Understanding Your Municipal Budget 2018
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
• 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
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
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.

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