KNOW YOUR BUDGET

Controlling the numbers rather than letting the numbers control you

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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

- Entertainment
- Transportation
- Groceries
- Department Stores
- Subscriptions
- Travel
- Communications
- Restaurant
- Services (yard, pet, lessons)
• 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

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

1. Prepare Tentative Budget
2. Make Tentative Budget available to Public
3. Provide Notice of Public Hearing
4. Make Adjustments & Adopt Final Budget
5. File Budget with State Auditor
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
• Within 30 days of adoption
• Financial Reporting
  • Greater than $500K = Audit
  • $100K - $500K = Agreed Upon Report
  • Less than $100K = basic financial statement

File Budget with State Auditor
Monitor and Amend

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

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

= Certified Tax Rate
Want more/new Revenue

• New Growth
• Tax Rate Increase Process
• Annex in of new tax areas
Property Tax Demonstration
Year 1

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<tr>
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<th>Total Base Tax Value</th>
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PROPERTY TAXES 101

Year 2

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### Total Base

- **Total Base Mkt Value**: 2,227,273
- **Total Base Tax Value**: 1,225,000

### Tax Revenue

- **Tax Revenue Base**: 10,000
- **Tax Revenue New Grow**: -
- **Total Tax Revenue**: 10,000

### Tax Rate

- **Tax Rate**: 0.82%
LINKING PRIORITIES TO BUDGET
STATED VALUES

Economic Development

Cost

Quality

Speed

Efficiency

Spendings

Budget

Saving
SHOW ME THE MONEY

FUNCTION

- General Government: 18%
- Debt Service: 9%
- Capital Expenditures: 2%
- Community Development: 6%
- Public Safety: 52%
- Public Works: 13%
SHOW ME THE MONEY

- Debt Service: 9%
- Capital Expenditures: 1%
- Operations: 21%
- Salaries & Wages: 44%
- Contracted Services*: 25%

*Public Safety
• 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 Expenditures 2013 - 2018

- Administration: 36%
- Buildings: 17%
- Community Development: 7%
- Cemetery: 6%
- Court: 5%
- Debt Service: 4%
- Fire Department: 3%
- Library: 2%
- Museum: 2%
- Planning & Zoning: 1%
- Police Department: 1%
- Recreation: 0.02%
- Streets Department: 0.02%
## Public Works Budget

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<th>PY Actual 12/31/2016</th>
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Personnel as % of Total  71%  63%  70%  78%  55%

High % = hard to correct shortfall
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

Base

New
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

i can’t be broke
i still have checks left
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
Everything Else Revenues
(Less than 10% of total revenue)

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<th>Revenue</th>
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<td>$53,767.00</td>
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<td>2015</td>
<td>$122,649.00</td>
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Town A General Fund Tax History
Town A Total Revenue by Fund

Yearly revenue for various funds from 2013 to 2018.
Town B General Fund Revenue

- CHARGES FOR SERVICES
- CONTRIBUTIONS & TRANSFERS
- FINES AND FORFEITURES
- INTERGOVERNMENTAL REVENUE
- LICENSES AND PERMITS
- MISCELLANEOUS REVENUE
- TAXES
• 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?
Contact:
Kerri Nakamura
KerriNakamuraAssociates@gmail.com
(801) 699-4221