

Understanding Your Municipal Budget 2018

Local Government
Leadership
Core Course





Presenters



Bobbe Fitzhugh



Joe Coyne



MOST IMPORTANT POLICY TOOL – THE ANNUAL (OR BIENNIAL) BUDGET

- A plan specifying how resources, especially time or money, will be allocated or spent during a particular period of time.
- Allocating money to programs, projects, facilities that support mission statement and goals



Budget Purposes

- Financial and operational direction
- Policy implementation
- Political and marketing document
- Planning, controlling and decision-making benchmark
- Tool for transparency and accountability

THE BUDGET IS A TOOL, NOT A BIBLE!



STATUTORY REQUIREMENTS – SIZE MATTERS!

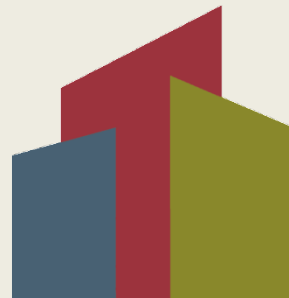
- **Uniform Municipal Fiscal Procedures Act - 16-4-101 through 16-4-124**
 - Applies to first class cities, towns over 4000 population and city manager form of government
- **Department of Audit Format**
 - Towns under 4000 population
 - New Dept. of Audit recommendations






DEPARTMENT OF AUDIT AND SMALL TOWNS

- House Enrolled Act Number 89 requires Dept. of Audit to report on evaluation requirements for small cities and towns (79 of them):
 - Audit requirements
 - Internal controls
 - Bookkeeping and financial reporting methods
 - How to analyze financial reports
 - Not anything on budget requirements



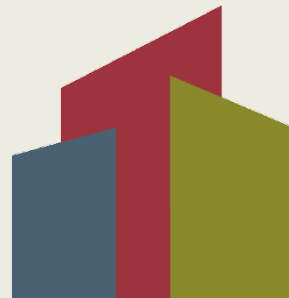


KEY DATES – OVER 4,000 POP.

- May 1 - Budget requests to budget officer
 - May 15 - Tentative budget to governing body
 - Publication of summary at least one week prior to the Public Hearing
 - Public Budget Hearing - between the 2nd and 3rd Tuesday in June
 - Adopt Budget - Within 24 hours of budget hearing
 - Summary of budget in minutes and publish
 - File with County Commissioners - By July 31
 - Semi annual and annual reports are to be published
 - Annual Audit –December 31
- 

REQUIRED CONTENTS – OVER 4,000

- Actual revenues and expenditures last FY
- Estimated total revenues and expenditures current FY
- Estimated total revenues and expenditures for ensuing FY
- Year-to-year change in revenue
- Budget Message





BUDGET MESSAGE

- Most important section of the budget document
 - Reveals major assumptions budget is built upon
 - Economic climate
 - Community service priorities
 - Special circumstances
 - General constraints and opportunities

Article composed by an intern at essays-online.net

Nclb Research Paper: Constituents of a Well Written Paper

In academic writing, an nclb research paper will basically be centered upon the No Child Left Behind Act. President Bush created the act in the first few days of his 2001 office tenure. The reason for creating this law was to improve education for all children. The controversies to be highlighted in an nclb research paper might include lack of government funding, and teacher lay-offs. Conversely, the research paper on nclb will definitely indicate that the law has greatly improved education in America.

The Act

An nclb research-paper, custom essay or custom term-paper will state that it's a US federal law aimed at improving education. It will show it as an amendment constituted after the 1965 Elementary and Secondary Education Act. This was after it was thought inadequate. The other reason for constituting this act was because achievement gaps involving minorities and whites were increasing.

The nclb research paper will then explain what the act was supposed to achieve. There five objectives of the act in the nclb research paper are as follows:

1. An nclb research paper will highlight on the requirement that learning institutions make adequate annual improvement. Every state has its own criterion to be met for institutions to be considered productive.
2. The second objective/goal was that every teacher was to be highly competent. The act stated that if a teacher was deemed not to be qualified, then he/she will be sacked.
3. This goal stated that all students' progresses be gauged by evaluating their comprehension, mathematics and science.
4. The fourth objective is that by 2014 each (all-ethnics, able and disabled) student will be at capable levels on government testing.
5. The last objective to be found in the nclb research paper is that a parent is to have added options when choosing schools.

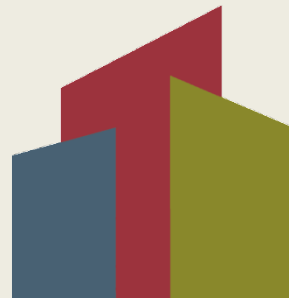
Therefore, the nclb research paper will tackle issues embedded in the Act then conclude by showing its advantages and disadvantages. Even if the act was supposed to be beneficial, nclb research papers will show drawbacks evident in the act. Among these there is the sacking of teachers and pressure on students.

Article composed by an intern at essays-online.net



HEARING/PUBLICATION REQUIREMENTS

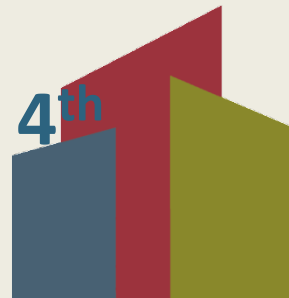
- Budget Summary - one week before public hearing
- Public Hearing Notice - once in newspaper of general circulation or posting in 3 conspicuous places
- No required public hearing for towns under 4,000 but advised





TOWNS LESS THAN 4,000

- Must prepare budget in form acceptable to Wyoming Department of Audit
- No specified budgeting procedure
- Must pass annual appropriation ordinance within last quarter of FY (July 1 – June 30)
- Must specify objects and purposes for appropriations and amount appropriated
- Total appropriation cannot exceed probable revenue – DUH!
- Pass appropriation ordinance
- Notify County Commissioners of tax levy by 4th Monday in May





BUDGET PREPARATION PROCESS

- Strategic Planning
- Preparation of Budget tied to Goals
- Public Hearings
- Adoption by Emergency Ordinance or Resolution
- Implementation of Goals
- Review



FUND ACCOUNTING

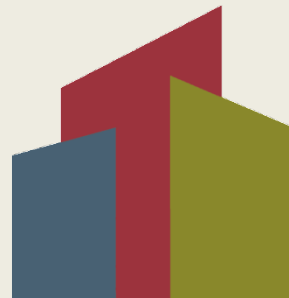
- Governmental accounting systems should be organized and operated on a fund basis.
- A fund is defined as a group of accounts that is a separate, self-balancing entity.





TYPES OF FUNDS

- General Funds
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Special Assessment Funds
- Enterprise Funds
- Trust & Agency Funds
- Intergovernmental Funds





GENERAL FUND

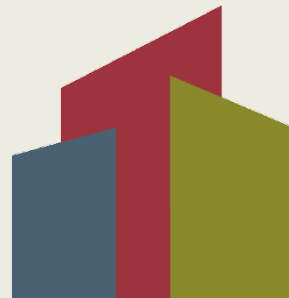
- **Accounts for revenue and expenditures not accounted for in any of the other funds - majority of activity**
- **General operations of Municipality**





SPECIAL REVENUE FUND

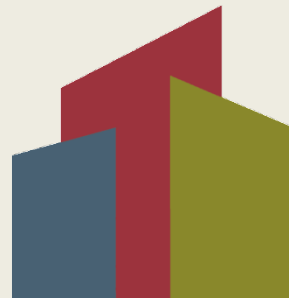
- Earmarked for special purposes
- Proceeds of specific revenue sources other than special assessments or to finance specified activities as required by law or regulation





DEBT SERVICE FUND

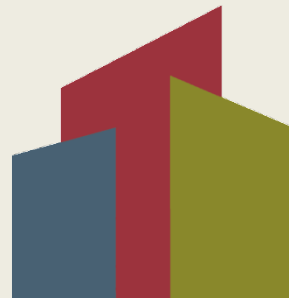
- Receive revenue from other funds to pay principal and interest on government's long-term general obligation debt





CAPITAL PROJECT FUND

- Acquisition of capital assets other than those specified by enterprise and special assessment funds.
- May involve long-term debt and intergovernmental grants.
- Used for acquisition of major long-term assets that have a useful economic life greater than one year.





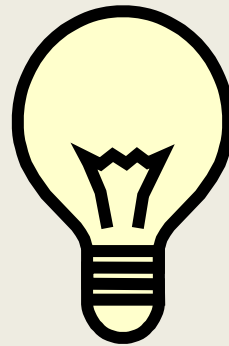
SPECIAL ASSESSMENT FUND

- **Receipt and disbursement of monies received from special assessments levied against properties specially benefited by the making of local improvements.**



ENTERPRISE FUNDS

- Water
- Sewer
- Sanitation
- Landfill
- Electric



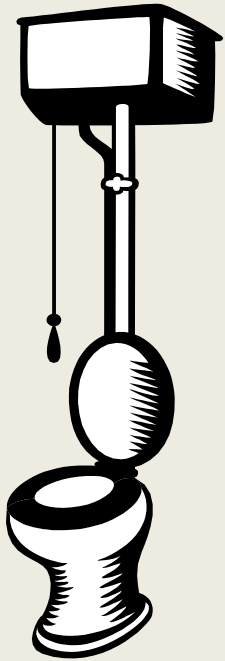


SETTING ENTERPRISE FUND RATES

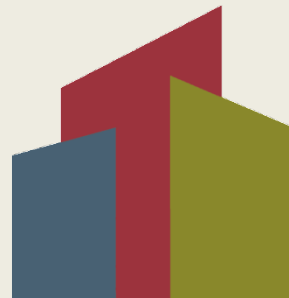
- Should generate adequate revenue to pay costs of operation and maintenance as well as establishing replacement fund for future capital needs.
- Typical components of a user charge system:
 - Customer service charge
 - Demand charge
 - Commodity charge



BE CAREFUL ABOUT RAIDING ENTERPRISE FUNDS



- Enterprise funds are set up for functions which are supposed to operate like a business
- Be careful of unjustified subsidization by general fund
- Or...vise versa



TRUST & AGENCY FUNDS

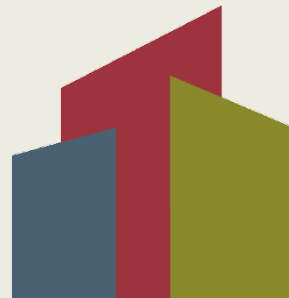
- **Assets held for others or for non-tax resources held by the City under specific trust instructions**
 - **Perpetual Care Fund**





INTERGOVERNMENT FUND

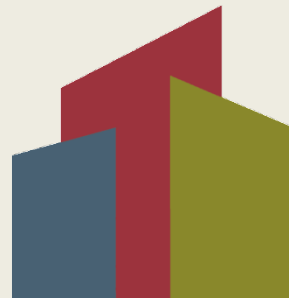
- **Municipal shop**
- **IT**
- **Self-Funded Health Insurance**





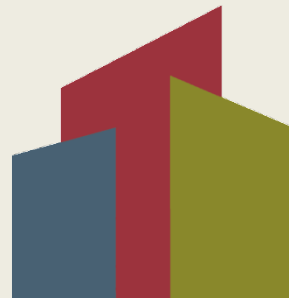
LIMITS ON APPROPRIATIONS

- Cannot appropriate in excess of estimated revenue
- Budget Amendment Process
- All appropriations lapse at end of FY except capital projects



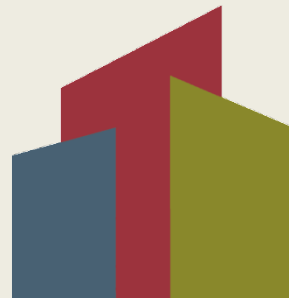
WHERE DOES THE MONEY GO?

- Operating Expenditures
 - Salary and benefit costs
 - Contractual Services
 - Consumable supplies
 - Repair and Maintenance
 - Utility costs



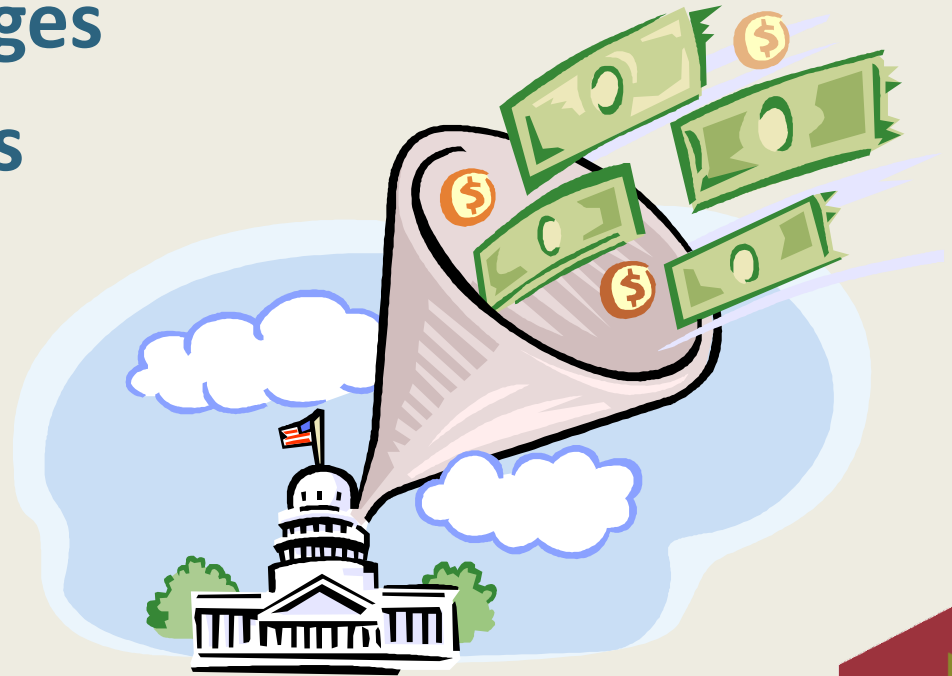
CAPITAL EXPENDITURES

- Equipment
- Land
- Buildings
- Improvements other than buildings



WHERE DOES THE MONEY COME FROM?

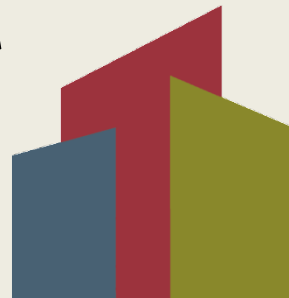
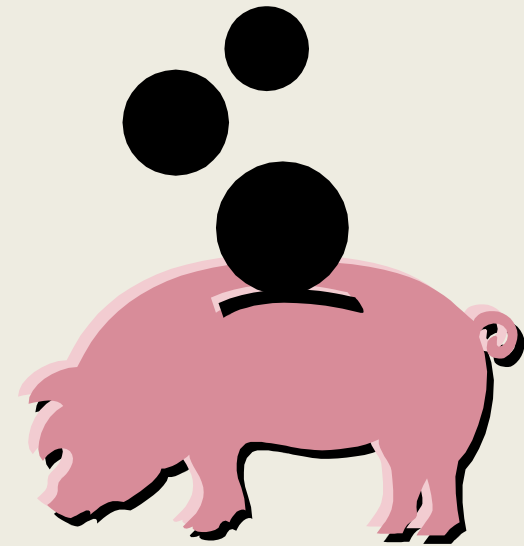
- Taxes
- User fees and charges
- Other governments





REVENUE SOURCES - TOP TEN LIST

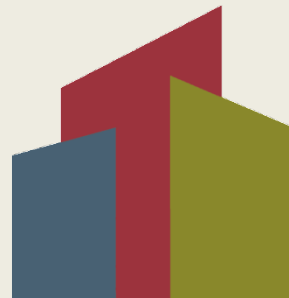
- Basic Sales and Use Tax (Excise tax)
- Local Option Sales and Use Tax
- Local Government Legislature Appropriation
- Property Tax
- Federal Mineral Royalty
- Mineral Severance Tax
- Fuel Tax
- Vehicle Registration Taxes
- Cigarette Tax
- Grant funds





STATE SHARED REVENUE

- Sales Tax
- Severance Tax
- Federal Mineral Royalties
- What is CREG?



SALES & USE TAX

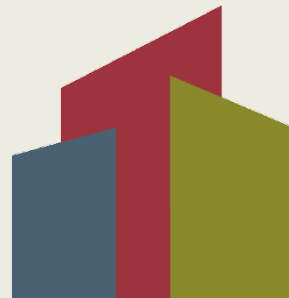
- Applies to the retail sale of personal property or services
- Use tax applies to purchases involving the use, storage or other consumption of goods purchased outside Wyoming
- Generally if sales tax does not apply, use tax will





STATEWIDE SALES AND USE TAX

- 4% - cities and counties combined get 31%
- Taxes are returned to county of origin, then divided among the county and its cities and towns based on percentage of population to total county
- Revenues are quite volatile – look at your own circumstances and don't rely solely on WAM projections





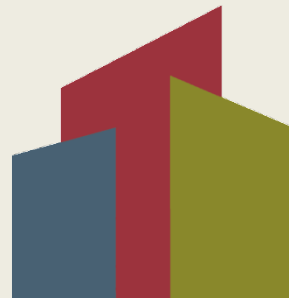
OPTIONAL SALES & USE TAX

- “General Purpose County Option
- Additional Local Option Specific Purpose – capital facilities tax
- Optional Lodging Tax
- Economic Development Tax
- Resort Tax



FEDERAL MINERAL ROYALTIES

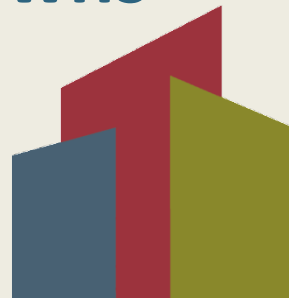
- Tax collected on minerals produced on federal lands, a portion of which is returned to the state
- Cities and towns over 325 population receive base of \$15,000; less than 325 - \$12,000
- Then – base amount deducted from 9.375% of distribution up to \$198 million
- Capped at \$18.6 million/year





FEDERAL MINERAL ROYALTIES - DISTRIBUTION

- Municipality over 35 population - \$15,000 base payment per year
- Under 35 - \$12,000/year
- Amount distributed is ratio of the county school Average Daily Membership to total ADM for state
- Distribution within county based on population percentage to all cities and towns in county



SEVERANCE TAX



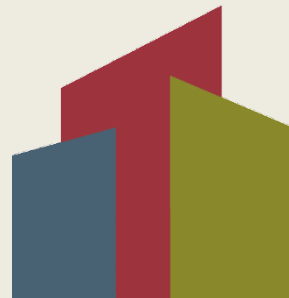
- Share of tax on all minerals “severed” or removed from their natural location in state
- Cities and towns receive 9.25% of a distribution of \$155 million Distribution is based on population - each municipality receives an amount proportional to the % of total state incorporated population
- Capped at \$14.3 million





SUPPLEMENTAL LEGISLATIVE DIRECT DISTRIBUTION

- Not permanent or predictable
- Approximately \$105 million total
- No countywide consensus funding in most recent FY





GASOLINE TAX

- Gasoline – 15% of a \$.13 per gallon tax
- Distribution formula





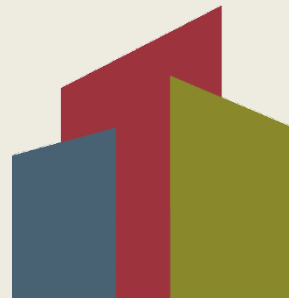
SPECIAL FUELS TAX – (DIESEL)

- **Special Fuels – (diesel) – 5% of a \$0.13 per gallon (actual tax is \$0.14 cents per gallon with \$.01 used for the Underground Storage Tank abatement program)**
- **Based on ratio of municipal population to population of all municipalities in state**



“SIN” TAXES

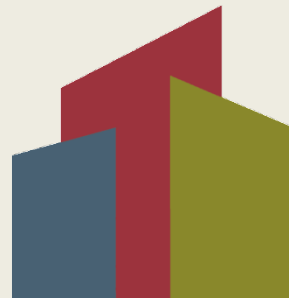
- Cigarettes -Excise Tax of \$0.12 cents per pack of 20 sold by wholesaler
- Off-track horse racing wagering
- Wyoming Lottery – 1st \$6 million to local government





LOCAL REVENUE SOURCES

- **Property Tax**
- **Franchise Fees**
- **Interest Income**
- **Fines and Forfeitures**
- **Business Licenses**
- **Permits and Fees**
- **Liquor Licenses**
- **Cemetery Fees**
- **Enterprise Fund Management Fees**





PROPERTY TAX

- Constitution limits municipalities to 8 mill levy on property inside corporate limits
- Legislature can change assessment percentage
- The only true municipal taxing authority





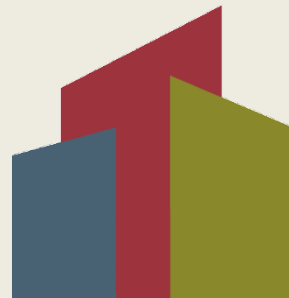
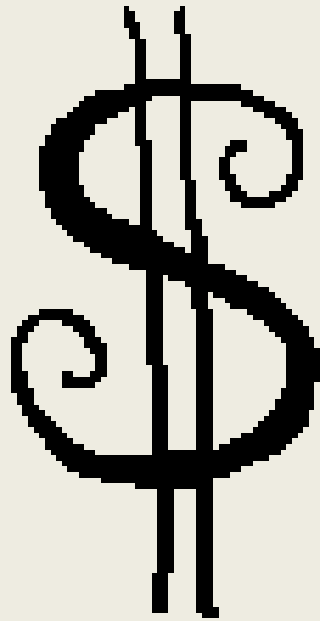
FEES AND CHARGES

- Franchise Fees
- Licenses and Permits
- Development Fees
- Cemetery Fees
- Fines & Forfeits
- Vehicle Registration Fees (property tax)
- User Fees
- Management Fees



INTEREST INCOME

- Interest earned from bank depositories on municipal funds





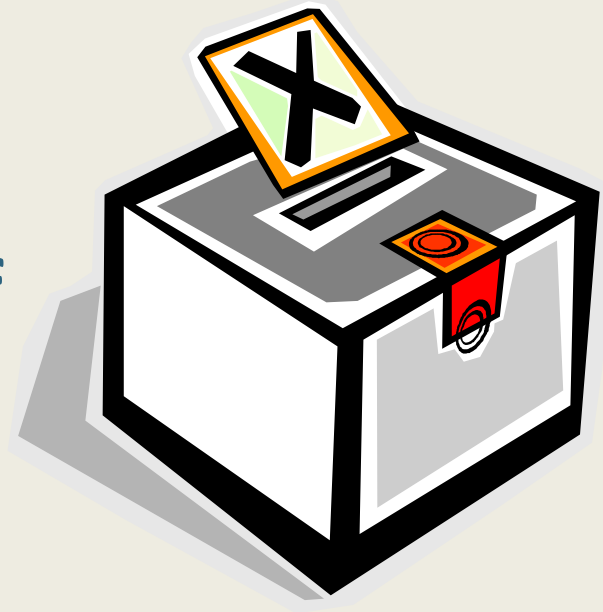
CAPITAL PROJECT FUNDING SOURCES

- Grants
- Capital Facilities Tax
- Loans
- Savings
- Lease-purchase
- Bonding
- Private Contributions



Capital Facilities Tax

- Can levy up to 2%
- Requires ballot proposition
- Tax ends when amount of money approved has been collected





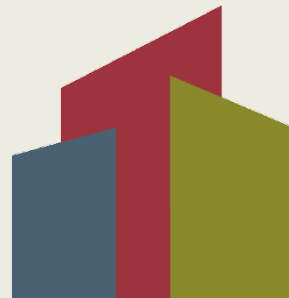
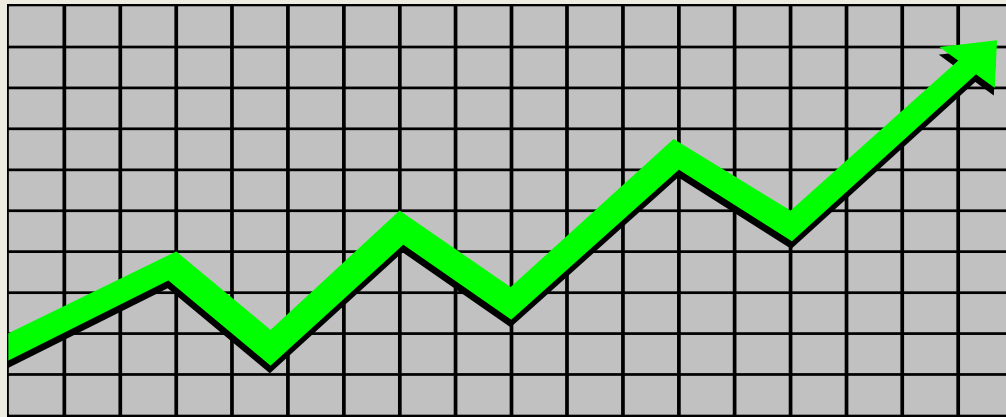
TIPS FOR A SUCCESSFUL BUDGET PROCESS

- Transparency
- Communication
- Strategic Planning



Examine General Fund

- Compare budgeted to actual revenues and expenditures
- Use original budgeted figure - not amended
- Check fund balance



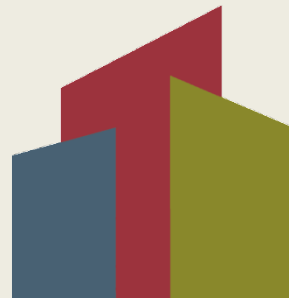
Budget Document Assessment

- Is the budget message informative and easy to read?
- Does the budget message address major issues?
- Does the budget include an overall mission statement?
- Does the budget include overall goal statements?



DEVELOP A RIGHTSIZING PHILOSOPHY

- What core services should city government provide?
- How should these services be financed?
- How should resources be organized to deliver services effectively?
- What is the most efficient method of providing city services?



DON'T BE AFRAID TO ASK QUESTIONS

- Was notice of the budget hearing properly given?
- What will this new program accomplish?
- Could we contract this service out?
- How much is the general fund's total operating budget?



FISCALLY COMPETENT LOCAL OFFICIALS:

- **Are concerned about their municipality's fiscal condition**
- **Seek to hold administrators accountable by asking tough questions**
- **Become knowledgeable about the finances and budget**
- **Most important tools - inquisitive manner and common sense**



"I wish I would have listened a bit more, questioned a bit more, and trusted just a bit less."

- *-Orange County Board of Supervisors Chair Thomas Reilly after the County Filed Bankruptcy*

Thank You!

This presentation was prepared by Community Builders, Inc., a Wyoming-based consulting firm specializing in community and economic development - Bobbe Fitzhugh and Joe Coyne, Principal Consultants - under contract and in cooperation with the Wyoming Association of Municipalities.

Bobbe Fitzhugh 307-359-3311
Bobbe@consultCBI.com

Joe Coyne 307-359-1640
Joe@consultCBI.com



www.consultCBI.com

