

# Municipal Budgeting

Missouri Municipal League  
Elected Officials Training Conference

## Municipal Budgeting

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### A Budget is ...

... a plan for the implementation of a program or activity within a specified period of time (fiscal year), including an estimate of both revenues & expenditures.

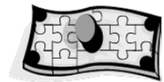


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### The Art & Science of Budgeting

Our Purpose: to predict future unknown revenues and expenditures based on known or estimated quantifiable data with an acceptable degree of accuracy



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### A Cautionary Note

*"A budget tells us what we can't afford, but it doesn't keep us from buying it."*

William Feather



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### A Well-Prepared Budget is

- a tool to enhance decision making
- an effective policy document
- a financial plan
- an operations guide
- a communication device



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# Municipal Budgeting

## Budgeting Basics

- Revenues drive the budget
- Budgets control spending
- Budgeting creates conflict
- Budgeting reflects organizational culture
- Budgeting involves balancing values
- Budgeting is political



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## Statutory Requirements

- Annual budget required
- *Budget Officer* prepares / submits budget & required legislation to adopt & implement
- Budget adopted by council majority prior to fiscal year, including all needed legislation

Ch. 67.010 - 67.100 RSMO



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## Statutory Requirements

- Budget must be *balanced*
- Budget appropriates the funds
- All expenditures must be authorized by budget
- Increases require Resolution
- Failure to adopt budget means previous budget governs

Ch. 67.10 – 67.040



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## All Budgets Require:

- A budget message
- Estimated revenues; actual & estimated for last two years
- Proposed expenditures; actual & estimated for last two years
- Debt service requirements
- A general budget summary

Ch. 67.010 RSMO



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## A *Balanced Budget*



Expenditures < or = Revenues  
+ Available Reserves

### *Deficit*

Expenditures > Revenues

You can have balanced budget & deficit

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## Other Financial Controls (Not Required by Statute)

- Purchasing Code: controls spending
- Personnel Code: controls hiring
- Pay Plan: controls salaries
- Investment Policy: controls investment of idle cash
- Combined Annual Financial Report (CAFR): independent audit and review of internal controls



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# Municipal Budgeting

## The Rules of Accounting

- Generally Accepted Accounting Principles (GAAP)
- The standards, conventions & rules that accountants follow in recording & summarizing transactions and preparing financial statements
- Governmental Accounting Standards Board (GASB)



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## For City Council, the budget:

- is a means to provide services to constituents
- monitors & controls the Executive, departments / programs
- communicates positions to constituents
- resolves conflicts (allocation of scarce resources)

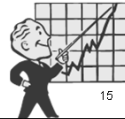


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## For Executive, the budget is:

- a control of departments' expenses
- promotes efficiency & effectiveness
- a system of rewards & punishment
- a planning document (tool for goals setting)
- a means to communicate needs & lobby Council for resources



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## For the Public, budgets are:

- a reality check that separates rhetoric from priorities
- a source of data for analysis & debate
- a scorecard of winners & losers



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## Potential Budgeting Conflicts

- Requests for Services vs. Resources
- Control vs. Flexibility
- Advocates vs. Guardians
- Special Interests vs. Collective Interests
- Bureaucracy vs. Democracy
- Public Will vs. Public Welfare



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## Budgeting Should Provide:

1. Transparency
2. Accountability
3. Predictability of Decision-Making
4. Prioritization of Resources



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# Municipal Budgeting

## Budget Transparency

- The degree to which the budget & budgeting are open to the public is a matter of local discretion.
- Are budget workshops well publicized?
- Is the budget document understandable?
- Is there sufficient detail to justify the revenue & expenditure projections?
- Is the process clear?
- Are there opportunities for citizen input?

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## The Process

- Department heads submit requests to *Budget Officer* (Mayor, Administrator, Finance Director)
- Budget Officer reviews requests & submits unified budget to Council
- Council approves, revises or rejects
- Mayor signs or vetoes budget
- Executive implements programs



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## Elements of Budgeting & Financial Control

<i>Before</i> Fiscal Year	<i>During</i> Fiscal Year	<i>After</i> Fiscal Year
Preparation, Submission, & Approval of Budget	Implementation	Audit & Review
Strategic Plan update Revenue Estimates Expenditure Estimates Capital Improvement Plan update Budget Presentation & Review Budget Approval	Budget Administration Accounting Revenue Administration Purchasing Cash Management Risk Management	Financial Reports Audits Budget Review

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## 3 Categories of Expenditures

- *Mandatory*: required by federal, state or local law
  - Social Security, Workers Comp, pension contributions, debt service
- *Baseline*: necessary & essential to city's continuing operations
- *Discretionary*: items or activities that enhance services



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## Reviewing the Budget

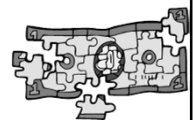
- Start with revenues
- Focus on big picture
- Understand policies, process, practices:
  - negotiation or last/best
  - organizational culture
- Spend most time on expenditures that are:
  - Discretionary, not mandatory
  - Large, not small
  - Increasing, not decreasing or stable

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## Reviewing the Budget

- Be objective
- Check for sufficiency of funds
- Review the data
- Demand justification
- Be conservative (Don't take risks)
- Ask questions



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# Municipal Budgeting

## Providing Guidance to Staff

- Strategic Plan
- Ordinances
- Fiscal & management policies
- Committee recommendations
- Political climate
- Complaints about services
- Year-round discussions



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## Rules for Budgeters

- The budget *must* be balanced
- You can only spend it once
- Nothing lasts forever
- You get what you pay for
- All dollars are equal
- *Someone* has to pay



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## More Rules for Budgeters

- There are no magic beans
- $2 + 2 = 4$  (no matter who's asking)
- There's more to government than what you see
- The answer sometimes depends on why you want to know
- You can't have it all



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## Questions?

A question is a short sentence ending with a question mark.

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