BASIC BUDGETING
for Small Municipalities

Utah League of Cities and Towns
100th Annual Convention
September 14, 2007
What is a budget?

- Spending plan
- Authority to spend money
Keys to successful budgeting:

- Start early
- Everyone needs to “buy in” to the budget process.
- Cooperative effort
The Budget Process

- Utah State Code sets forth laws which define the budget process.
- Laws are in place to protect both the taxpayer and the public official.
The budget officer

- First and Second Class Cities – City Auditor

- Third, Fourth and Fifth Class Cities – Mayor or someone appointed by the Mayor

- Towns - Mayor
Budget Preparation

- Utah Code requires preparation of budgets on State Auditor forms.

- Must use required format.
State Budget Form
Budget Process

- Complete “prior year actual” and “current year estimate” columns
- Gather information to help in the estimate of “ensuing year budget” column
- Mayor presents his “tentative budget” to the council at the first meeting in May
- Tentative budget should be available to the public
Budget Process Continued

Before the public hearing held on the budget:

- Council shall “review, consider and adopt” the budget.
- Council may “amend or revise”
- Council shall set date, time and place of public hearing
If the utility enterprise fund is subsidizing the operations of the general fund, the council must:

- Mail written notice to all customers of the date, time, place and purpose of the hearing.
Budget Process continued

- Hold public hearing to receive public comment
- Adopt final budget.
Budget Adoption Deadlines:

- Before June 22\textsuperscript{nd} if no tax rate increase

- By August 17\textsuperscript{th} if tax rate increase is proposed.
Advertising Requirements:

- Town – Advertise hearing 7 days before hearing or if no newspaper is available, post notice in 3 places 48 hours prior to hearing.

- City – Advertise hearing 7 days before hearing or if no newspaper is available, post notice in 3 places prior to hearing. Available for inspection 10 days before adoption.
Required budgets:

General Fund
Special Revenue Fund
Debt Service Fund
Capital Projects Fund
Enterprise Fund
What is a “Balanced Budget?”

Revenues Equal Expenditures
How to budget revenues and expenditures to equal (balance) in the General Fund.

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$100,000</th>
<th>Budgeted Inc. in Fund Balance</th>
<th>$10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$90,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$100,000</td>
<td>Total Expenditures</td>
<td>$100,000</td>
</tr>
</tbody>
</table>
If you plan to spend more than you bring in:

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$90,000</th>
<th>Expenditures</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approp. Begin. Fund Balance</td>
<td>$10,000</td>
<td>Total Expenditures</td>
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</tr>
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<td>$100,000</td>
</tr>
</tbody>
</table>
Things to watch out for:

TRANSFERS!
What are transfers?

- A transfer is the movement of money from one fund to another fund.

- Example: A town wishes to accumulate funds to build a playground area in the park. The project will cost approximately $75,000 and will take three years to accumulate the funds to finish the project.
Transfers must be LABELED and they must EQUAL!
Transfer from PTIF?

- To use money that is on deposit with the PTIF is an "appropriation of beginning fund balance" . . .

. . . Not a transfer!
More to watch out for:

- Don’t budget a **deficit** fund balance!
The Budget Is NOT Cast In Stone!

- Revenue shortfalls.
- Cost overruns.
- Unexpected cost.
- Unanticipated grants.
- Other
Wise & Critical Counsel:

CONSISTANTLY MONITOR BUDGET VERSUS ACTUAL REVENUES & EXPENDITURES!
How Do You Amend a Budget?

- From one account to another within the same department?

*With the consent of the budget officer.*
From one department to another within the same fund?

*With the approval of the city council.*
To increase the budget in any fund except the enterprise fund?

the town council must advertise and hold a public hearing before the budget can be amended.
Amending Enterprise fund budgets:

- An enterprise fund budget can be increased by resolution without a public hearing.
NOTE:

Do not send any budget amendments to the State Auditor’s Office.
Question:

- Under what circumstances can a city or town legally spend money that has not been budgeted?

- UC 10-6-121
Where should class C road funds be budgeted?

In the general fund.
QUESTIONS?