WHO WE ARE

The Utah League of Cities and Towns initially was organized in 1907. ULCT serves 246 incorporated municipalities in the State of Utah. ULCT represents municipal government interests with a strong, unified voice at the state and federal levels and provides information, training and technical assistance to local officials on municipal issues in order to create a greater public awareness and understanding of municipal responsibilities, governance and administration.

ULCT is a non partisan, inter-local, government cooperative, working to strengthen the quality of municipal government and administration.
KNOW YOUR BUDGET

Controlling the numbers rather than letting the numbers control you
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?
• 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
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**
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

“Everything was fine until you insisted on accountability.”
• 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

Total Revenues

2011: $1,479,308.00
2012: $1,123,305.00
2013: $1,009,441.00
2014: $1,567,320.00
2015: $1,198,697.00
Sample Small Community

Taxes

- 3110 Property Tax
- 3116 Resort Community Sales Tax
- 3117 Transient Room Tax
- 3119 Highway Sales and Use Taxes
- 3120 General Sales & Use Tax
Everything Else Revenues
(Less than 10% of total revenue)
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.
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.
Percentage Breakdown Statewide

• Real
  72%
• Personal
  6%
• Centrally Assessed
  12%
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
Personal & Centrally Assessed

• Value change = Positive or negative new growth.

• Only a value drop in Personal or Centrally Assessed can cause a tax rate change, it will be an increase under the current system.

• Value increase = new revenue
• No tax rate decrease
New Growth?

Calculation with 4 parts

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

• Revenue (prior year budgeted revenue)  
  Divided by  
• Adjusted Value

= Certified Tax Rate
Adjusted Value = Value Forecast

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 Tax Demonstration

Year 1

<table>
<thead>
<tr>
<th>House</th>
<th>Mkt Value</th>
<th>Tax Value</th>
<th>Tax Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>House 1</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 2</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 3</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 4</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 5</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 6</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 7</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 8</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 9</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>House 10</td>
<td>181,818</td>
<td>100,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

SLVLESA District

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Base Mkt Value</td>
<td>1,818,182</td>
</tr>
<tr>
<td>Total Base Tax Value</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Tax Revenue Base</td>
<td>10,000</td>
</tr>
<tr>
<td>Tax Revenue New Grow</td>
<td>-</td>
</tr>
<tr>
<td>Total Tax Revenue</td>
<td>10,000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>1.00%</td>
</tr>
</tbody>
</table>
PROPERTY TAXES 101

Year 2

<table>
<thead>
<tr>
<th>House 1</th>
<th>House 2</th>
<th>House 3</th>
<th>House 4</th>
<th>House 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
</tr>
<tr>
<td>Tax Value 200,000</td>
<td>Tax Value 200,000</td>
<td>Tax Value 200,000</td>
<td>Tax Value 200,000</td>
<td>Tax Value 200,000</td>
</tr>
<tr>
<td>Tax Bill 1,000</td>
<td>Tax Bill 1,000</td>
<td>Tax Bill 1,000</td>
<td>Tax Bill 1,000</td>
<td>Tax Bill 1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>House 6</th>
<th>House 7</th>
<th>House 8</th>
<th>House 9</th>
<th>House 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
<td>Mkt Value 363,636</td>
</tr>
<tr>
<td>Tax Value 200,000</td>
<td>Tax Value 200,000</td>
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<td>Tax Value 200,000</td>
</tr>
<tr>
<td>Tax Bill 1,000</td>
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<td>Tax Bill 1,000</td>
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<td>Tax Bill 1,000</td>
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</table>

SLVLESA District

<table>
<thead>
<tr>
<th>Total Base Mkt Value</th>
<th>3,636,364</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Base Tax Value</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Tax Revenue Base</td>
<td>10,000</td>
</tr>
<tr>
<td>Tax Revenue New Grow</td>
<td>-</td>
</tr>
<tr>
<td>Total Tax Revenue</td>
<td>10,000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>0.50%</td>
</tr>
</tbody>
</table>
**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**

<table>
<thead>
<tr>
<th>House</th>
<th>Mkt Value</th>
<th>Tax Value</th>
<th>Tax Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>House 1</td>
<td>181,818</td>
<td>100,000</td>
<td>816</td>
</tr>
<tr>
<td>House 2</td>
<td>190,909</td>
<td>105,000</td>
<td>857</td>
</tr>
<tr>
<td>House 3</td>
<td>200,000</td>
<td>110,000</td>
<td>898</td>
</tr>
<tr>
<td>House 4</td>
<td>209,091</td>
<td>115,000</td>
<td>939</td>
</tr>
<tr>
<td>House 5</td>
<td>218,182</td>
<td>120,000</td>
<td>980</td>
</tr>
<tr>
<td>House 6</td>
<td>227,273</td>
<td>125,000</td>
<td>1,020</td>
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<tr>
<td>House 7</td>
<td>236,364</td>
<td>130,000</td>
<td>1,061</td>
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<tr>
<td>House 8</td>
<td>245,455</td>
<td>135,000</td>
<td>1,102</td>
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<tr>
<td>House 9</td>
<td>254,545</td>
<td>140,000</td>
<td>1,143</td>
</tr>
<tr>
<td>House 10</td>
<td>263,636</td>
<td>145,000</td>
<td>1,184</td>
</tr>
<tr>
<td>House 11</td>
<td>272,727</td>
<td>150,000</td>
<td>1,224</td>
</tr>
</tbody>
</table>

**SLVLESA District**

- Total Base Mkt Value: 2,227,273
- Total Base Tax Value: 1,225,000
- Total New Growth Tax Value: 150,000
- Grand Total Tax Value: 1,375,000
- Tax Revenue Base: 10,000
- Tax Revenue New Growth: 1,224
- Total Tax Revenue: 11,224
- Tax Rate: 0.82%
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**
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*
• 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

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?
## Good at Measuring Outputs

<table>
<thead>
<tr>
<th>Output Measure</th>
<th>Indicator Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people who received job training per year</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Number of mothers who received pre-natal care/quarter</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Cycle time from referral to treatment in mental health</td>
<td>Service Quality</td>
</tr>
<tr>
<td>Cost per jail bed per day</td>
<td>Unit Cost</td>
</tr>
<tr>
<td>Average homeless families/individual/case worker</td>
<td>Service Quality</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>OUTPUT MEASURE</th>
<th>OUTCOME GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in number of months people are employed after receiving training</td>
<td>Decrease unemployment rate</td>
</tr>
<tr>
<td>Decrease in percentage of low birth-weight babies</td>
<td>Decrease infant mortality rate</td>
</tr>
<tr>
<td>Decrease rate of readmission to acute care within 30, 60 and 180 days</td>
<td>Improve the mental health of the community</td>
</tr>
<tr>
<td>Increase rate of diversion from jail for non serious offenders; decrease recidivism rate</td>
<td>Eliminate overcrowding in jail/need for more jail beds</td>
</tr>
<tr>
<td>Decrease rate of readmission to homeless facility within 30, 60 and 180 days</td>
<td>End chronic homelessness</td>
</tr>
</tbody>
</table>
Budgeting for Outcomes is a type of performance-based budgeting. Pay for Success provides an opportunity to actually budget 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.**

NASBO, 2015
8 STEPS FOR OUTCOME BASED BUDGET

1. Determine Price of Government
2. Identify High Priority Areas
3. Allocate Revenue to Priorities
4. Develop Requests for Results
5. Request Proposals to Achieve Identified Outcomes
6. Rank Proposals
7. Create Final Budget
8. Implement/Monitor/Evaluate

*See process map for priority driven budget.

GFOA, 2012
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
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)
Contact Us:

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www.ulct.org