Budgeting Basics

Effective Governance: Resources & Skills
for Elected Officials

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Outline

- What is a budget?

- Why do governments budget?

- How do governments budget?

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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:
  - Policy Guide
  - Operations Guide
  - Communications Tool

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Private Sector vs Public Sector

- Private Sector – Planning Tool

- 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

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Example Line Item Budget

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Budget as a Policy Guide

- The budget is one of the key ways a government sets policies and priorities.

- It forces a government to prioritize its scarce resources.

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Budget as a Policy Guide

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

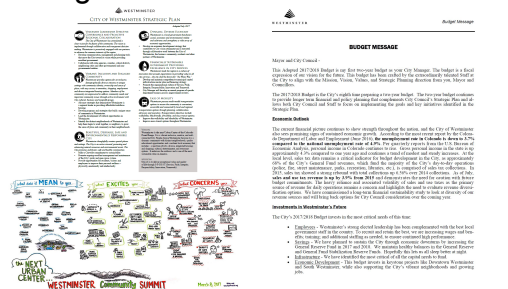## Budget as an Operations Guide

- 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 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 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
- Establishes key financial policies
  - Define balanced budget
  - Sets prudent reserve levels
  - Sets rates and fees
  - Revenue and debt policies
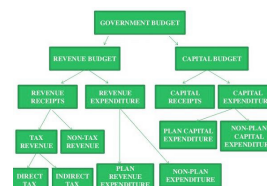 - Operational and capital expenditure policies

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How do governments budget?

- Process
- Roles
- Approaches

How do governments budget?

- The budget process
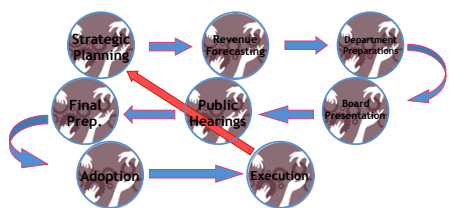
Strategic Planning → Revenue Forecasting → Department Preparations → Board Presentation → Public Hearings → Final Prep. → Adoption → Execution

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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.
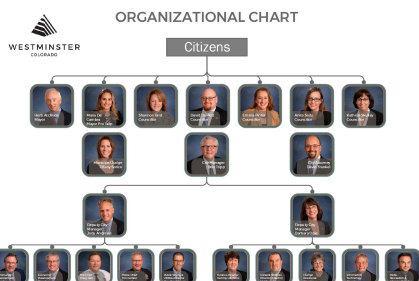
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

How do governments budget?

ORGANIZATIONAL CHART

WESTMINSTER COLORADO

Citizens

How do governments budget?

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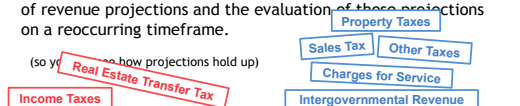 - Budgeting for outcomes
  - Priority-based budgeting

PRIORITY-DRIVEN BUDGETING

Safe Community

Zero-Based Budgeting
From Zero to Hero

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 also other uncommon, one-off, and illegal types of revenue local governments can't collect)

- A very important part of the budget process is the development of revenue projections and the evaluation of these projections on a reoccurring timeframe.
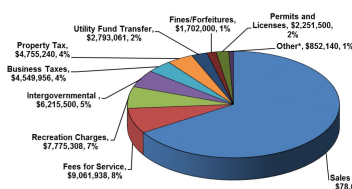
(so y_____ how projections hold up)

Property Taxes
Sales Tax   Other Taxes
Charges for Service
Real Estate Transfer Tax
Income Taxes
Intergovernmental Revenue

2017 General Fund Revenues by Source

- Fines/Forfeitures, $1,702,000, 1%
- Permits and Licenses, $2,251,500, 2%
- Utility Fund Transfer, $2,793,061, 2%
- Property Tax, $4,755,240, 4%
- Other*, $852,140, 1%
- Business Taxes, $4,549,956, 4%
- Intergovernmental, $6,215,500, 5%
- Recreation Charges, $7,775,308, 7%
- Fees for Service, $9,061,938, 8%
- Sales and Use Tax, $78,007,642, 66%

* "Other" includes Admissions Tax, Interest Income, Reimbursements and Contributions

Slide 1

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
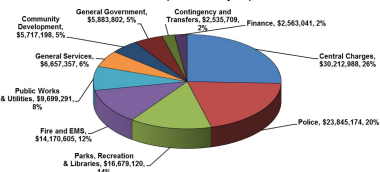- Facilities/Buildings
- Large Equipment Purchase

Slide 2

2017 General Fund Expenditures by Department

- General Government, $5,883,802, 5%
- Contingency and Transfers, $2,535,709, 2%
- Finance, $2,563,041, 2%
- Community Development, $5,717,198, 5%
- General Services, $6,657,357, 6%
- Public Works & Utilities, $9,699,291, 8%
- Fire and EMS, $14,170,605, 12%
- Parks, Recreation & Libraries, $16,679,120, 14%
- Police, $23,845,174, 20%
- Central Charges, $30,212,988, 26%

NOTE: Central Charges serves as the centralized budgeted location for employee benefits. Central Charges reflects medical, dental, life and disability insurance benefits for employees budgeted in the General Fund. Central Charges also reflects transfer payments to other funds, including Property/Liability and Workers Compensation, and includes certificate of participation (COP) payments.

Slide 3

Leaders may want to consider 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
- 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

Slide 4

Questions?

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