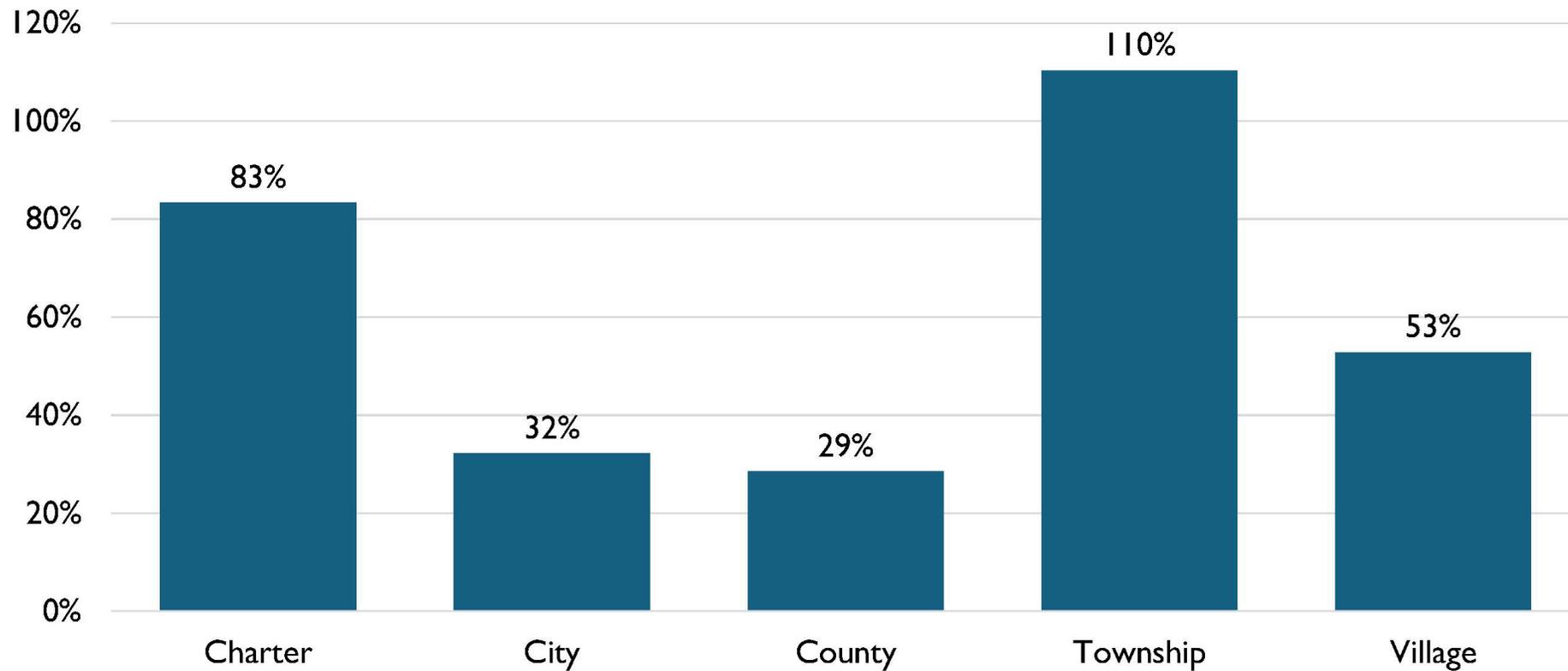
2023 Median General Fund Cash Ratio



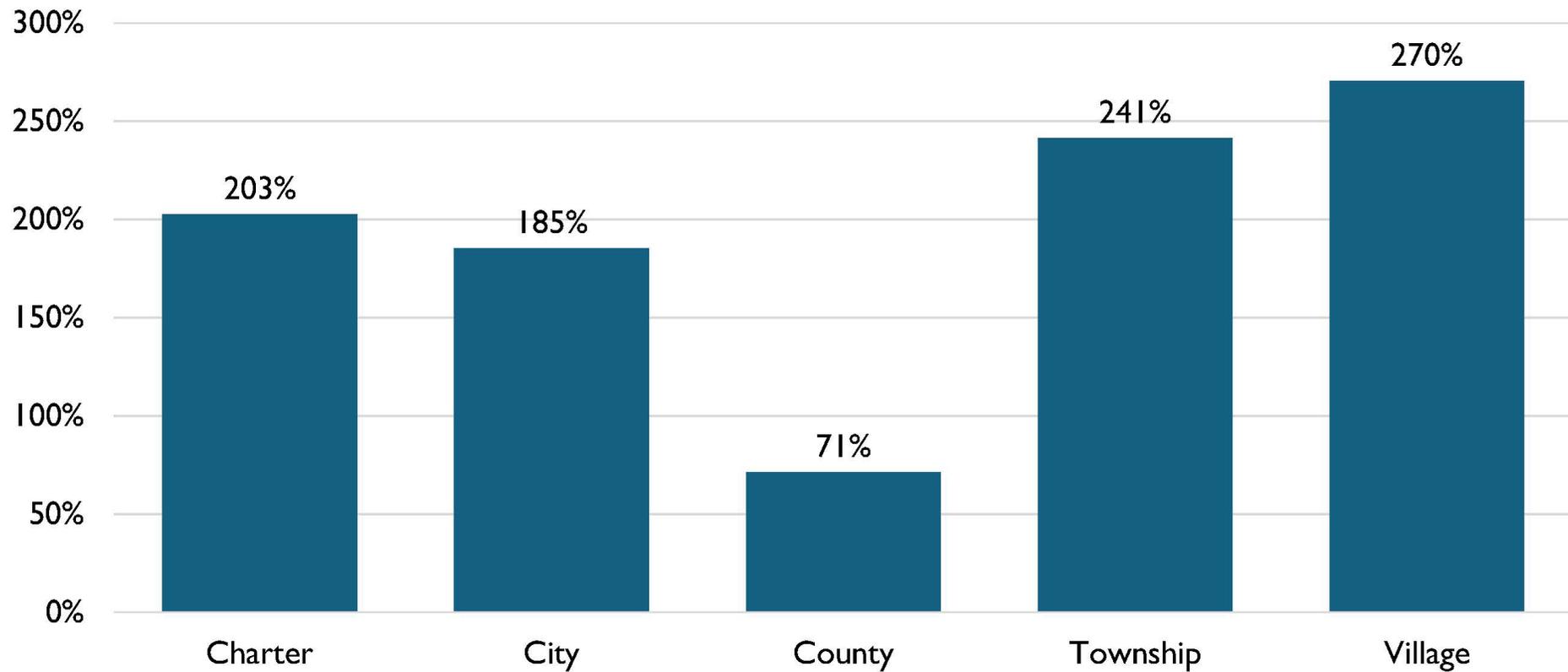
2023 Median General Fund Ratio



2023 General Fund Ratio Bottom 25%

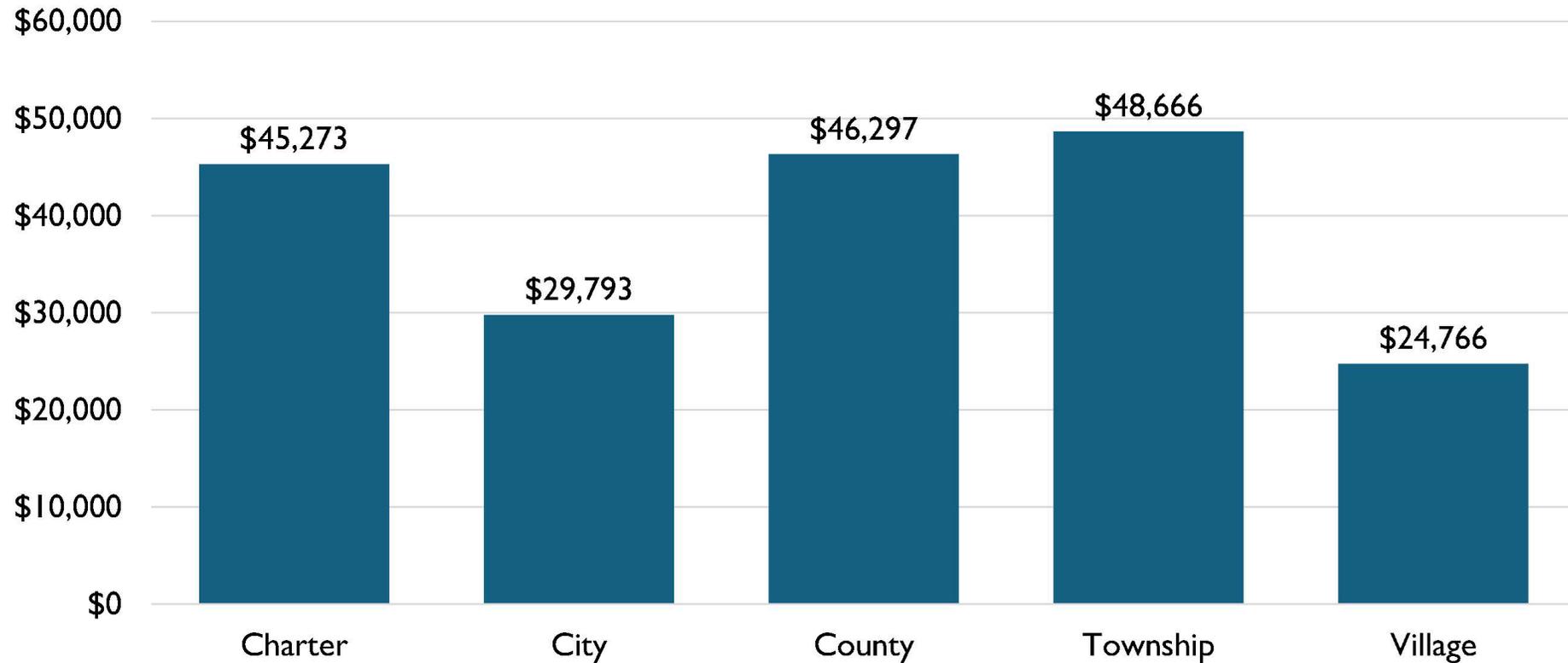


2023 Median Governmental Net Position Ratio





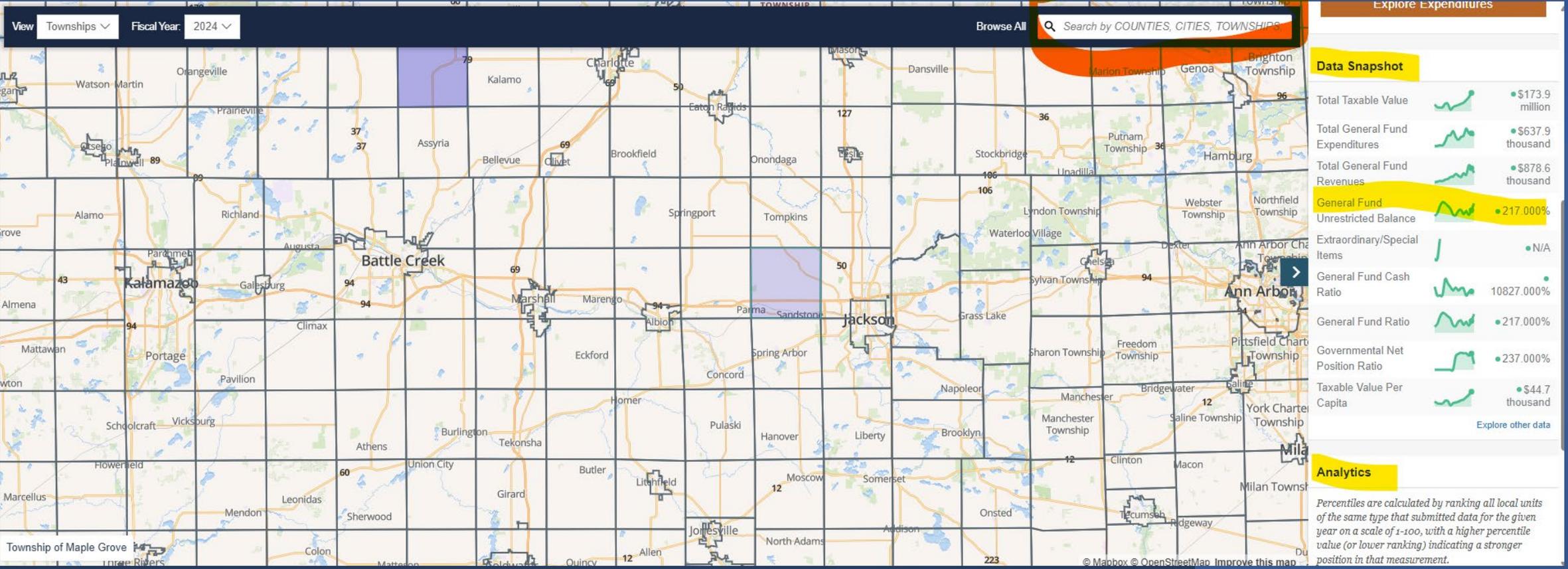
2023 Median Taxable Value Per Capita





MI Community Financial Dashboard

Michigan Department of Treasury





MI Community Financial Dashboard

Michigan Department of Treasury



General Fund Health	82nd of 272 70th percentile
General Fund Ratio	50th of 272 82nd percentile
General Fund Cash Ratio	122nd of 272 55th percentile
Pension Health	75th of 237 68th percentile
Taxable Value Per Capita	73rd of 280 74th percentile
Debt Health	56th of 268 79th percentile
Governmental Net Position Ratio	136th of 271 50th percentile

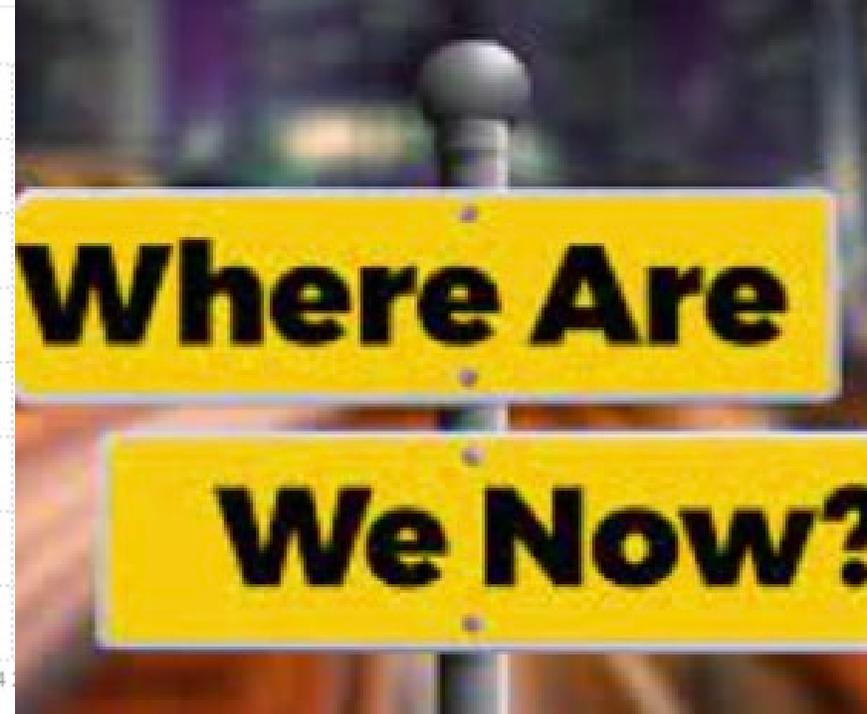
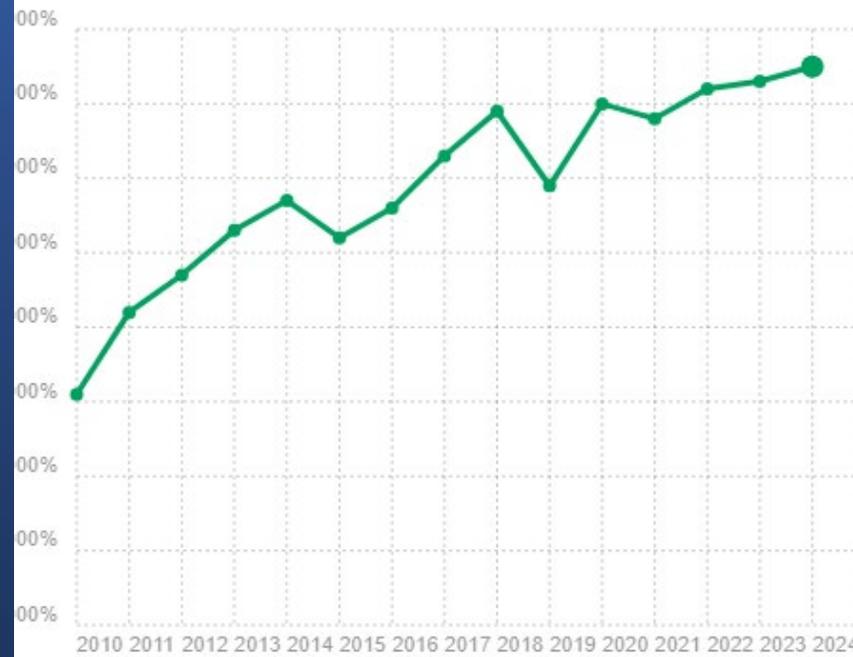
Total Taxable Value		\$195.8 million
Unfunded Pension Liability		\$1.97 million
Total General Fund Expenditures		\$3.43 million
Total General Fund Revenues		\$3.64 million
General Fund Unrestricted Balance		75.000%
Long Term Debt		\$2.19 million
Extraordinary/Special Items		-\$93.98 thousand
General Fund Cash Ratio		841.000%
General Fund Ratio		76.000%
Governmental Net Position Ratio		194.000%
Taxable Value Per Capita		\$40.8 thousand

Fiscal Health Why It Is Important

- Ensures Long-term Sustainability
- Informs Better Decision-Making
- Detects Early Warning Signs
- Promotes Transparency and Accountability
- Protects Core Services
- Supports Strong Credit and Lower Borrowing Costs
- Forward Looking



Fiscal Health Is the Budget's Backbone

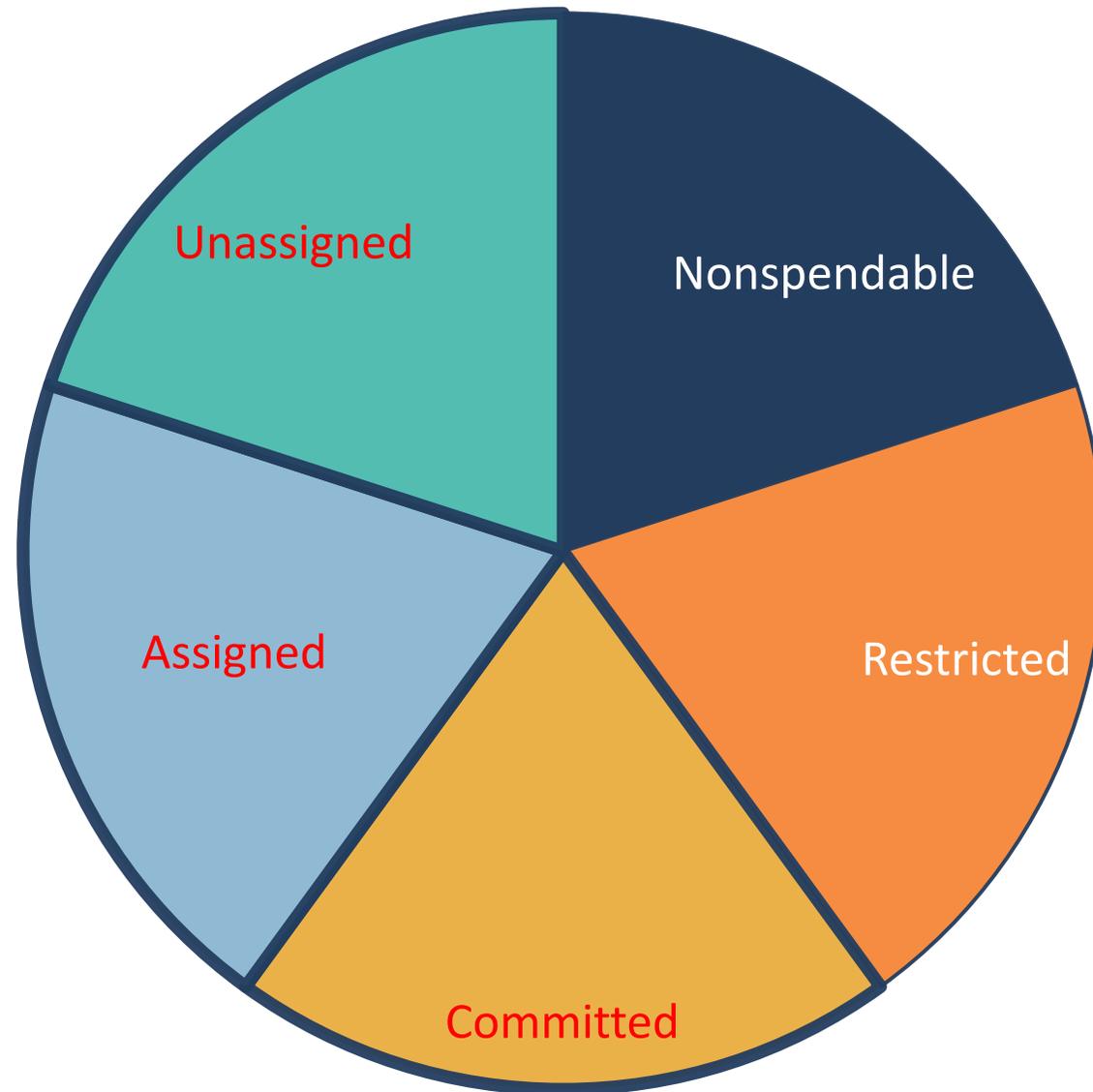


Fiscal Health Is the Budget's Backbone

- The budget is not just a spending plan. It is a statement of financial condition.
- Every budget decision either strengthens or weakens fiscal health.
- You cannot judge fiscal health by a single year or a single fund.
- A balanced budget can still be fiscally irresponsible.



Fiscal Health Is the Budget's Backbone



What is the “correct” fund balance?

- Conventional Wisdom says 2 months or 16.67%...but is that correct?



FINANCIAL
CLIFF

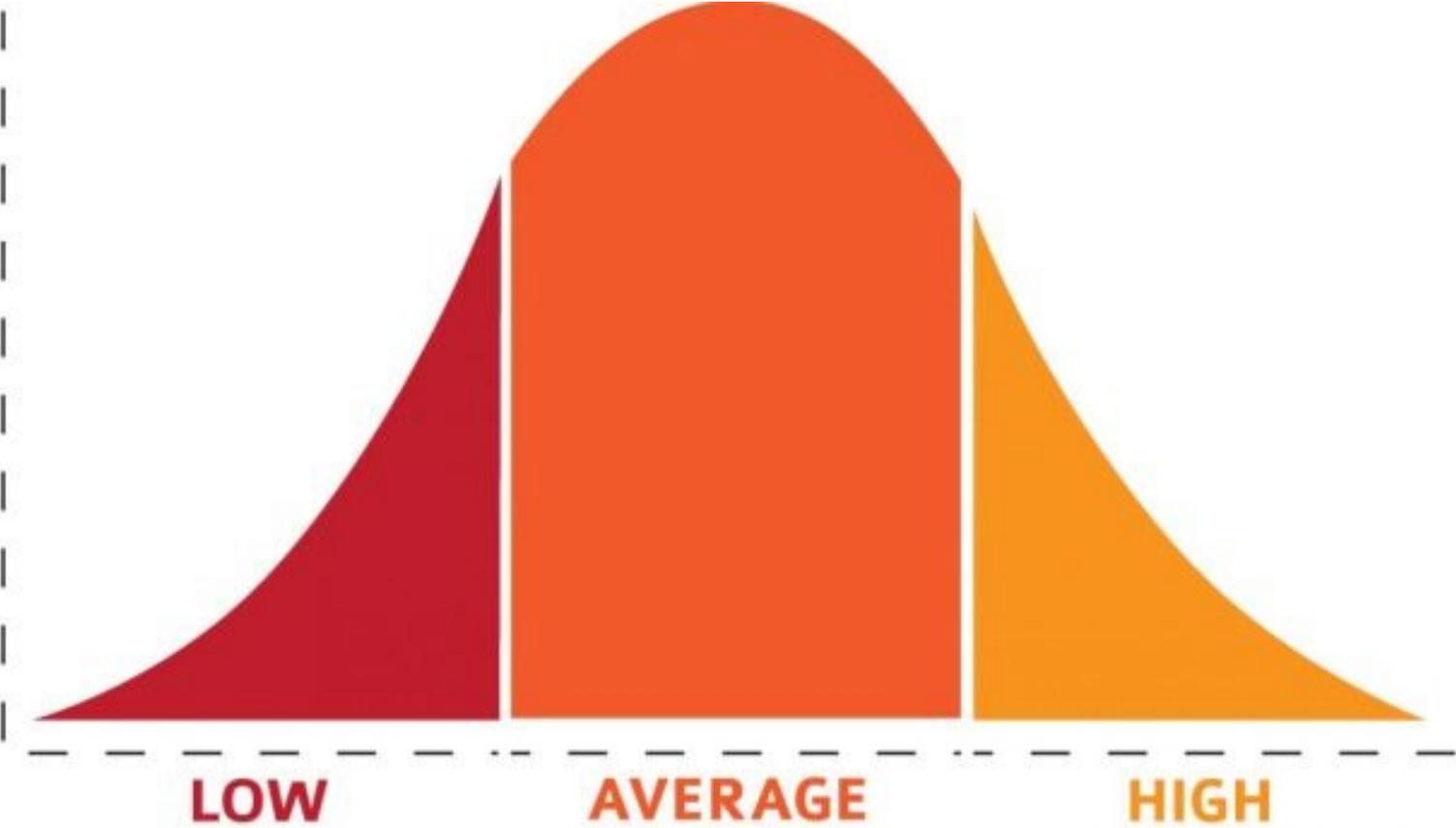


OVERTAXING
RESIDENTS



How much is the right amount for you?

Well, it depends!



Group Reflection Exercise

- Discuss long-term risks that are often overlooked.





Forecasting & City of Brighton Case Study



City of
Brighton
2016 – Fiscal
Realities

5-year forecast – Structural Deficit

Fiscal Realities Task Force created

Identified Fiscal Pressures

Developed 3-pronged solution

Created Capital Reserve Fund



Fiscal Pressures



FISCAL PRESSURE I:
STREETS AND RELATED
INFRASTRUCTURE



FISCAL PRESSURE II:
UNDERFUNDED CAPITAL



FISCAL PRESSURE III:
PENSION AND OPEB
LIABILITIES

Task Force Recommendations

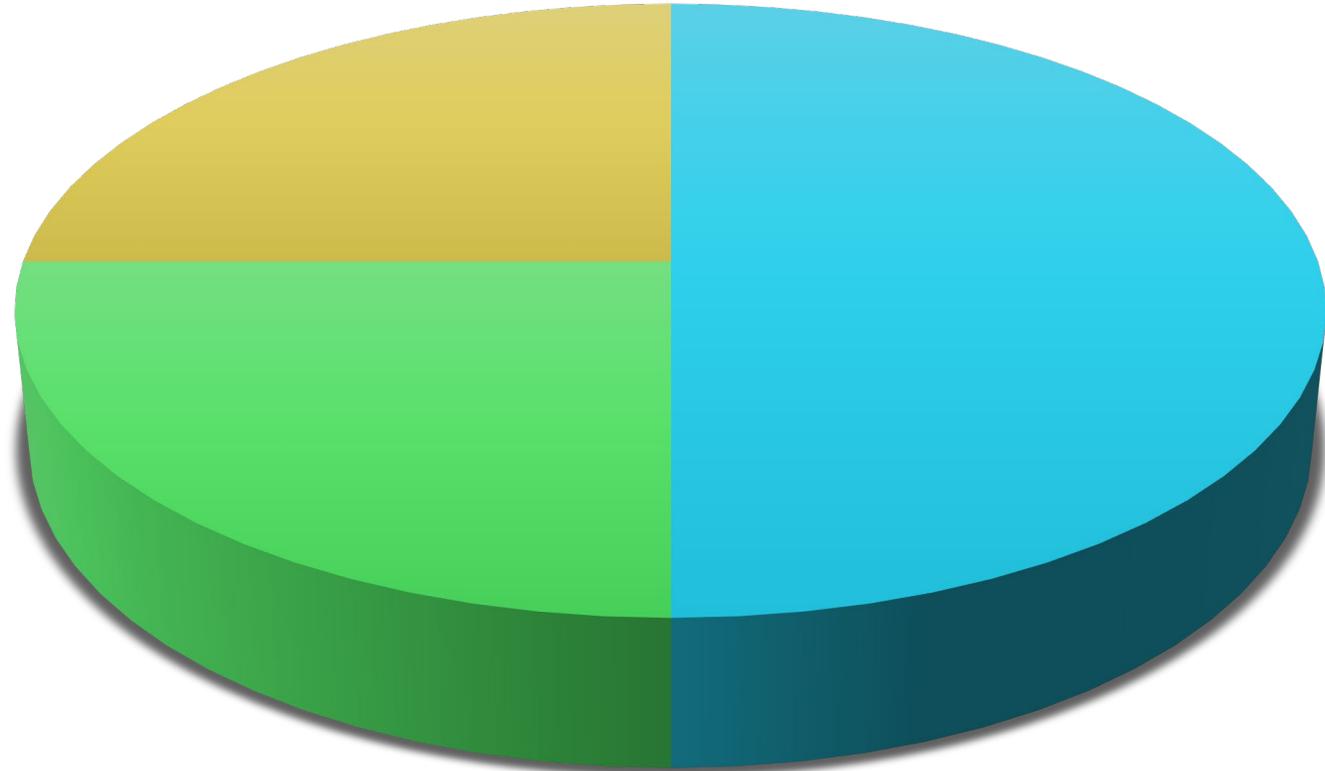
Three- Pronged Approach

- Seek approval of 7-year local streets millage
- Expenditure Reductions
- New Non-Millage Revenues

Task Force Recommendations



\$2,000,000 Structural Capital Deficit



■ New Millage ■ New Reductions ■ New Non-Millage Revenues

Seven-Year Street Millage

Voters approved a 2.5 mill 7-year Millage

Headlee override dedicated to
streets generate \approx \$1.5M annually



First attempt was a permanent override
back to Charter authorized 20 mills
(4.3466 mills)

Expenditure Reductions

Restructuring of staffing
levels \approx \$200K annually

Changes to retiree benefits
for actives and where
possible, retirees \approx \$300K
annually

Operational Reductions and
looking for inflated budgets
 \approx \$33K annually

New Non-Millage Revenues

Increased Fees/
Reimbursements ≈
\$50K annually

DDA Contribution ≈
\$150K annually

Economic
Development ≈
\$150K annually

Capital Reserve Fund

Created Dedicated Capital Reserve Fund

Allocated the 1st Mill
≈ \$600K in Year 1

Allocated equivalent 10% of annual depreciation (goal 25%) ≈ \$200K in Year 1

Group Reflection Exercise



- Give an example of how forecasting helped your community ie.:
 - Accomplish large-scale projects
 - Build reserves
 - Stabilize utilities rates
 - Managing Long-term Liabilities
 - MERS
 - New debt issuance
 - Early debt payoff/refunding



Bringing It Together



Budget Process



Budget Implementation Monitoring and Control

- Reports
 - Revenue and expenditures
 - Cash and Investments
- Timely and correct recording
- Taking corrective actions to address budget shortfalls or surpluses
- Trend and forecast updates



Budget Implementation Engagement and Accountability

Board

- Tie decisions to the Strategic Plan
- Use regular financial reports for discussion
- Focus on trends and major initiatives
- Consider multi-year impact with key actions

Department Heads

- Align budgets to the Strategic Plan
- Expectation they actively manage the budget
- Use the budget as a decision filter, not justification
- End “use it or lose it” spending





Suggested Action:

The board approve the following budget adjustment to the 2025 budget by using available general fund balance (101-000-390-000):

Account	Current Budget	Increase/ Decrease	Amended Budget
101-173-802-000 (Twp Hall- Consulting)	\$10,000	\$20,500	\$30,500

Take aways

Understand current fiscal status and trend line

Know what is coming (CIP, Labor changes, etc)

Have a Strategic Direction = Proactive management

Use one-time revenue for one-time costs

Don't just budget for today, budget for tomorrow

Use budget forecasts

Budget conservatively , but not too conservatively

Maintain a healthy fund balance

Budget should be more than just numbers

Budget is the single most important thing a government does



Discussion Item

- What one budget practice will you end or start this year?





Closing and Next Steps for a Deeper Dive



Deep Dives



Connecting your Strategic Plan to your Budget

- Wednesday 10:30

DIY Financial Forecasting

- Wednesday 1:45

Leveraging Forecasting During the CIP Process

- Thursday 10:45

Effective Budget Communication Strategies

- Thursday 2:15



Webinars

Stop Skimming the Audit: What Leaders Need to See

- March 24th, 2PM

Effective Story Telling and Millage Strategies

- May 12th , 2 PM