

Budgeting Basics

Effective Governance: Resources & Skills for Elected Officials

May 27, 2020

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WESTMINSTER



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Outline

- What is a budget?
- Why do governments budget?
- How do governments budget?



What is a budget?

- A budget is the financing plan on what each local government intends to get done within the next year (or two!)
- Budgets are all of these:
 - Policy Guide
 - Operations Guide
 - Communications Tool



Private Sector vs Public Sector

Private Sector

- Planning tool
- Revenue forecast
- Guide for investors

Public Sector

- A legally adopted tool to help guide a government in spending and managing money
- Legal authority for management to provide a given level of service



Example Line Item Budget

R5514BUD

COWFD

City of Westminster

One Year Master Budget Report
Operating Budget

Report Yr: 2018 Page: 2
Budget Yr 1: 2018 Created By: CLINDSEY
Created on: 1/28/2018 21:30:31

		1	M	Regular Overtime					237,126	237,126	237,126
		2	CMO	3 firefighters not in 2018					60,000	60,000	60,000
Account:	10025260	60400	0013	Salaries OT - Extra Duty	Cur Orginal Budget	Cur Revised Budget	Cur YTD Expend	Yr End Estimate	Requested	Approved	Final
	Fire - Emergency Services			Off-Duty Fire	0	0	0	0	0	0	0
Budget Year	2018	Line No	Detail Code	Description							
Account:	10025260	60400	0546	Salaries Overtime EMS	Cur Orginal Budget	Cur Revised Budget	Cur YTD Expend	Yr End Estimate	Requested	Approved	Final
	Fire - Emergency Services			Emergency Medical Services	71,750	71,750	0	0	71,750	71,750	71,750
Budget Year	2018	Line No	Detail Code	Description							
		1	M	OT - EMS					71,750	71,750	71,750
Account:	10025260	60400	0547	Salaries Overtime Fire Prev	Cur Orginal Budget	Cur Revised Budget	Cur YTD Expend	Yr End Estimate	Requested	Approved	Final
	Fire - Emergency Services			Fire Prevention	5,000	5,000	217	0	5,000	5,000	5,000
Budget Year	2018	Line No	Detail Code	Description							
		1	M	OT - Fire Prevention Bureau					5,000	5,000	5,000
Account:	10025260	60600	0000	Salaries Temp	Cur Orginal Budget	Cur Revised Budget	Cur YTD Expend	Yr End Estimate	Requested	Approved	Final
	Fire - Emergency Services			General	0	0	0	0	0	0	0
Budget Year	2018	Line No	Detail Code	Description							
		1	NEW	Temp. Sal/Budget Consultant					0	0	0



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Budget as a Policy Guide

- The budget is one of the key ways a government sets policies and priorities.
- The budget forces a government to prioritize its scarce resources.



Budget as a Policy Guide

- Priorities and revenues connect to public value
- Example Priorities:
 - Improve roads
 - Maintain market wages and benefits for staff
 - Expand hours of operation for public-facing departments/buildings
 - Increase public safety



Budget as an Operations Guide

- It lays out the activities that will be performed and how many resources allocated to each activity.
- It forces staff and management to be disciplined and constrained in their spending.



Budget as a Communications Tool



Budget Message

BUDGET MESSAGE

Mayor, Mayor Pro Tem, and City Councillors:

Staff is pleased to present the Adopted 2019/2020 Budget. The budget is a fiscal expression of our vision for the future. This budget has been crafted by the Staff to align with the Vision, Mission, Values, and Strategic Plan direction from you, Mayor and Councillors. This document reflects the City of Westminster's continued focus on achieving the desired outcomes stated in the Vision, Mission, and shared values:

VISION: Westminster is the next Urban Center of the Colorado Front Range.

It is a vibrant, inclusive, creative, and well-connected City. People choose Westminster because it is a dynamic community with distinct neighborhoods, quality educational opportunities, and a resilient local economy that includes: a spectrum of jobs; diverse, integrated housing; and shopping, cultural, entertainment, and restaurant options. It embraces the outdoors and is one of the most sustainable cities in America.

MISSION: Our job is to deliver exceptional value and quality of life through SPIRIT.

VALUES: S-P-I-R-I-T is Service, Pride, Integrity, Responsibility, Innovation, Teamwork.

The 2019/2020 Budget is the City's ninth time preparing a two-year budget. The two-year budget continues to provide longer term financial and policy planning that complements the City's Strategic Plan and allows both City Council and Staff to focus on implementing the goals and key initiatives identified in the Strategic Plan, which are listed below.



VISIONARY LEADERSHIP, EFFECTIVE GOVERNANCE, AND PROACTIVE REGIONAL COLLABORATION - The City of Westminster has articulated a clear vision for the future of the community. The vision is implemented through collaborative and transparent decision making. Westminster is proactively engaged with our partners to advance the common interests of the region.



VIBRANT, INCLUSIVE, AND ENGAGED COMMUNITY - Westminster provides options for an inclusive, demographically diverse citizenry in unique settings with community identity, ownership, and sense of place, with easy access to amenities, shopping, employment, and diverse integrated housing options. Members of the community are empowered to address community needs and important community issues through active involvement with City cultural, business, and nonprofit groups.



BEAUTIFUL, DESIRABLE, SAFE, AND ENVIRONMENTALLY RESPONSIBLE CITY - Westminster thoughtfully creates special places and settings. The City is an active steward, protecting and enhancing natural resources and environmental assets. The City promotes and fosters safe and healthy communities.

Good value for taxes paid

68% agree
they receive good value for
the City taxes paid★



88% agree
"Financially
sustainable" fits their
image of the City



Prepared by National Research Center, Inc. ★ Higher than national benchmark

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Budget as a Communications Tool



CITY OF WESTMINSTER STRATEGIC PLAN

Adopted July 2017



VISIONARY LEADERSHIP, EFFECTIVE GOVERNANCE AND PROACTIVE REGIONAL COLLABORATION

The City of Westminster has articulated a clear vision for the future of the community. The vision is implemented through collaborative and transparent decision making. Westminster is proactively engaged with our partners to advance the common interests of the region.

- Develop communication, management and planning tools that move the City toward its vision while providing excellent government.
- Collaborate with state agencies, counties, school districts, neighboring cities and other governmental and non-governmental entities.



VIBRANT, INCLUSIVE AND ENGAGED COMMUNITY

Westminster provides options for an inclusive, demographically diverse citizenry in unique settings with community identity, ownership and sense of place, with easy access to amenities, shopping, employment and diverse integrated housing options. Members of the community are empowered to address community needs and important community issues through active involvement with City cultural, business and nonprofit groups.

- Advance strategies that demonstrate Westminster is a regional leader in providing affordable/workforce housing.
- Develop programs and strategies that build a unique sense of community in Westminster.
- Lead the development of cultural opportunities in Westminster.
- Identify the distinct neighborhoods of Westminster and help them begin to work together, as neighbors, to grow the sense of place and community in their neighborhoods.



BEAUTIFUL, DESIRABLE, SAFE AND ENVIRONMENTALLY RESPONSIBLE CITY

Westminster thoughtfully creates special places and settings. The City is an active steward, protecting and enhancing natural resources and environmental assets. The City promotes and fosters safe and healthy communities.

- Make a Citywide commitment to sustainability.
- Promote ongoing excellent management and maintenance of the City's parks and open space system.
- Provide opportunities for residents, visitors and employees to improve their personal wellness – physically, emotionally and intellectually.



DYNAMIC, DIVERSE ECONOMY

Westminster is a local government that fosters social, economic and environmental vitality and cultivates and strengthens a wide array of economic opportunities.

- Develop an economic development strategy that contributes to City vision attainment and is executed through collaborative work between the City of Westminster, the business community, residents and other partners of Westminster.



FINANCIALLY SUSTAINABLE GOVERNMENT PROVIDING EXCELLENCE IN CITY SERVICES

Westminster leads the region in a culture of innovation that exceeds expectations in providing value in all city services – the city shall be known for “the Westy Way.”

- Develop and maintain comprehensive municipal capital infrastructure master plan and financing strategy.
- Promote the organizational culture of Service, Pride, Integrity, Responsibility, Innovation and Teamwork.
- City Manager will develop an annual program of specific department business process improvement reviews.



EASE OF MOBILITY

Westminster pursues multi-modal transportation options to ensure the community is convenient, accessible and connected by local and regional transportation options through planning, collaboration, advocacy and execution. Transportation objectives include walkability, bike friendly, drivability, and mass-transit options.

- Improve the walkability and bikeability of Westminster.
- Improve mass-transit options throughout Westminster.

VISION:

Westminster is the next Urban Center of the Colorado Front Range. It is a vibrant inclusive, creative, and well-connected City. People choose Westminster because it is a dynamic community with distinct neighborhoods, quality educational opportunities and a resilient local economy that includes: a spectrum of jobs; diverse, integrated housing; and shopping, cultural, entertainment, and restaurant options. It embraces the outdoors and is one of the most sustainable cities in America.

MISSION:

Our job is to deliver exceptional value and quality of life through S-P-I-R-I-T (Service, Pride, Integrity, Responsibility, Innovation, Teamwork).



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Budget as a Communications Tool



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Budget as a Communications Tool

- From reading the budget, the public should be able to tell what functions a government is performing and how many resources have been allocated to those functions.
- It codifies the policy decisions so that managers have a reference and authority when making operational decisions.



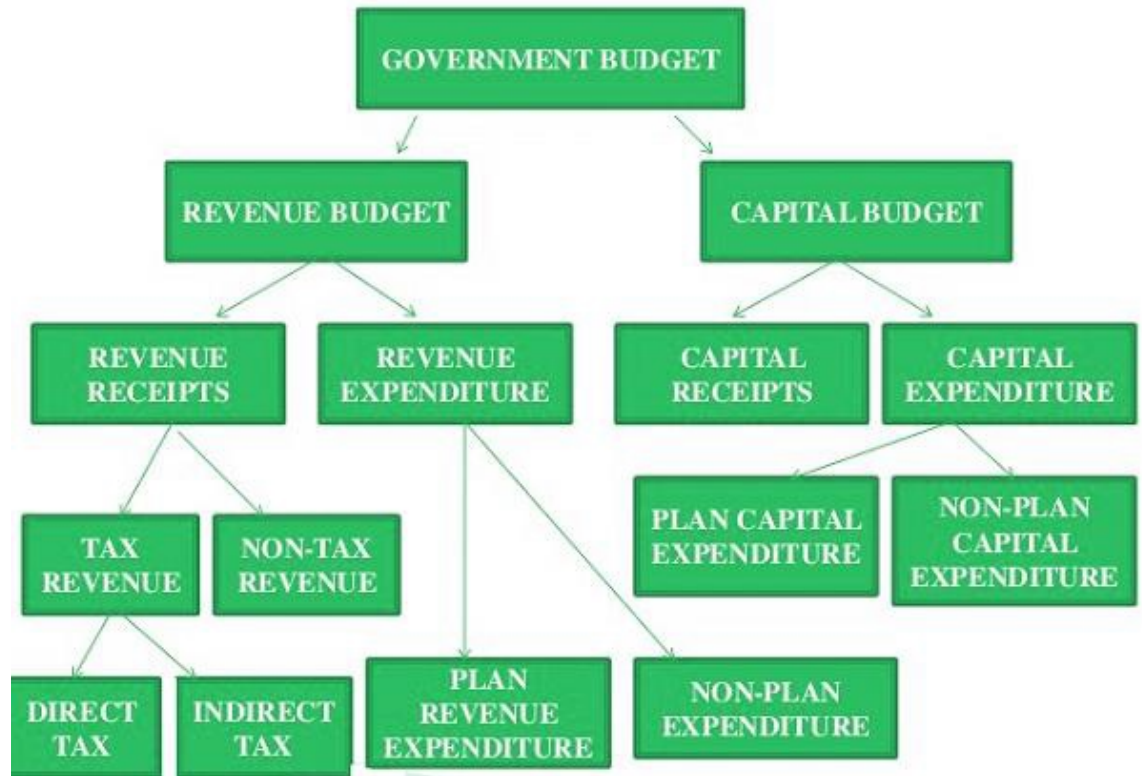
Why do governments budget?

- It's the law
 - Required by state law or charters
 - Without a budget, there are no appropriations and staff cannot spend funds
- Setting priorities
- Communicating status and plans to community
- Establishes key financial policies
 - Define balanced budget
 - Sets prudent reserve levels
 - Sets rates and fees
 - Revenue and debt policies
 - Operational and capital expenditure policies



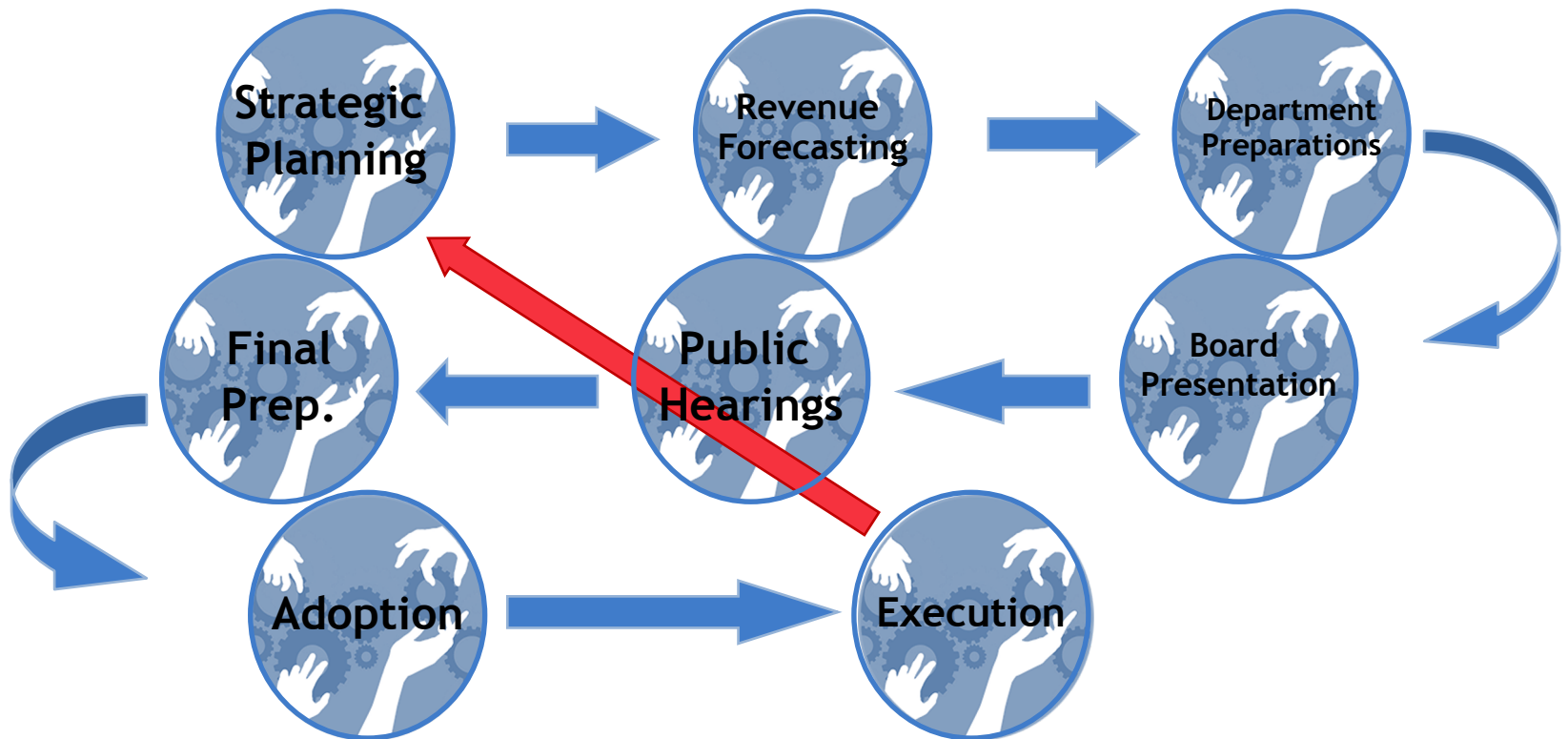
How do governments budget?

- Process
- Roles
- Approaches



How do governments budget?

- The budget process



The Budget Timeframe

- Some important dates include:
 - October 15th
 - December 15th
 - December 31st
 - January 31st
- Each local government may create their own budget calendar to allow management of the process, work with departments and to ensure all the required information is collected at the right time.
- Differences between home rule and statutory deadlines.



How do governments budget?



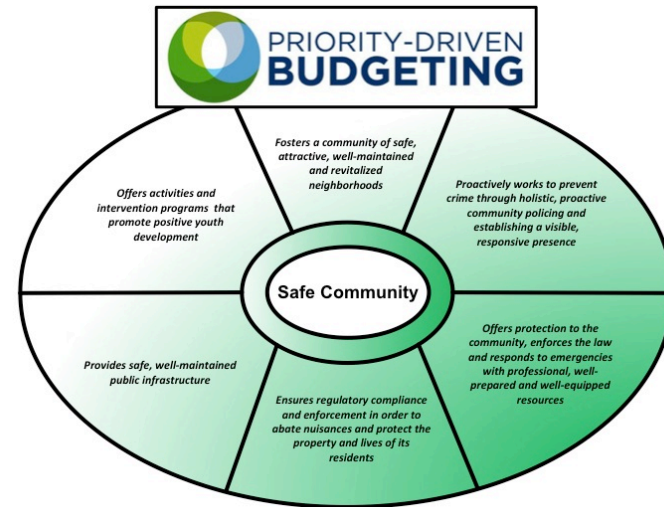
ORGANIZATIONAL CHART



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How do governments budget?

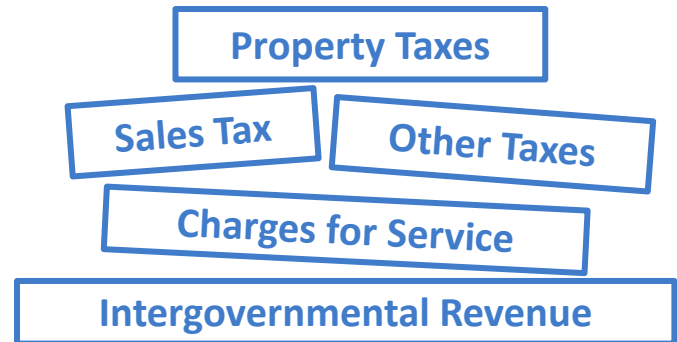
- Approaches to budgeting
 - Line-item budgeting
 - Program budgeting
 - Zero-based budgeting
 - Performance budgeting
 - Budgeting for outcomes
 - Priority-based budgeting



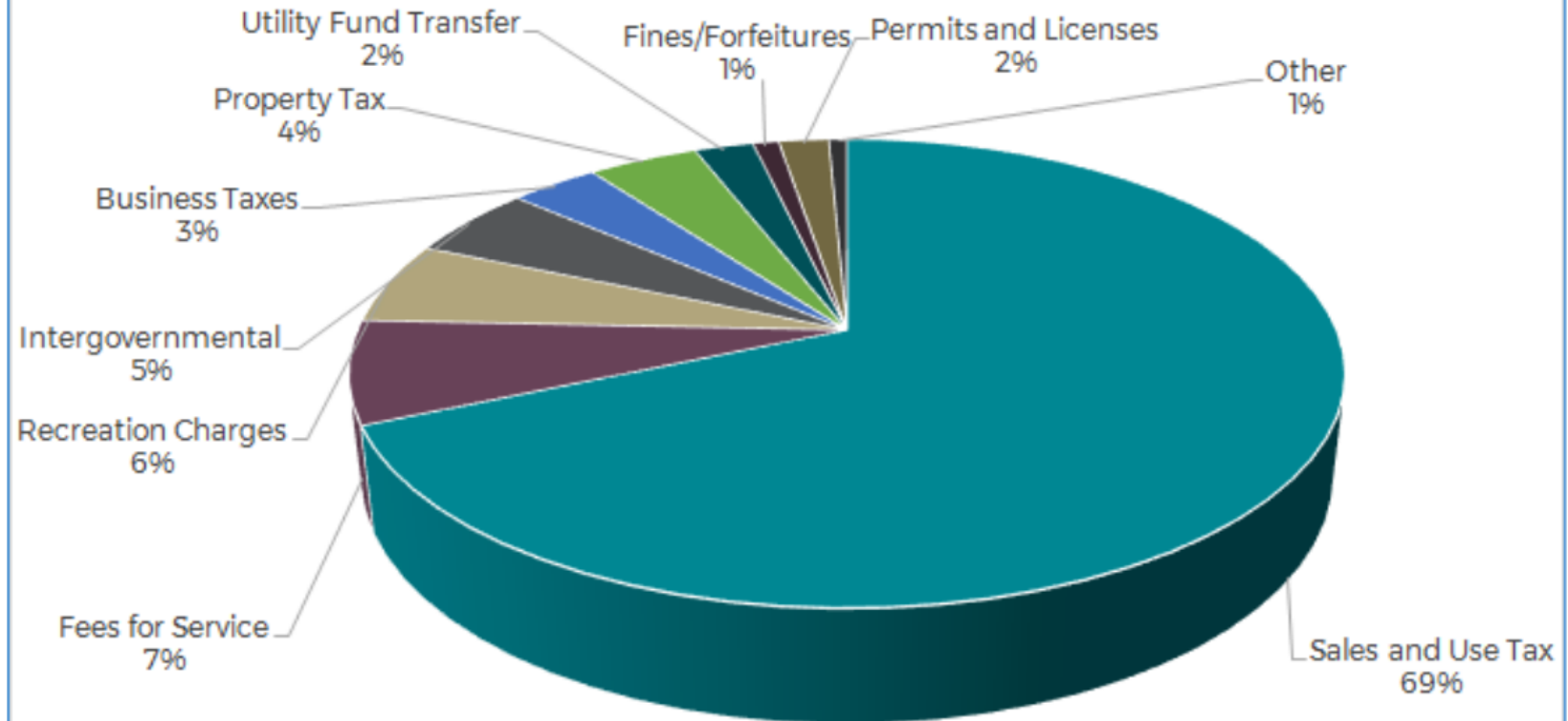
Where does the money come from?

- Across Colorado there are some common types of revenue similar types of local governments tend to collect
- At the same time, there are some types of revenue that local governments are not allowed to collect
- A very important part of the budget process is the development of revenue projections and the evaluation of those projections on a reoccurring timeframe.

(so you can see how projections hold up)



2020 General Fund Revenue by Source



Where does the money go?

Operating Budget

The operating portion is developed to provide for ongoing operations of your municipality.

- Salaries
- Maintenance
- Supplies
- Other



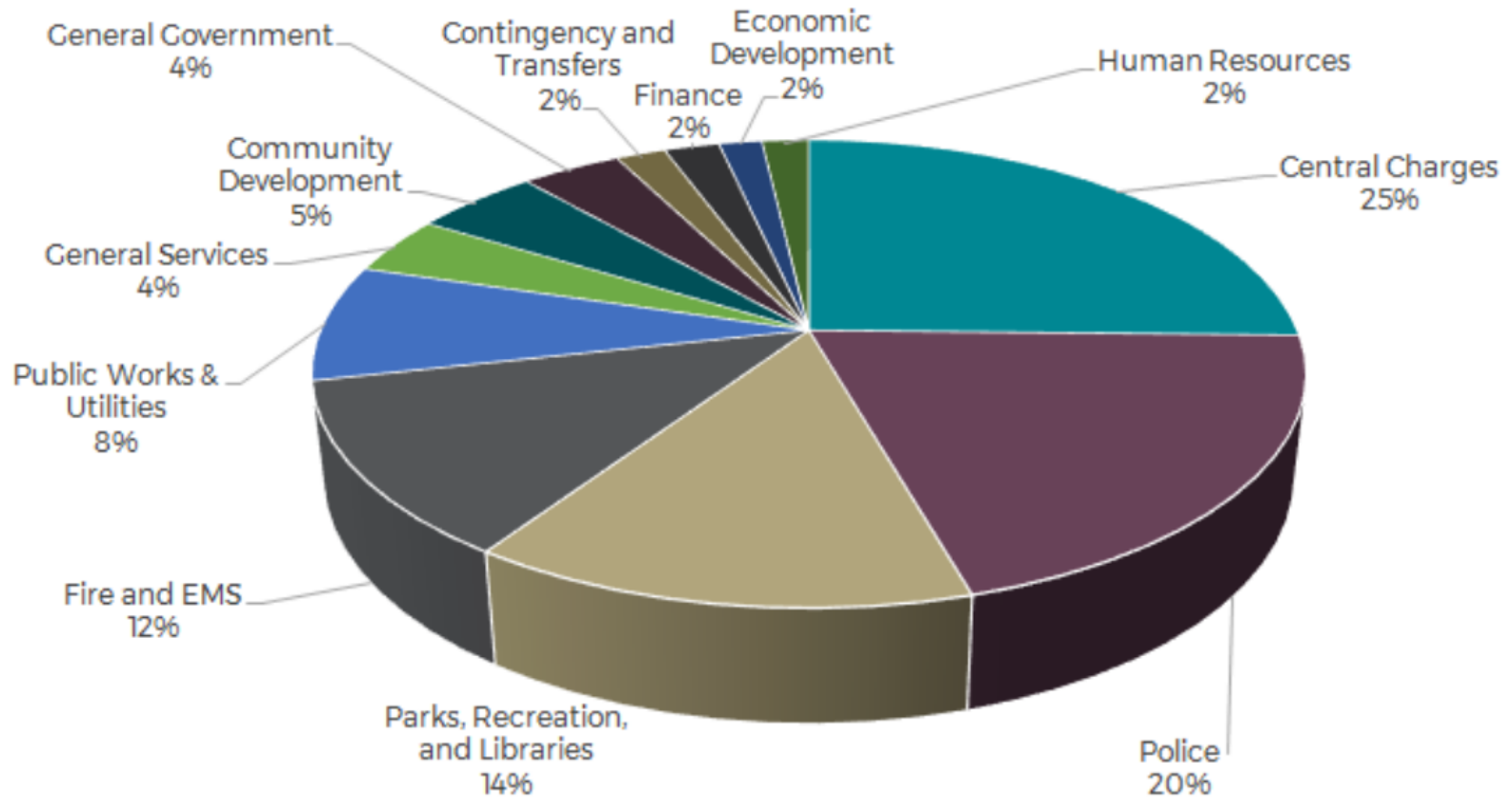
Capital Budget

The capital budget is for large, long term projects that are not regular expenses.

- Large Projects
- Land Acquisition
- Facilities/Buildings
- Large Equipment Purchase



2020 General Fund Expenditures by Department



Budget and Financial Policies

- Establishing budget and other financial policies codify expected practices within your local government.
- The National Advisory Council on State and Local Budget (NACSLB) has developed recommended practices to follow:
 - Establish Broad Goals to guide Decision Making
 - Develop Approaches to Achieve Goals
 - Develop a Budget consistent with Approaches
 - Evaluate Performance and Make Adjustments



Budget and Financial Policies

- Some Common Types of Policies include:
 - Balanced Budget Policy
 - Fund Balance Policy
 - Fee and Charge Policy
 - One-time Revenue Policy
 - Fund Transfer Policy
 - Unpredictable Revenue Policy
 - Debt Issuance Policy
 - Operation vs. Capital Expenditure Policy



Budget and Financial Policies

GOVERNING

10 Policies and Practices that Promote Financial Health

As a policymaker, you can improve your government's financial health first by understanding it, and then by establishing policies and procedures to promote it. Below are 10 key policies and procedures your government should have:

1 Rainy day fund policy



2 Target fund balance or ending budget balance policy

4 Long-term financial plan

3 Policy on the use of one-time revenues

5 Regular debt affordability studies

6 Policy on inter-fund transfers



9 Routine reviews of financial information technology needs

7 Quarterly cash flow reports

8 Policies and procedures on indirect cost allocations

10 Regular analysis of how capital investments affect the operating budget



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Questions?

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