



# KNOW YOUR BUDGET

Controlling the numbers rather than letting the numbers control you

Kerri Nakamura

KerriNakamuraAssociates@gmail.com





SOREN SON I M P A C T



David Eccles  
School of Business  
THE UNIVERSITY OF UTAH

# Audience Scan



# PLANNING MATTERS

and budget planning matters too



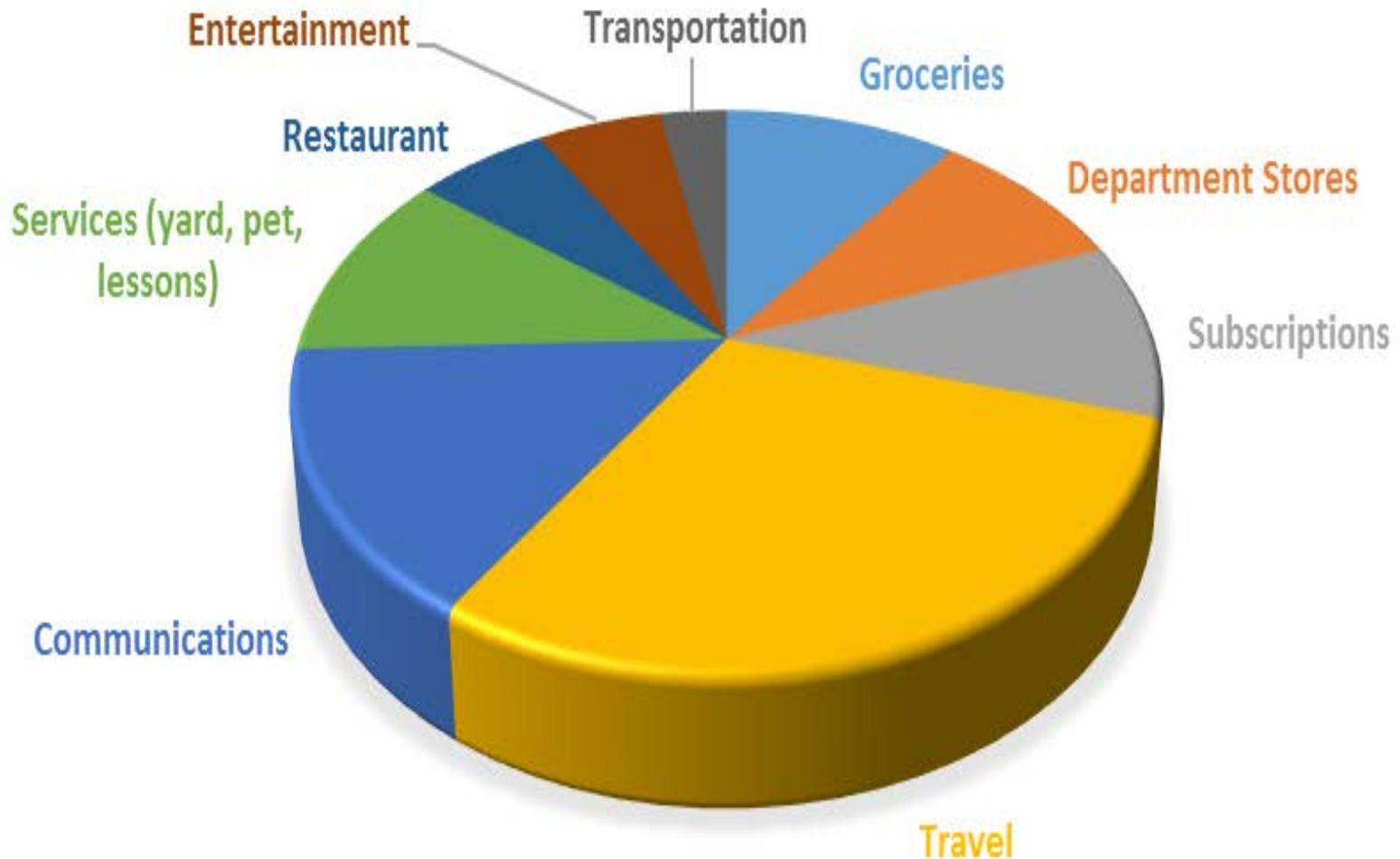


*“Don't tell me what you value, show me your budget, and I'll tell you what you value.”*

Joe Biden

# WHAT IS A BUDGET?

## KERRI'S EXPENSES



# WHAT IS A BUDGET?

- More than a simple accounting of revenue and expenditures
- The way one demonstrates priorities – “Show Me the Money!”
- Not scary or boring!
- *Your tool to achieve your mandates and the strategic goals set forth by your legislative body – understanding your agency’s budget and how it works is just as important as understanding your equipment.*

# AGENDA



- Budgeting Basics
- Budget Process – Snapshot
- Transparency
- Property Tax 101 !!!
- Linking Priorities to Budgets
- Revenue & Expenses



# BUDGETING BASICS

# BUDGETING BASICS

ACCOUNTABILITY VS. PROFITABILITY

GOVERNMENTAL VS. PROPRIETARY

- General Fund
- Capital Project Funds
- Debt Service Funds
- Special Revenue Funds
- Proprietary (full accrual)
  - Enterprise
  - Internal Service



# BUDGETING BASICS

- Budget must be balanced – deficit spending not allowed
- All funds lapse to respective fund balances on June 30 – except capital project
- Fund Balance maximums (as percent of budgeted revenue)
  - District = 100%
  - Town = 75%
  - City = 25%
  - County = 50% (unless taxable value exceeds \$750M or population exceeds \$100K)



# 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



# BUDGETING TERMS



*Appropriation*

*Budget Officer*

*Capital Equipment*

*Capital Project*

*Amendment*

*Fiscal Year/Budget Year*

*Balanced Budget*

*CAFR*

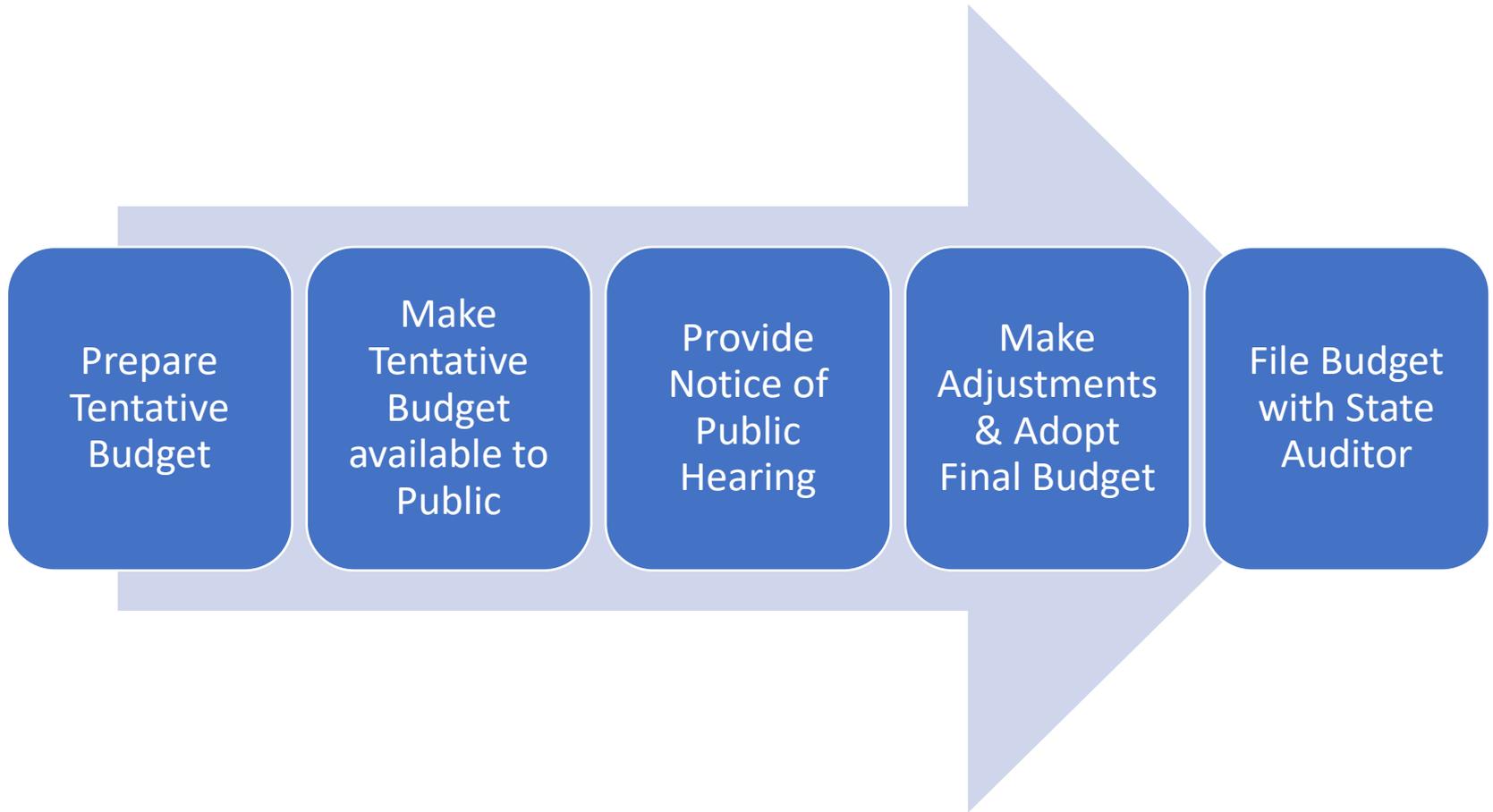
*Expenditure*

*Revenue*



# BUDGET PROCESS - SNAPSHOT

# THE BUDGET PROCESS



# THE BUDGET PROCESS

## Prepare Tentative Budget

- Review services and align with organization goals
- Review service delivery options
- Cost next year's services
- Review fees
- Prepare revenue and expenditure estimates
- Prioritize budget
- Submit revenue and expenditure request to Budget Officer
- Budget officer prioritizes organization budget

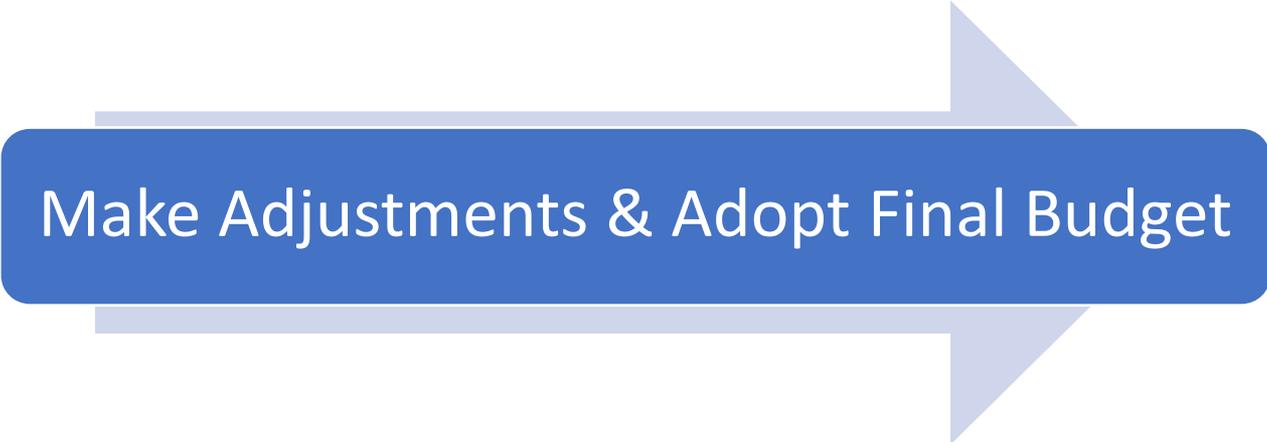
# THE BUDGET PROCESS

Make Tentative Budget  
available to Public

Provide Notice of  
Public Hearing

- Tentative budget available to the public
  - Cities & Counties – at least 10 days prior to adoption
  - Towns – Promptly
- Budget presented to legislative body
  - Cities & Towns – by the first meeting in May
  - Counties – generally November 1
- Public Hearing date(s) set
  - 7 calendar days notice

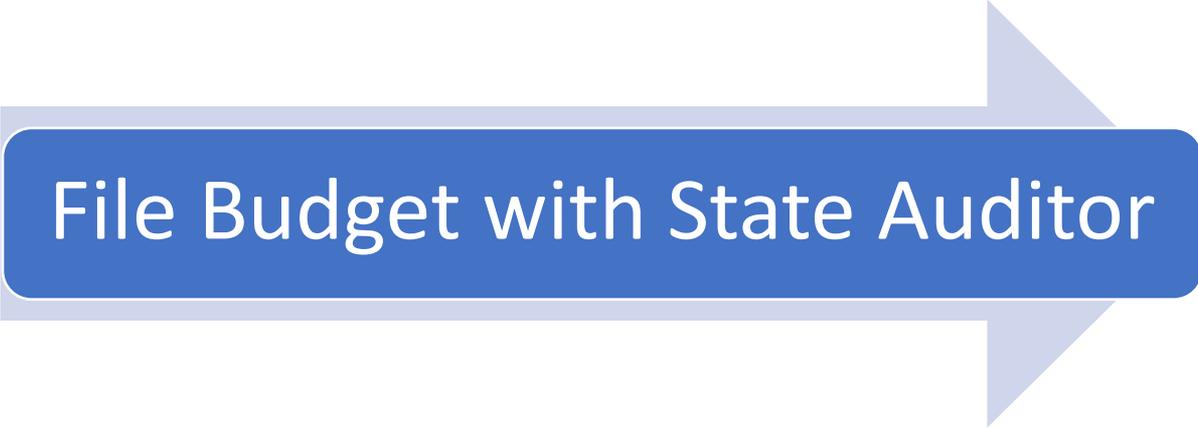
# THE BUDGET PROCESS



## Make Adjustments & Adopt Final Budget

- Public deliberations & adjustments
- Budget adopted
  - Cities – before June 30
  - Towns – before June 30
  - Counties – by December 31
  - Districts – by December 31

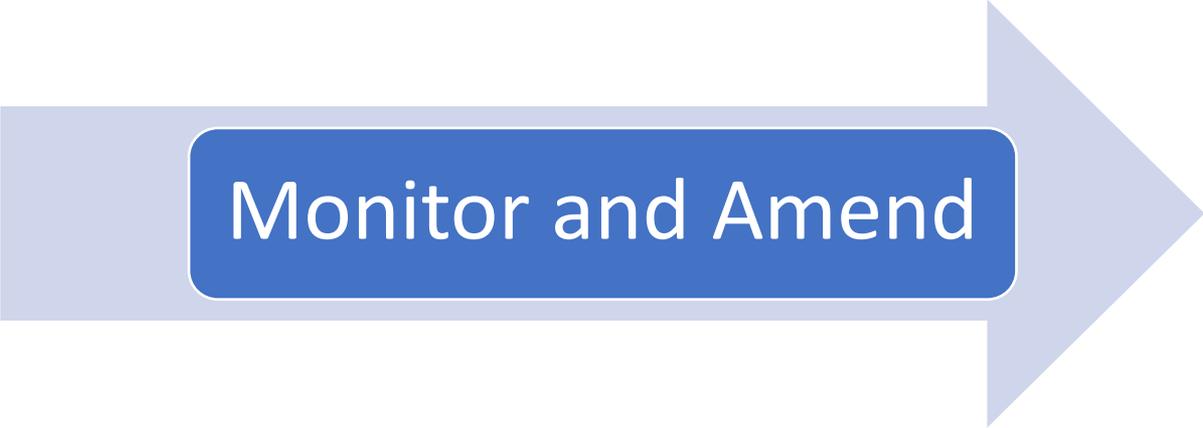
# BUDGET PROCESS



## File Budget with State Auditor

- Within 30 days of adoption
- Financial Reporting
  - Greater than \$500K = Audit
  - \$100K - \$500K = Agreed Upon Report
  - Less than \$100K = basic financial statement

# BUDGET PROCESS



## Monitor and Amend

- Programs monitor monthly
  - Adjust as necessary
- Legislative body monitors
  - Monthly &/or Quarterly
  - Amend as necessary



TRANSPARENCY

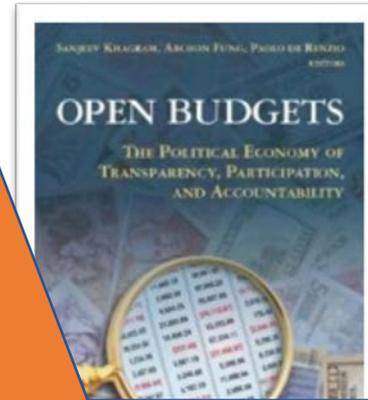
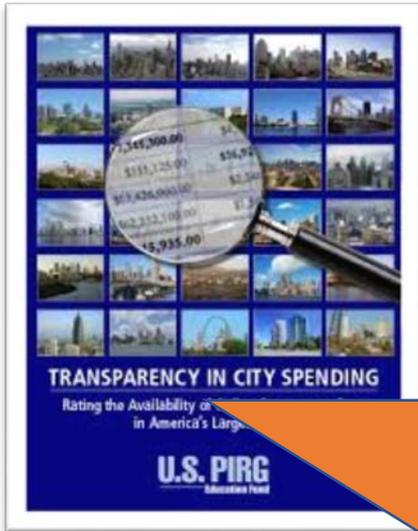
# WHY TRANSPARENT BUDGETING MATTERS

- 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
  - Contracts for Professional Services
  - Quarterly Budget Updates on Council Agenda
  - Honest Discussions – Cut Rhetoric
  - **FOCUS ON OUTCOMES**



# TRANSPARENCY IS NOT A FAD



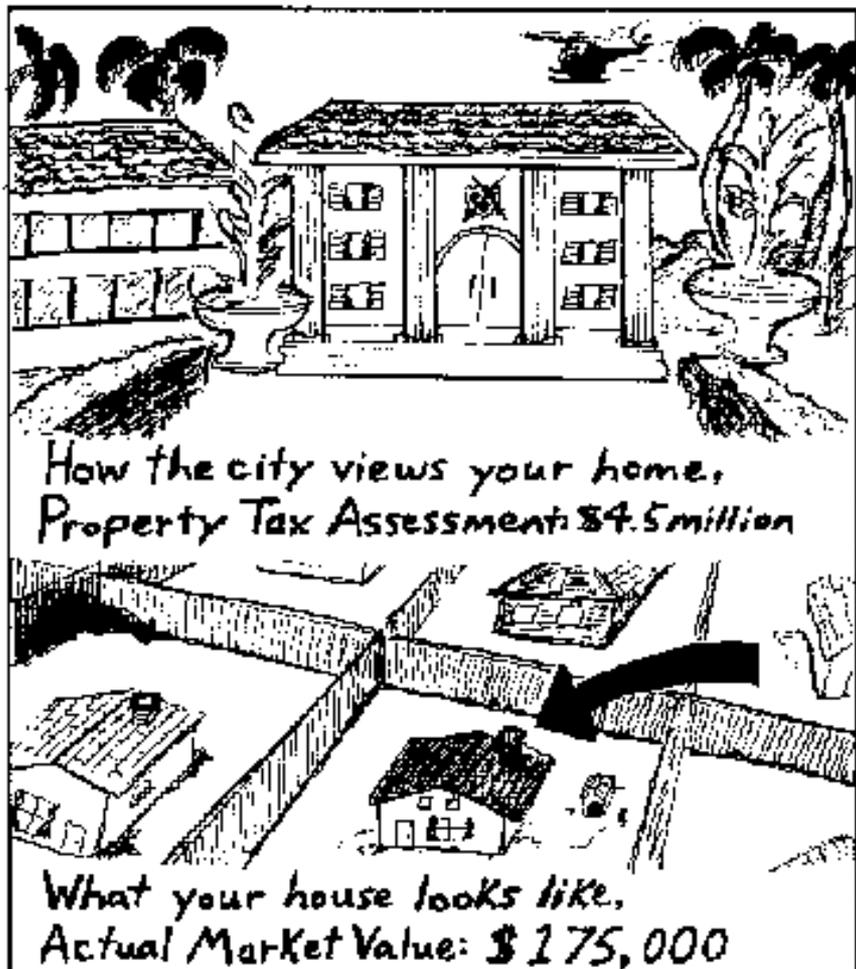
Friday  
2:45  
Jarvis



# PROPERTY TAX 101

# 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 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?



# PROPERTY TAXES 101

## Real Property Change

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



# PROPERTY TAXES 101

## Calculation

- Revenue (prior year budgeted revenue)  
Divided by
  - Adjusted Value
- = Certified Tax Rate



# PROPERTY TAXES 101

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

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

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

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

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

House 6	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	1,000

House 7	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	1,000

House 8	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	1,000

House 9	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	1,000

House 10	
Mkt Value	181,818
Tax Value	100,000
Tax Bill	1,000

Entity	
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

<p>House 1</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 2</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 3</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 4</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 5</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>
<p>House 6</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 7</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 8</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 9</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>	<p>House 10</p> <p>Mkt Value 363,636</p> <p>Tax Value 200,000</p> <p>Tax Bill 1,000</p>

Entity	
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

Entity	
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

Entity	
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%



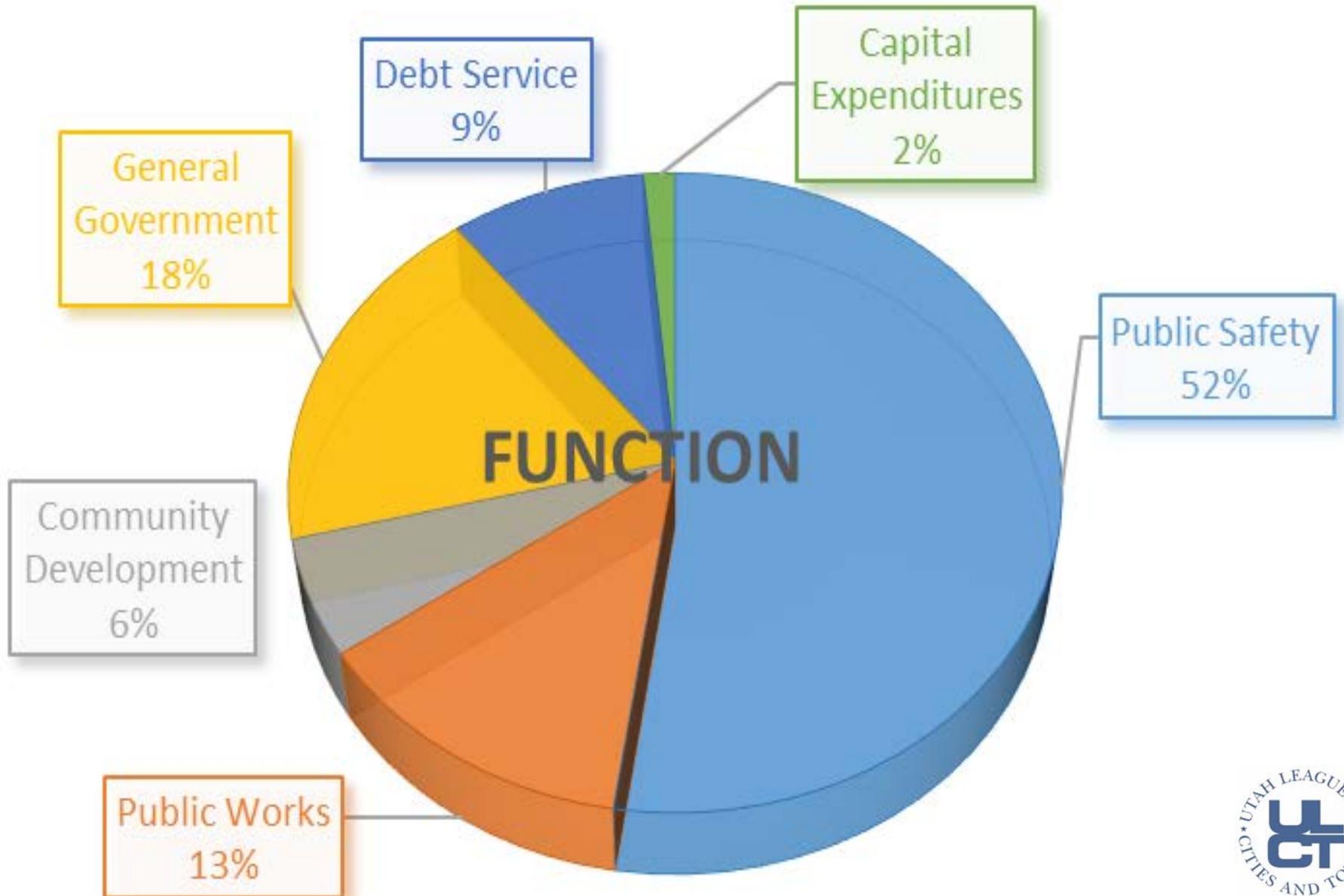


# LINKING PRIORITIES TO BUDGET

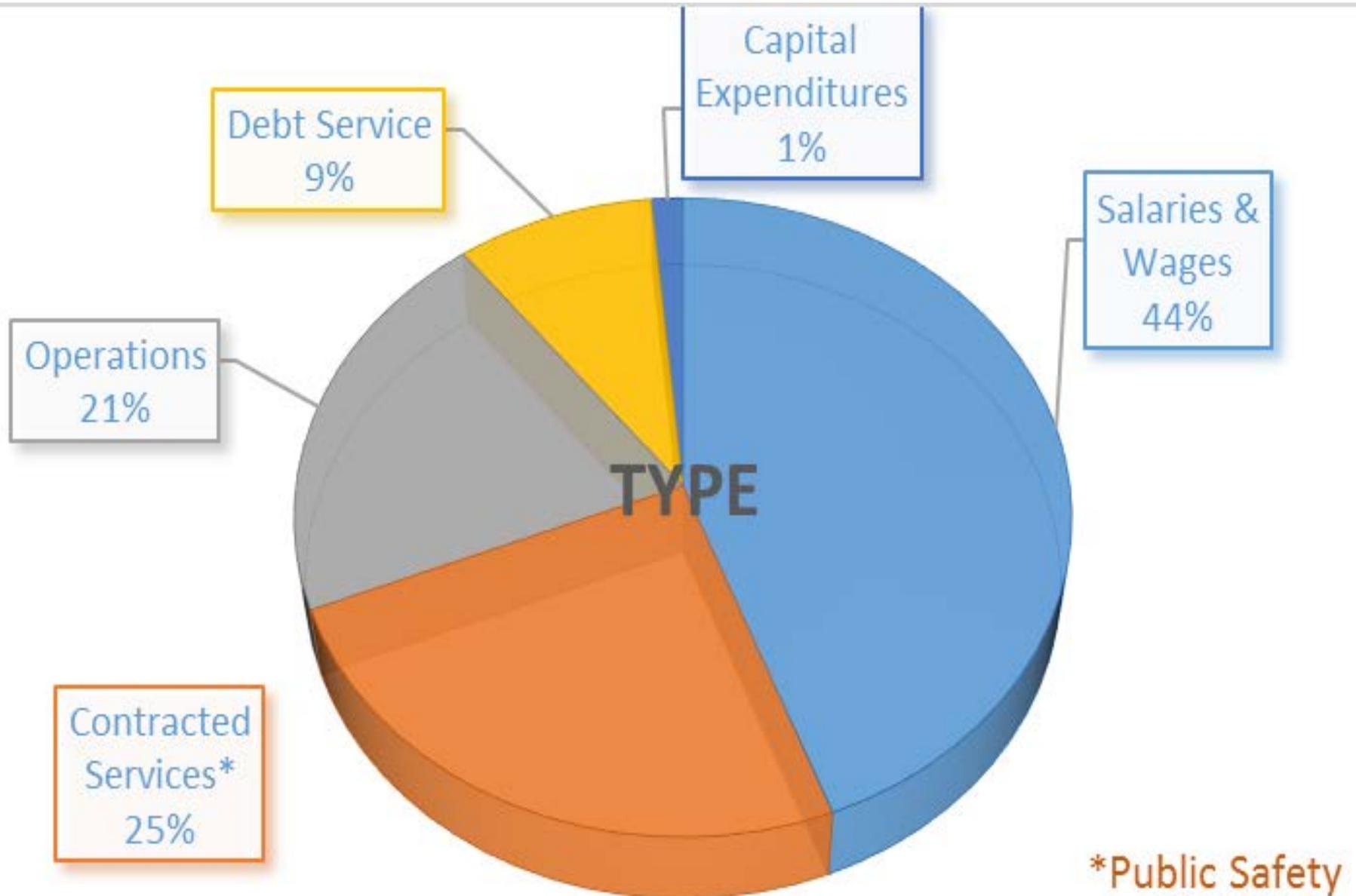
# STATED VALUES



# SHOW ME THE MONEY



# SHOW ME THE MONEY





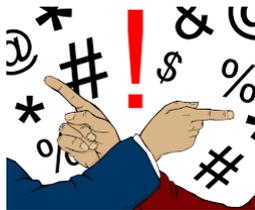
# EXPENSES & REVENUES

# REVENUES AND EXPENSES

- Focus on **Revenue**

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

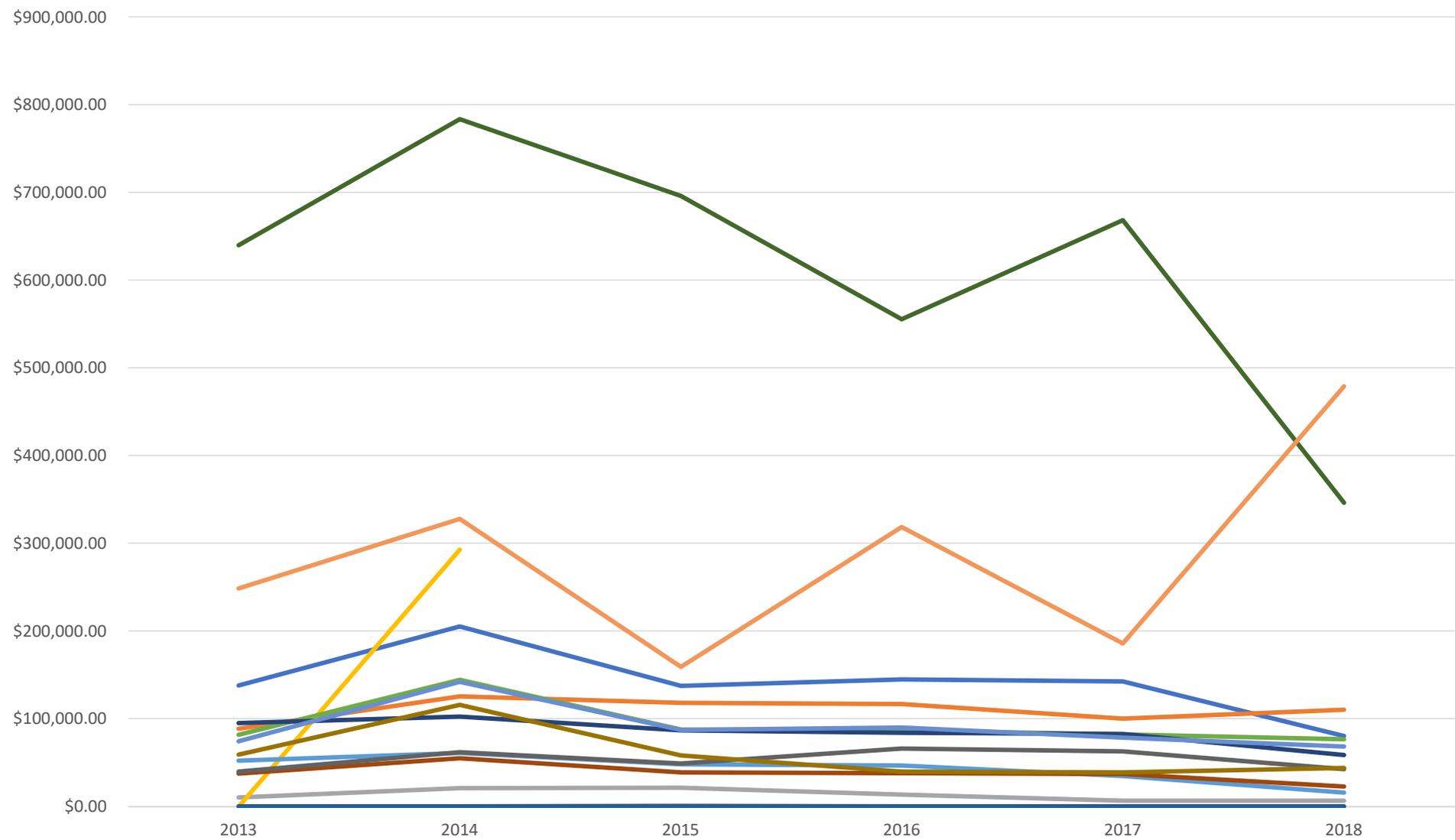
GOAL: Some revenue sources exceed projections by similar amounts that other revenue sources lag behind



- Keep an Eye on **Expenses**

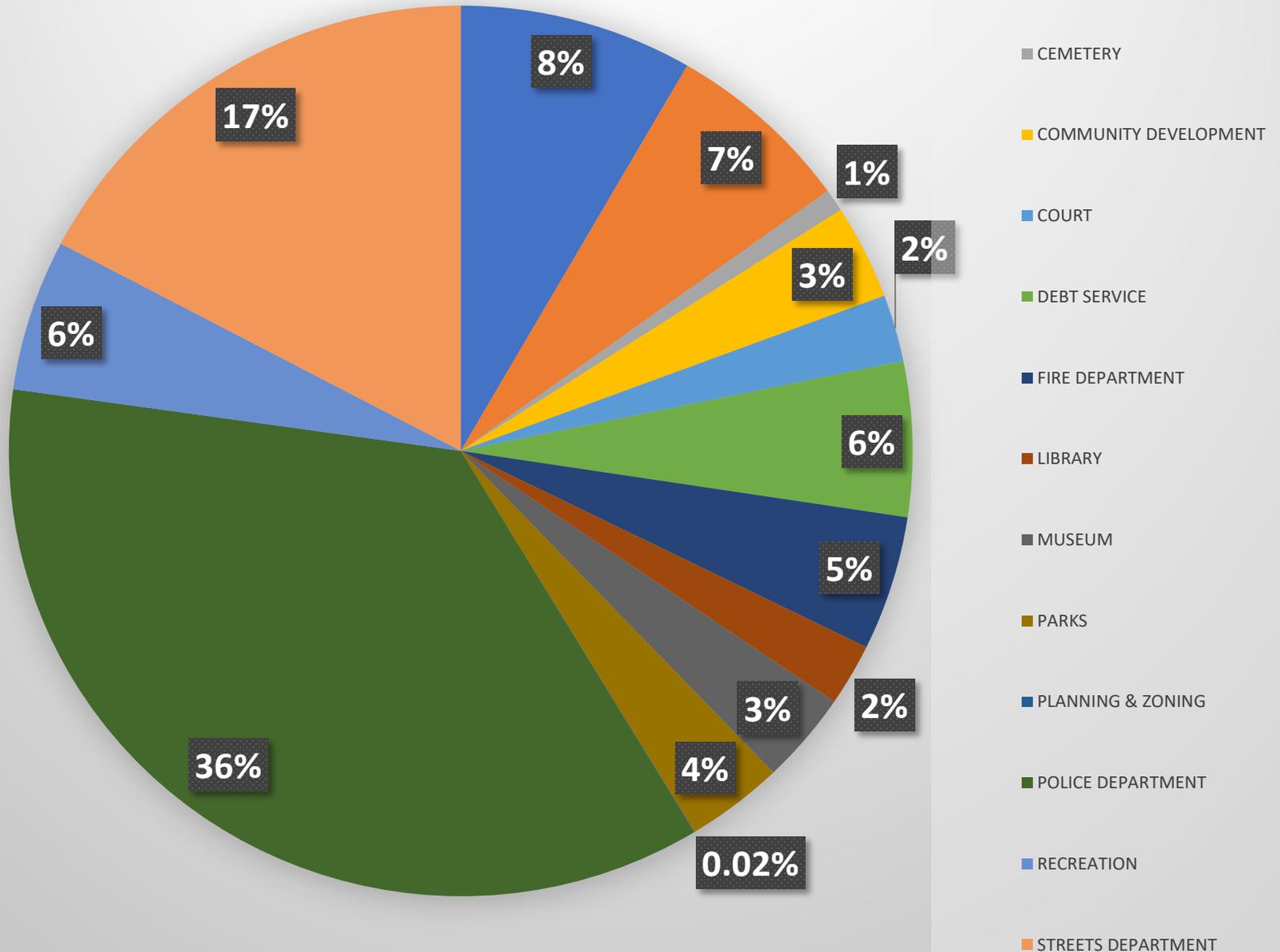
- Hard to control, especially if you don't find problems early
- Never fund full-time employees – or for that matter other ongoing budget gifts – for Christmas!

# Town A General Fund Expenditures History

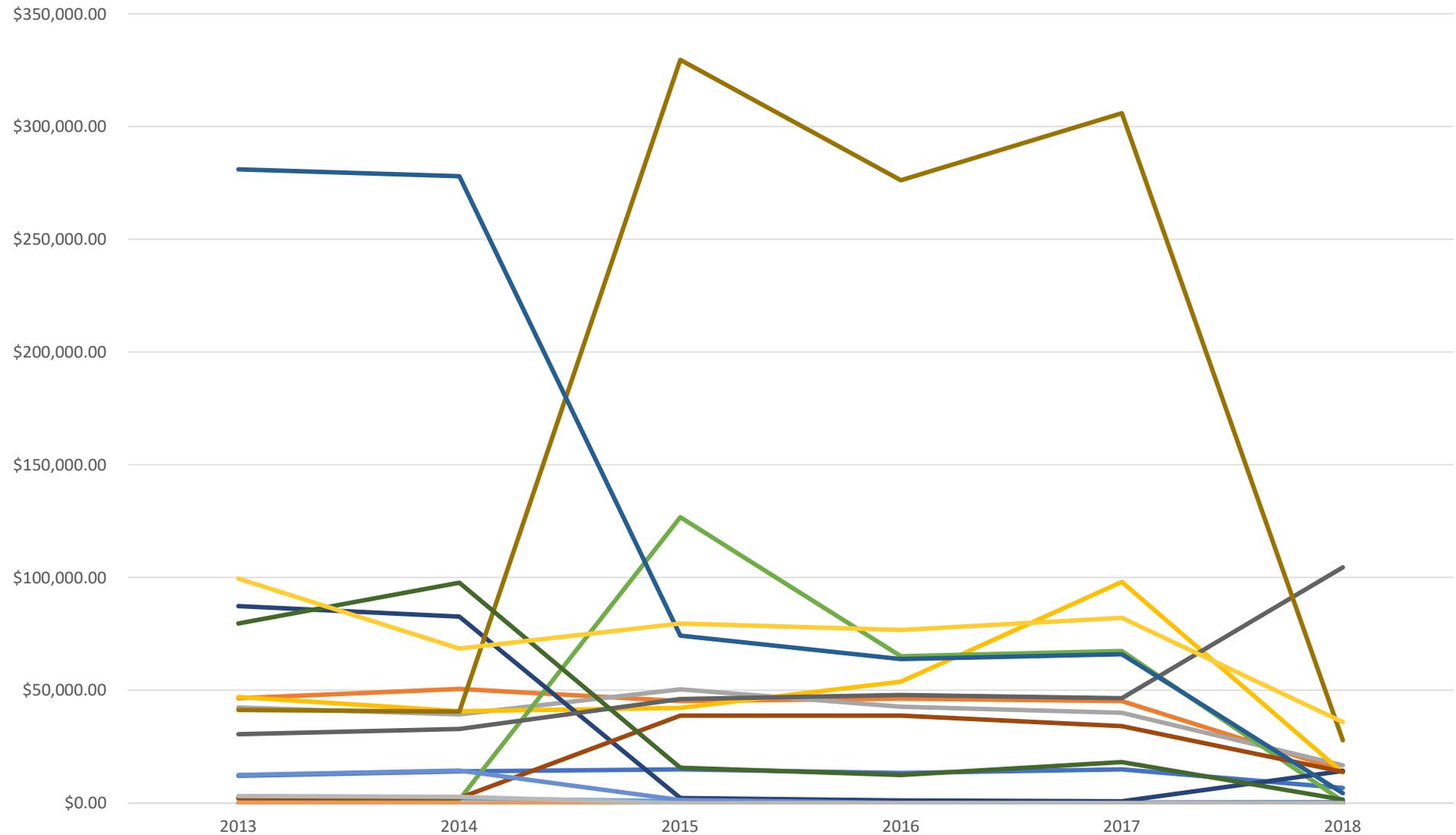


- ADMINISTRATION
- BUILDINGS
- CEMETERY
- COMMUNITY DEVELOPMENT
- COURT
- DEBT SERVICE
- FIRE DEPARTMENT
- LIBRARY
- MUSEUM
- PARKS
- PLANNING & ZONING
- POLICE DEPARTMENT
- RECREATION
- STREETS DEPARTMENT

# Town A Expenditures 2013 - 2018

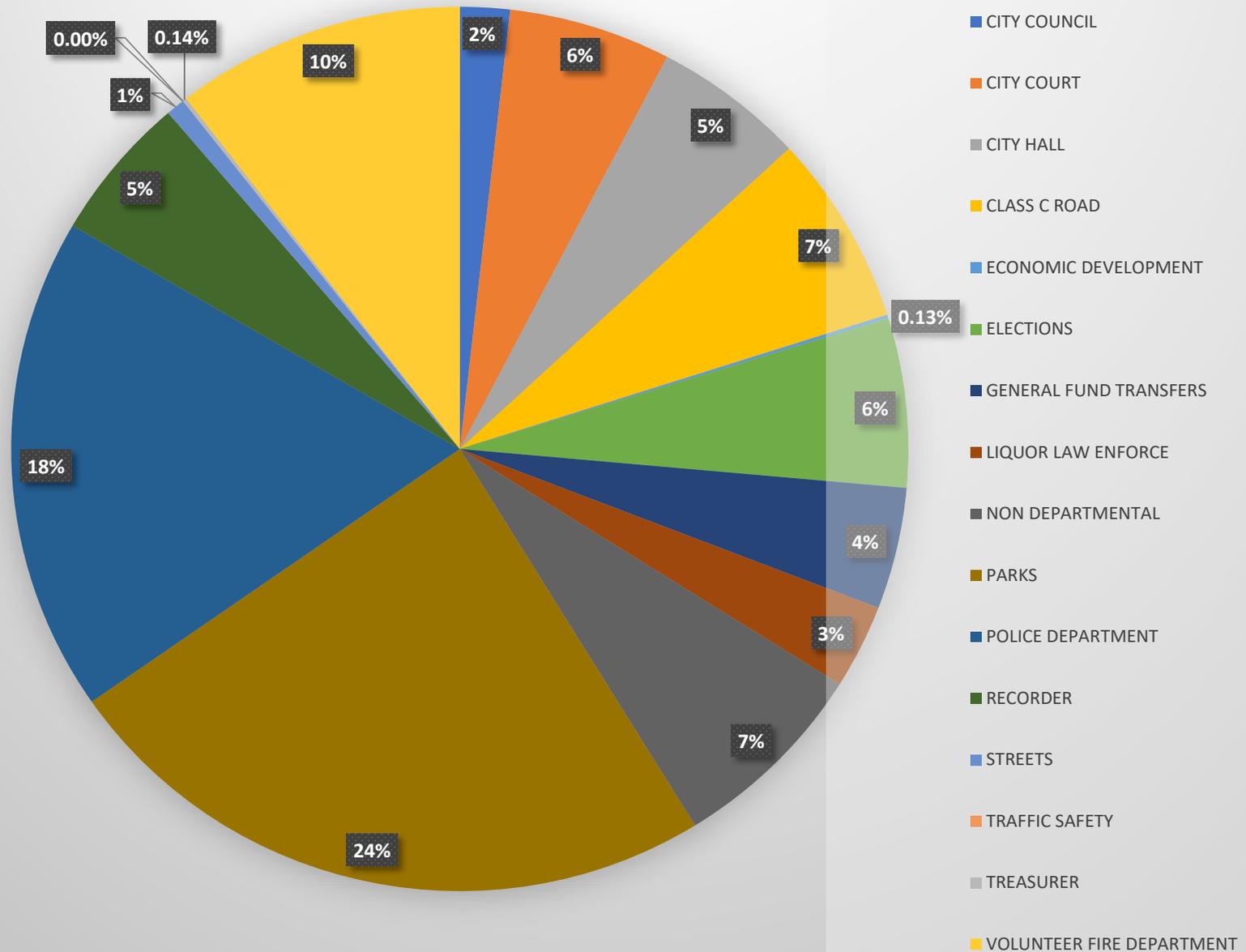


# Town B General Fund Expenditure History



- CITY COUNCIL
- CITY COURT
- CITY HALL
- CLASS C ROAD
- ECONOMIC DEVELOPMENT
- ELECTIONS
- GENERAL FUND TRANSFERS
- LIQUOR LAW ENFORCE
- NON DEPARTMENTAL
- PARKS
- POLICE DEPARTMENT
- RECORDER
- STREETS
- TRAFFIC SAFETY
- TREASURER
- VOLUNTEER FIRE DEPARTMENT

# Town B Expenditure History 2013 - 2018



# MONITORING THE PROGRAM BUDGET

<b>Public Works Budget</b>						
	Actual PY	Budget CY	YTD Actual 12/31/2017	PY Actual 12/31/2016	YTD Actual Compared to budget	Difference to Budget %
<b>Public Works Administration</b>						
Personnel	\$ 313,662	\$ 409,135	\$ 192,293	\$ 153,694	\$ 216,842	47%
Operations	\$ 24,028	\$ 15,650	\$ 9,703	\$ 9,611	\$ 5,947	62%
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	
	<b>\$ 337,690</b>	<b>\$ 424,785</b>	<b>\$ 201,996</b>	<b>\$ 163,306</b>	<b>\$ 222,789</b>	<b>48%</b>
<b>Traffic &amp; Signs</b>						
Personnel	\$ 392,768	\$ 426,340	\$ 200,380	\$ 192,456	\$ 225,960	47%
Operation	\$ 152,384	\$ 151,200	\$ 74,088		\$ 77,112	49%
Capital	\$ 2,294	\$ 77,000	\$ -		\$ 77,000	0%
	<b>\$ 547,446</b>	<b>\$ 654,540</b>	<b>\$ 274,468</b>	<b>\$ 192,456</b>	<b>\$ 380,072</b>	<b>42%</b>
<b>Maintenance Administration</b>						
Personnel	\$ 128,393	\$ 131,500	\$ 82,056	\$ 75,752	\$ 49,444	62%
Operations	\$ 3,598	\$ 6,000	\$ 3,144	\$ 1,885	\$ 2,856	52%
Capital	\$ -	\$ -	\$ -		\$ -	
	<b>\$ 131,991</b>	<b>\$ 137,500</b>	<b>\$ 85,200</b>	<b>\$ 77,637</b>	<b>\$ 52,300</b>	<b>62%</b>
<b>Streets</b>						
Personnel	\$ 1,033,212	\$ 1,102,100	\$ 683,302	\$ 640,591	\$ 418,798	62%
Operations	\$ 184,126	\$ 275,000	\$ 171,325	\$ 110,476	\$ 103,675	62%
Capital	\$ 3,005	\$ 47,525	\$ 38,971	\$ -	\$ 8,555	82%
	<b>\$ 1,220,343</b>	<b>\$ 1,424,625</b>	<b>\$ 893,598</b>	<b>\$ 751,067</b>	<b>\$ 531,028</b>	<b>63%</b>
<b>Parks</b>						
Personnel	\$ 1,284,159	\$ 1,414,800	\$ 806,436	\$ 706,287	\$ 608,364	57%
Operations	\$ 783,096	\$ 909,600	\$ 482,088	\$ 313,238	\$ 427,512	53%
Capital	\$ 180,372	\$ 670,200	\$ 87,126	\$ 77,560	\$ 583,074	13%
	<b>\$ 2,247,627</b>	<b>\$ 2,994,600</b>	<b>\$ 1,375,650</b>	<b>\$ 1,097,086</b>	<b>\$ 1,618,950</b>	<b>46%</b>
<b>Cemetery</b>						
Personnel	\$ 216,751	\$ 235,000	\$ 119,850	\$ 110,543	\$ 115,150	51%
Operations	\$ 61,146	\$ 70,500	\$ 19,035	\$ 17,121	\$ 51,465	27%
Capital	\$ 3,155	\$ 5,000	\$ 4,825	\$ 3,060	\$ 175	97%
	<b>\$ 281,052</b>	<b>\$ 310,500</b>	<b>\$ 143,710</b>	<b>\$ 130,724</b>	<b>\$ 166,790</b>	<b>46%</b>
<b>Urban Forestry &amp; Horticulture</b>						
Personnel	\$ 80,147	\$ 87,000	\$ 28,275	\$ 42,157	\$ 58,725	33%
Operations	\$ 28,374	\$ 34,900	\$ 4,886	\$ 3,405	\$ 30,014	14%
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	
	<b>\$ 108,521</b>	<b>\$ 121,900</b>	<b>\$ 33,161</b>	<b>\$ 45,562</b>	<b>\$ 88,739</b>	<b>27%</b>
<b>PUBLIC WORKS TOTAL</b>						
Personnel	\$ 3,449,092	\$ 3,805,875	\$ 2,112,592	\$ 1,921,482	\$ 1,693,283	56%
Operations	\$ 1,236,752	\$ 1,462,850	\$ 764,269	\$ 455,736	\$ 698,581	52%
Capital	\$ 188,826	\$ 799,725	\$ 130,922	\$ 80,620	\$ 668,804	16%
<b>TOTALS</b>	<b>\$ 4,874,670</b>	<b>\$ 6,068,450</b>	<b>\$ 3,007,783</b>	<b>\$ 2,457,838</b>	<b>\$ 3,060,667</b>	<b>50%</b>
Personnel as % of Total	71%	63%	70%	78%	55%	

High % =  
hard to  
correct  
shortfall

# STRETCH DOLLARS

## STRETCH DOLLARS – WATCH FOR NATURAL UNDER EXPEND

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



# 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**



# BUDGET CREEP AND OTHER THOUGHTS

- **BUDGET CREEP:**

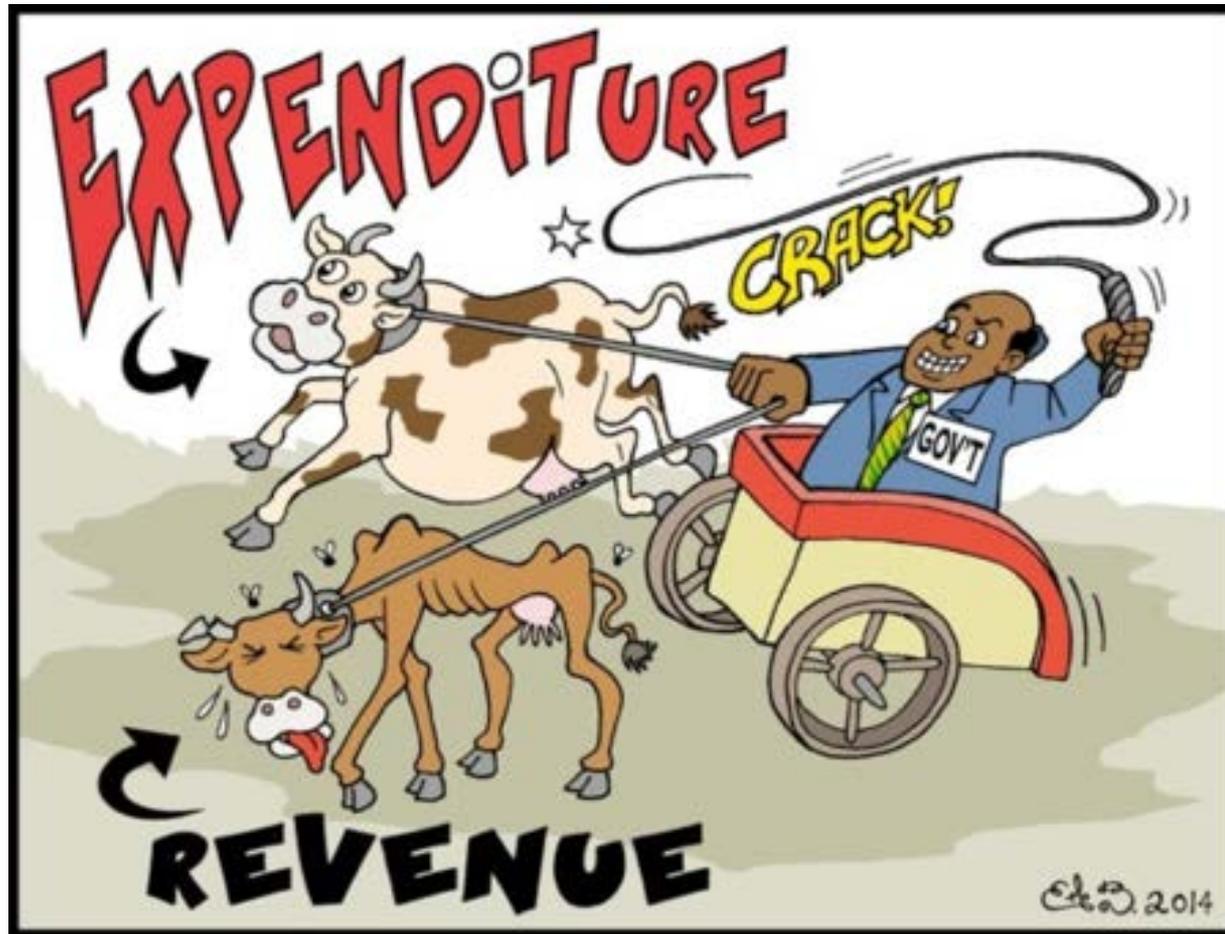
- Mid-Year Reclassifications
- Hiring Above the Entry Level
- Accrual of Comp Time
- Grants Awarded
- Contracts
- OPEB



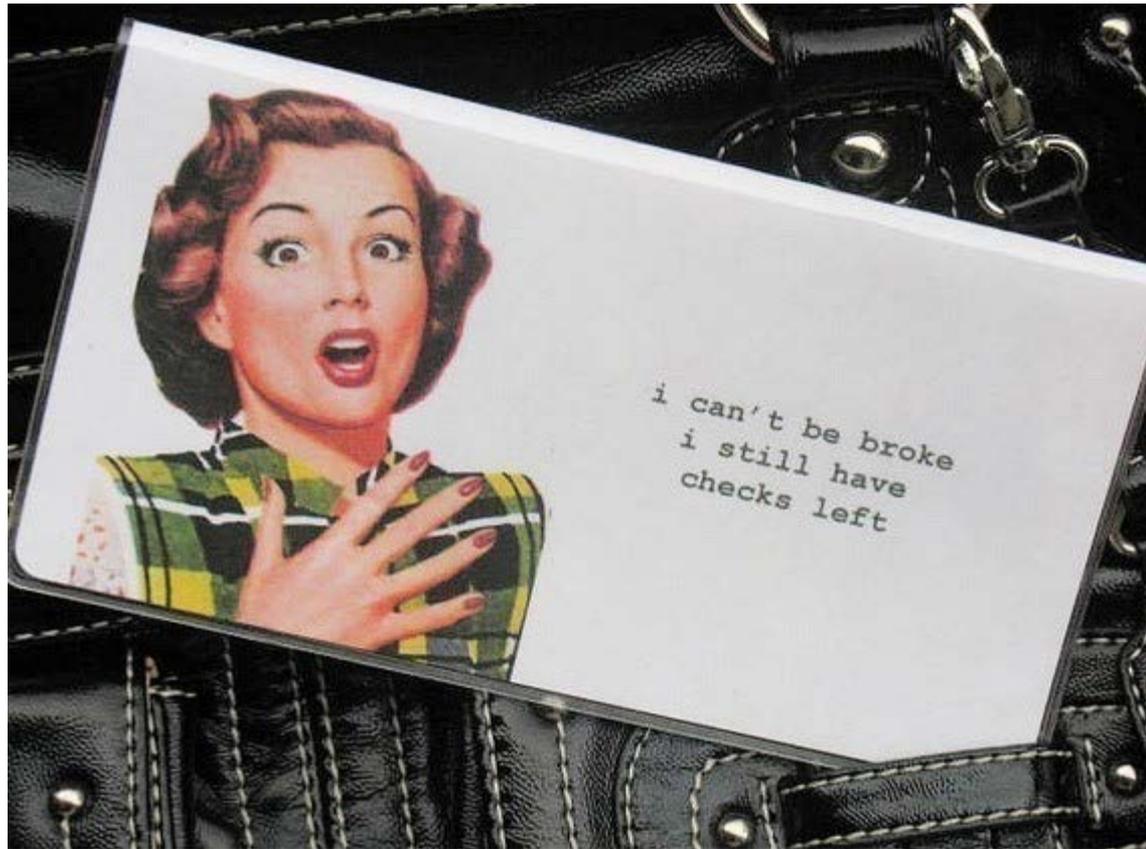
- **OTHER BUDGET FOCUSED IDEAS:**

- Insist upon written contracts for professional services with clear deliverables
- If you don't understand it, ask questions 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

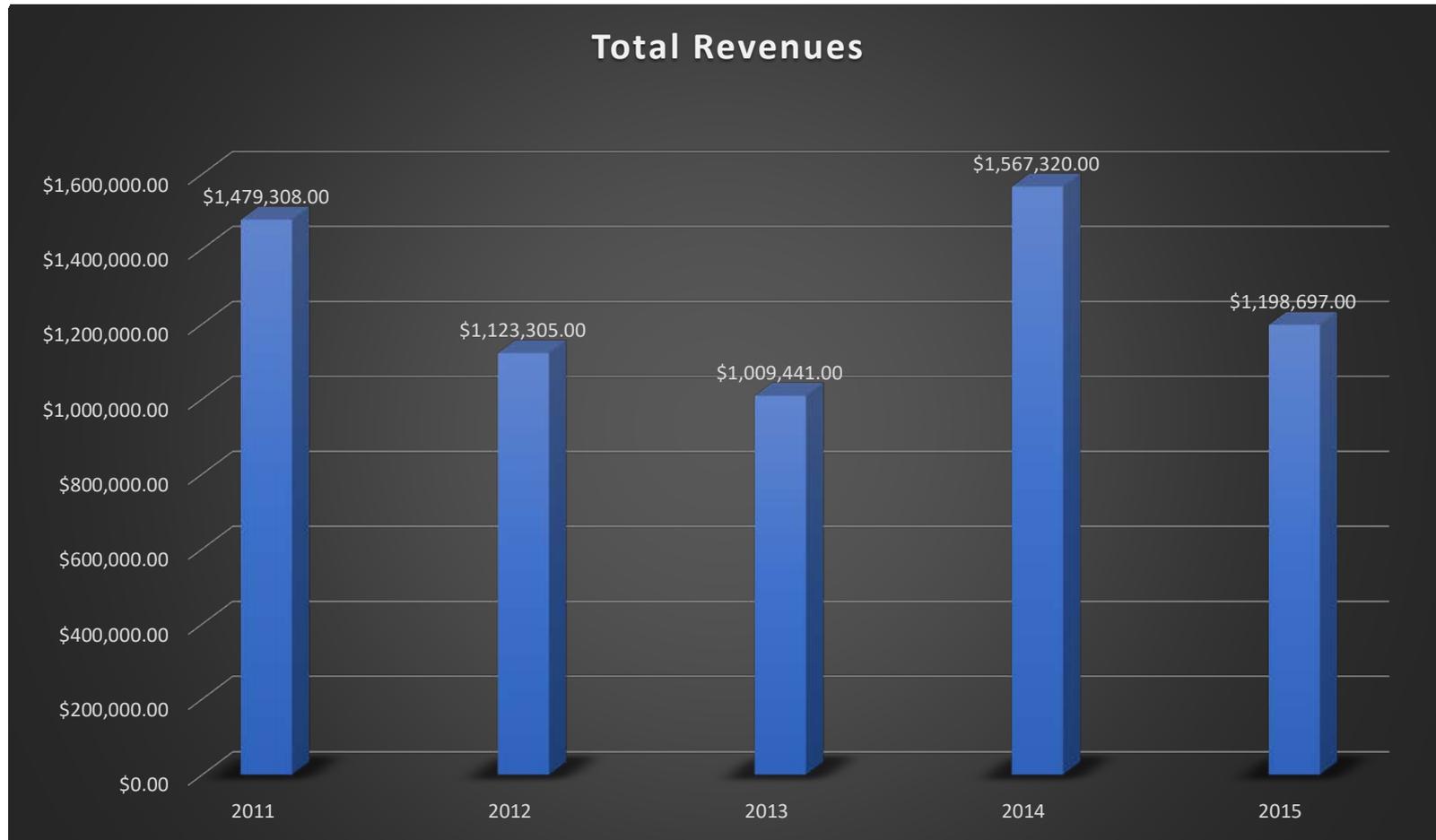
# DON'T FORGET TO MONITOR REVENUE



# UNDERSTANDING HOW REVENUE WORKS

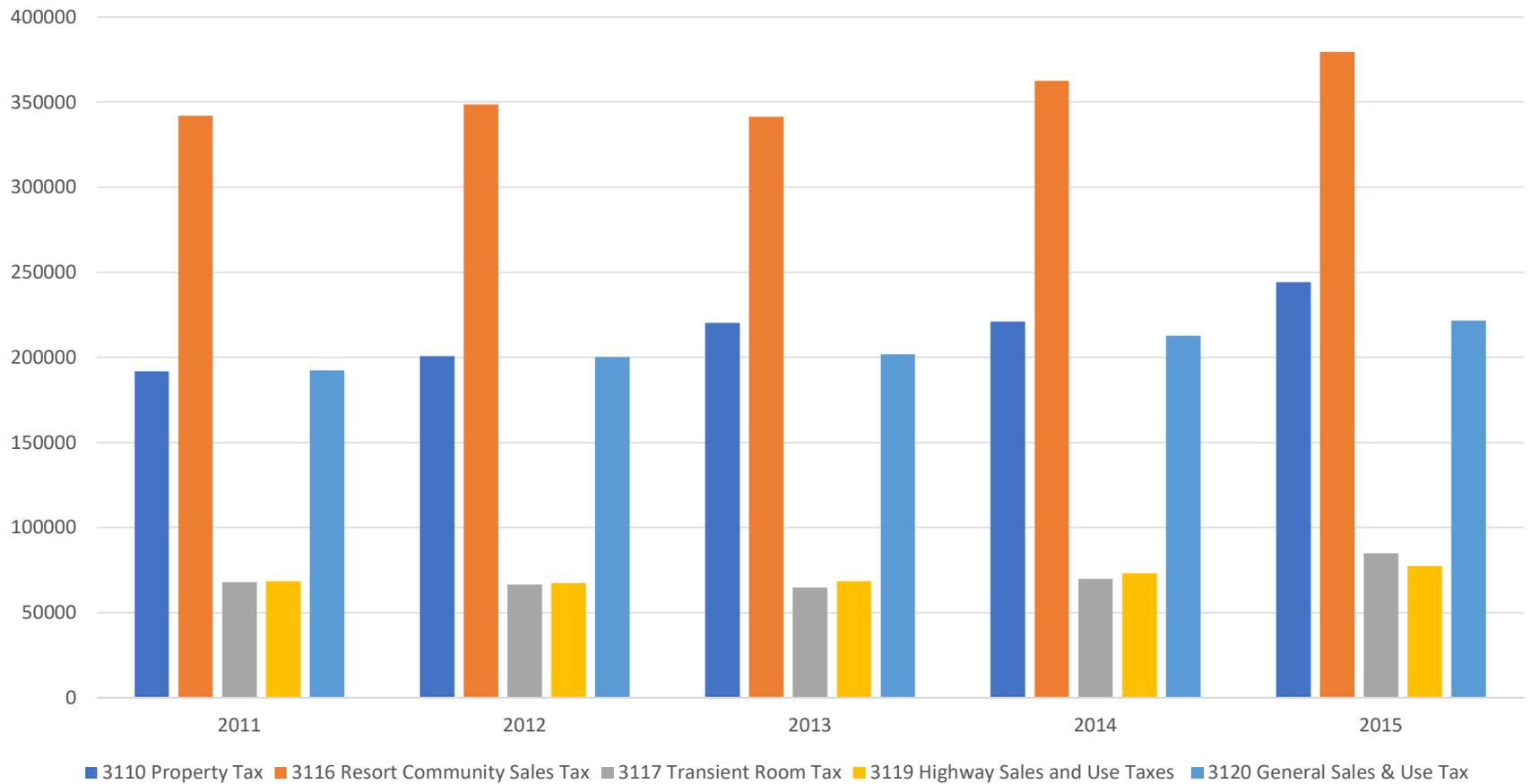


# Sample Small Community



# Sample Small Community

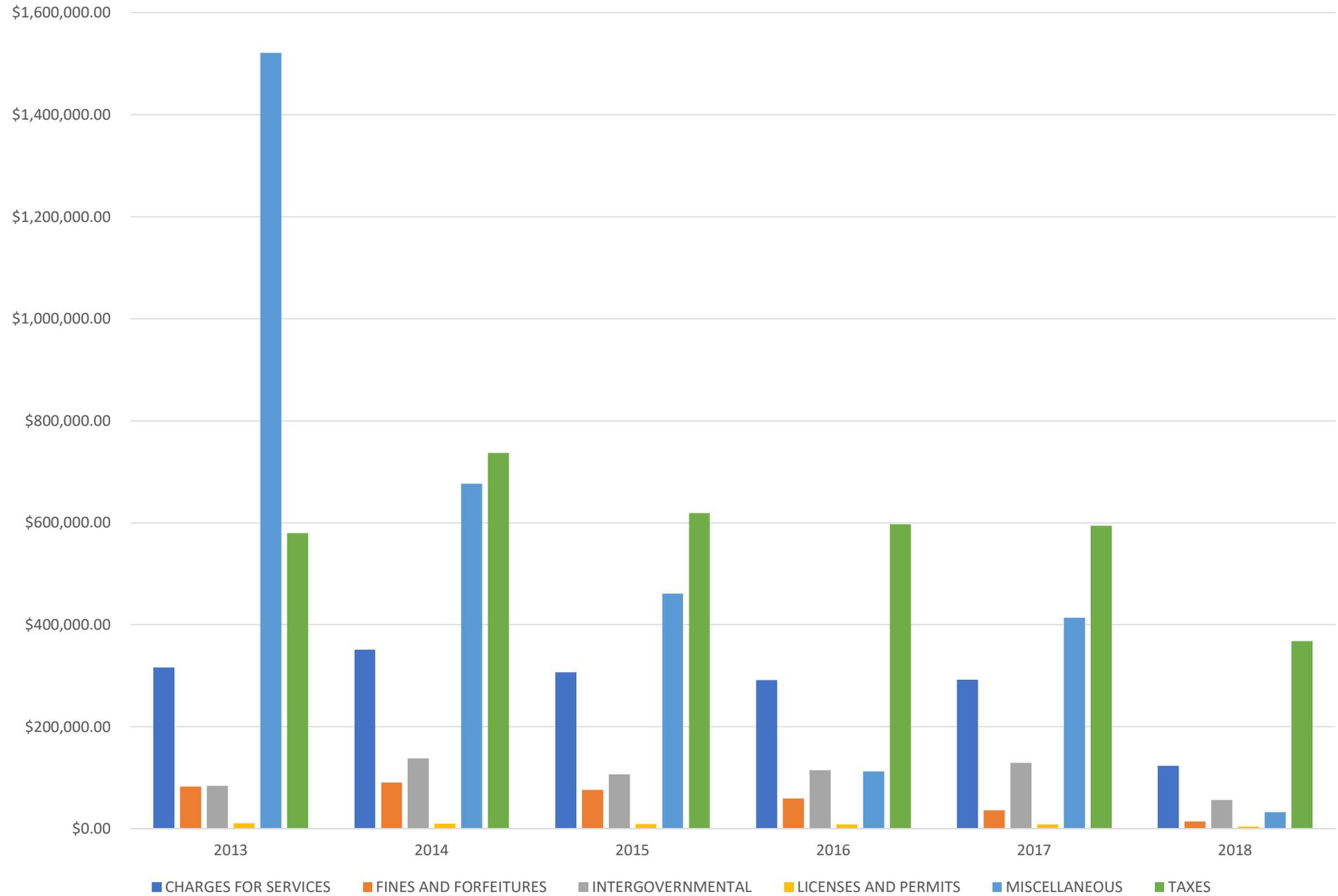
## Taxes



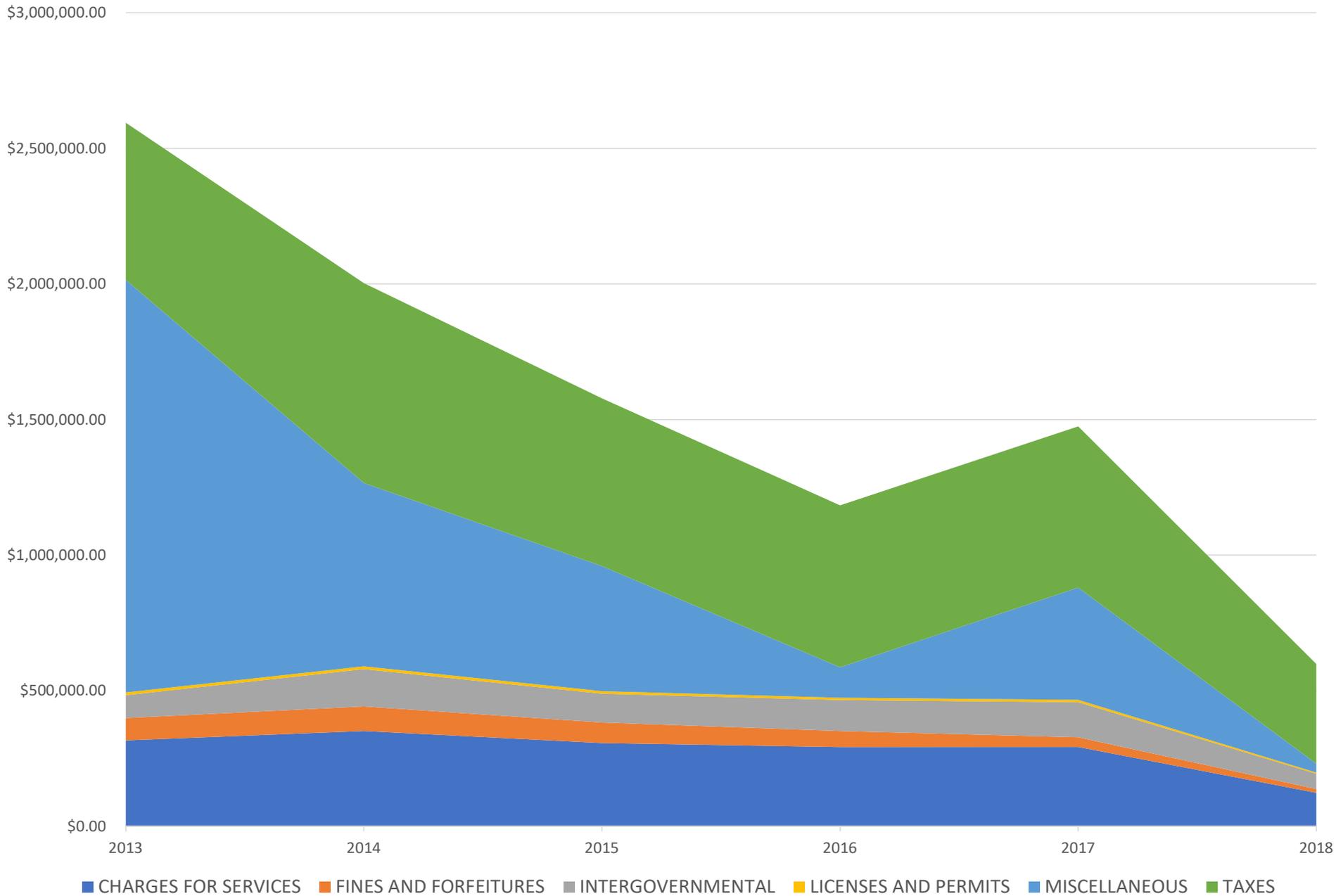
# Sample Small Community



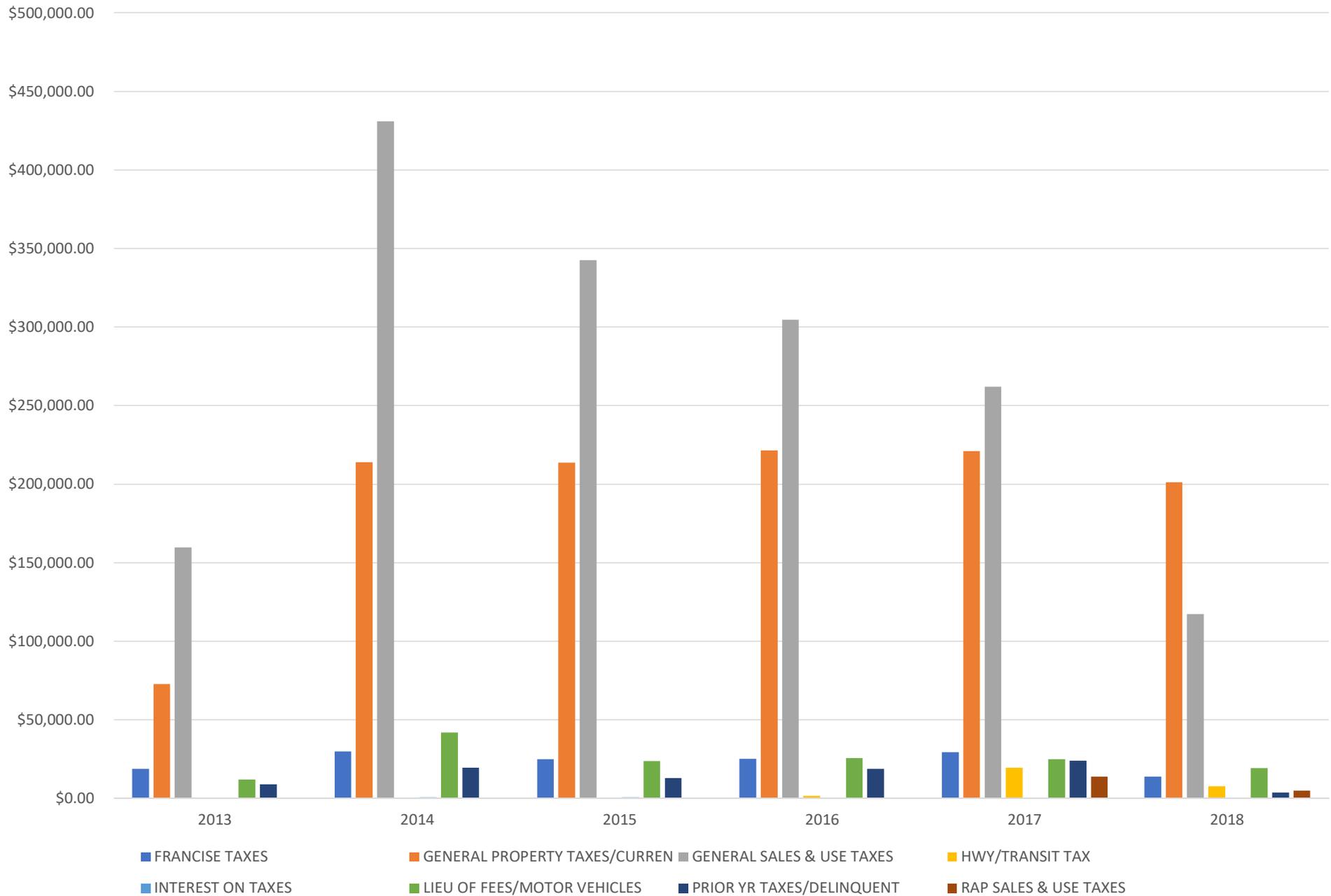
# Town A General Fund Revenue



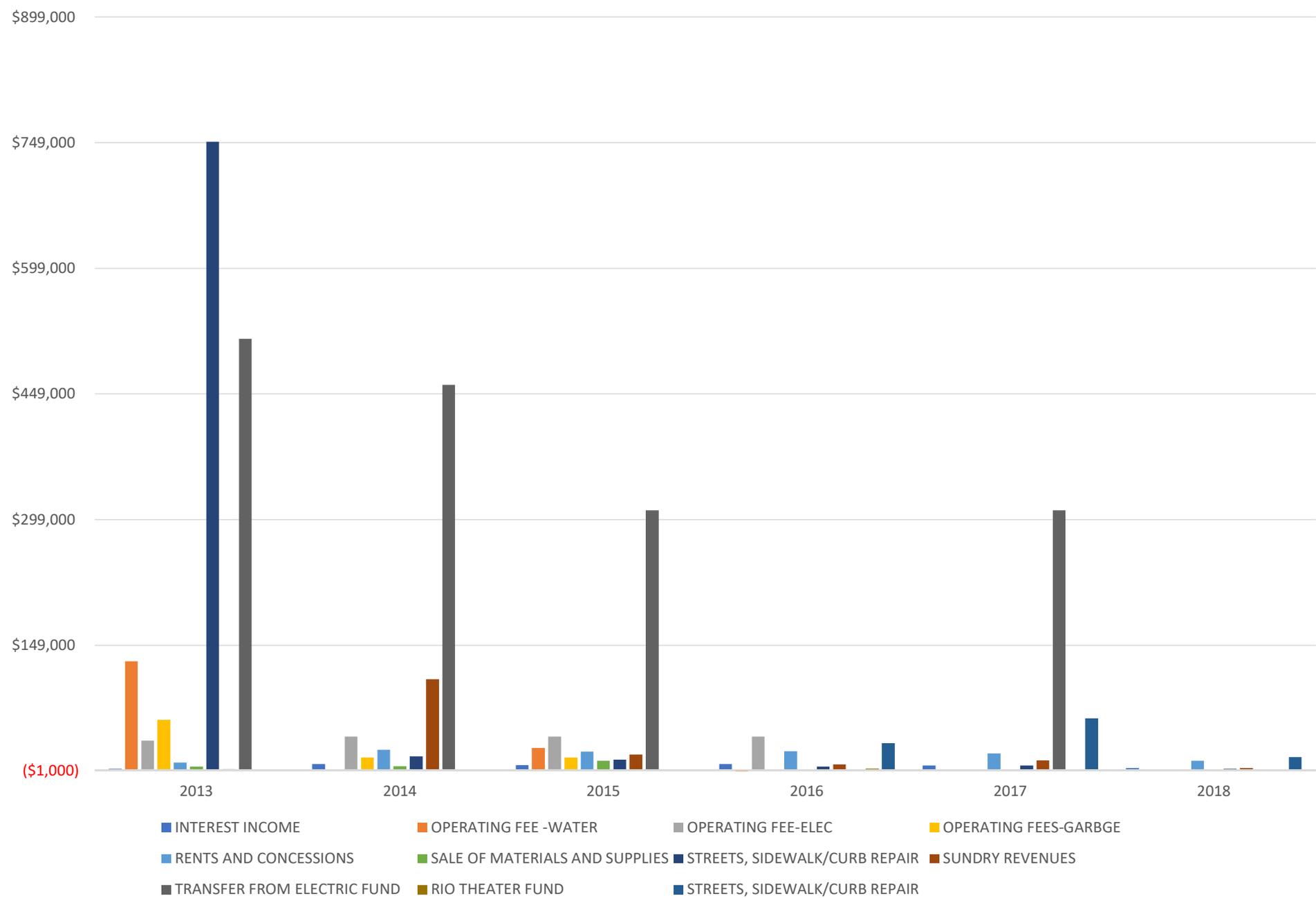
# Town A General Fund Revenue History



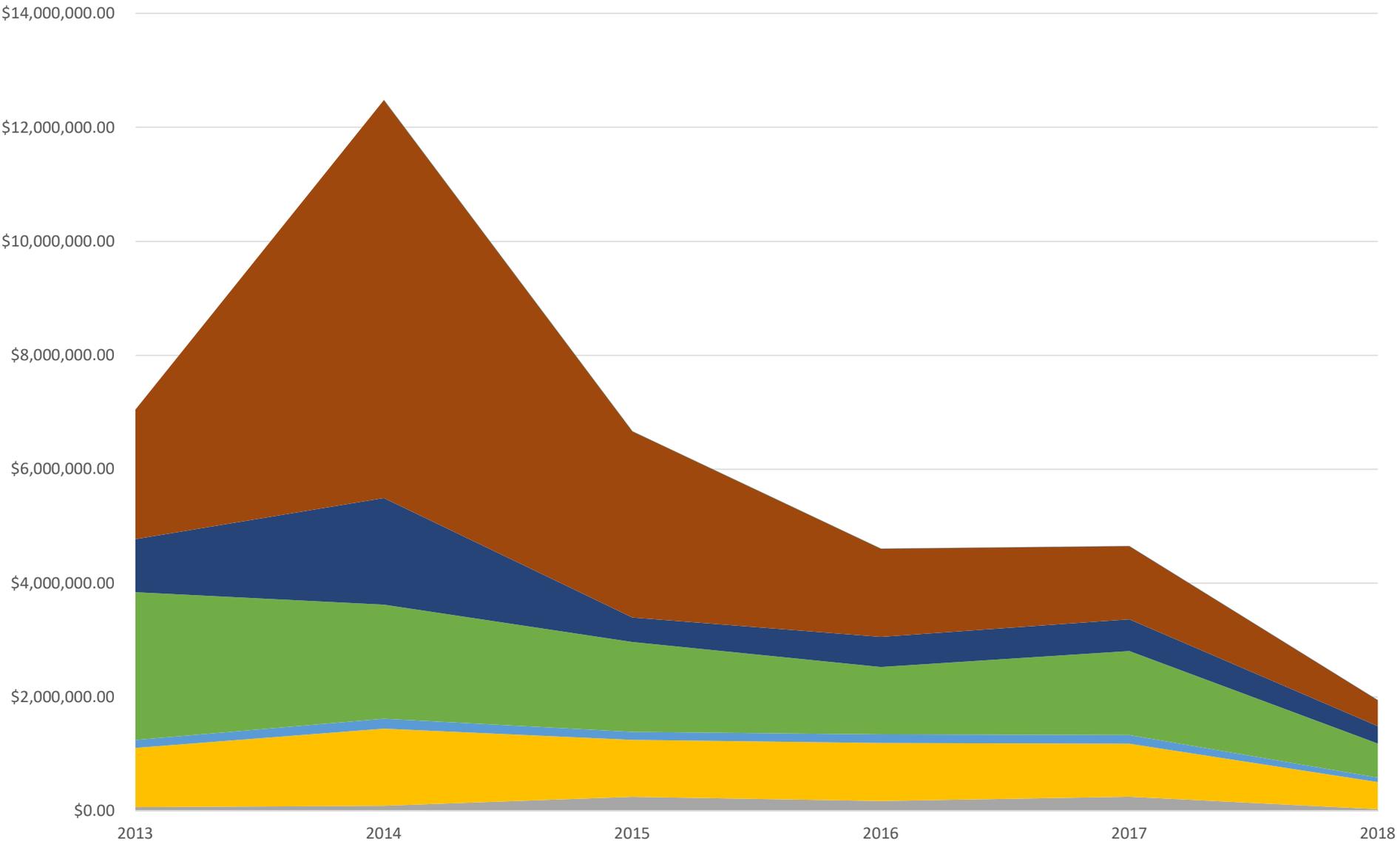
# Town A General Fund Tax History



# Town A Miscellaneous Revenue into the General Fund

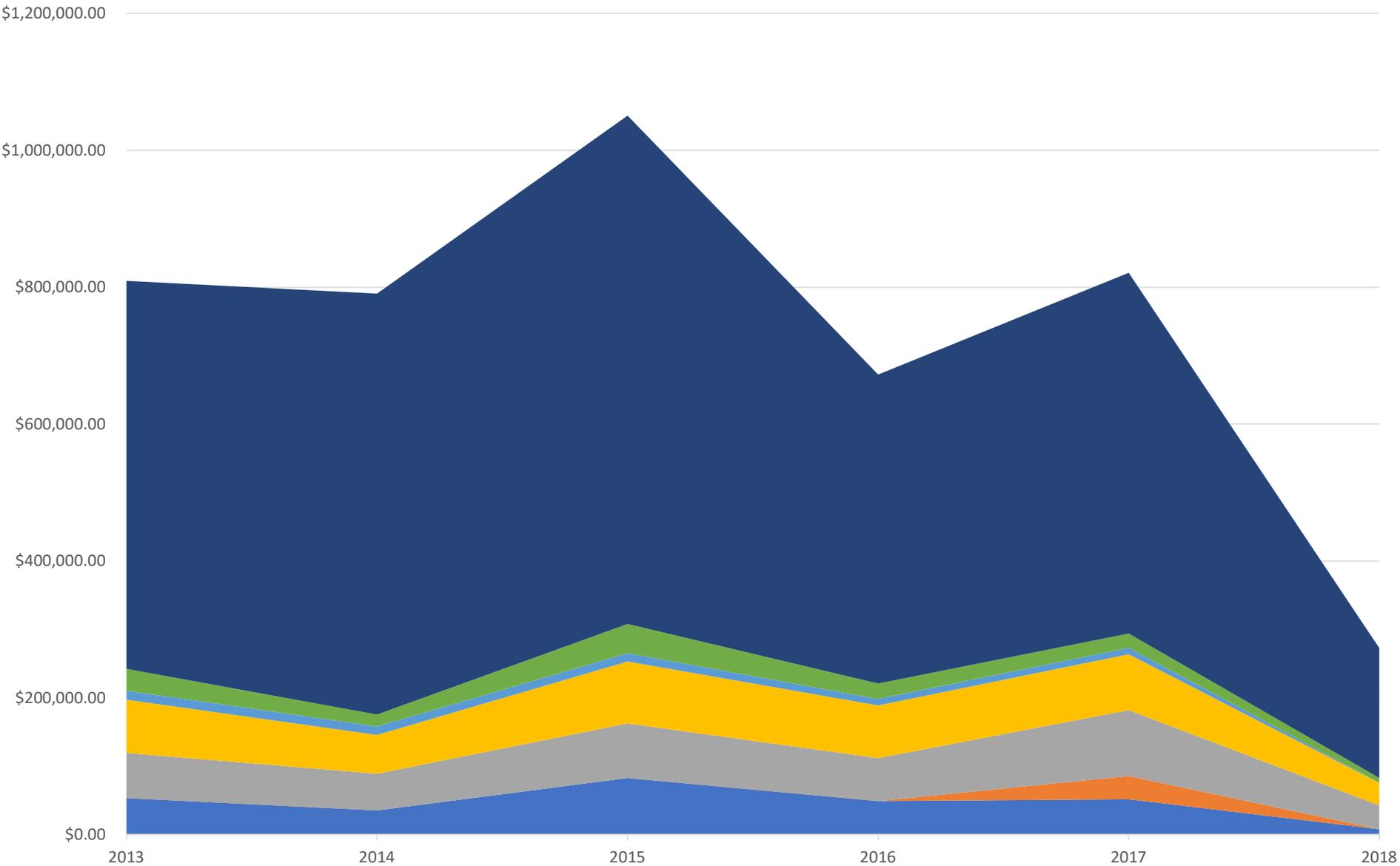


# Town A Total Revenue by Fund



- CAP PROJ - RIO HOTEL FUND
- CAP PROJ - RIVER RESTORATION
- ELECTRIC
- GARBAGE
- GENERAL FUND
- SEWER
- WATER FUND
- COMMUNITY DEVELOPMENT FUND
- MUSEUM FUND
- REDEVELOPMENT

# Town B General Fund Revenue



■ CHARGES FOR SERVICES

■ CONTRIBUTIONS & TRANSFERS

■ FINES AND FORFEITURES

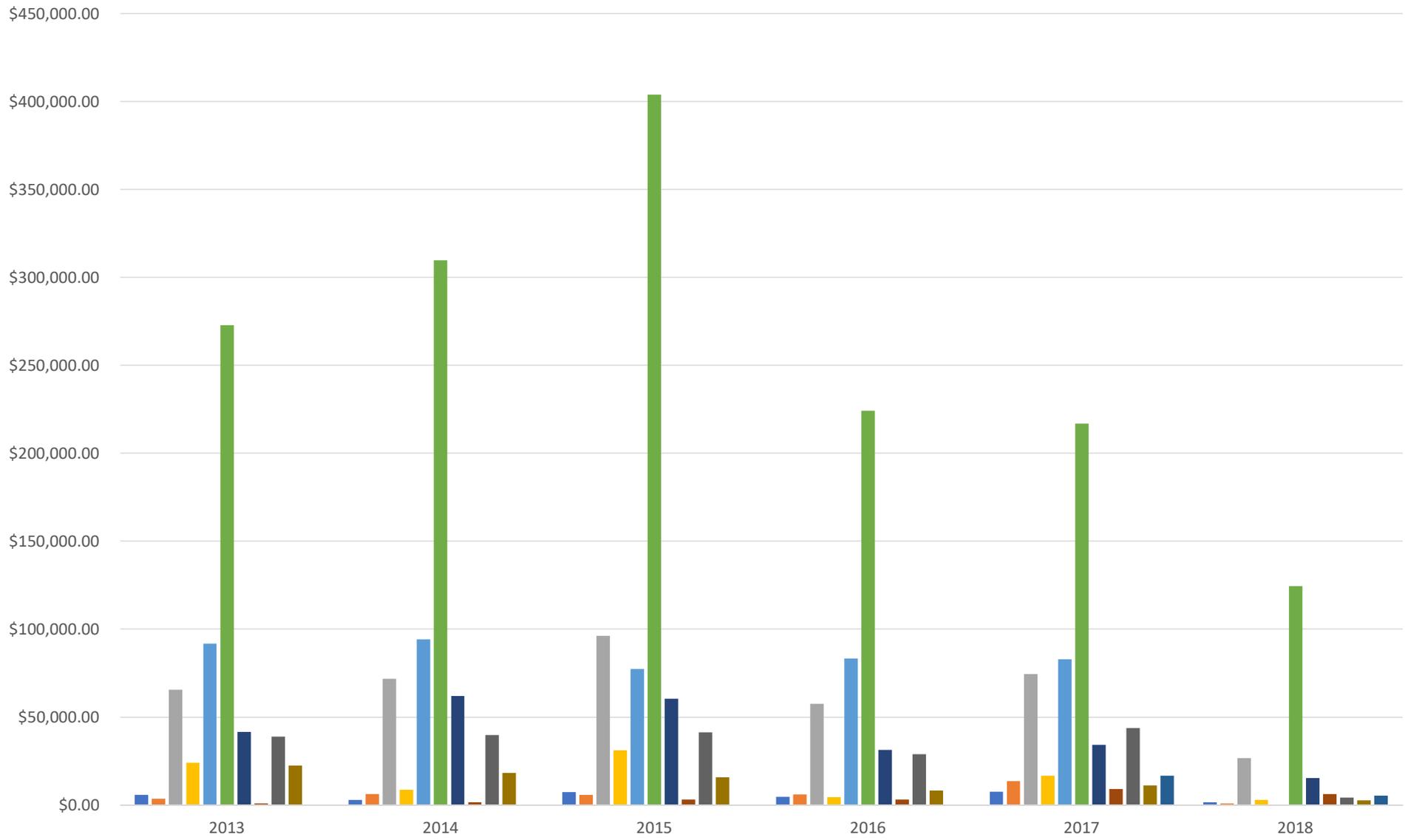
■ INTERGOVERNMENTAL REVENUE

■ LICENSES AND PERMITS

■ MISCELLANEOUS REVENUE

■ TAXES

# Town B General Fund Tax History



- CABLE TV FRANCHISE TAX
- DELINQUENT PROPERTY TAXES
- ELECTRICAL FRANCHISE TAX
- FEE-IN-LIEU OF PERSONAL PROP.
- GENERAL PROPERTY TAXES
- GENERAL SALES TAXES
- HIGHWAY SALES TAX
- INTEREST EARNED TAXES
- NATURAL GAS FRANCHISE TAX
- TELEPHONE FRANCHISE TAX
- Local Option Sales Tax

# FINAL BUDGET THOUGHTS

- Why are Expenses increasing or decreasing?
- Why is Revenue increasing or decreasing?
- Do fees cover the costs of service?
- Are revenue estimates realistic?
- How is one-time money used in the budget?
- Have alternative delivery systems been considered?
- ***Does every service offered add value and get is closer to our goal?***





Kerri Nakamura  
[KerriNakamuraAssociates@gmail.com](mailto:KerriNakamuraAssociates@gmail.com)

(801) 699-4221