

Municipal Budgets

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Introduction

○ Finance Director

- **Administration** – Budget, Capital Plan, Policy.
- **Treasury** – Assessments, Licenses, Utilities.
- **Accounting** – Accounts Payable, Financial Statements, Annual Audit.
- **Grants Administration** – Applications, Awards.

Purpose of an Annual Budget

- Fund the Programs and Projects that the Policy Making Body Determines should be Funded.
 - Indicates the priorities of the Government.
- Forms the Basis of Taxes and Charges.
- Establishes Legal Spending Limits.
- Guides Staff Operations.
- Can Assist in Preventing Financial Crisis.

City & Town Budgets

Statutory Requirements

○ Local Government Budget Act

- **MCA 7-6 Part 40**
- Fiscal Year begins July 1 each year.
- **MUST** have an annually adopted budget.
(MCA 7-6-4030)
- Won't receive "taxable value" or "tax base" numbers from the State of Montana until 1st Monday in August.
- **RESULT:** You'll be months into your Fiscal Year before you make Final Adoption of the Budget.

City and Town Budgets

- Public Notice and Public Hearings are required. (MCA 7-6-4021)
- Similar requirements for Budget Amendments (MCA 7-6-4031)
- State requires that you submit your budget to **Department of Administration** each year, along with copies of your adopted tax levies and taxable values.

City and Town Budgets

○ Calculating the Tax Levy (MCA 15-10-420)

- (1)(a) Inflation Factor

“one-half the average rate of inflation for the prior 3 years”

- (1)(b) Carry-forward of prior year levy authority

- (5)(b) Permissive Medical Levy

○ Tax Levy Hearing

“Notice of Budget Increase from Property Taxes” (MCA 15-10-203)

City & Town Budgets

- Depending on

- size of the organization,
- the services you provide,
- AND the funding you receive,

the budget can be simple or very complex.

Definition of Balanced Budget

Beginning Balance (carry-over)

PLUS: Estimated Annual Revenues

LESS: Estimated Annual Expenditures

Can Not Be Less than ZERO.

(MCA 7-6-4030)

How Do You Begin?

○ Estimating Expenditures

- What are your funding priorities?
 - Commission Goals
 - Citizen Input
 - Department Ideas
 - Ongoing Commitments
 - Union Contracts
 - Insurance Coverage (Property, Liability, Work Comp, etc.)
 - Other Service Contracts

How Do You Begin?

○ Estimating Revenues

- Property Taxes – Building Permits, Inflation Factor
- Entitlement Share – Formula
- Local Option Vehicle Tax
- Court Fines
- Utility Customers (Water Usage, etc.)

When Do You Begin?

- Estimating Expenditures is the most “involved.”

- Commission Goals
- Department Supervisor Request
- Labor Agreements
- Other Contract Renewals
- Public Involvement

We begin in January!

- Estimating Revenues is more centralized.

- Usually need months of historical information, especially if you’ve made fee changes.
- Commission Goals can be established.
- Usually the Finance Director, City Manager, Clerk/Treasurer involved.

We begin in February/March.

General Fund

- **REQUIRED** to have one.

- It accounts for everything that is not required to be accounted for in a separate fund.
- “Base” or “Catch-All” for General Government activities.

General Fund

- Expenditures: City Commission, Management, Finance, Attorney, Human Resources, Courts, Police, Fire, Library, Parks, Pools, Recreation, Cemetery, Facilities Maintenance, Information Technology, etc.
- Very **PEOPLE** heavy.

General Fund

○ Revenues

- Property Taxes
- Entitlement Share
- Court Fines
- Business Licenses
- Animal Licenses
- Charges for Park/Recreation/Library/Police/Fire Services

○ Reserve – Policy Decision. No Statutory Requirement.

Enterprise Funds

○ Utilities

- Water
- Sewer
- Storm water

○ Other “business-like” ventures:

- Parking
- Ambulance
- Garbage Collection
- Landfill

Enterprise Funds

- Revenues: Based on the service you are selling.
 - Is there any competition for the service?
- Expenses: Usually very **CAPITAL** heavy.
- Reserves: Operating and Capital.

Special Revenue Funds

- Building Inspection Fund
- Planning Fund
- Impact Fee Funds
- Special Districts
 - Lighting Districts
 - Special Improvement Districts
 - Business Improvement Districts
 - Tax Increment Financing Districts
- Special Purpose Taxes: Permissive Medical Levy
- Grant Funds - - - ARRA “Stimulus” Funds

Construction Funds

- Sole Purpose is to track the sources and uses of money for a specific construction project.
- Closed out when the project is done.
- In any given budget, you may or may not have Construction Funds.

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Pitfalls to Avoid

- Thinking that staff knows what the Council/Commission's priorities are, without ever adopting or discussing them as a body.
- Assuming that citizens will participate in all your budget processes.
 - Find Creative Ways to Encourage Public Participation.

Pitfalls to Avoid

- Estimating Revenues unrealistically High.
- Waiting to negotiate important contracts until you're "stuck" in the budget process.
- Assuming Economic Conditions Won't Change during a Budget Year.
 - Sale of Property to Fund Projects.
 - Use of Fund Reserves.

Some of our Best Decisions

- Joining the MMIA pool for Employee Health Benefits.
- Making Mid-Year Budget cuts in January 2009, and carrying them into FY10... and FY11.
- Watching financial condition of sensitive funds (Building & Planning) on a monthly and quarterly basis.

Some of our Best Decisions

- Development of 5-year Rate Models for Water and Sewer systems.
- Estimating revenues low, and then putting the additional dollars in operating reserve.
- Making commitments to the voters and keeping them!

Our Concerns and Struggles

- Costs of our Criminal Justice System – especially the impact of State Funded Public Defenders Office.
- Entitlement Share - given State Budget Problems.
- Compliance with ARRA requirements; funding jeopardy.

Our Concerns and Struggles

- ◉ Property Tax - Inflation Factor
- ◉ Development Impact Fees – Cash Flows
- ◉ MDEQ and EPA requirements effect on Water & Sewer Utilities.
- ◉ Local Foreclosures – effect on utility customers and tax collections.

Thanks for Listening!

- Any Questions?