Municipal Government Budget Training
Why are we here talking about this?

A major responsibility of local elected officials, especially town or city council members, is to “appropriate funds” – in other words, to adopt and maintain a budget.

(UCA 10-3-1210)
To Do List –

☑ What is a budget and what do those ridiculous words used mean?
☑ What is the budget process?
☑ Questions to consider about the budget.
☑ Things to know about budgets, revenue and expenditures.
☑ Amending the budget.
☑ Questions to consider about budget amendments.
☑ Thoughts about capital projects.
☑ What major obstacles face local budgets?
Exactly, what is a Budget?

More than a mere accounting of revenue and expenses

A reflection of policy priorities of elected officials.

A financial operating plan

A tool for communicating with the public about how their money is spent.
Budget Terms

- General Fund
- Enterprise Funds
- Special Revenue Funds
- Capital Improvement Funds
- Capital Project
- Capital Outlay

Budget Officer
Fiscal Year
Budget Year
Governing Body
How Things Flow...Process

Budget Officer receives requests from departments

Requests are revised to match revenue

Budget discussions held by the governing body

Budget is presented to the council by the first Tuesday in May

Budget hearing held after 48 hours advertising

Budget discussions are held by governing body

Budget adopted by June 22

Public hearing is scheduled
Dates and Durations

- Budget must be adopted prior to June 22.
- If budget involves a property tax increase, a public hearing on the increase must be held prior to August 17.
- Budget hearing must be advertised 7 days in advance in cities and 48 hours in advance in towns.
Important Stuff to Know

- Why are expenses and/or revenue increasing and/or decreasing?
- Are revenue estimates realistic?
- How is one-time money used in the budget?
- Do fees cover the costs of services?
- Have alternative service delivery options been evaluated?
Other Important Stuff to Know

- Expenses must equal revenue, except in enterprise funds where you can have a profit and/or a loss.

- All unexpended funds, except capital improvement funds, lapse to respective fund balances on June 30.
- One-time money should only be spent on one-time expenditures.

- A town’s fund balance cannot exceed 75% of projected revenue
- A city’s fund balance cannot exceed 18% of projected revenue
Ahhh....Revenue

Projecting Revenue is:

- Part Science
- Part Art
- Part Philosophy
- Part Luck

GOAL: Some revenue sources exceed projections by similar amounts that other revenue sources lag behind projections.
Basic Local Government Revenue in Utah

Sales Tax
Property Tax
Franchise Tax
Other Taxes
Fees
Things that sway revenue

- The economy
- The weather
- Utility rate changes
- County Reappraisals
- Politics
Revenue Challenges...

- Other General Revenue Sources: 35%
- Property Tax: 19%
- Sales Tax: 33%
- Other Taxes: 3%
- Energy Sales and Use Tax: 7%
- Franchise Tax: 3%
And Now, Expenditures

Often much easier than projecting revenue

Largest area of expenditure in local government is often personnel services

Over expenditure can be difficult to correct unless identified early
Things that sway expenses

- Legal judgments
- Infrastructure failure
- Unique opportunities
- Natural disasters
- Federal or state mandates
Expenditure Challenges...

- Property Tax 42%
- Class C 51%
- Franchise/ESU 67%
- Sales Tax 73%

Public Safety $448 Million
Road Construction & Maintenance $155 Million
Parks & Recreation $147 Million
Major Category Deficits $382 Million

Other sources of revenue must cover the remaining deficit and all other general fund services we provide.
Can We Change It?

Council Amendments
- Between appropriation levels
- department to department
- fund to fund
- increase overall expenditures
- increase overall revenue
- new capital project
- allocation of new staff

Administrative Amendments
- Within appropriation levels
- Within a department
- Within a fund
- increase/decrease budget for a capital project

Yes, we can.
How Do We Change It?

Council Amendments
- Advertise for 48 hours in towns and 7 days in cities
- Hold a public hearing
- Make the changes
- Update accounting system

Administrative Amendments
- Make the decision
- Update the accounting system
• Is the requested amendment consistent with the policy direction set forth in the budget?

• What is the downside of not amending the budget, but rather, making the adjustment in the next budget cycle?
Capital Project Thoughts...

New projects must be approved by the governing body.

Ask for periodic updates of actual versus projected expenditures for capital projects.
Conclusion

Budget actions should make logical sense

Don’t approve what you don’t understand

Call For help