



KNOW YOUR BUDGET

Controlling the numbers rather than letting the numbers control you



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S O R E N S O N I M P A C T



PLANNING MATTERS and budget planning matters too





AGENDA

- What is a Budget?
- Transparency in Budgeting
- Fund Budgeting
- Quick Review of Revenues and Expenses
- Property Tax Primer
- Budget Creep and Other Thoughts
- Budgeting for Outcomes
- Questions/Contact Information?

WHAT IS A BUDGET?

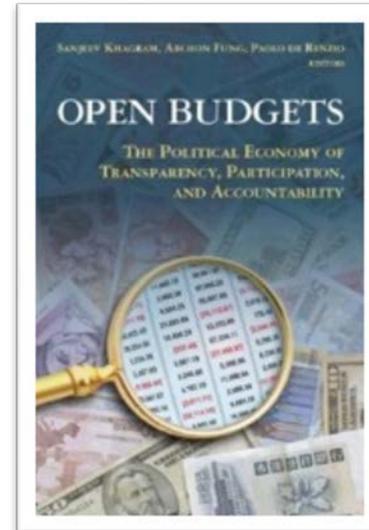
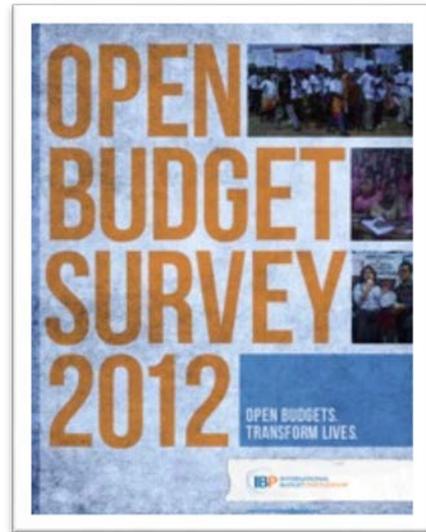
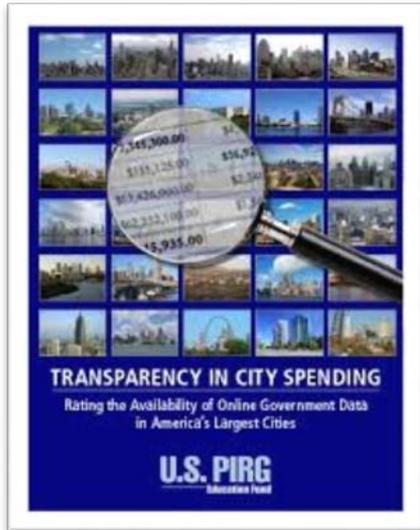
- More than a simple accounting of revenue and expenditures
- The way one demonstrates priorities – “Show Me the Money!”
- The most important responsibility of the Legislative Body
- Not scary or boring!
- Your opportunity to talk to and hear from the public about how you are spending their money

WHY TRANSPARENT BUDGETING MATTERS

- Taxpayers trust you with their hard earned money. They deserve to know what you've accomplished with the money they provide.
- Transparency Tips:
 - Public Budget Meetings
 - De-Mystify the Numbers
 - Narrative Description of Budget
 - Numbers and Narrative Posted on Website
 - Quarterly Budget Updates on Council Agenda
 - Honest Discussions – Cut Rhetoric
 - **FOCUS ON OUTCOMES**



TRANSPARENCY IS NOT A FAD



BUDGETING BASICS

- Fiscal Year for Municipalities July 1 – June 30
- Public Hearings required to adopt and amend budgets
- Monthly budget reports for management
- Quarterly budget reports for legislative body
- File budget with State Auditor 30 days after adoption
- Financial Audit Reporting Package (FILED TOGETHER)
 - Financial Statement Report – 180 days after year end
 - State Compliance Audit – 180 days after year end
 - Single Audit Report – 180 days after year end
 - Report on Findings & Recommendations – 180 days after year end



TRANSPARENCY



- Utah Public Finance Transparency Website
 - Quarterly Revenue and Expenses – 30 days after quarter end
 - Annual Balance Sheet Data – 180 days after year end
 - Annual Payroll Data – 180 days after year end
- Impact Fee Report – 180 days after year end
- Deposit and Investment Information – January 31 and July 31
- Chart of Accounts thoughts...

FUND BUDGETING

ACCOUNTABILITY VS. PROFITABILITY & GOVERNMENTAL VS. PROPRIETARY

- ▲ General Fund and Related
- ▲ Capital Project Funds
- ▲ Debt Service Funds
- ▲ Enterprise Funds
- ▲ Internal Service Funds
- ▲ Special Revenue Funds

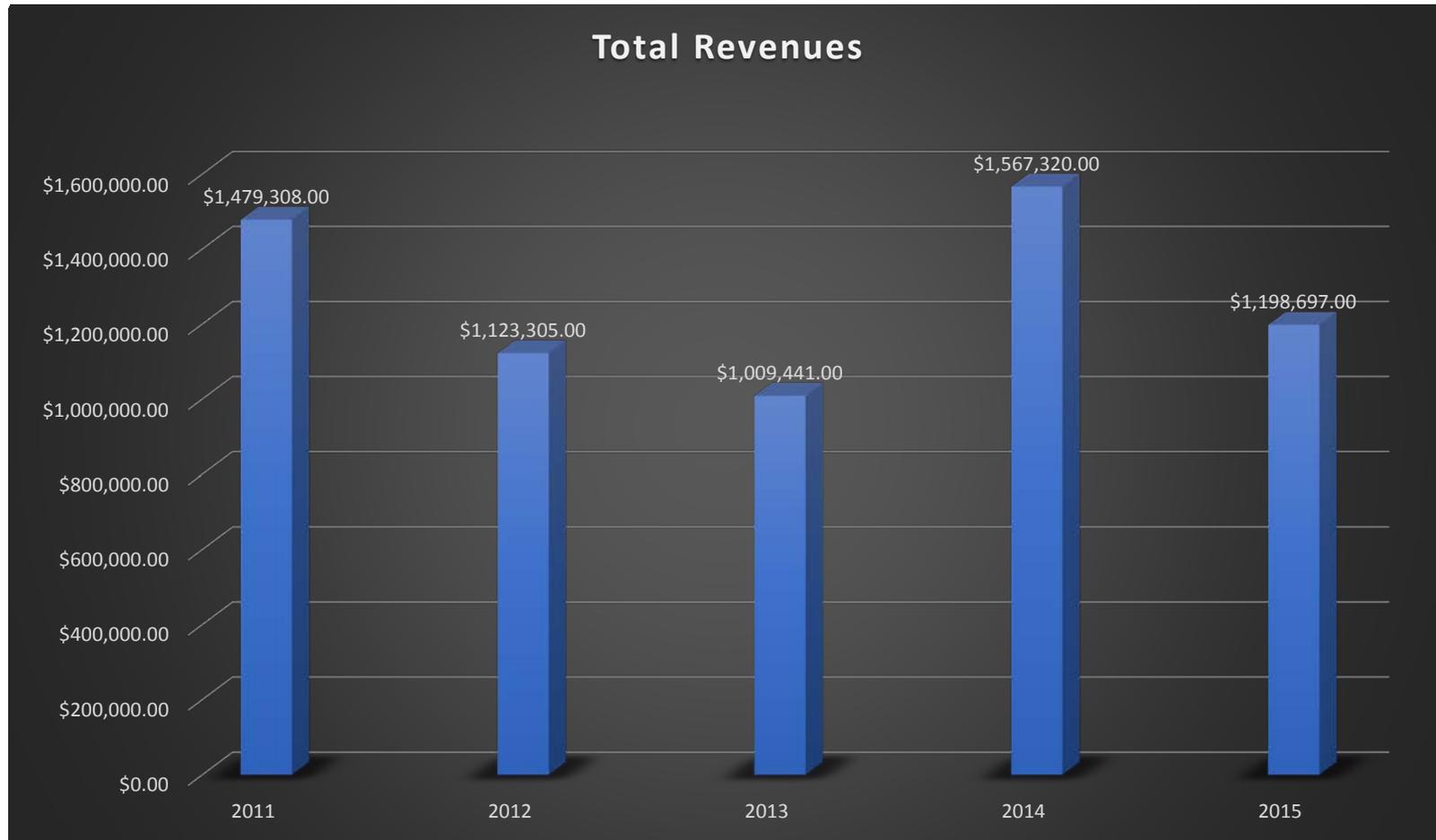


REVENUES AND EXPENSES

- Focus on **Revenue**
- Keep an Eye on **Expenses**
 - Hard to control
 - Never fund full-time employees – or for that matter other ongoing budget gifts – for Christmas!

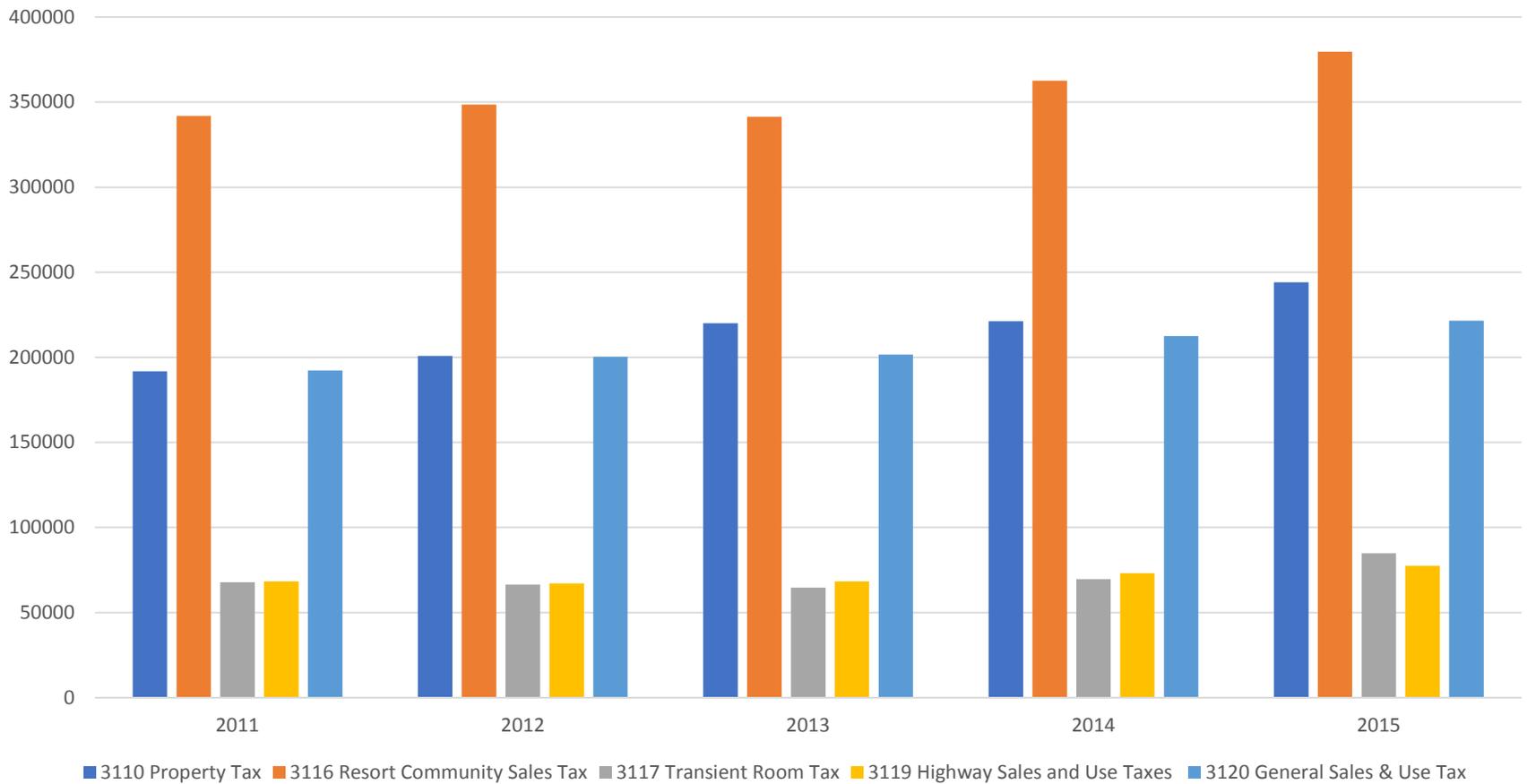


Sample Small Community



Sample Small Community

Taxes

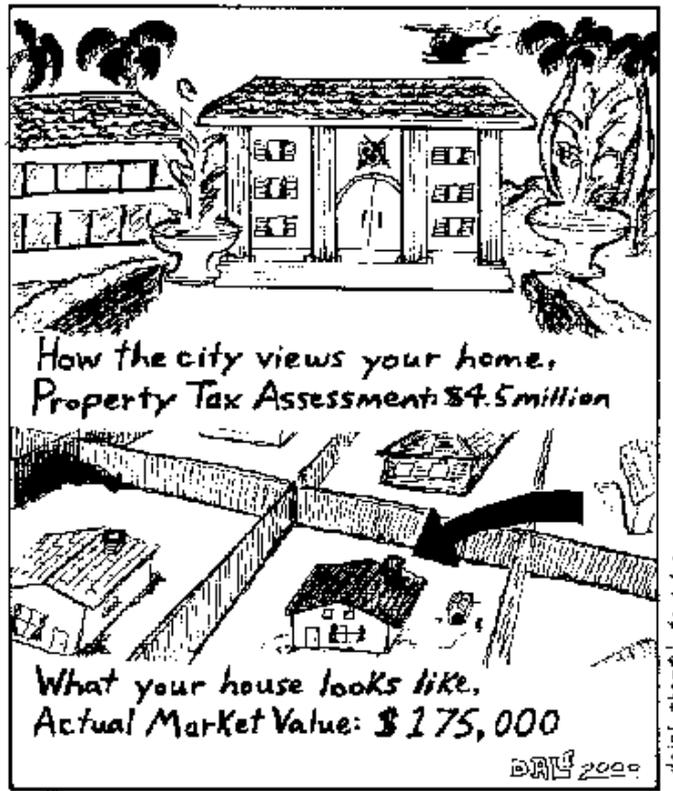


Sample Small Community



PROPERTY TAXES 101

Taxable Valuation drives rates that will produce budgeted revenue



- Taxable vs Fair Market Value
- Taxable Value fair market value – residential exemption
- Fair Market Value the amount at which the property would change hands between a willing buyer and seller.
- Taxable Value is used in the calculation.

Property Value Types



- Real
 - Locally assessed (County Assessor) real estate (land) and improvements on the land.
- Personal
 - Locally assessed (County Assessor) property not classified as real estate or improvements and subject taxation and assessment according to value.
- Centrally Assessed
 - Tax Commission assessed real and personal property.

PROPERTY TAXES 101

What is Centrally Assessed Property?

- All property which operate as a unit across county lines.
- All public utilities.
- Airlines, air charter service, and air contract services.
- Geothermal fluids and geothermal resources.
- All mines and mining claims.
- All machinery used in mining.



PROPERTY TAXES 101

Percentage Breakdown Statewide

- Real
72%
- Personal
6%
- Centrally Assessed
12%



PROPERTY TAXES 101

Tax Rate?

- The rate usually changes every year due to the calculation of revenue/value.
- Value go up, rate goes down
- Value goes down, rate goes up
- Right?



Real Property Change

- Reappraisal value change due to market change = tax rate change
- New Growth = New Revenue



New Growth?

Calculation with 4 parts

- Real
- Personal
- Centrally
- Redevelopment projects expiring or decreasing tax increment commitment.



PROPERTY TAXES 101

Calculation

- Revenue (prior year budgeted revenue)

Divided by

- Adjusted Value

= Certified Tax Rate



PROPERTY TAXES 101

Adjusted Value = Value Forecast

$$E(\omega T) \cdot \alpha \omega^2 \cdot \sin(\beta - \frac{\omega}{T}) \quad I = H \left(\frac{R^2}{2} \right) + H \left(\frac{R^2}{2} \right) = \frac{H R^2}{2}$$

$$U_{02}(b) = \frac{a}{r} e^{-b}$$

$$Q = 2a \cdot (A-N)e$$

$$D_n = H - (2np + N_{n-1})$$

Diagrams include:

- A sine wave with amplitude $\frac{1}{2}$ and period π .
- A 3D vector model with axes x, y, z and angles α, β .
- A circular diagram with segments labeled $\frac{1}{2}, \frac{1}{4}, \frac{1}{4}, \frac{1}{2}$ and a radius r .
- Chemical symbols: ${}^1_1\text{H}$ - Hydrogenium, ${}^2_1\text{H}$ - Deuterium, ${}^3_1\text{H}$ - Tritium.
- A network graph with nodes p, n and arrows.

Real + Personal + Centrally Assessed

- Redevelopment increment values
- BOE 3 year board of equalization average change

X Collection Rate (5 year average)

- New Growth

= Adjusted Value

Want more/new Revenue

- New Growth
- Tax Rate Increase Process
- Annex in of new tax areas



PROPERTY TAXES 101

Property Tax Demonstration

Year 1

House 1	House 2	House 3	House 4	House 5
Mkt Value 181,818				
Tax Value 100,000				
Tax Bill 1,000				

House 6	House 7	House 8	House 9	House 10
Mkt Value 181,818				
Tax Value 100,000				
Tax Bill 1,000				

SLVLESA District	
Total Base Mkt Value	1,818,182
Total Base Tax Value	1,000,000
Tax Revenue Base	10,000
Tax Revenue New Grow	-
Total Tax Revenue	10,000
Tax Rate	1.00%



PROPERTY TAXES 101

Year 2

House 1	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 2	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 3	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 4	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 5	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 6	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 7	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 8	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 9	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

House 10	
Mkt Value	363,636
Tax Value	200,000
Tax Bill	1,000

SLVLESA District	
Total Base Mkt Value	3,636,364
Total Base Tax Value	2,000,000
Tax Revenue Base	10,000
Tax Revenue New Grow	-
Total Tax Revenue	10,000
Tax Rate	0.50%



PROPERTY TAXES 101

Year 3

House 1	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	816

House 2	
Mkt Value	190,909
Tax Value	105,000
Tax Bill	857

House 3	
Mkt Value	200,000
Tax Value	110,000
Tax Bill	898

House 4	
Mkt Value	209,091
Tax Value	115,000
Tax Bill	939

House 5	
Mkt Value	218,182
Tax Value	120,000
Tax Bill	980

House 6	
Mkt Value	227,273
Tax Value	125,000
Tax Bill	1,020

House 7	
Mkt Value	236,364
Tax Value	130,000
Tax Bill	1,061

House 8	
Mkt Value	245,455
Tax Value	135,000
Tax Bill	1,102

House 9	
Mkt Value	254,545
Tax Value	140,000
Tax Bill	1,143

House 10	
Mkt Value	263,636
Tax Value	145,000
Tax Bill	1,184

SLVLESA District	
Total Base Mkt Value	2,227,273
Total Base Tax Value	1,225,000
Tax Revenue Base	10,000
Tax Revenue New Grow	-
Total Tax Revenue	10,000
Tax Rate	0.82%



PROPERTY TAXES 101

Year 4

House 1	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	816

House 2	
Mkt Value	190,909
Tax Value	105,000
Tax Bill	857

House 3	
Mkt Value	200,000
Tax Value	110,000
Tax Bill	898

House 4	
Mkt Value	209,091
Tax Value	115,000
Tax Bill	939

House 5	
Mkt Value	218,182
Tax Value	120,000
Tax Bill	980

House 6	
Mkt Value	227,273
Tax Value	125,000
Tax Bill	1,020

House 7	
Mkt Value	236,364
Tax Value	130,000
Tax Bill	1,061

House 8	
Mkt Value	245,455
Tax Value	135,000
Tax Bill	1,102

House 9	
Mkt Value	254,545
Tax Value	140,000
Tax Bill	1,143

House 10	
Mkt Value	263,636
Tax Value	145,000
Tax Bill	1,184

House 11	
Mkt Value	272,727
Tax Value	150,000
Tax Bill	1,224

SLVLESA District	
Total Base Mkt Value	2,227,273
Total Base Tax Value	1,225,000
Total New Growth Tax v	150,000
Grand Total Tax Value	1,375,000
Tax Revenue Base	10,000
Tax Revenue New Grow	1,224
Total Tax Revenue	11,224
Tax Rate	0.82%



STRETCH DOLLARS

STRETCH DOLLARS – WATCH FOR NATURAL UNDER EXPEND

- Staff turn over often results in under expend
- Reward departments for creating under expend by sharing the savings with one-time wish lists
- **Begin to focus on outcomes rather than outputs – forces systems thinking**



BUDGET CREEP AND OTHER THOUGHTS

- **BUDGET CREEP:**

- Mid-Year Reclassifications
- Hiring Above the Entry Level
- Accrual of Comp Time
- Grants Awarded
- Contracts
- OPEB



- **OTHER BUDGET FOCUSED IDEAS:**

- If you don't understand it, don't vote on it until you do
- Become a quality-focused organization – outcome oriented and continuous improvement based top to bottom
- Be creative and test new ideas
- Do not be afraid to educate the public about the cost of services

DO IT – DON'T JUST SAY IT



ASK YOURSELF:

- ✓ Do we have realistic short, medium and long term goals – or do we just try to get from one budget year to the next?
- ✓ Do we talk about who we are serving and how well we are doing?
- ✓ Are our dollars spent on the most effective programs? How do we know?

GOVERNMENT HISTORY OF FOCUS ON DATA

GOOD AT MEASURING OUTPUTS

OUTPUT MEASURE

INDICATOR TYPE

Number of items checked out per library patron

Efficiency

Linear feet of sidewalk replaced per year

Efficiency

Cycle time from police call for service to response

Service Quality

Cost per jail bed per day

Unit Cost

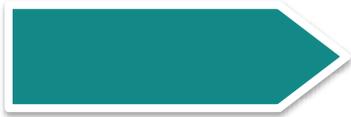
Average homeless families/individual/case worker

Service Quality



SHIFT DATA TO FOCUS ON OUTCOMES

ADVANTAGES



Budget policy discussions focus on what is accomplished rather than how much is spent



Creates a culture of continuous improvement throughout the organization



Forces government to think about systems, not just programs



Provides a higher level of public accountability

FOCUS ON OUTCOME DATA

OUTPUT MEASURE

OUTCOME GOAL

Increase in the proportion of K-12 students actively using the library

Increased graduation rate OR close gap on graduation rates

Decrease in percentage of inadequate sidewalks

Walkable Community

Decrease crime rates in key categories of crime

Increased real and perceived safety in community

Increase rate of diversion from jail for non serious offenders; decrease recidivism rate

Eliminate overcrowding in jail/need for more jail beds

Decrease rate of readmission to homeless facility within 30, 60 and 180 days

End chronic homelessness



BUDGETING FOR OUTCOMES

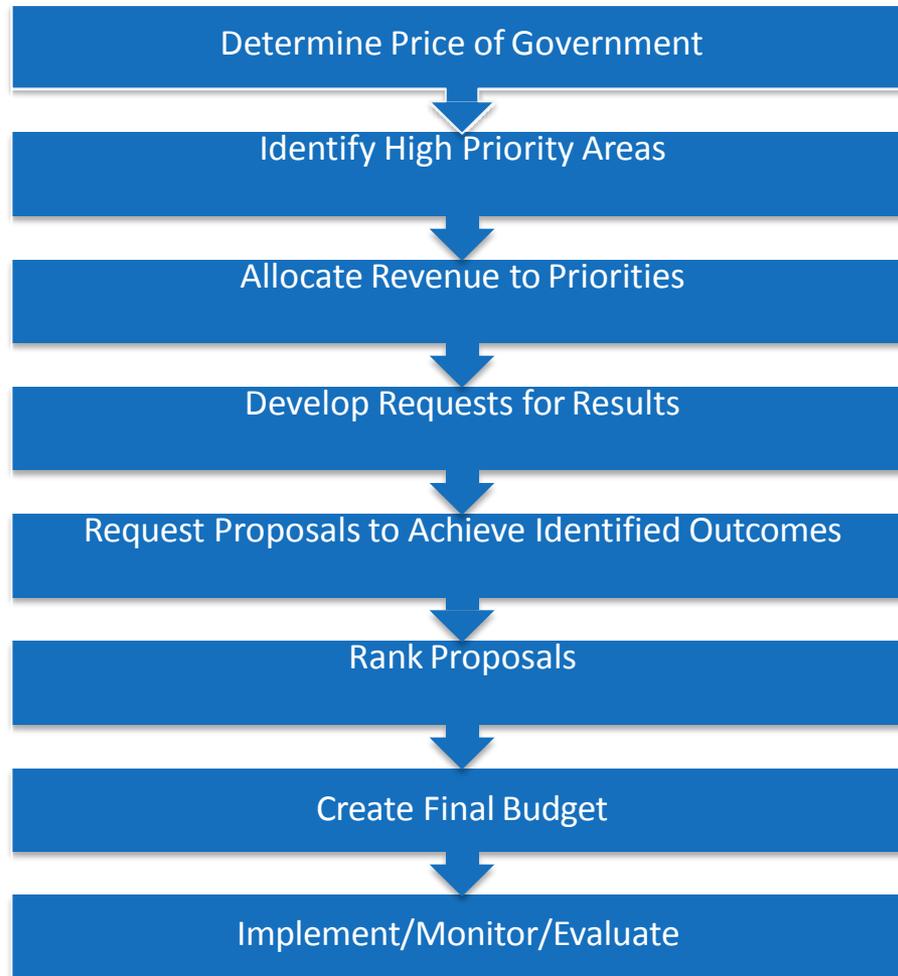
PERFORMANCE BUDGETING:

*“Similar to program budgeting, this budgeting approach also uses programs or activities as budget units, and presents information on program goals and performance. This budget system places emphasis on incorporating program performance information into the budget development and appropriations process, and **allocating resources to achieve measurable results.**”*

OUTCOME MEASURE:

This is a measure of the result associated with a program or service. Outcome measures can be short- or long-term results that can be directly linked to a government program or service. Examples include the percentage of students reading at grade level, air quality, or the traffic fatality rate. **Outcome measures are often the most desirable measures but the most difficult to use and analyze, as major system outcomes are generally derived from a variety of services, products and activities, and isolating the root cause of change is often challenging.**

8 STEPS FOR OUTCOME BASED BUDGET



*See process map for priority driven budget.

OUTCOME BASED BUDGET

GOAL: Shift thought from what we are spending to what we are buying

Presently: 95% of all spending decisions are based on what we did last year

Focus tends to only be on the new money

FUNDING



FOCUS



GOV'T HISTORY OF PERFORMANCE-BASED BUDGETING

- **1870's:** Performance budgeting introduced in reaction to local government abuses
- **1950:** Budget Accounting and Procedures Act; agency leads to provide budget performance data
- **1950's:** President's Bureau of Budget; performance measures used for efficiency and effectiveness
- **1960-2000:** More than fifty countries follow the US lead in performance based budgeting
- **1960's:** Planning, Programming, Budget System (PPBS)
- **1970's:** Management by Objectives (MBO) and Zero-Based Budgeting (ZBB)
- **1980's:** Top Down and Fixed Ceiling Budgeting
- **1990's:** Performance data goes public; prior to that it was internal data
- **1990's:** State and Local governments start to experiment with Performance Budgeting and Total Quality Management
- **1993:** Government Performance and Results Act (GPRA); agencies to use performance managing tasks – including goal setting, measuring results, and reporting progress
- **1994:** Government Management and Results Act (GMRA); extends provisions across federal gov't
- **1994:** OMB Circular A-11 Revision; program funding justified by performance metrics and goals
- **1996-2000:** Federal agencies mandated to use outcomes-based performance metrics in budgeting
- **2002:** Performance Assessment Rating Tool (PART); OMB develops and integrates performance measurement but not performance budgeting per se
- **2010:** OMB issued 128 High Priority Performance Goals (HPPG)
- **2012:** New York City Social Impact Bond issued (first Pay for Success transaction)



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