Readings:

Bland: Chapters 2, 3, 4, 5, 6, 7, 8, 9 & 12
Fiscal Management Handbook: Chapters 3 and 4

Handouts:
Revenue calculation formulas
Service Level Analysis

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PROJECT 2: FINANCIAL ANALYSIS PROJECT (30% of final grade)
Due: October 28, 2014

Background: The following project requirements should be completed in the order listed. This will permit you to develop information which should be useful in each subsequent task. You should fulfill the role and responsibilities associated with being the municipality's finance officer who has been asked to prepare this material as part of the budget process. You are encouraged to create realistic circumstances or add detail to the situation to make your response more practical and/or effective.

Presentation: Your presentation will be greatly enhanced if you use a spreadsheet to create a database, prepare the calculations and graphs and your project report.

Project Requirements:

1. Use the Financial Monitoring System book to do a trend analysis of the following indicators.
   --Factor 1: Revenue Per Capita
   Revenue Per Capita Adjusted for Inflation
   --Factor 3: Property Tax Resources
   --Factor *: Adapt the formula for factor 3 to analyze non-property tax revenues on a per capita basis
   --Factor 4: Expenditures Per Capita
   Expenditures Per Capita Adjusted for Inflation
   --Factor 7: Debt Service
   --Factor 10: Operating Position
   --Factor 12: Revenue Shortfalls
   --Factor 13: Budget Overruns
   --Factor 17: Property Value
   --Factor 18: Fiscal Capacity

   The trend analysis should include the following for each factor:
   --Calculate each factor
   --Graph each factor
   --Prepare a summary statement to describe and interpret the trend for each factor

2. The policy issue you have been asked to review and present a recommendation on involves the provision of garbage collection and disposal services for the four years.

Considerations which have a bearing on the development of a recommendation:

--Garbage collection and disposal services for the past 25 years have been provided by an outside contractor not municipal employees.

--For 25 years, the method of collection has been back-yard service.

--The total cost of this service has been financed by general operating revenues.

The cost of garbage collection and disposal on an annual basis for the last eleven years was:

2013	$442,440
2012	420,840
2011	345,430
2010	291,616
2009	268,920
2008	240,000
2007	219,000
2006	176,725
2005	176,725
2004	227,290
2003	192,320

For 2014, $464,400 has been budgeted for garbage collection and disposal services.

Circumstances associated with the problem include:

(1) Bids were recently opened for a period of 3 2/3 years. The new contract would run from May 2014 through December 2017. The collection services were bid three different ways. The methods of collection and their annual cost per the *lowest responsible bidder***, SOLWAT Inc., are as follows:

Year	Backyard	Curb	Curb with resident paying fee for backyard pick-up
5/14-12/14*	$353,592	$265,464	$265,464 plus $28/year per household desiring backyard pick-up
2015	$407,044	$305,284	$305,284 plus $32/year per household desiring backyard pick-up
2016	$447,748	$335,581	$335,581 plus $35/year per household desiring backyard pick-up
2017	$470,135	$352,602	$352,602 plus $37/year per household desiring

Maximum general purpose millage = 20

backyard pick-up

*For 1/14 through 4/14, the cost for garbage collection and disposal will be $147,480.
**See *Fiscal Management Handbook* for purchasing/bid contracting information.

(2) There are currently 3200 households from which garbage is collected on a weekly basis.

(3) During the last few weeks, public employees have conducted a visual survey of the manner in which the households prefer to have their garbage collected. The results indicate that approximately 50% of the residents actually placed their garbage at the curbside for pick-up rather than utilize backyard service.

Your recommendation to the municipal manager should address the following points:

1) What method of collection should be authorized for the next four years?
   The available options include:
   a) Backyard collection, municipality pays the total cost
   b) Curbside collection, municipality pays the total cost
   c) Curbside collection paid by the municipality and residents not qualified as handicapped or infirm pay an extra fee for backyard collection
2) How should the additional cost of garbage collection be financed, if either option (a) or (b) is recommended?
   (The results of the financial analysis should be used to support your recommendation.)
   a) Increase the real estate tax rate
   b) Use a portion of the prior year's fund balance
   c) Impose a user fee to cover the entire cost of garbage collection and proportionately reduce the existing real estate tax
   d) Develop a combination of (a), (b), and or © above
   e) Create a wholly new option
3) Draft a news release which explains your recommendation to the public.
   Use demographic, financial, geographic or any other information you believe reasonable to make your news release informative and persuasive.

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mill
real estate

Base x Rate = Tax Levy

1 mill = 40,000,000 / 1,000

assessed valuation
value = $40,000,000

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Year	Population	Operating Revenue	Operating Expenditures	Property Tax Revenues	Assessed Value	Mill Rate Real Estate
2000	9233	$2,694,799	$2,768,141	$808,156	$80,516,730	10.75
2001	9233	$2,875,422	$3,086,867	$841,386	$82,041,215	10.75
2002	9250	$2,981,411	$3,464,113	$919,481	$87,302,120	10.75
2003	9233	$3,051,716	$3,288,996	$955,341	$88,281,820	10.75
2004	9233	$5,795,187	$3,739,538	$1,150,213	$92,258,295	12.35
2005	9233	$4,168,700	$4,876,662	$1,232,868	$101,299,660	12.35
2006	9233	$4,604,262	$4,522,514	$1,306,599	$105,637,050	12.35
2007	9233	$4,716,627	$4,679,982	$1,354,563	$112,227,775	12.35
2008	9096	$4,854,352	$4,937,706	$1,469,021	$115,243,840	12.35
2009	9096	$5,103,277	$4,506,328	$1,496,648	$125,410,650	12.35
2010	9096	$5,229,145	$4,659,976	$1,498,664	$126,348,450	11.70
2011	9096	$5,421,836	$5,613,694	$1,478,688	$131,672,420	11.00
2012	9096	$6,514,023	$6,514,026	$1,434,291	$135,428,762	10.50
2013	9096	$5,451,570	$5,451,570	$1,430,588	$138,891,180	10.50
2014	9096	$5,855,422*	$5,855,422*	$1,435,196*	$138,465,280*	10.50

Year	CPI
1999	166.60
2000	172.30
2001	177.10
2002	179.90
2003	184.00
2004	188.90
2005	195.30
2006	201.60
2007	207.34
2008	214.54
2009	215.54
2010	218.05
2011	224.99
2012	229.60
2013	232.96

1982-1984 = 100

2014 237.85

Year	Debt Service	Non-property Tax Revenues	Budgeted Revenue	Budgeted Expenditures
2000	$106,215	$1,886,643	$2,650,000	$2,900,200
2001	$127,920	$2,034,036	$2,700,450	$3,200,500
2002	$173,276	$2,061,930	$2,589,410	$2,898,310
2003	$168,261	$2,096,375	$2,821,155	$3,144,284
2004	$166,278	$4,644,974	$3,578,060	$4,680,310
2005	$361,410	$2,935,832	$3,891,686	$5,308,197
2006	$340,153	$3,297,663	$4,712,000	$4,702,000
2007	$291,401	$3,362,064	$4,525,162	$4,814,584
2008	$257,494	$3,385,331	$4,873,949	$5,464,080
2009	$86,422	$3,606,629	$4,943,117	$5,246,213
2010	$242,452	$3,724,380	$5,012,000	$4,966,013
2011	$227,061	$3,695,898	$4,899,320	$5,813,694
2012	$234,208	$3,702,680	$4,960,000	$6,780,000
2013	$245,703	$3,834,971	$4,992,804	$5,526,620
2014	$249,989*	$367,4757*	$5,109,953*	$5,855,422*

when doing a graph make sure scale is to be efficient.

Note: * = Current Budget

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GFOA Recommended Practice

The Use of Trend Data and Comparative Data for Financial Analysis (2003)

Background

A government's CAFR provides a wealth of data that the government itself and other interested parties can use to analyze the government's financial health. Of course, considering financial data in isolation can lead to inappropriate conclusions--appropriate context is essential for sound interpretation. For state and local governments, trend data of the government itself and comparative data from other governments frequently have provided this context for evaluating current-year financial data.

The National Council on Governmental Accounting (and later, the Governmental Accounting Standards Board - GASB) saw value in the use of trend data for financial analysis as evidenced by their recommendation to include up to a dozen schedules of trend data in the statistical section of the CAFR. Likewise, the GASB has mandated the presentation of trend data for both defined benefit pension plans and public-entity risk pools. The Government Finance Officers Association (GFOA) also has recognized value in the use of comparative data from other governments as evidenced by its ongoing compilation and publication of a *Financial Indicators Database* that presents selected data from CAFRs submitted to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.

Recommendation. GFOA makes the following recommendations for the benefit of government officials and other interested parties who wish to use financial data from the CAFR to analyze a government's financial health:

- GFOA believes that a government's own past performance normally is the most relevant (but not exclusive) context for analyzing current-year financial data.
- A government's own experience typically is best expressed in the form of trend data for key financial indicators (e.g., revenues, expenditures, fund balance).
- The usefulness of trend data often can be enhanced by examining the percentage relationship among data elements over time (e.g., local revenue as a percentage of total revenue; public safety expenditures as a percentage of total expenditures).
- At a minimum, five years of data typically are necessary for effective trend analysis.
- Conversely, trend information eventually loses relevance over time because of changes in circumstances. Accordingly, typically no more than ten years of data should be considered.
- Items that potentially distort trends (e.g., one-time items or changes in underlying assumptions or structures) should be carefully noted.

- When constant dollar presentations are used, it is recommended that the basis of the constant dollar adjustments be disclosed and the unadjusted (non-constant) data also be presented. This allows individuals to make their own decisions regarding whether and how price level adjustments should be made.

- Appropriate comparisons of a government's own data with the data of other similar governments also may be useful for purposes of financial analysis. However, care must be taken to ensure that such comparisons are valid. Considerations that affect the validity of data comparisons among governments include the following:

  - Are the governments of the same level (i.e., state, county, municipality) and type (e.g., general-purpose, special-purpose)?

  - Are there significant differences in the scope or quality of services provided?

  - Are there significant differences in the number of those served?

  - Do the governments define categories in the same way?

  - Are the governments from regions where costs and similar environmental factors are comparable?

  - If costs being compared include significant depreciation expense, were the capital assets being depreciated acquired at roughly the same time (i.e., to avoid the distortions inherent in historical-cost depreciation)?

- Comparisons with other governments may be further enhanced by using trend data for these governments rather than relying exclusively upon current-year data.

Recommended for Approval by the Committee on Accounting, Auditing and Financial Reporting and the Committee on Governmental Budgeting, January 23, 2003.

Approved by the GFOA Executive Board, February 28, 2003.