

"I hate this place."



**ULCT 2009**

**How to Prepare a Water System  
Budget**

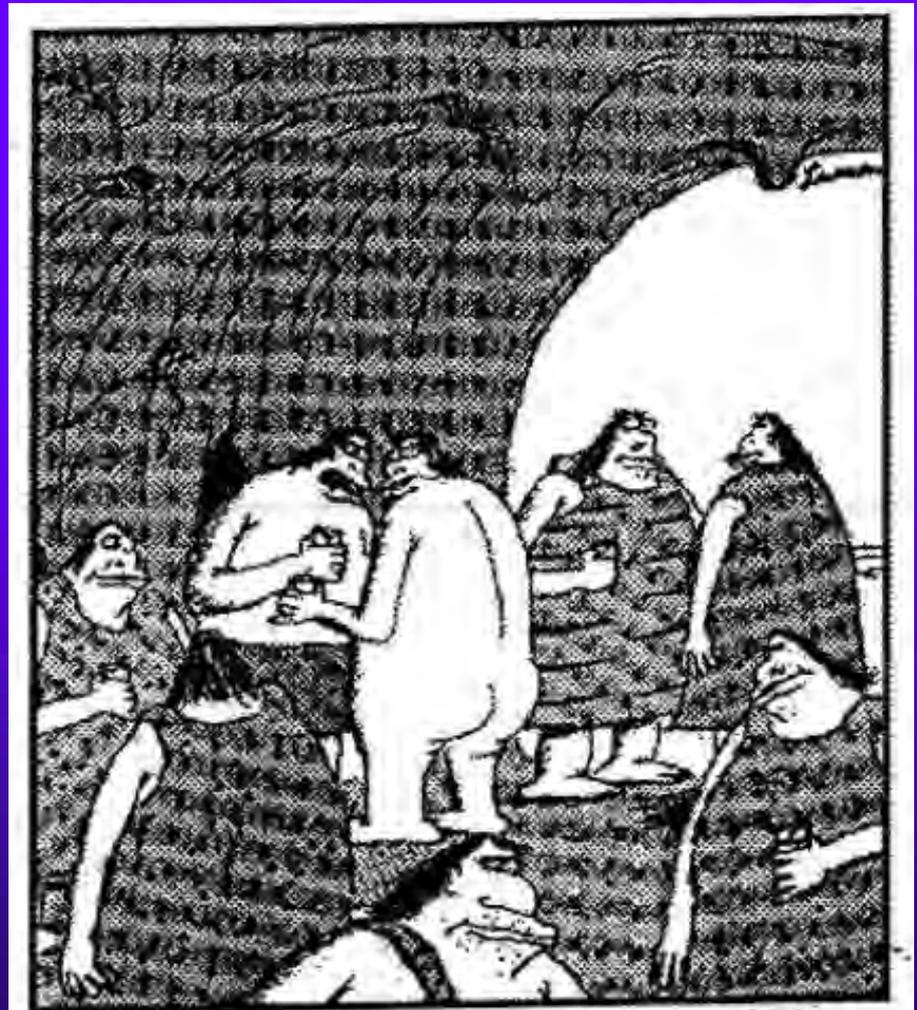
*Presented by*

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*Sandy City Support Services Manager, Public Utilities*

# Water System Budgeting

Why Do It?



"A word of advice Dirk: It's the Mesolithic, we've domesticated the dog, we're using stone tools, and no one's naked anymore."



# Water System Budgeting

## Why Do It?

- ◆ The Budget is an Invaluable Tool in Achieving Desired Financial Results:
  - Controlling Expenditures
  - Setting and Achieving Fund Balance Goals
  - Determining Priorities
  - Deciding what Public Services and Facilities to Provide
  - Managing Department Finances
  - Evaluation of Revenue Sources
  - Reviewing Staffing Levels and Personnel Costs
  - **BALANCE!** (philosophical vs. practical)
- ◆ Creditors Expect it
  - A Well Prepared Budget Can Improve a Credit Rating
- ◆ The Law Requires it



# The Budgeting Process

## Overview

- ◆ Developing the Budget Foundation & Strategy
- ◆ Making Projections of Revenue & Expenditures
- ◆ Preparation and Review of Budget Requests
- ◆ Balancing the Budget
- ◆ Administrative and Public Input
- ◆ Budget Administration, Reviews, and Amendment

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Budget Foundation & Strategy

## ◆ Mission Statement

- Agreed Upon by Governing Body and Top Management

## ◆ Goal Setting

- Departments Set Goals that are consistent with the Mission Statement

## ◆ Master Plan

- Update & Revised

## ◆ Advisory Board

- Unbiased Perspective

Mission Statement

Goal Setting

Master Plan

Advisory Board

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

# Budget Foundation & Strategy

## Mission Statement

### ◆ Entity-wide Mission Statement

- Input/Buy-in from Department Heads
- Example: *"Working Together to Enhance the Quality of Life in our Community"*

### ◆ Department-specific Mission Statements

- Input/Buy-in from Key Departmental Staff
- Example: *"Proudly Working Together to Provide Quality Utility Services to Our Customers"*

### ◆ Department Value Statements

- Input/Buy-in from All Employees
- Example: *Integrity, Responsiveness, Effectiveness, Safety, Team Work*

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

Mission Statement

Goal Setting

Master Plan

Advisory Board

# Budget Foundation & Strategy

## Goal Setting

- ◆ Policies Supporting the Mission Statement
  - Example: *"Provide high quality water at the right pressure to meet the needs of our customers"*
- ◆ Objectives Focused on Enforcing Policies
  - Example: *"Provide adequate flow for fire suppression at levels recommended by our Fire Department"*
- ◆ Initiatives Keyed on Achieving Objectives
  - Example: *"Increase the flow near six schools currently below the recommended levels"*
- ◆ List Initiatives Accomplished in Recent Past
  - Example: *"Water Quality: Implemented inline monitoring throughout the system"*

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

Mission Statement

Goal Setting

Master Plan

Advisory Board

# Budget For Master Plan

## ◆ Why Use a M



Mission  
Statement

Goal Setting

Master Plan

Advisory  
Board

Overview

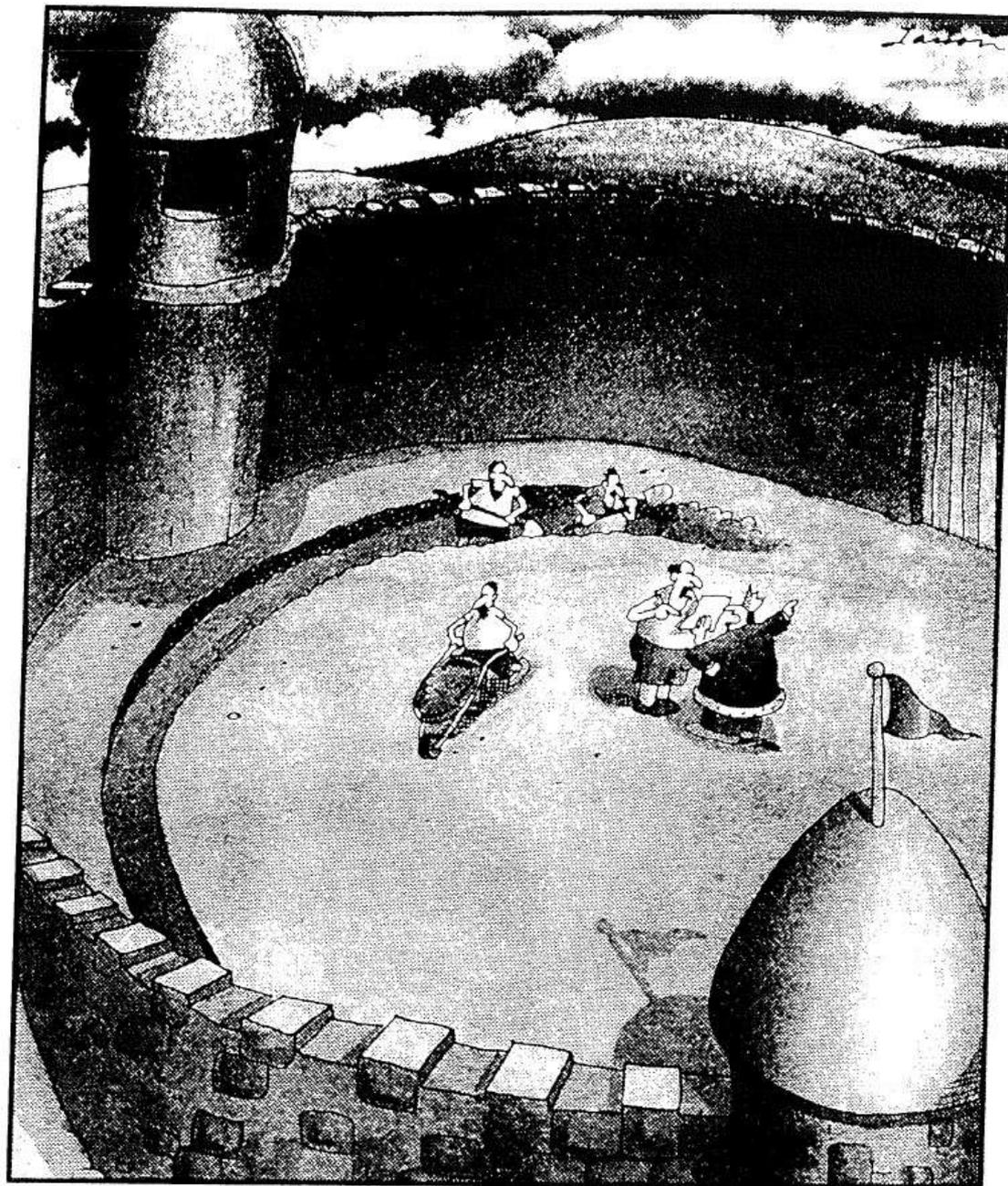


Foundation & Strategy



Proj

Suddenly, a heated exchange took place between the king and the moat contractor.



# Budget Foundation & Strategy

## Master Plan

### ◆ Why Use a Master Plan?

- Report Card on How We're Doing
- Projects Needed, Ranked, Costs Estimated
- Third-Party Perspective

### ◆ How to Use a Master Plan

- In-house vs. Contracted
- Bundle & Save
- Several Years' History
- Apply for Grants

Mission  
Statement

Goal Setting

Master Plan

Advisory  
Board

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration



# Budget Foundation & Strategy

## Advisory Board

- ◆ Who Serves on an Advisory Board?
  - Residents, Attorneys, Engineers, Accountants, Retired Professionals
  - Appointed by Elected Officials
- ◆ What Do They Do?
  - Meet Once a Month, Review Budgets, Recommend Plans
  - Give the Elected Officials an Unbiased Perspective
- ◆ Why Have an Advisory Board?
  - Valuable Expert and Non-expert Opinions
  - Public Over-sight
  - Political Support
  - **BALANCE!**

Mission Statement

Goal Setting

Master Plan

Advisory Board

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

# Budget Foundation & Strategy

Advisory Board



"Hey! Look what Zog do!"

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

# Budget Foundation & Strategy

## Advisory Board

### Example of Who Serves on an Advisory Board

- ◆ Attorney(2), Partners in Large Law Firms
- ◆ Ret. Dpty. Dir. of Pub. Works for L.A. Cnty, California
- ◆ PRWUA Engineer Mngr., Fmr. Gen. Mngr. of WCWCD
- ◆ CPA, Former City Councilman
- ◆ Resident, Rate-payer, Mother, Grandmother
- ◆ Questar Operations Supervisor
- ◆ Current City Councilman(2)

Mission Statement

Goal Setting

Master Plan

Advisory Board

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Making Balanced Projections

## ◆ Revenue Projections (finish first)

- “Fleshing-out” Variables to Plug-into a Formula
- Rates, Fees, and Population Growth (Building Permits)
- Bond and/or Grant Revenue
- Economic Trends & Interest Rates

## ◆ Expenditure Projections

- On-going Costs: Payroll, Electricity, Interest, System Repairs etc.
- One-time Costs: \*Requests, Fleet, Equipment, Computers etc.
- Capital Costs: Pipe Projects, Water Tanks, Re-drilling a Well
- Every Item Must Pass the Cost/Benefit Analysis “Test”

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Preparing Budget Requests

- ◆ **Front-line Workers** (Very Early in the Process)
  - What works, what doesn't, what do we really need?
  - Different Excavator, a Smaller Generator, New Software...
- ◆ **Division Managers**
  - Prioritize List with Supervisors, and Crew Leaders
  - Research Requests for Options and Price, Get Bids
  - Is Each Item on the List Justified?
- ◆ **Department Budget Staff**
  - Have Good Handle on Revenue and Expenditure Projections
  - Divisions' "Wish Lists" get Narrowed and Reprioritized
  - A Final Explanation/Justification is Made
  - **BALANCE!**

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Balancing the Budget

## ◆ Unlimited Needs vs. Limited Resources

- Accounting Text Book Definition of Balanced
- Expenditures Have to Equal Revenues
- Balancing Figure (Reservoir)

## ◆ When Do Needs Trump Means?

- Example: 65% Rate Increase for Critical Capital Projects

## ◆ When Do Means Trump Needs?

- Example: Revising Master Plan Schedule from 10 yrs to 15 yrs

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration

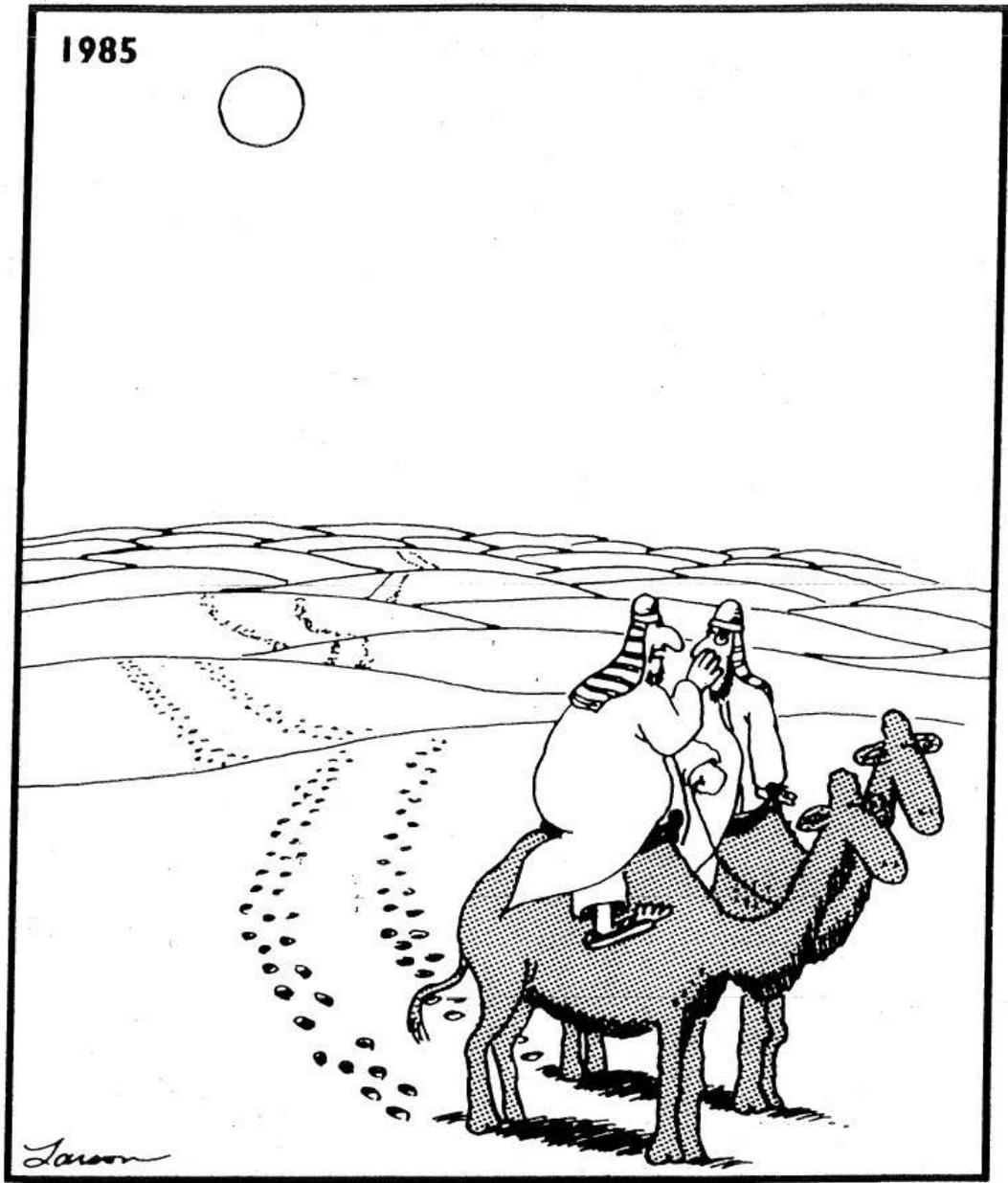




Public  
(Advisory)

out

◆ M



“Hold still, Omar. ... Now look up. Yep. You’ve got something in your eye, all right—could be sand.”



Overview

Administration

Public Input

- [Advisory Board](#)
- [Budget Committee](#)
- [City Council](#)
- [General Public](#)

# Public & Administrative Input

## (Advisory Board)

### ◆ Monthly Meeting Agenda Item

- Packet Delivered to them a Week in Advance
- Reviews Projections for Viability
- Reviews Requests for Justifiability
- Reviews Budget for Accuracy
- **BALANCE!**



Advisory Board

Budget Committee

City Council

General Public

Overview

Projections

Balancing

Administration

Foundation & Strategy

Requests

Public Input

# Public & Administrative Input

## (Budget Committee)

### ◆ Who Are They?

- The Mayor
- City Administrators
- Finance Director
- Police Chief
- Director of Parks & Rec.
- Personnel Director

### ◆ What Do They Do?

- Support the Mayor's Administrative/Financial Policies
- Broader Perspective on **BALANCE!**
- Ultimately the Finance Director Recommends Approval

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration



Advisory  
Board

Budget  
Committee

City Council

General  
Public



# Public & Administrative Input

(City Council)

- ◆ Why Do they Have to Approve the Budget?
  - Legally Obligated to by Ordinance
  - One of the Main Functions they are Elected to Accomplish
  - They are Held Accountable by Their Constituents
  - **BALANCE!**
- ◆ What Does it Mean to Pass the Budget?
  - They Have Reviewed it, and are in Agreement with it.
  - Ratified into Law
  - They Authorize the Funding of Everything in it

Advisory  
Board

Budget  
Committee

City Council

General  
Public

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Public & Administrative Input

(General Public)

## ◆ Who's Money is this Anyway?

- Residents' of the City
- Taxes, Fees, Rates, Interest, Grants, Debt... its All Theirs
- Voters that Elected the Mayor and City Council
- Ultimately We All Work for Them
- **BALANCE!**

## ◆ How Do they Get Access and Give Input?

- Attend Council Meetings
- Get a Copy and Review it
- Volunteer to be Advisory Board Members
- Run for Office
- Re-elect Incumbents

Advisory  
Board

Budget  
Committee

City Council

General  
Public

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration



# Administering the Budget

## (Authorizing Expenditures)

- ◆ Departments Begin Work for New Year
  - Carry-out Daily Activities
  - Maintain & Improve the System
  - Purchase Approved Items and Services
  - Manage Approved Projects



Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration



Authorizing

Reviewing

Amending



# Administering the Budget

(Reviewing Progress)

## ◆ Monthly Budget Report

- Track Revenues and Expenditures Throughout the Year
- Check for Accuracy and Mistakes
- Enforce Purchasing Policies & Procedures

Authorizing

Reviewing

Amending

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration





# Administering the Budget

(Amending When Needed)

- ◆ **Course Corrections Along the Way**
  - Budget Carry-over
  - Budget Openings
  - Emergency Operations

Authorizing

Reviewing

Amending

Overview



Foundation & Strategy



Projections



Requests



Balancing



Public Input



Administration



# Summary

## ◆ Foundation & Strategy

- Mission Statement, Goals, Policies, Objectives, Initiatives
- Master Plan
- Advisory Board

## ◆ Effective Process

- Projections
- Requests
- Public Involvement

## ◆ BALANCE!

- No accountant can balance a budget alone
- Neither Needs Nor Means Trumps the Other
- Remember Who The Boss Is Ultimately



# Questions?



“Some go over their budgets very carefully every month... others just go over them.”

~ Sally Poplin

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