

GFOAT Budget Academy

Introductions

Speakers



John Zagurski
Finance Director,
City of Northlake
President-Elect, GFOAT



Aaron Rector
Director of Administrative Services,
City of Keller
Co-Chair Program Committee



Meg Jakubik
Strategic Services Manager,
City of Bedford
GFOA Representative



Cayce Lay Lamas
Director of Finance,
City of Westlake
Communications Chair

Budget Academy- Agenda

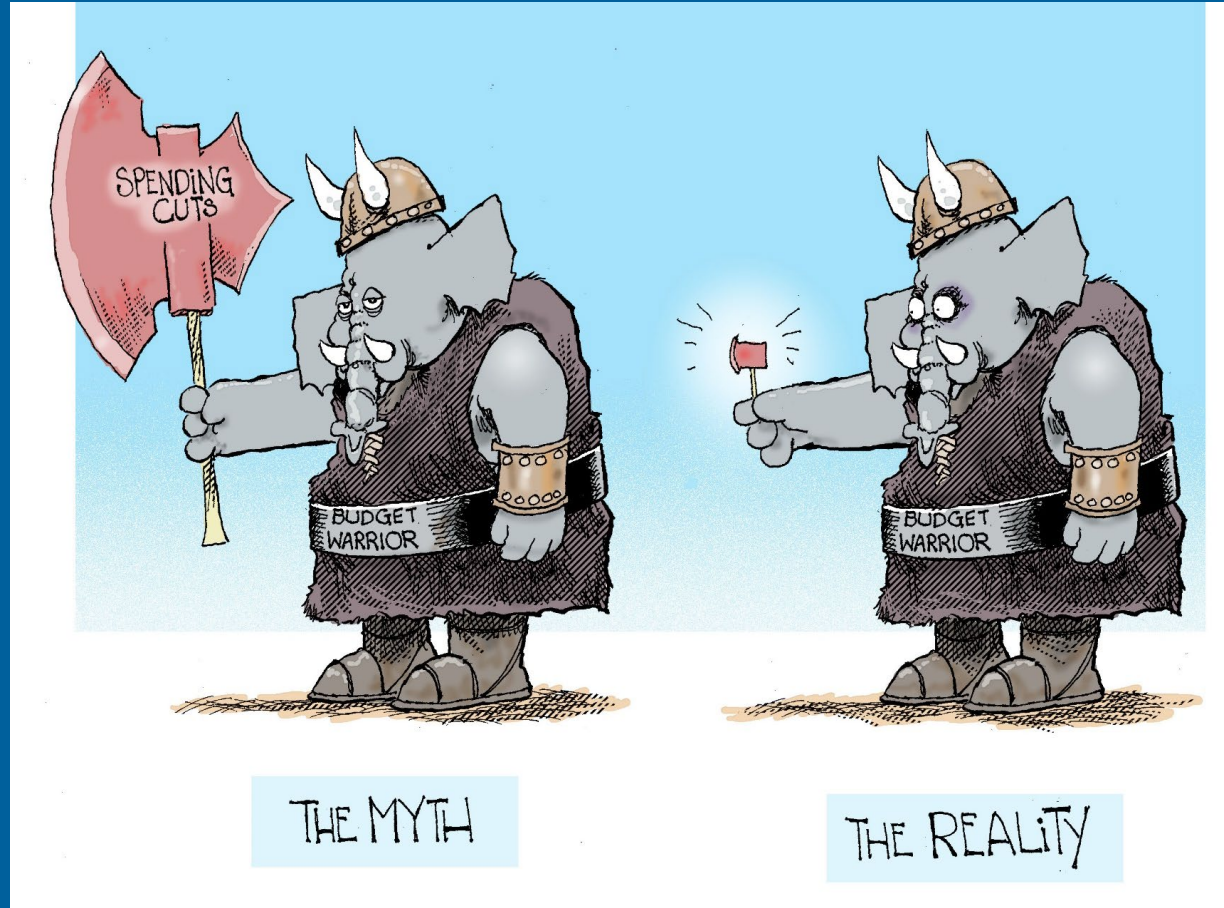
- Budget Overview
 - Budget Philosophy (GFOA)
 - Budget Strategies
 - Budget Roles & Relationships
 - Budget Calendar
- What We Budget
 - Fund Types
 - Revenue
 - Expenditures
 - Budgeting Tools
- Revenue Budgeting
 - Property Tax
 - Sales Tax
 - Other Revenue
- Expenditure Budgeting
 - Salary/Benefits Budget & Projections
 - Operating Expenditures

Budget Academy- Agenda, continued

- Other Budget Considerations
 - Long Range Forecasting
 - Performance Measures
- Capital Improvement Program
- Communicating the Budget
- Post Adoption Tasks
 - Compiling the Budget
 - Budget Award
 - Budget Monitoring

How and Why We Budget

The Budget Connection



Why Budget?

**It's the
Law**

**Hearings
and
Notices**

Inspection

**Authorized
by
Ordinance**

**Structurally
Balanced**

Types of Budgets

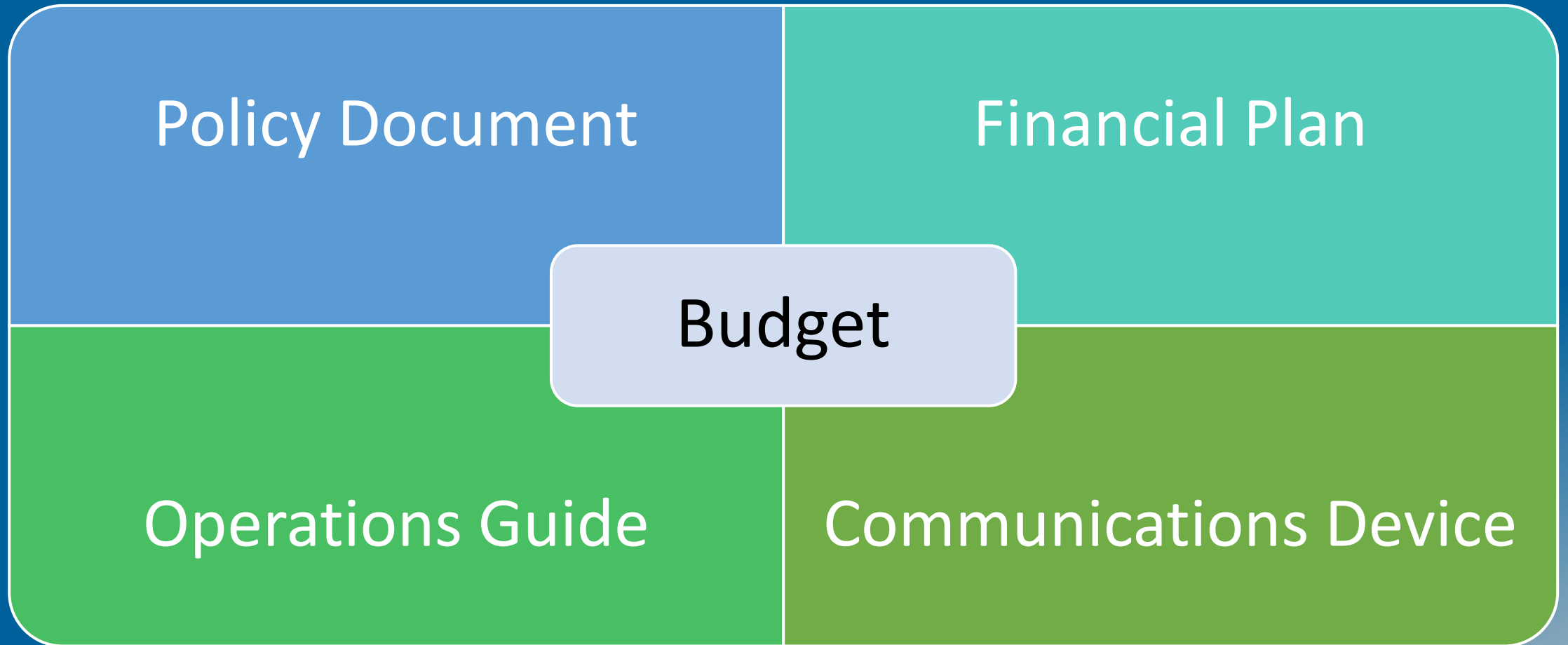
Operating Budget

- The financial plan adopted for a single fiscal year.
 - Proposed Operating Budget – designates the financial plan initially developed by departments and presented by the City Manager to the City Council for approval.
 - Adopted Operating Budget – the plan as modified and finally approved by the City Council.

Capital Improvement Program (CIP) Budget

- The five-year financial plan which addresses development and improvements to the city's infrastructure.
- The first year is adopted by City Council, with the remaining four years serving as a forecast.

Purpose of the Budget



Budget Development: Types of Budgets

**Traditional, or
line-item,
budgeting**

**Target based
budgeting**

**Program based
budgeting**

**Zero based
budgeting**

**Priority based
budgeting**

Hybrid approach
• Most municipalities

Traditional or Line-Item Budgeting

- Widely used
- Historical basis
- Control oriented – Where did the money go? – fund/function level
- Reports information on inputs used in the production of governmental services
- Reports by organizational unit



Example - Line-Item Budget

CITY OF PLANO								
Budget Worksheet - Expenses - 532								
As of 9/30/2022								
Description	Last Year Audited	Council Budget	Current Budget	Current Actual	Current Re-Estimate	Proposed Budget	Funded Supplement	Proposed Total
00001 General								
532 Police								
610 PERSONNEL SERVICES								
6102 PT More than 20 TMRS Elig	147,358	204,701	144,018	136,752	144,018	206,236		206,236
6103 Classified Salaries	9,467,807	9,561,421	9,985,387	9,877,856	9,985,387	10,034,335	303,074	10,337,409
6104 Civil Service Salaries	38,406,946	39,062,833	41,208,894	40,409,242	41,208,894	39,977,685	292,990	40,270,675
6104.OVERFILL Civil Service Sa		1,000,000	284,615		284,615	1,000,000		1,000,000
6105 PT-less than 20	11,913	23,140	12,069	5,693	12,069	22,069		22,069
6106 Certification Pay	413,290	413,149	417,781	416,776	417,781	414,835		414,835
6109 Comp Plan Contingency		1,852,320				2,213,942		2,213,942
6111 Overtime	2,075,259	1,175,567	2,905,315	3,018,723	2,905,315	1,175,567		1,175,567
6112 Overtime-SB	149			147				
6113 Longevity	331,977	337,824	336,586	340,785	336,586	322,576		322,576
6121 RSP	1,818,965	1,896,346	1,932,024	1,917,366	1,932,024	1,950,469	23,247	1,973,716
6122 TMRS	9,241,896	8,566,787	9,281,132	9,310,951	9,281,132	8,738,414	99,841	8,838,255
6123 Group Insurance- Health	6,705,685	6,895,193	6,865,139	6,850,325	6,865,139	8,025,587	97,200	8,122,787
6125 Group Insurance- Life	330,291	486,242	398,653	342,150	398,653	500,120	5,961	506,081
6127 Medicare	716,308	736,847	773,258	765,868	773,258	756,780	8,643	765,423
6129 Workers Compensation	429,988			691,893				
6132 Long Term Disability	28,286	34,037	31,942	29,318	31,942	35,008	417	35,425
6133 OPEB Contribution	1,103,697	1,159,596	1,112,778	1,110,834	1,112,778	1,130,436	15,552	1,145,988
6141 Car Allowance	24,365	38,400	32,575	32,575	38,400	38,400		38,400
610 PERSONNEL SERVICES	71,254,178	73,444,403	75,722,166	75,256,960	75,727,991	76,542,459	846,924	77,389,383
620 MATERIALS & SUPPLIES								
6201 Office Supplies	120,489	160,500	140,000	125,834	150,000	135,000	8,370	143,370
6202 Postage	76	50	171	228	500	500		500
6203 Publications	17,919	30,000	30,000	27,658	30,000	15,000	259	15,259
6204 Food	14,684	28,000	25,500	24,255	22,000	23,000		23,000
6205 Wearing Apparel	326,431	390,000	345,748	310,341	400,000	360,000	23,317	383,317
6205.VEST Police Vests	53,841	61,000	67,700	67,648	60,000	55,000	2,250	57,250
6208 Minor Apparatus	460,821	413,466	613,209	487,956	539,677	485,000	100,750	585,750

Example - Line-Item Budget



Budget Worksheet Report

Budget Year 2023

Account	Account Description	2023 Council Approved			
Fund 101 - GENERAL FUND					
EXPENSE					
SUPPLIES					
8140	PUBLICATIONS AND PROGRAMMING	147,000.00			
Budget Transactions					
	<i>Level</i>	<i>Transaction</i>	<i>Number of Units</i>	<i>Cost Per Unit</i>	<i>Total Amount</i>
	Council Approved	Data Prose - Bedford Connection Mailer	1.0000	142,000.00	142,000.00
	Council Approved	Water Bill Communications	1.0000	5,000.00	5,000.00
			Council Approved Totals		\$147,000.00
		<i>SUPPLIES Totals</i>	\$147,000.00		
MAINTENANCE					
8203	MAINTENANCE HARDWARE AND SOFTWARE	85,230.00			
Budget Transactions					
	<i>Level</i>	<i>Transaction</i>	<i>Number of Units</i>	<i>Cost Per Unit</i>	<i>Total Amount</i>
	Council Approved	SHI Govt SQL Server	1.0000	10,400.00	10,400.00
	Council Approved	Tyler Content Manager	1.0000	2,750.00	2,750.00
	Council Approved	Tyler Technologies-(80%) Annual Software Maint Agreement (SSMA)	.8000	90,100.00	72,080.00
			Council Approved Totals		\$85,230.00
8217	TRUNK RADIOS	172,740.00			
Budget Transactions					
	<i>Level</i>	<i>Transaction</i>	<i>Number of Units</i>	<i>Cost Per Unit</i>	<i>Total Amount</i>
	Council Approved	Fort Worth Radio IDs	1.0000	10,680.00	10,680.00
	Council Approved	Motorola Contracts - Infrastructure & System Mgmt	1.0000	119,070.00	119,070.00
	Council Approved	NRH Subscriber Maintenance	1.0000	31,090.00	31,090.00
	Council Approved	Radio Replacement	1.0000	11,900.00	11,900.00
			Council Approved Totals		\$172,740.00
		<i>MAINTENANCE Totals</i>	\$257,970.00		
CONTRACTUAL SERVICES					
8301	COMMUNICATIONS	151,000.00			
Budget Transactions					
	<i>Level</i>	<i>Transaction</i>	<i>Number of Units</i>	<i>Cost Per Unit</i>	<i>Total Amount</i>
	Council Approved	AT&T Long Distance Services	1.0000	3,000.00	3,000.00

Program Budgeting

- Changes focus from department to program
- Program is organized set of related activities that are directed towards achieving a common purpose or goal that an agency or department undertakes to carry out its responsibilities
- Budget decisions made at greater level of detail



I NEED MORE MONEY!!!

- Determine your process for requesting additional budget funds
 - Personnel Requests
 - Operating Requests (Budget Account Increases/New Programs)
 - Capital Requests (Equipment Replacement/Major Facility Maintenance)
- Is the request one-time or on-going?
- Consider how requests will be presented and shared with management and council

Decision Package vs. Supplement: Which one should I use?

Supplement



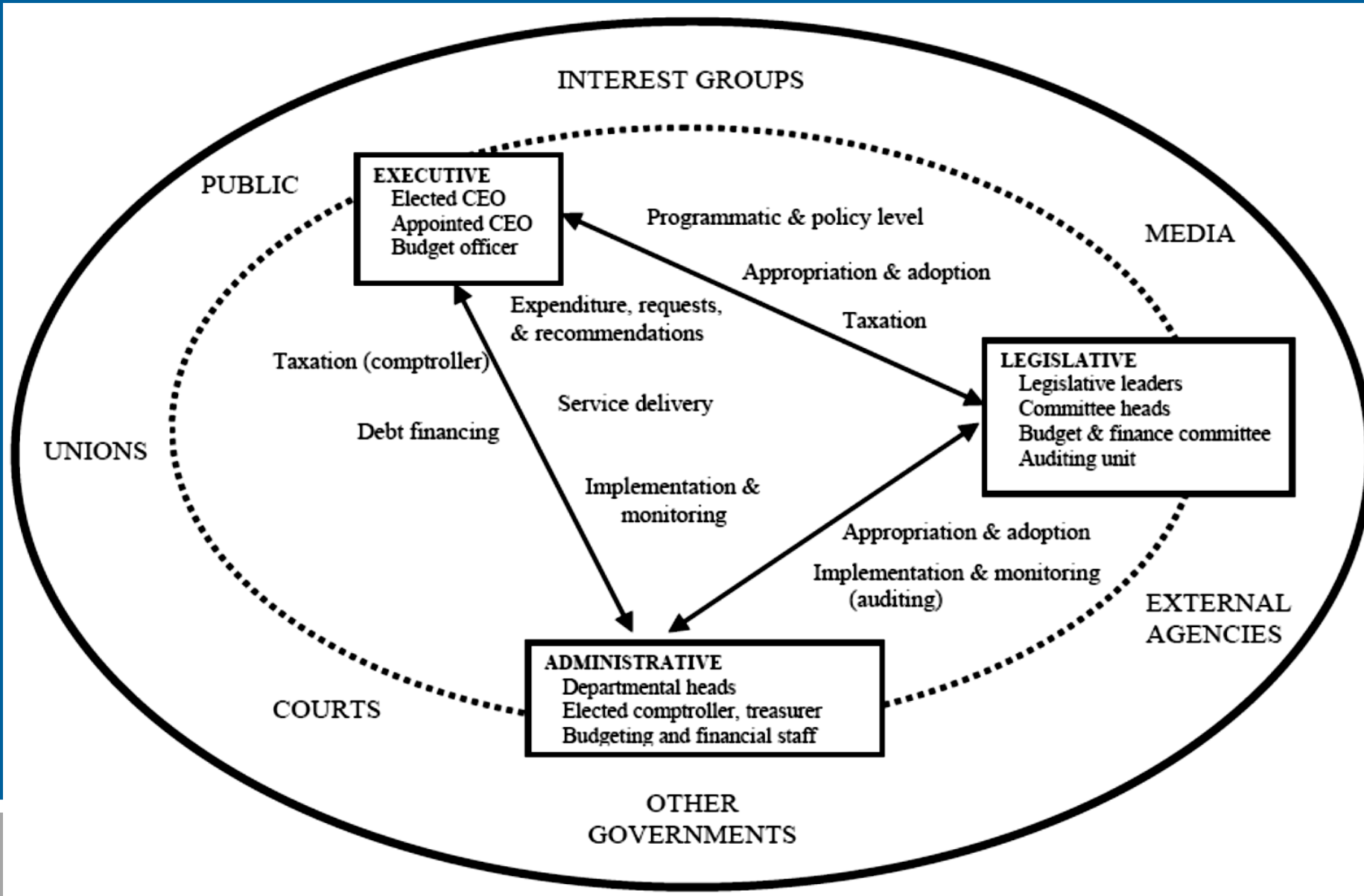
Decision Package



Budget Participants, Relationships, & the Budget Environment



Key Actors and Their Roles



...imagine the outer ring rotating around the connected boxes with a different message at each stop!

Key Actors and Their Roles

BUDGET ROLES

Budget
Office

City
Manager

Department
Heads

City Council

Citizens

Direct Participants (internal)

BUDGET OFFICE

Budget Officer

- Represents the CEO's/organization's interests in all phases
- Advises the CEO not only on budget but broader financial policies
- Traditionally, has acted as "gatekeeper" for agency budget requests and budget administration (this role is changing from adversarial to collaborative)
- Highly influential and involved in capital budgeting, benefits policy, and compensation policy

Budget Analysts

- Well versed in public policy analysis, financial analysis, and statistical analysis (optimally)
- Typically assigned specialty areas
- In larger organizations, work in teams
- Usually charged with specific areas of the budget process (i.e., performance measures, document production, data integrity, etc.)

In the Budget Office

Objectivity, creation, and application of a transparent process are highest priorities, because they are the source of trust in the process

Direct Participants (internal)

CEO – CITY MANAGER

- Typically, the CEO is highly influential in all phases (except possibly post-adoption administration). May act as the Budget Officer.
 - Even the timing and construction of the budget calendar can have an effect on the process.
- Capital budgeting: CEO & CFO influence financing methods for projects.
- The weaker the governing body, the stronger the influence of the CEO.

- ***How has this played out in your governmental entity?***

Direct Participants (internal)

DEPARTMENTS/AGENCIES

- Greatest impact in operational results definition, cost projection and success/effectiveness measurement
- Provide the building blocks for the budget (cost drivers such as staffing needs, commodities, new program requests, etc.)
- Will ultimately be charged with delivering a service or set of services within an approved funding level
- Interact primarily with CEO and budget office
- *(But be aware, may also have direct connections with legislators, interest groups, unions, the media and individual citizens)*

Direct Participants (internal)

DEPARTMENTS/AGENCIES...continued

- In traditional budget game, may “pad” budgets in expectation of recommendation of cuts by budget office – again, building trust that the Budget Office will make unbiased recommendations is critical
- Departments may be inclined to report only favorable performance information, or color that information to reflect well on the department operation’s search for budgetary resources
- Challenge for budget manager: balance departmental perspective with overall organizational needs (newer budget methods help to illuminate this) while maintaining good relationships with departmental management

NOTE: Recognize that each department head has a different relationship with the CEO and/or the legislative body. Be on the look out for the “untouchable” department head.

Direct Participants (internal)

GOVERNING OR LEGISLATIVE BODY & BUDGET COMMITTEES

- Most influential in appropriations approvals
- More important role in states (budget manager less influential)
- Legislative bodies have least influence in budget execution...unless the operating approach is legislated
- Generally, legislators try to increase benefits and spending for their own constituencies (major implications for capital budgeting, especially at the state and federal level)
- Key players are the Committee (appropriations at the state level or finance / budget committee at the local level) chairs and respective leadership (speaker) of each body of the legislature
- Budget Manager speaks for the CEO, but also can speak to the CEO regarding legislators' concerns, so building that relationship is critical

Indirect Participants (external)

INTEREST GROUPS, UNIONS, ELITES – Can you name a few types?

- Typically, hone in more narrowly on own interests
- Tend to focus on policies (e.g., environmental, health care)
- Capital budgets are of great interest, because they may view it as misdirection or diversion of funds for other uses – e.g., Urban Renewal
- Budget Manager's challenge: Focus policy/decision makers on the entire budget and all needs, not single issues in a vacuum (This is more difficult to do in a traditional budget process)
- Lessons learned: Get to know your unions and the regular speakers at legislative meetings. Determine the passion level and tactics of each special interest. Some will take the smallest issue to the grave. So, do you try to buy them out and put them on the sidelines of the budget process? Do you enlist their help in achieving a balance of interests?

Indirect Participants

MEDIA, THE PUBLIC	OTHER GOVERNMENTS	PRIVATE & NON-PROFIT PROVIDERS
<ul style="list-style-type: none"> Public is not monolithic, but individuals are usually focused narrowly 	<ul style="list-style-type: none"> States are often no longer viewed as partners 	<ul style="list-style-type: none"> Privatization interests
<ul style="list-style-type: none"> Media can take many forms (mainstream, community, electronic/social/bloggers, print/broadcast, etc.) 	<ul style="list-style-type: none"> Neighboring governments – competition or cooperation? 	<ul style="list-style-type: none"> Specific vendors selling solutions (I.T., quirky financing, etc.)
<ul style="list-style-type: none"> Media are both a threat and an opportunity <ul style="list-style-type: none"> How has media involvement in the budget process changed in your jurisdiction? 	<ul style="list-style-type: none"> Are shared services an option, or a distraction? 	<ul style="list-style-type: none"> Non-profits having similar goals (e.g., children’s health, environment, education). Explore joint service delivery options
	<ul style="list-style-type: none"> Comparisons with other units of government can help - or hurt, if not truly comparing equitably 	

Budget Relationships



How Departments
View You



How You View You



How City Manager
View You



How Citizens
View You

Budget Relationships



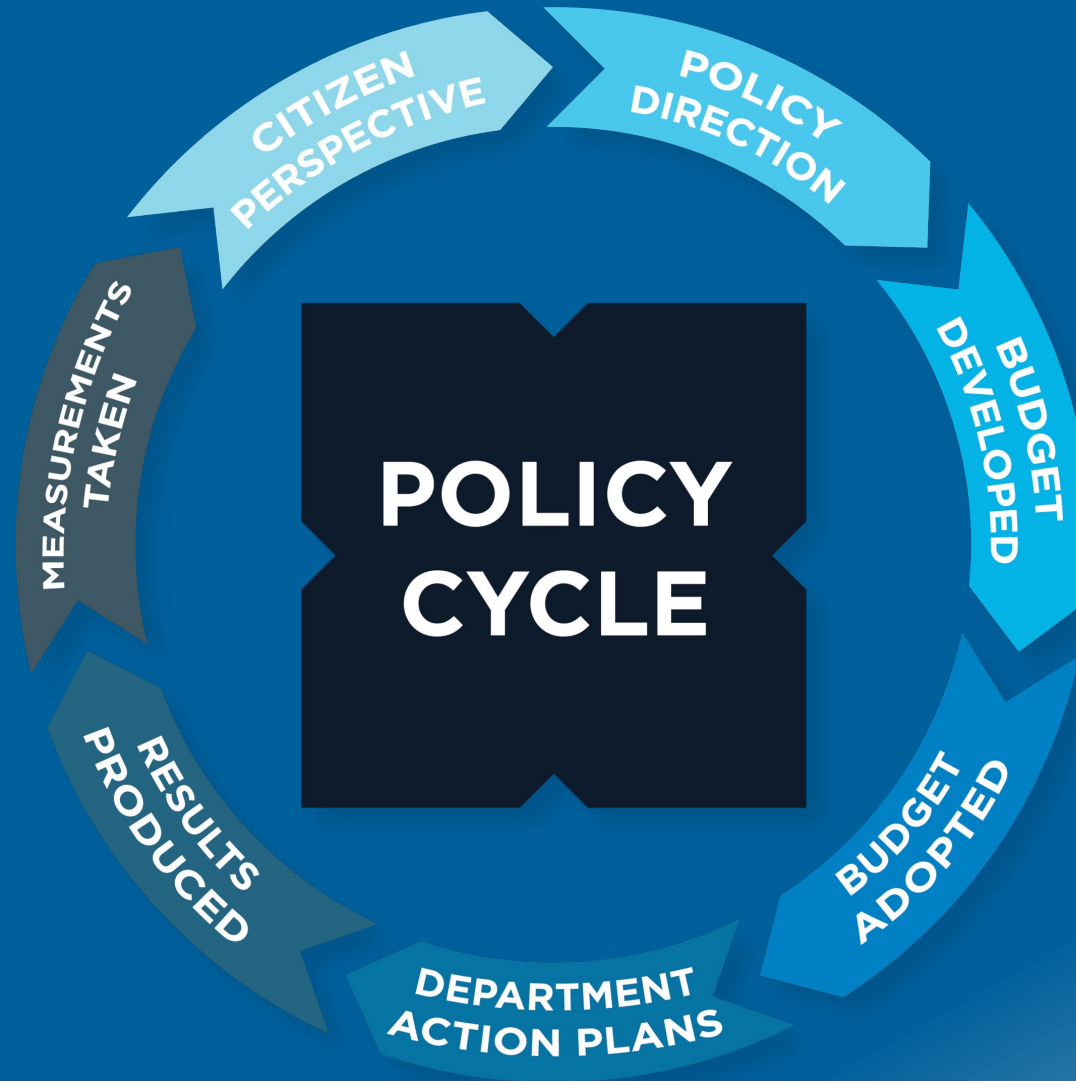
Budget Environment

- Seven key factors constrain stakeholder options, provide opportunities that frame strategic choices, and limit possible outcomes:
 1. Legal restrictions (internal and external)
 2. Economic and revenue base
 3. Fiscal structure and financial condition
 4. Power and authority structure (including if it is an election year)
 5. Culture, tradition, and normative preferences
 6. Department / Front office leadership stability
 7. Budget Office staffing / capacity / experience

Are there any other factors that should be considered?



FY 2022-23 Budget Calendar



Phases of the Budget Cycle

Budget Preparation: January - June

- Prepare Strategic Plan with City Council
- Establish Budget Focus
- Financial Forecast - 3, 5, or 10 year
- Revenue Estimates
- Develop Proposed Budget
- Preliminary Appraisal Roll Information Received

Budget Approval: July - September

- City Manager Recommended Budget & CIP submitted to Council
- Work with Counties on TNT Rates
- City Council reviews and approves budget & tax rate
 - Adoption of the Budget & CIP first
 - Tax Rate second
 - Tax Ratification

Execution & Implementation: October thru December Really all Year Long

- Periodic reporting and monitoring
- Publish and submit Budget & CIP
- Plan for Tax Rate Election if over Voter Approved Rate

Annual Audit: January

- The purpose of the audit is to ensure that the financial statements present fairly, in all material respects, the financial position of the City and have been prepared in accordance with U.S. generally accepted accounting principles and governmental accounting standards.

Where Does this fit?

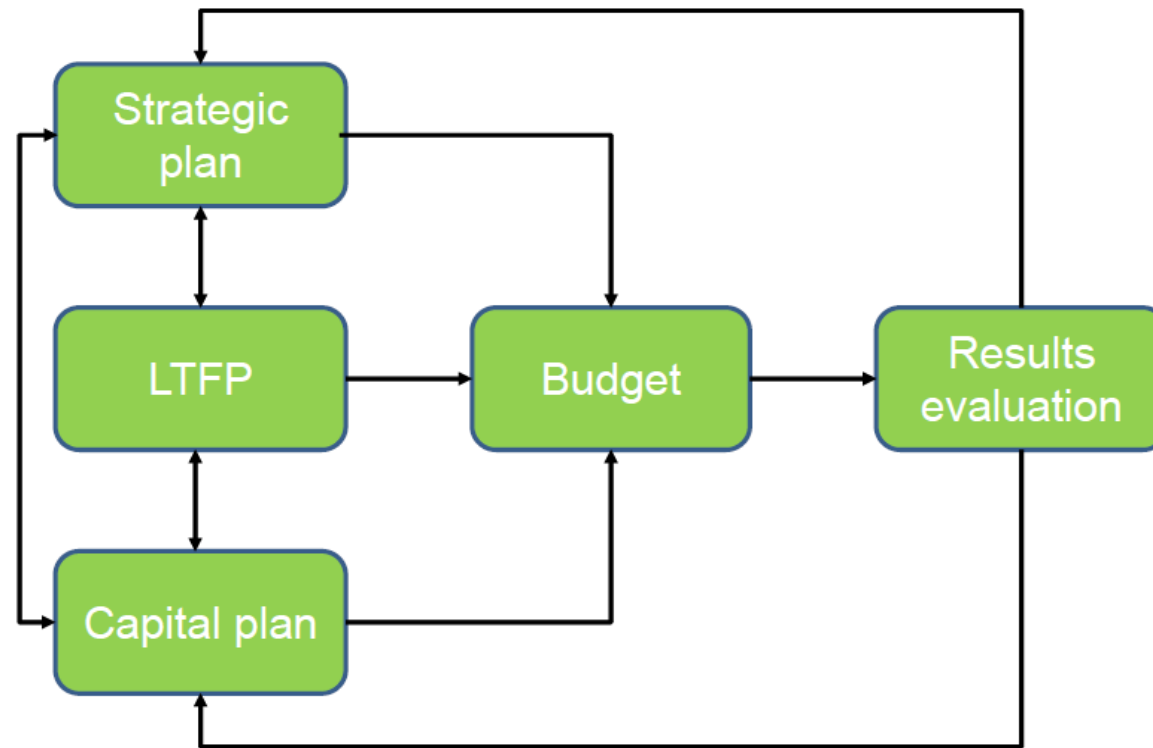


Image source: Shayne Kavanagh and Monica Han Na, *An Elected Official's Guide to Long-Term Financial Planning for Local Government* (Chicago, IL: GFOA, 2008), 15.

Typical Budget Preparation Calendar

Jan.

- Prepare Strategic Plan with your City Council
- City Manager establishes Budget Focus.
- City staff begin the budget planning process.
- Calendar and Instructions are issued to departments.
- Budget Memo – Very Important!

Feb.

- Preliminary requests and any changes to personnel submitted to Budget, HR and CM.
- Internal departments submit replacement list to departments for items such as equipment and technology replacements.
- Preparation of Financial Forecast.

March

- Training on the budget process and software is provided.
- Budget/Finance meets with City Manager Group to determine budget/CIP parameters (revenue and expenditure forecasts), targets and goals.
- Forecast provided to City Council.
- Budget Process Kick-off Meeting!!

Typical Budget Preparation Calendar

Apr.

- Departments begin developing their budgets for City Manager review.
- Citizen Input Meetings conducted. Town Hall meetings, Homeowner Associations, Board and Commissions.
- Set up department meetings with City Manager Group for June

May

- All department budgets and CIP request are submitted to Budget/Finance.
- Budget/Finance analyze and prepare budgets.
- Prepare salary and benefit budgets for departments. Either HR or Budget/Finance responsibility.

June

- Budget/Finance presents total request to City Manager with highlights, issues, options and recommendations.
- City Manager reviews all Operating Budgets and Community Improvement Program with all department heads.

Typical Budget Approval Phase Calendar

July

- City manager gives final budget/CIP instructions on what is to be included in the Recommended Budget.
- Budget/Finance notifies departments of preliminary funded requests.
- Receive Tax Roll from CAD
- Draft Operating and Proposed CIP submitted to City Manager for review.
- City Manager submits Recommended Budget and Proposed CIP to City Council.

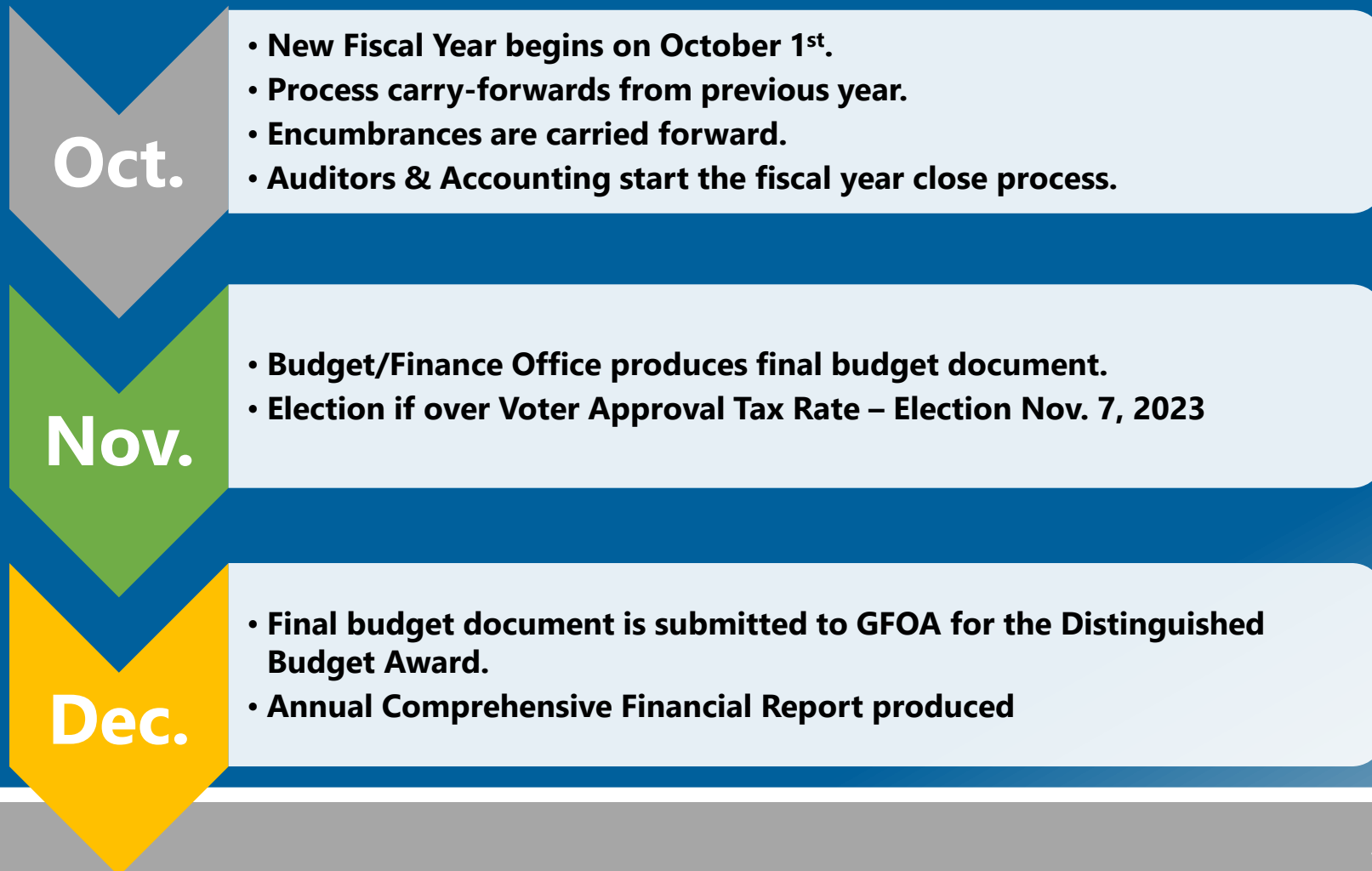
Aug.

- Calculation of Truth in Taxation Rates – No New Revenue & Voter Approval Rate
- Public Hearing on Operating Budget and CIP
- Council Budget Work Sessions – Grant, CIP & All day Saturday
- Approval of Tax Roll
- Notice on Tax Rate
- Public Hearing on Tax Rate (Must be in Person)

Sept.

- City Council adopts the Operating Budget, CIP and sets the tax rate
- Prepare for election if over Voter Approval Rate – Election Nov. 7, 2023

Typical Budget Execution & Implementation Calendar



What We Budget

Fund Accounting Basics

- Focuses on funding source and acceptable uses
- The use of funds determined by entity
 - Implement when legally or logistically needed
- The number of funds determined by entity
 - Minimize when possible
- Audit includes all funds, even if “rolled-up”
- Budget includes budgeted funds + others as wanted

Overall Fund Types

Governmental

- Funds through which most governmental functions of the City are financed Ex. General Fund, Debt Fund

Proprietary

- Operations that are financed in a manner similar to private business enterprises Ex. Water and Wastewater Fund

Fiduciary

- Contain resources held by a government but belonging to individuals or entities other than the government Ex. Employee Health Trust

Governmental Fund Types

General

- The general operating fund of the City, includes all activity not "qualified" for another fund.
- Typically, largest fund and receives the most focus from all involved

Special Revenue Funds

- A specific revenue source that is restricted or committed to a specific expenditure(s), other than debt service or capital projects.
- Ex. HOT-MOT, Type B, PEG

Debt Service Funds

- Funds restricted to debt-related expenditures

Capital Projects Funds

- Funds restricted to expenditures for construction activity, including the land acquisition and/or capital asset creation.

Generally Governmental funds are presented individually in the Budget and Annual Audit

Keller Budget Vs. Audit

BUDGET

- General Fund
- Community Clean-Up Fund
- Parks Special Revenue Fund

AUDIT

- **General Fund**
 - General Fund
 - Community Clean-Up Fund
 - Parks Special Revenue Fund
- Grant Fund

Proprietary Funds

Enterprise Funds

- Resemble Business type activities
 - Water and Wastewater Utility Fund
 - Drainage Fund
 - Electric Utilities
 - Recreation Centers

Internal Services

- Provide support services to the government
 - Information Technology
 - Fleet Services
 - Replacement Funds

Funds presented separately in Budget and combined in Annual Audit

Keller Budget Vs. Audit

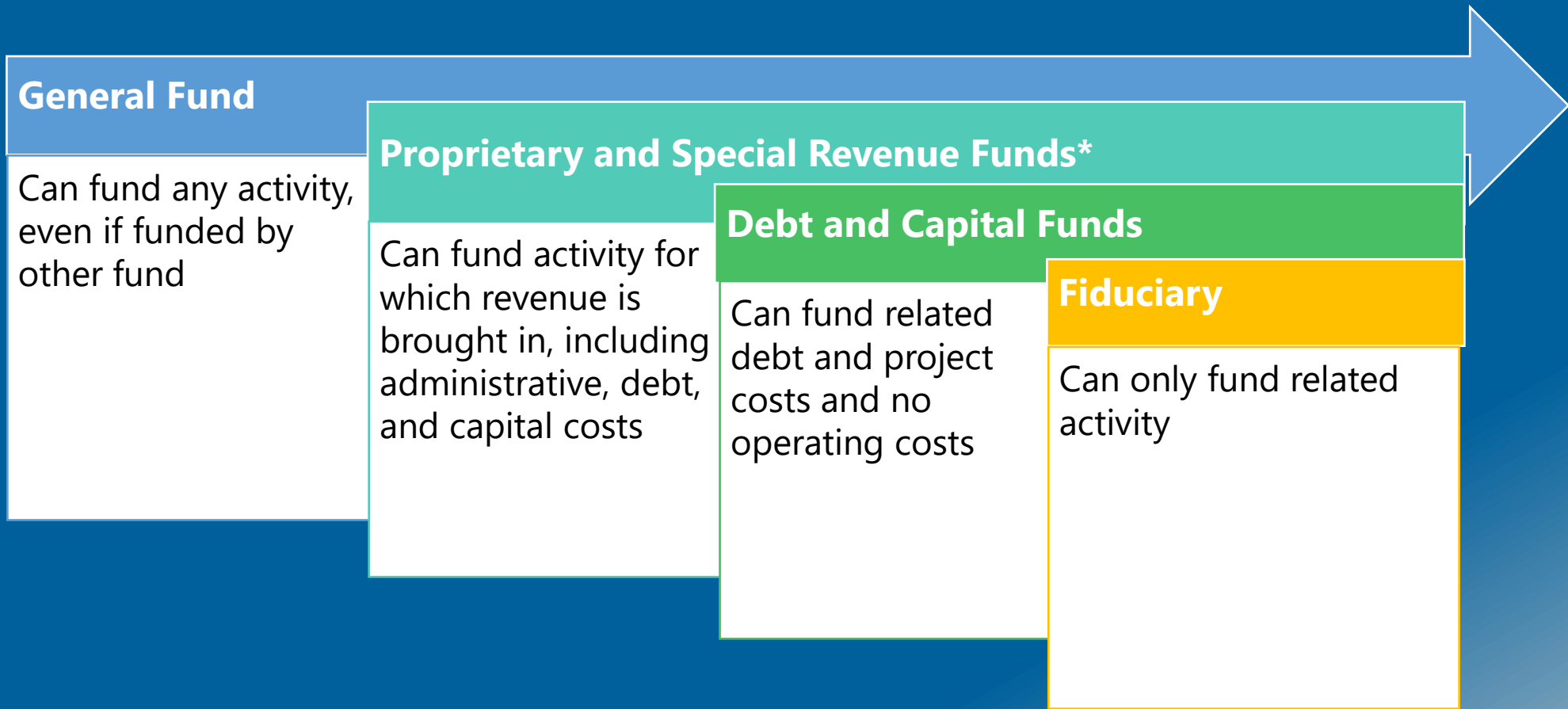
BUDGET

- Water-Wastewater Utility Fund
- Water-Wastewater CIP Fund
- Water Impact Fee Fund
- Wastewater Impact Fee Fund

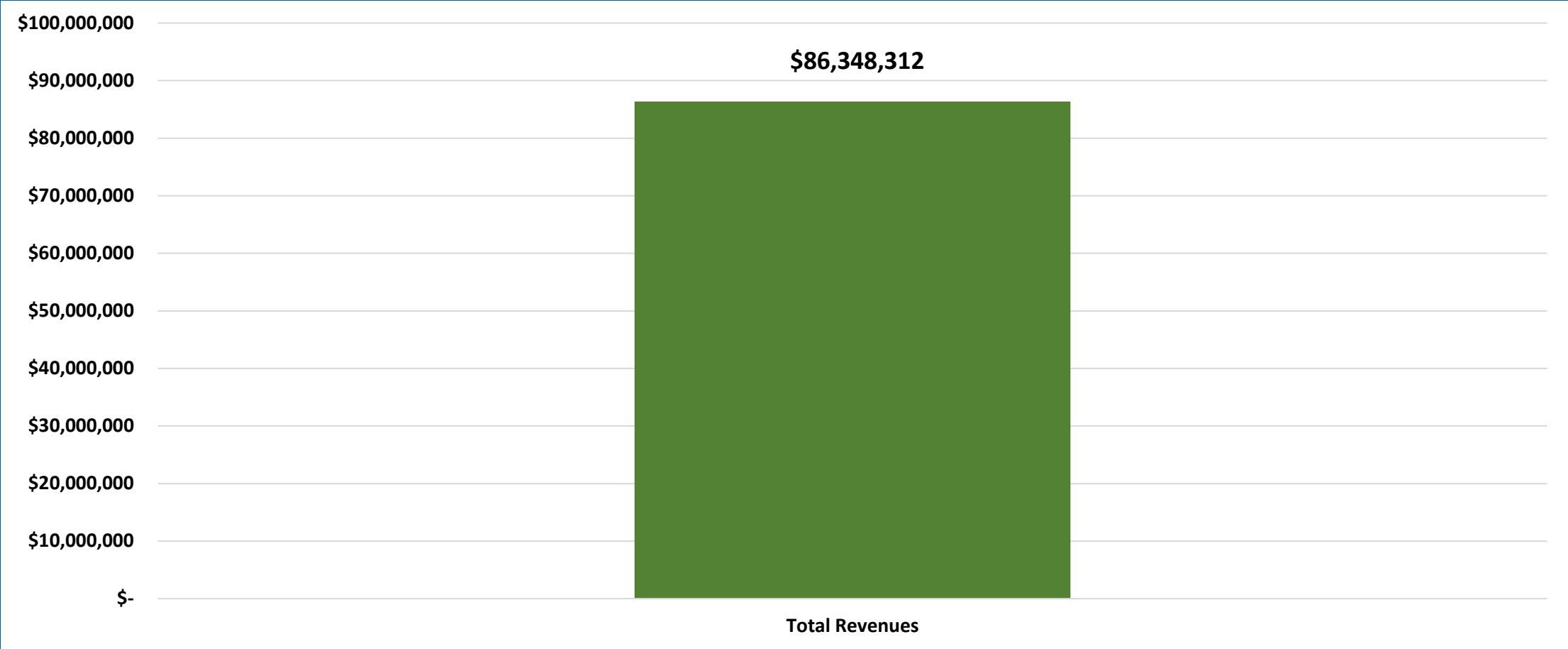
AUDIT

- **Water-Wastewater Fund**
 - Water-Wastewater Utility Fund
 - Water-Wastewater CIP Fund
 - Water Impact Fee Fund
 - Wastewater Impact Fee Fund
- Utility Bond Fund

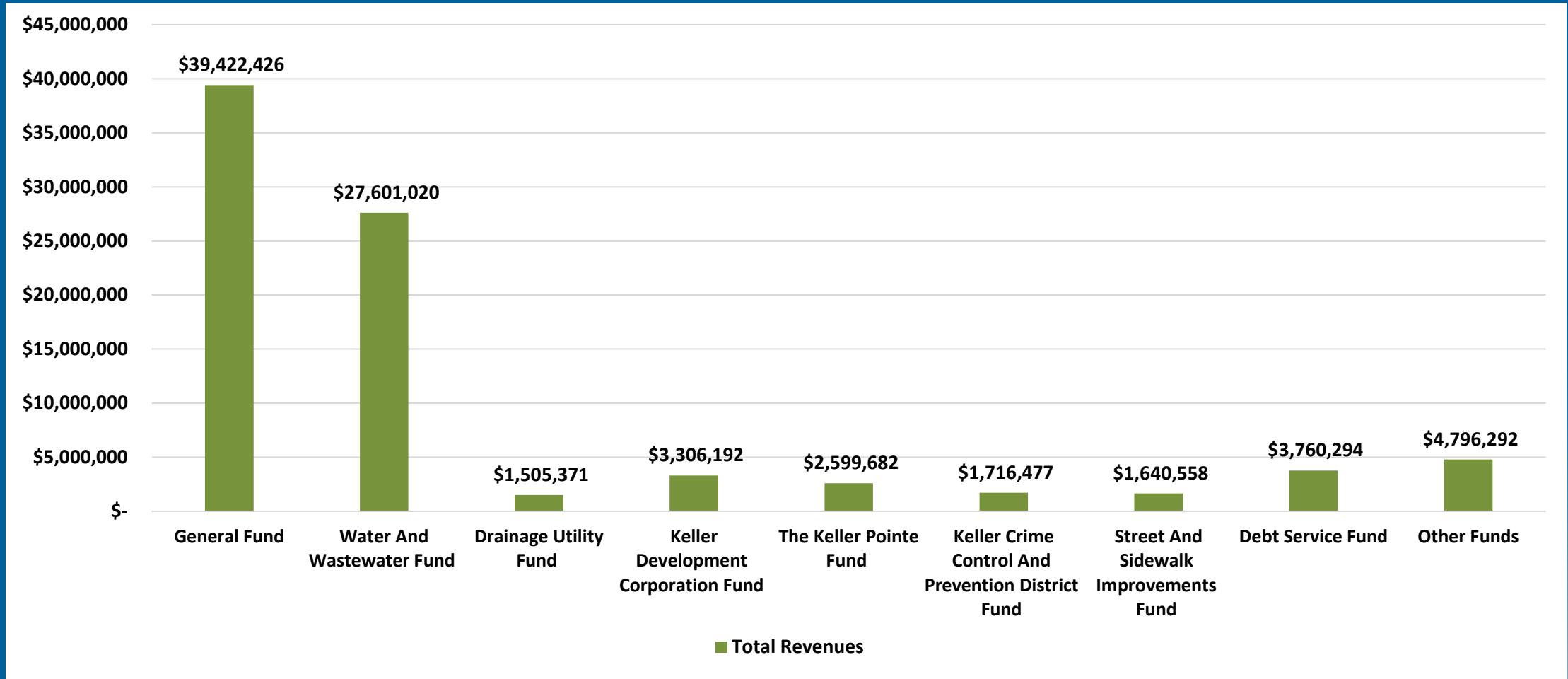
Fund Restrictions



Examples - Revenue for All Funds



Example - Revenue By Fund

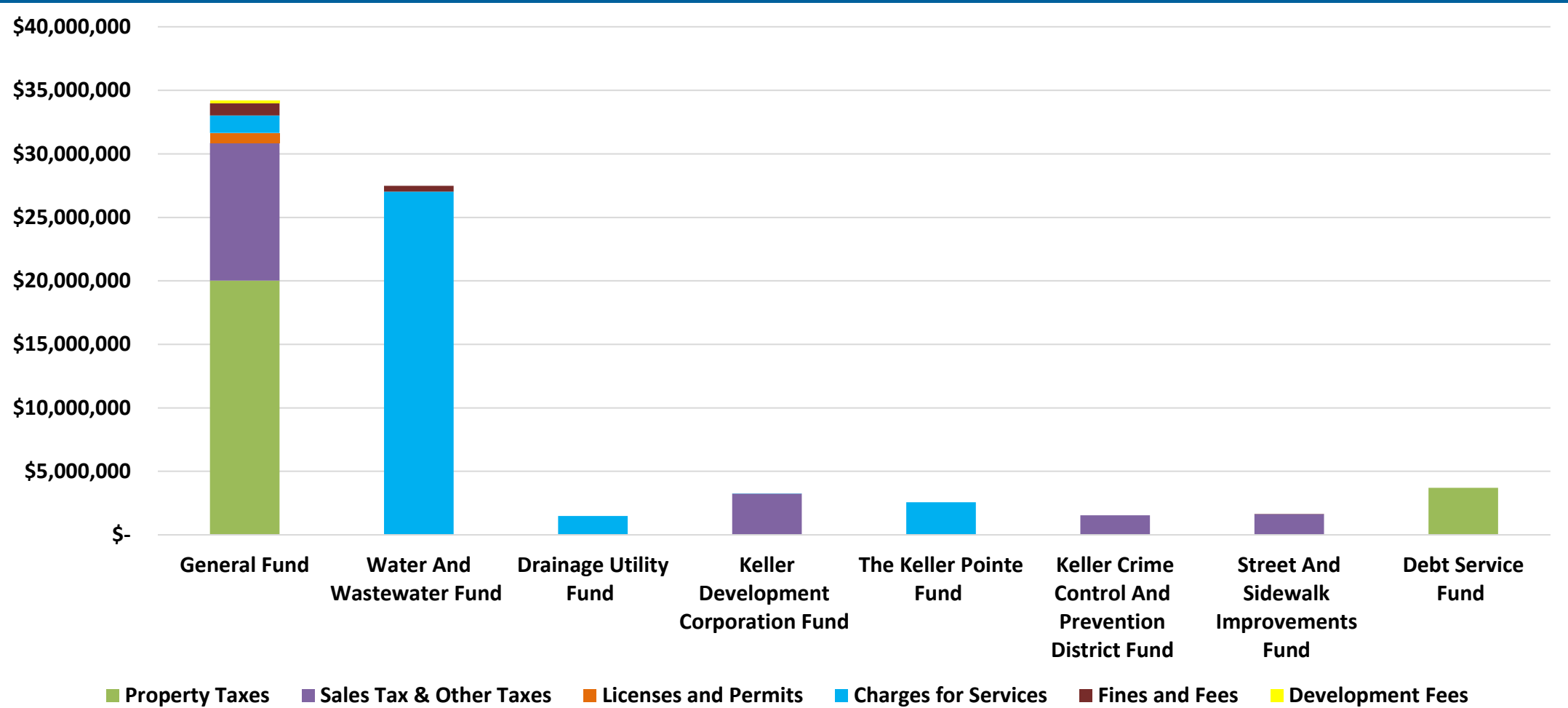


Revenue Types

- Taxes – Compulsory charge levied by a government
 - Ex. Property (Ad Valorem), Sales, Hotel, Mixed Beverage
- Street Rental (Franchise / ROW Agreements)
 - Electric and Gas Franchise Tax
- User Fees – Charge for city services
 - Ex. Water and Wastewater Services, Recreation Fees, Solid Waste Fees
- Fines – Punitive charge for violation of law and/or ordinances
 - Ex. Traffic Fines, Illegal Dumping
- License and Permits – Charge related to regulatory program costs
 - Ex. Plat Reviews, Plumbing Licensing, Dog Registration



Example - Revenues by Type and Fund



Expenditure vs. Expense

EXPENDITURE

- GASB Codification Chapter 1600.116 defines expenditures as decreases in net financial resources. In governmental funds, the recognition of expenditures occurs in accordance with the modified accrual basis of accounting.

EXPENSES

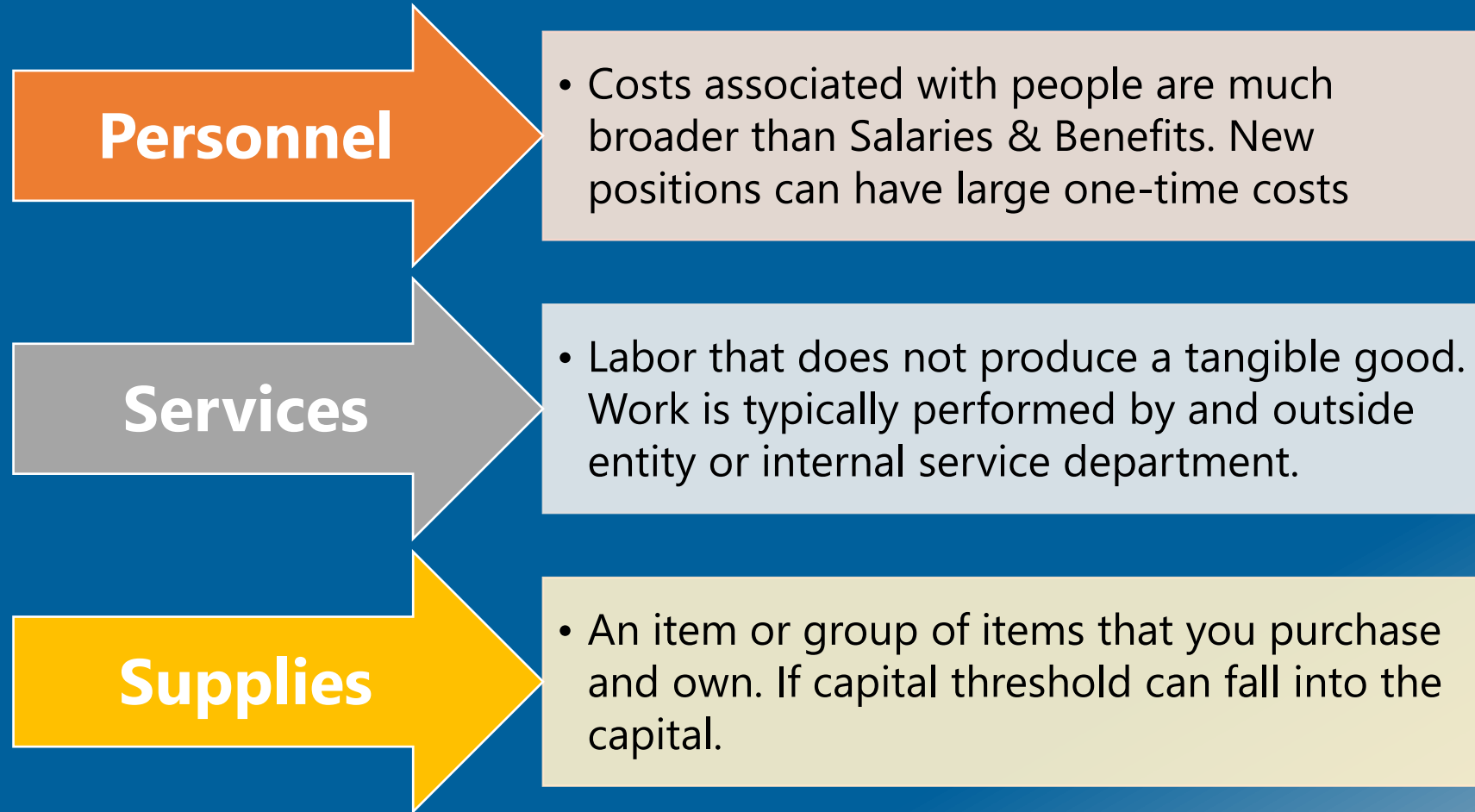
- Are defined as the outflows or expiration of assets or the incurrence of liabilities during a period from providing or producing goods, rendering services, or carrying out other activities that constitute the entity's primary operations.

Categories

- Organizing expenditures/expenses into like groups offers several benefits:
 - Increase transparency
 - Improves forecasting
 - Can illuminate previously unseen patterns or issues



Expenditure Categories



Expenditure Categories

Maintenance

- A blending of services and supplies, but the main objective of this category is to track spending related to the preservation of an existing assets

Utilities

- A service, that is essential for public. Typically regulated by multiple levels of government.

Debt

- Money owed to a third party, including another fund

Transfers

- A movement of resources from one fund to another

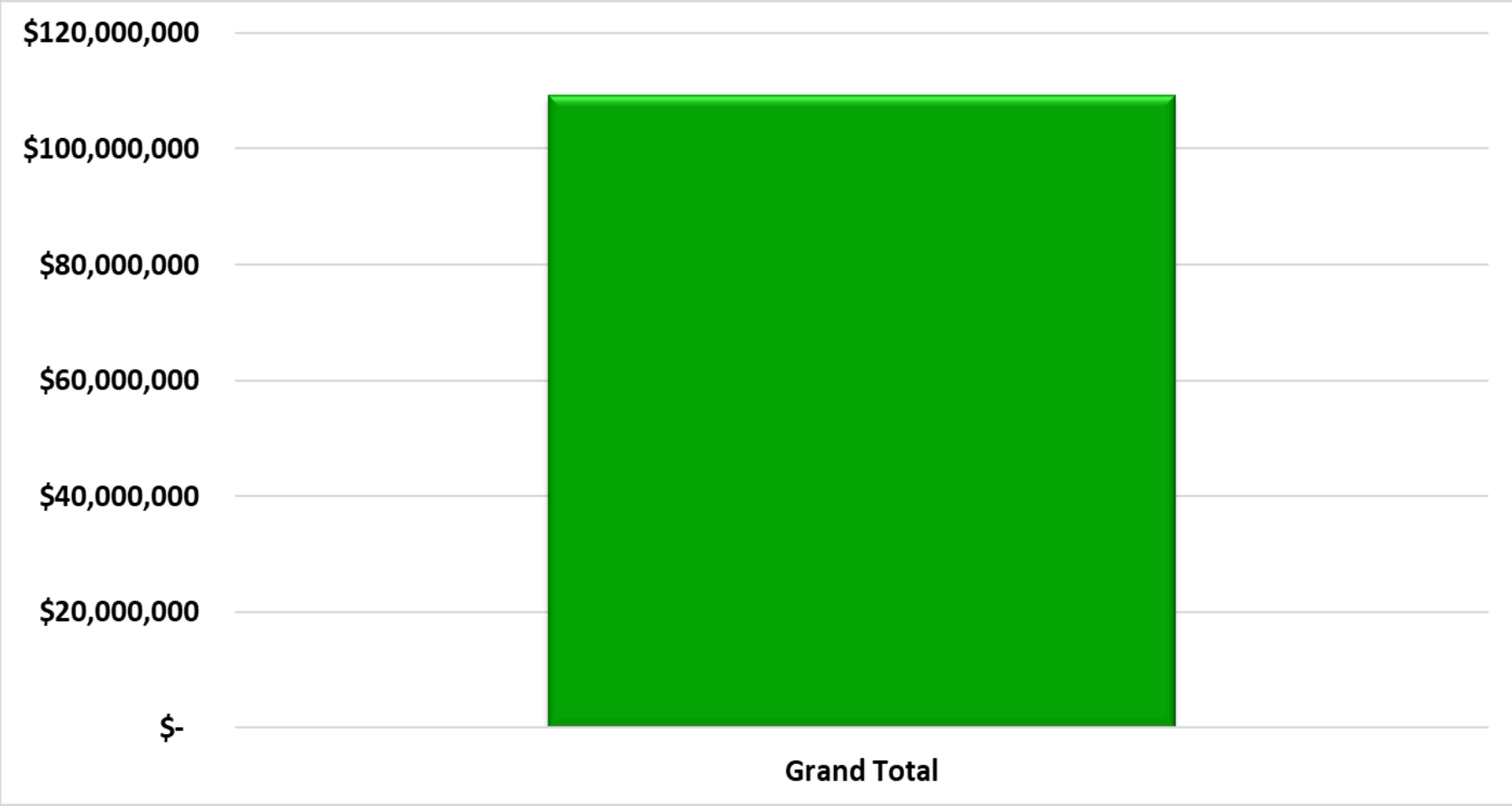
Expenditure Categories



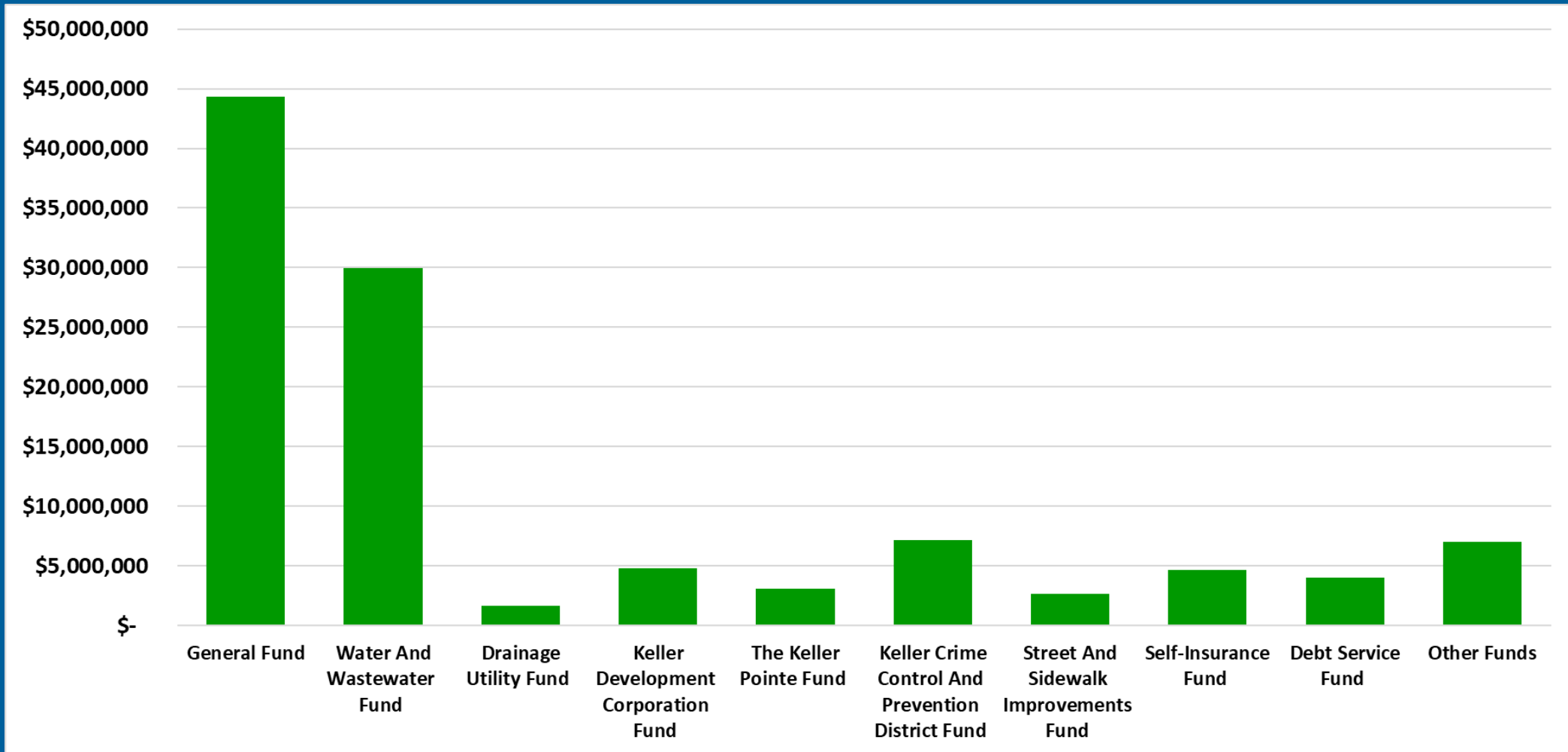
Capital

- Are items that exceed the capital threshold set by your municipality.
- Typically, large purchases that retain value after one year, and are listed on your fixed assets.
- Can be a combination of goods that make up one asset. Good example of this is a road, which is a combination of services, supplies, time, and other resources.

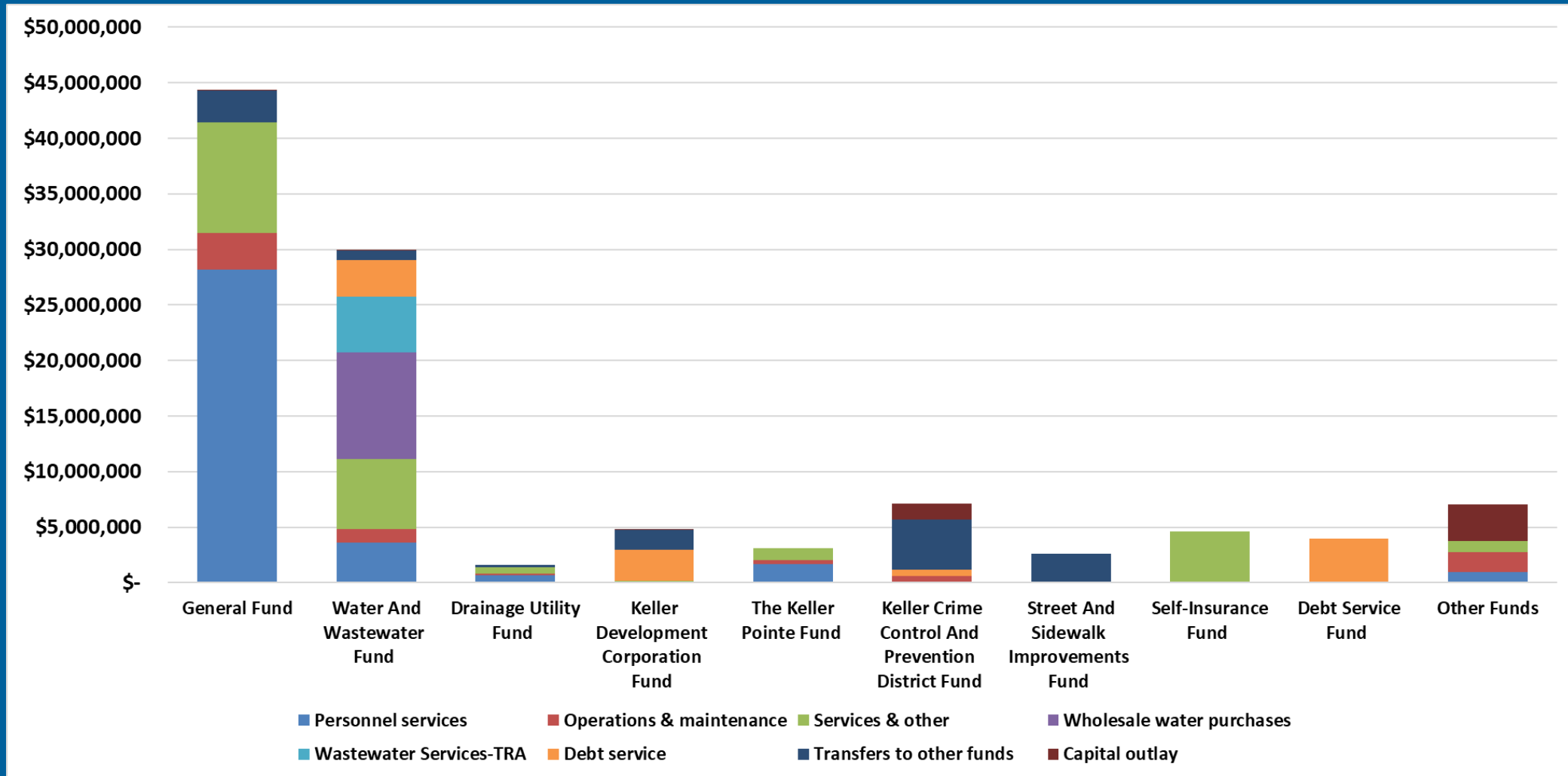
Examples - Expenditures for All Funds



Example - Expenditures By Fund



Example - Expenditures by Type and Fund



Revenue Budgeting

Property Tax Revenue

What is Truth-In-Taxation



Also Known as TNT

2023 Truth-In-Taxation

Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value

A taxing unit must publish its no-new-revenue tax rate and its voter approval rate before adopting an actual tax rate

Four Guiding Principles

A taxing unit must publish special notices and hold one public hearing before adopting a tax rate that exceeds the lower of the voter approval rate or the no-new-revenue tax rate

If a city adopts a tax rate exceeding the voter approval rate (3.5% M&O growth plus unused increment rate), a city must hold an automatic election in November

A Brief Review of the Process

- Appraisal District Provides Value
- Governing Body Drafts Budgets
- Tax Assessor Calculates Rates, May Publish Notices
- Governing Body Proposes Rate/Holds Hearings
- Governing Body Adopts Tax Rate
- Tax Assessor Mails Bills

Tax Rate

Maintenance and Operations (M&O)

- Ongoing General Fund operations

Interest and Sinking (I&S)

- Payments on debt for general government (not utility rated) improvements

$$\text{Tax Rate} = \text{M\&O Rate} + \text{I\&S Rate}$$

Calculation

- $\text{Tax Rate} \times \text{Taxable Value} / \$100 = \text{Your City Tax Levy} (\$ \text{ paid to City})$

How Did We Get Here?



Senate Bill 2 – Property Tax Reform



- “Effective Rate” Replaced with “No-New-Revenue”
- “Rollback Rate” Replaced with “Voter-Approval Rate”
- Mandatory November Election if Rate Set Above “Voter-Approval Rate”
- Lowers the Voter-Approval Rate (Rollback Rate) from 8% to 3.5%
- Added Unused Increment to the Formula
- “De Minimis Rate” for Small Cities
- Enhanced transparency and “Truth-in-Taxation” modifications
- Effective January 1, 2020

Senate Bill 2



- Reduces Public Hearings from Two Back to One
- Tax Rate Public Hearing can be on same night as adoption

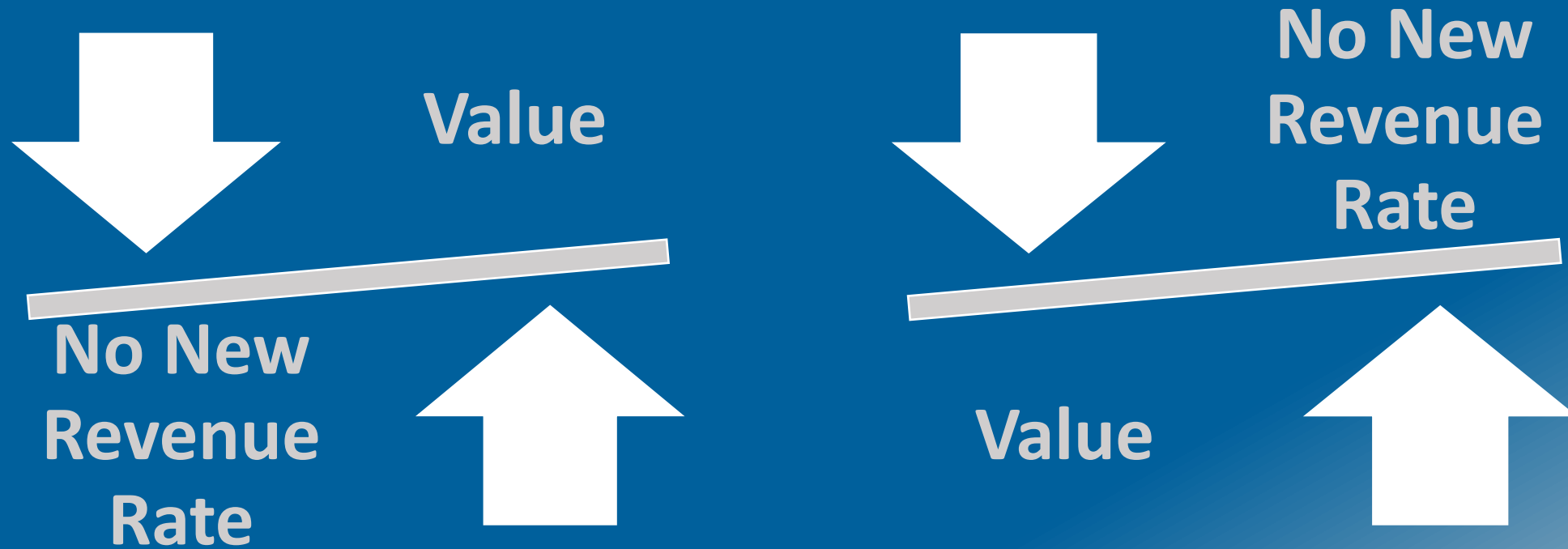
No-New-Revenue Tax Rate

- The no-new-revenue tax rate is a calculated rate that would provide a taxing unit with the same amount of revenue it received in the year before on properties taxed in both years.
- The resulting tax rate show the relationship between last year's revenue and the current years values.



No New Revenue Rate Calculation (non-special taxing units)

Rate which creates levy on same properties as prior year



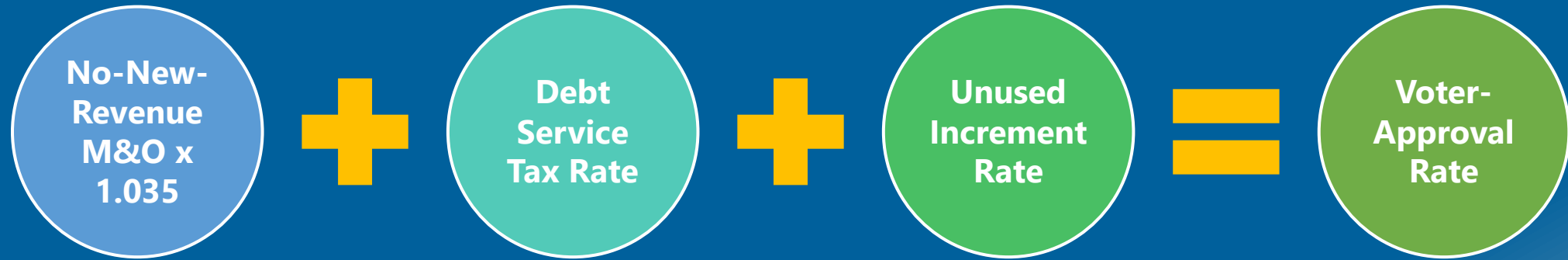
No-New-Revenue Tax Rate Calculation – Replaced Effective Rate



Voter Approval Tax Rate

- The voter-approval tax rate is a calculated maximum rate allowed by law without voter approval. Lowered to 3.5% increase from 8%.
- The calculation splits the voter-approval tax rate into two separate components - a no-new-revenue maintenance and operations (M&O) rate and a debt service rate.
- The voter-approval tax rate is the sum of no-new-revenue M&O and debt service rates, plus the unused increment rate (if applicable).
- In most cases, the voter-approval tax rate exceeds the no-new-revenue tax rate, but occasionally decreases in a taxing unit's debt service will cause the no-new-revenue tax rate to be higher than the voter-approval tax rate.

Voter-Approval Rate Calculation (non-special taxing units)



Unused Increment Rate

- A new component in the voter-approval rate formula
- The 3-year rolling sum of the difference between the adopted tax rate and the voter-approval tax rate
- The city can “bank” unused amounts for up to three years



Unused Increment Rate

**3-Year Rolling Sum of Adopted Amount
Less than 3.5% Voter-Approval Rate**

Beginning in 2021 Tax Year

- 2021 – 3.0% (0.5% unused)
- 2022 – 2.5% (1.0% unused)
- 2023 – 3.0% (0.5% unused)

**In 2024, the City Could Add up to 2% to
Voter-Approval Tax Rate**

Tax Rate Options – Incremental Rate Impact

	FY 2021-22 Rate	FY 2022-23 Rate	No New Revenue Rate	Voter- Approval Rate	Voter- Approval w/ Incremental Rate
Tax Rate	\$0.3950	\$0.35450	\$0.36028	\$0.37456	\$0.407090
Average Taxable Home	\$347,898	\$387,603	\$387,603	\$387,603	\$387,603
Avg. Home Tax Bill	1,374	1,374*	\$ 1,396	\$1,452	\$1,578
Per Month	114.52	114.50	\$116.37	\$120.98	\$131.49
Change from FY 2021-22 (\$)		(\$0.14)	\$22.26	\$77.60	\$203.70

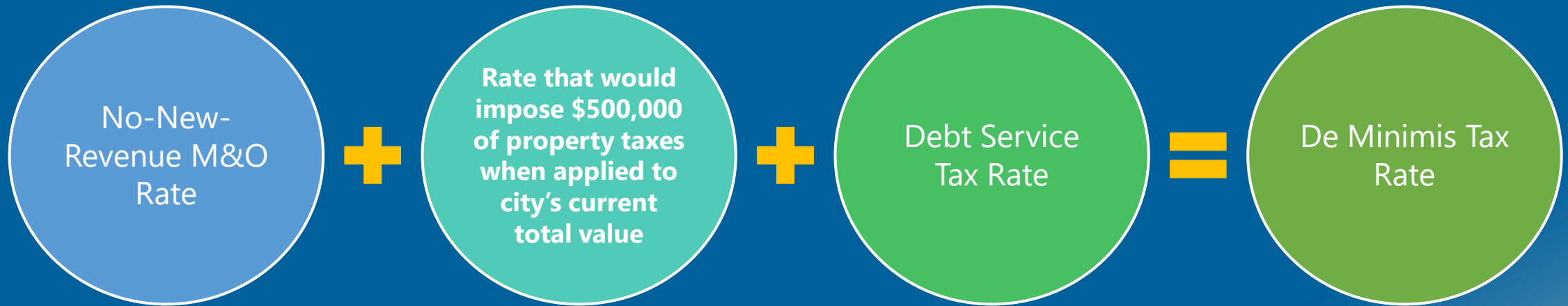
De Minimis Rate



Small Cities – Less Than 30,000 in Population

- De Minimis Rate
- Rate that will Generate \$500,000 in Tax Revenue
- 3% of Registered Voter's Can Petition an Election If:
 - De Minimis Rate Exceeds Voter-Approval Rate
 - Adopted Rate is Equal to or Lower than De Minimis Rate
 - Greater than 8% M&O Portion

De Minimis Rate, defined



Special Taxing Units

- Hospital Districts
- Junior College Districts
- Any taxing unit, other than a school, with a tax rate less than 2.5 cents per \$100
- Special taxing unit keeps an 8 percent voter-approval rate



What Adopted Rates Trigger Election or Petition

ADOPTED TAX RATE IS:	
BELOW voter-approval tax rate	No election required
ABOVE voter-approval tax rate; Taxing unit does not calculate a de minimis rate	Election required**
ABOVE voter-approval tax rate but BELOW de minimis rate	Voters may petition for an election*
ABOVE voter-approval tax rate and ABOVE the de minimis rate	Election required**

* See Tax Code Sec. 26.075 for details on when voters may petition for an election.

** See Water Code Secs. 49.23601, 49.23602, and 49.23603 for details on election requirements for water districts.

Must adopt rate by August 19th if potential election

Tax Rate Timeline

Adopting Rate At or Below Voter-Approval Rate

July 25th

- Chief Appraiser must submit certified appraisal roll or a certified estimate of property values

September 30th

- Last day to adopt tax rate that is equal to or less than the voter approval tax rate

Adopting Rate Above Voter-Approval Rate

July 25th

- Chief Appraiser must submit certified appraisal roll or a certified estimate of property values

Mid-August

- **Any** city adopting a rate exceeding the voter-approval tax rate must do so by at least the 71st day before election day (8/26/24).
- If the tax rate adoption will trigger an automatic election, tax rate should be adopted by the 78th day before election day (8/19/24), since election needs to be ordered by that date.

November 7th

- The November uniform election date is the first Tuesday following the first Monday in November
- Automatic tax rate elections held on this day

The Budget must be adopted prior to tax rate in both scenarios

Required Property Tax Numbers for Notice and Public Hearings

Required Property Tax Numbers

- **Must be a record vote with at least 60 percent of members of governing body voting in favor.**
- **Motion** – Increase over *no new revenue rate*
“I move that the property tax rate be increased by the adoption of the tax of \$0.439000, which is effectively a **3.2 percent** increase in the tax rate.” Property Tax Code Sec. 26.05(b)
- **Publication** – Increase in *budgeted revenues*
“This budget will raise more revenue from property taxes than last year’s budget by an amount of \$3,996,863 which is a **6.2 percent** increase from last year’s budget, and of that amount \$1,290,584 is tax revenue to be raised from new property added to the tax roll this year.” Local Government Code Sec. 102.005(b)

Required Property Tax Numbers, cont.

- **Motion** – Increase over *no new revenue rate*
“I move that the property tax rate be increased by the adoption of the tax of \$0.439000, which is effectively a **3.2 percent** increase in the tax rate.”
Property Tax Code Sec. 26.05(b)

Proposed Tax Rate	\$0.439000
No New Revenue Tax Rate	\$0.425550
PROPOSED INCREASE	1.3 cents
	+ 3.2%

Required Property Tax Numbers, cont.

- **Publication** – Increase in *budgeted revenues*

“This budget will raise more revenue from property taxes than last year’s *budget* by an amount of \$3,996,863 which is a **6.2 percent** increase from last year’s budget, and of that amount \$1,290,584 is tax revenue to be raised from new property added to the tax roll this year.”

Local Government Code Sec. 102.005(b)

3.2% increase over no-new-revenue rate*	\$2,706,279
Revenues from new property	\$1,290,584
TOTAL INCREASE	\$3,996,863
	+ 6.2%

Total Tax Rate

- Presents adopted rates NOT adjusted for change in values
- Compares nominal to nominal
- Median homeowner will experience a 3.2% increase
- Total tax levy on all properties
 - Prior year is based on actual collections
 - LGC 102.005 notice is based on prior year budget
 - Current year levy is as calculated based on strict calculation of levy

Required SB Notice

Notice of Public Hearing on Tax Increase as published

Per Property Tax Code Sec. 26.06

	2022	2023	Change
Total tax rate	\$0.439000	\$0.43900	0% increase
Average homestead taxable value	\$285,872	\$290,918	2% increase
Tax on average homestead	\$1,255	\$1,277	2% increase or \$22
Total tax levy on all properties	\$63,872,539	\$67,421,441	5.6% increase or \$3,548,902

Tax Ratification

102.007 (c) Adoption of a budget that will require raising more revenue from property taxes than in the previous year requires a separate vote of the governing body to ratify the property tax increase reflected in the budget. A vote under this subsection is in addition to and separate from the vote to adopt the budget or a vote to set the tax rate required by Chapter 26, Tax Code, or other law.

Motion – Increase in *property tax revenues as compared to the previous year*
“I move to ratify the tax increase as reflected in the proposed/adopted fiscal year 2023-24 budget.”

Required Document/Website Notices*

- Proposed Budget Document & City Website (if maintained)
 - HB 3195 Notice (LGC 102.005(b))
 - Notice of Tax Rate (Tax Code 26.04(e))
 - Budget Public Hearing (LGC 102.0065)
 - Tax Rate Public Hearing (if required) (Tax Code 26.06)
 - Also required to carry a 60-second notice on television channel if entity has free access (Tax Code 26.065(c))
- Adopted Budget
 - SB 656 Cover Page (LGC 102.007(d))

*All notice requirements subject to change during legislative sessions

Budget Cover Template Example

COUNCIL VOTE & TAX RATE

This tax rate will raise more total property taxes than last year's budget by \$x,xxx,xxx or xx%, and of that amount \$xxx,xxx is tax revenue to be raised from new properties added to the tax roll this year.

The Town Council voted on September xx, 2024 to adopt a tax rate not to exceed the De Minimis Tax/Voter Approved Rate.

Name	Title	For	Against
Name	Mayor	X	
Name	Mayor Pro Tem	X	
Name	Council Member	X	
Name	Council Member	X	
Name	Council Member	X	
Name	Council Member	X	
Name	Council Member	X	

MUNICIPAL TAX RATE

	2022-2023 CURRENT YEAR
De Minimis Tax Rate	\$0.295000/\$100
Voter-Approval Tax Rate	\$0.279413/\$100
No-New-Revenue Tax Rate	\$0.256823/\$100
No-New-Revenue M&O Rate	\$0.139477/\$100
Interest & Sinking (I&S)	\$0.117352/\$100
Tax Supported Debt Service	\$2,417,742

	2021-2022 LAST YEAR	2022-2023 CURRENT YEAR
Maintenance & Operations (M&O)	\$ 0.142985/\$100	\$ 0.177648/\$100
Interest & Sinking (I&S)	\$ 0.152015/\$100	\$ 0.117352/\$100
Total Property Tax Rate	\$ 0.295000/\$100	\$ 0.295000/\$100

Helpful Tax Links – Property Tax

- Comptroller Truth-In-Taxation Website - Includes links to Tax Rate Calculations, Notice Requirements, Hearing Requirements, and Important Dates
 - <https://comptroller.texas.gov/taxes/property-tax/truth-in-taxation/index.php>
- Tax Code 26 – Tax Rate Adoption
 - <https://statutes.capitol.texas.gov/Docs/TX/htm/TX.26.htm>
- Local Government Code 102 – Municipal Budget Adoption Requirements
 - <https://statutes.capitol.texas.gov/Docs/LG/htm/LG.102.htm>

Sales Tax Revenue

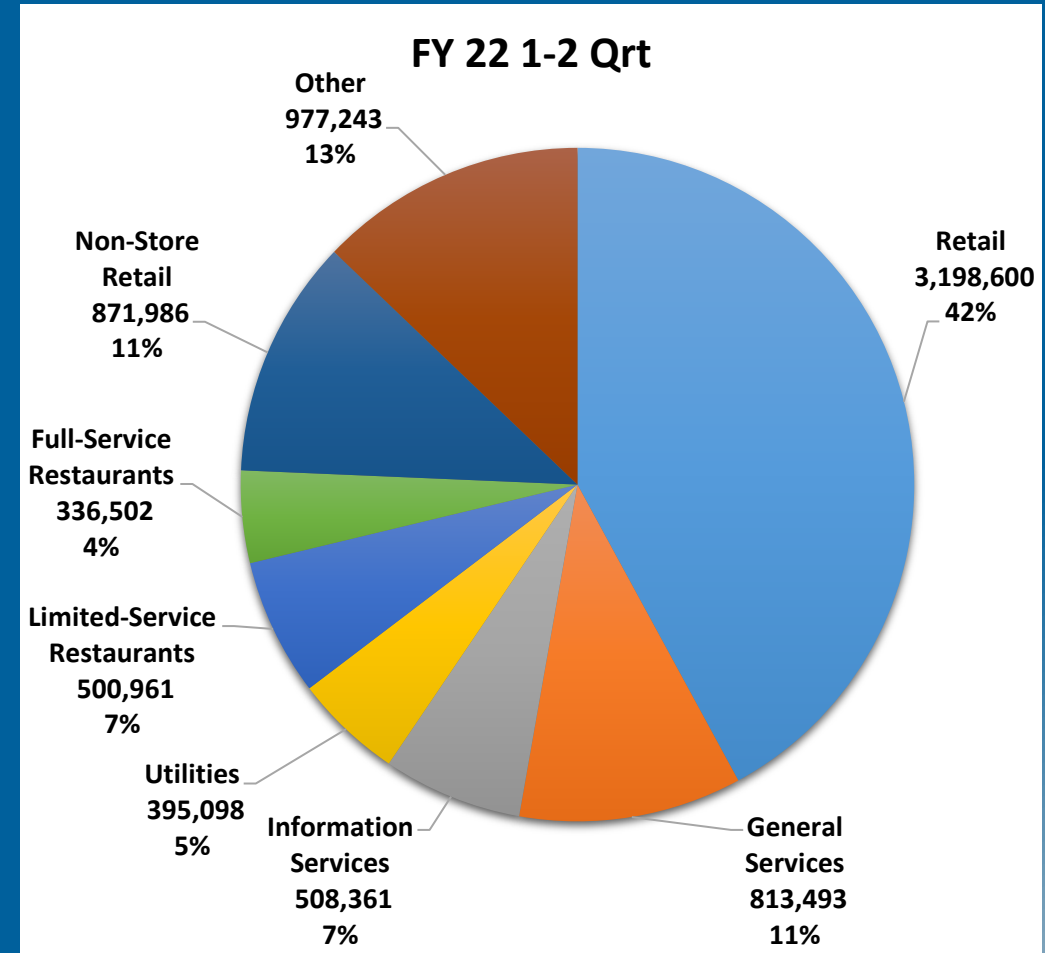
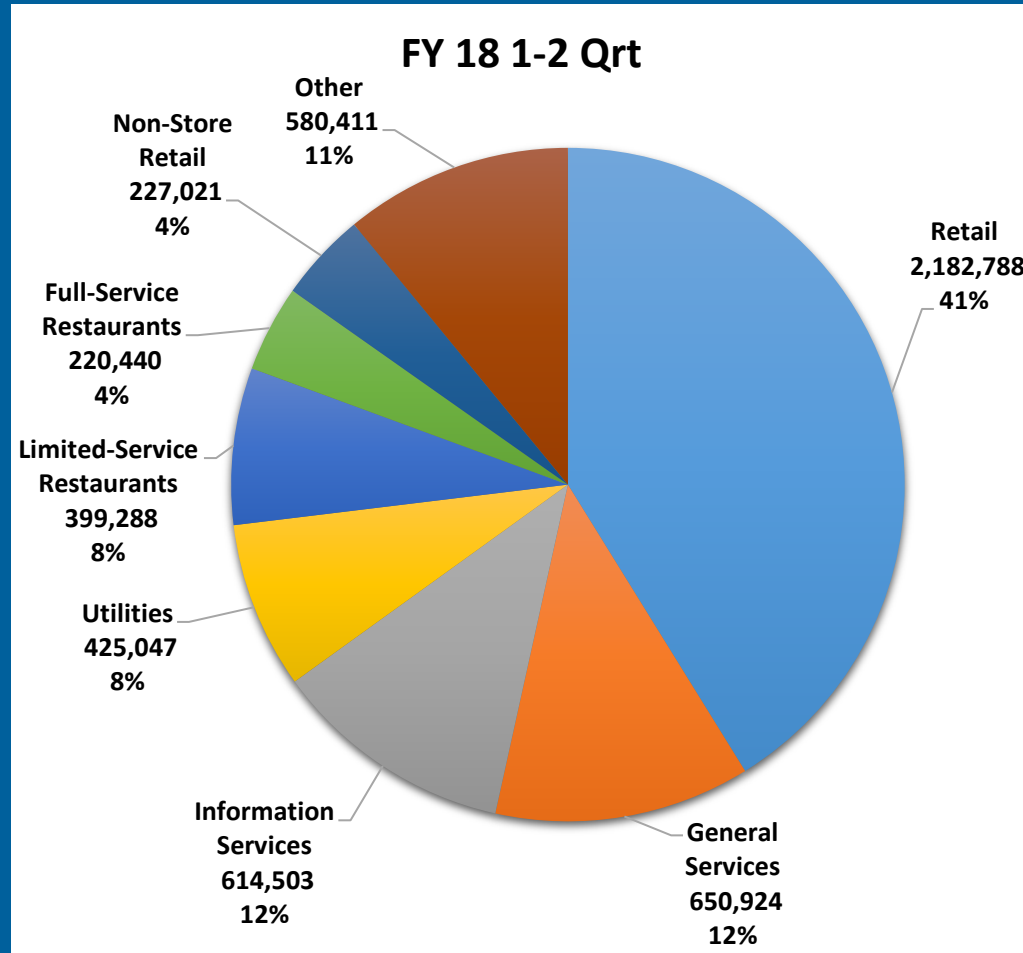
Sales Tax Calculation

- Use a conservative trend approach
- Request the Comptroller Confidential Detail report
 - Excel / Access
 - Third party software
- Formula Concept
 1. Determine the Base = Overall Sales Tax – Opened in Year
 2. Average annual base growth = ~ % to increase
 3. Add annual impact of opened in year
 4. Add **known** opening development – Use leakage discount
 5. Subtract one-times & corrections
 6. Total for estimate

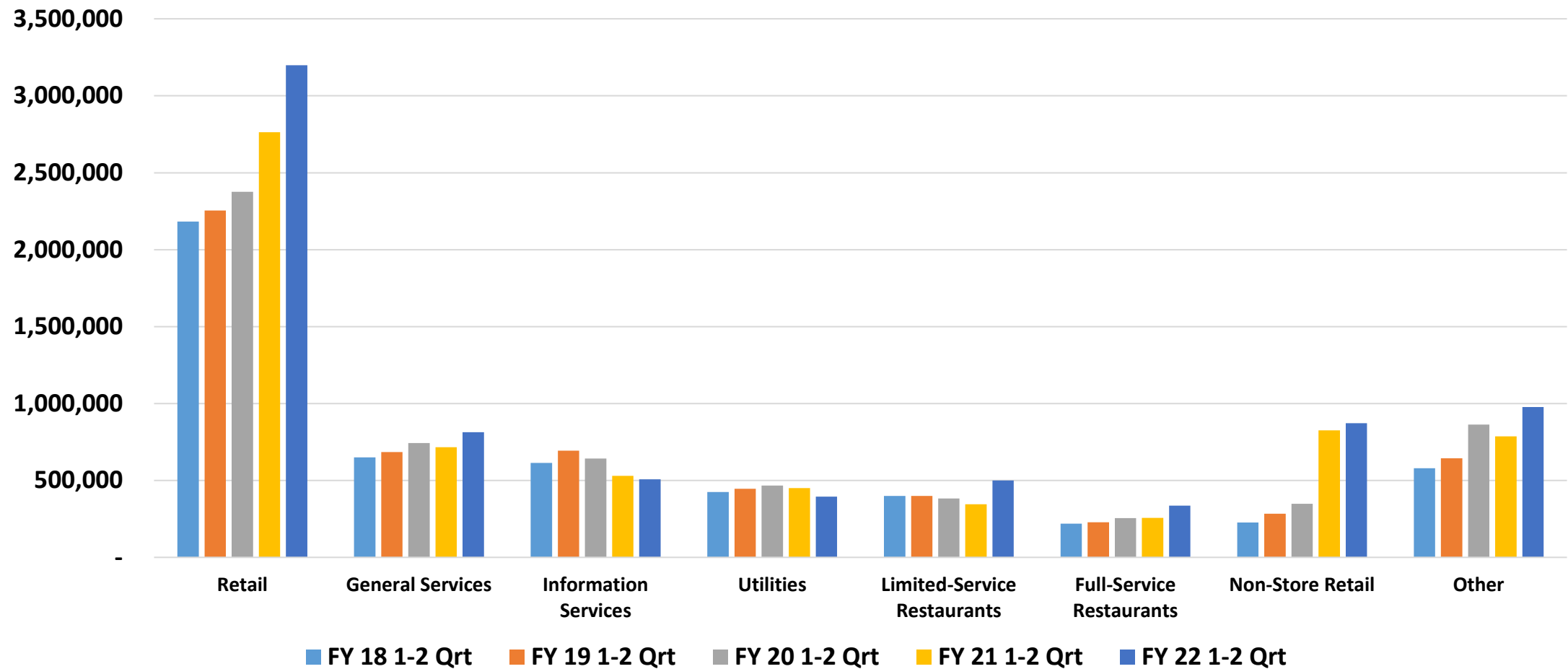
Helpful Links - Sales Tax

- Comptroller Confidential Information Report Request Info
 - <https://comptroller.texas.gov/transparency/open-data/by-request.php>
- Comptroller Monthly Payment Detail
 - <https://mycpa.cpa.state.tx.us/allocation/AllocDetail>
- Comptroller Sales Tax Publications – What is Taxable
 - <https://comptroller.texas.gov/taxes/publications/#sales>

Sales Tax By Category – Version 1

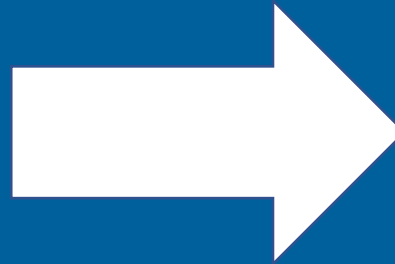


Sales Tax By Category – Version 2



Sales Tax Modeling

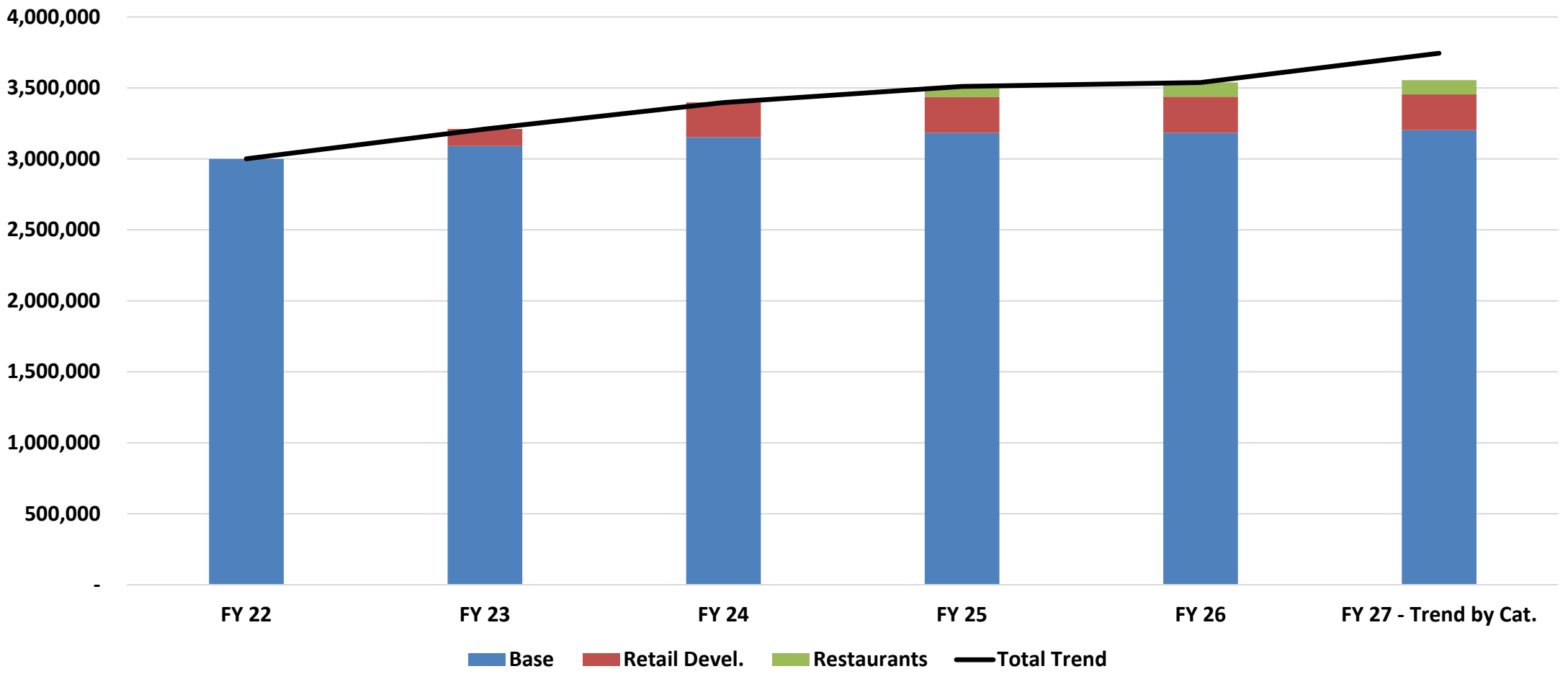
- FY 22 = \$3.00M
- FY 23 = \$3.21M (\$3.09M+\$120K)
 - Base Increases 3%
 - Add New Retail Development in March = \$120K
- FY 24 = \$3.40M (\$3.151M+\$245K)
 - Base Increases 2%
 - Full Year New Retail & 2% Growth
- FY 25 = \$3.51M (\$3.18M+\$240K+\$75K)
 - Base Increases 1%
 - New Retail 3% Growth
 - New Restaurants Open in January = \$100K * 70%
- FY 26 = \$3.54M (\$3.18M+\$240K+\$75K)
 - Base No Growth
 - New Retail 1% Growth
 - Full Year New Restaurants & No Growth



FY 27 Trend = \$3.55M
(\$3.20M+\$252K+\$100K)

Base No Growth
New Retail 1% Growth
Full Year New Restaurants & No Growth

Sales Tax Modeling Graph



Things to Consider – Sales Tax

- Comptroller Confidential Information
- New Development Spike
- Development Saturation
- City Border Activity
- On-Line Sales Activity
- Economic Development
 - Insight on Market
 - 380 Agreements

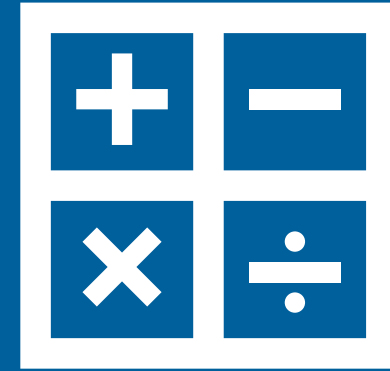


Other Revenue – Excel Sheet

Expenditure Budgeting

Salary Calculations

- Non-Exempt = Hourly rate x 2080 hours
- Exempt = Bi-weekly rate x 26 weeks
- Public Safety = Varies by City
- Part-Time =
 - "Full-Time" – Library Staff
 - Temporary/Seasonal – Lifeguards
- Overtime = Base on average spending or allocate per employee
- Education/Certificate
- Allowances
- Longevity



Compensation Adjustments (CA)

- Market – Adjustment tied to changes in comparison cities
- COLA – Adjustment tied to changes in economy/inflation
- Merit – Performance based pay
- Reclassification – Change in job responsibilities
- Step Plan – Pay schedule outlining salary per year with entity
- Lump Sum – One-time payment

Benefits

- Salary Based Benefits
 - Retirement – TMRS (3 Months at Current Rate; 9 Months at New Rate)
 - Worker’s Compensation
 - Life Insurance
 - Social Security/Medicare
- Fixed Benefits
 - Health/Dental Insurance
 - HSA Contribution



Compensation Formula

+ Salary X (CA*% of year) + Other Comp = Compensation

+ Compensation X (TMRS+WC+LI+SS/MC) = Salary Benefits

+ Insurance Cost + HSA = Fix Benefits

= Personnel Costs

Excel Worksheet – Compensation Example

Operating Expenditures

One-Time Expenditures/Expenses

Definition:

- Expenditures that only occur once, infrequent future recurrence
- Rarer of the two expense types, and the primary reason to maintain a strong fund balance or a rainy-day fund
- May be dependent on a new service, or an unforeseen event

Examples:

- Software set-up, New Capital Items, Catastrophic Failure Repairs, Upfront costs for new personnel

Practical Considerations:

- Offset with one-time funding sources if possible
 - Fund Balance, Reserves, Grants, Debt, Salary Savings
- Keep accurate records for future budget discussions



Increase the Maintenance & Operation (M&O) Rate

Development revenues are subsidizing operations costs by \$809,662

- These are short-term revenues, that will slow
- They are not a sustainable funding source for operations



On-Going Expenditures/Expenses

Definition:

- Repeat on a predictable basis – Annual, Monthly, or other routine
- Most common
- Use past data to show trends and predict changes



Examples:

- Utilities, Subscriptions, Contract Services, Personnel, Seasonal Planting

Practical Considerations:

- Breakout on-going and one-time expenses for informed decisions
- Projections/Future budgets can be affected by numerous factors
- Provide your inflationary factor to departments at the start of the process



Expenditure Category – Personnel

- Payment Frequency – Every Payroll vs Twice a Month
- Special Projection Considerations:
 - Fire Department
 - Fiscal Year splits
 - Payouts
 - Vacancies
 - Seasonal positions
- Additional Considerations
 - One-time costs for new personnel can be offset by vacancy savings
 - Consider budget plan for payouts upon resignation or retirement.



Expenditure Category - Services

Definition:

- Labor that does not produce a tangible good. Work typically performed by an outside entity or internal service department.

Examples:

- Legal Services, Engineering, Pest Control, Cleaning, Mowing
- Internal Services: Technology, Equipment, Buildings

Practical Considerations:

- Forecasting requires considering several factors – Structure & Control
- Cost increases vary depending on Consumer Price Index or pre-negotiated rates
- Costs to change service provider may be high due to regulations



Expenditure Category - Supplies

Definition:

- An item or group of items that you purchase and own.
- May be classified as capital depending on your threshold.

Examples:

- Office supplies, batteries, books, small equipment, sand, gravel, uniforms, cleaning products, food, easter eggs

Practical Considerations:

- High amount of discretion and easiest lines to budget
- Forecasting can vary dependent on how much or how many you need of something

Expenditure Category - Maintenance

Definition:

- Blending of services and supplies – expenses to preserve an existing asset

Examples:

- Vehicle maintenance, equipment maintenance, crack sealing, playground maintenance

Practical Considerations:

- Good practice to track maintenance related to fixed assets in your ERP
- GFOA Requirement – capture operating expenses related to capital items
- Forecasting tends to be incremental and predictable
- Standardize expenses across departments, when applicable



Expenditure Category - Utilities

Definition:

- A service, that is essential for the public. Typically regulated by multiple levels of government

Examples:

- Water, Sewer, Gas, Electricity, Telephone, Fuel, Cell Phones, Data Cards

Practical Considerations:

- Forecasting varies depending on desired accuracy
 - Consumption of gas and water is dependent on weather, which tends to be unpredictable without multiple years of data
 - Flat or inflation forecasting saves time, but less precise



Expenditure Category - Debt

Definition:

- Money owed to a third party, including another fund

Examples:

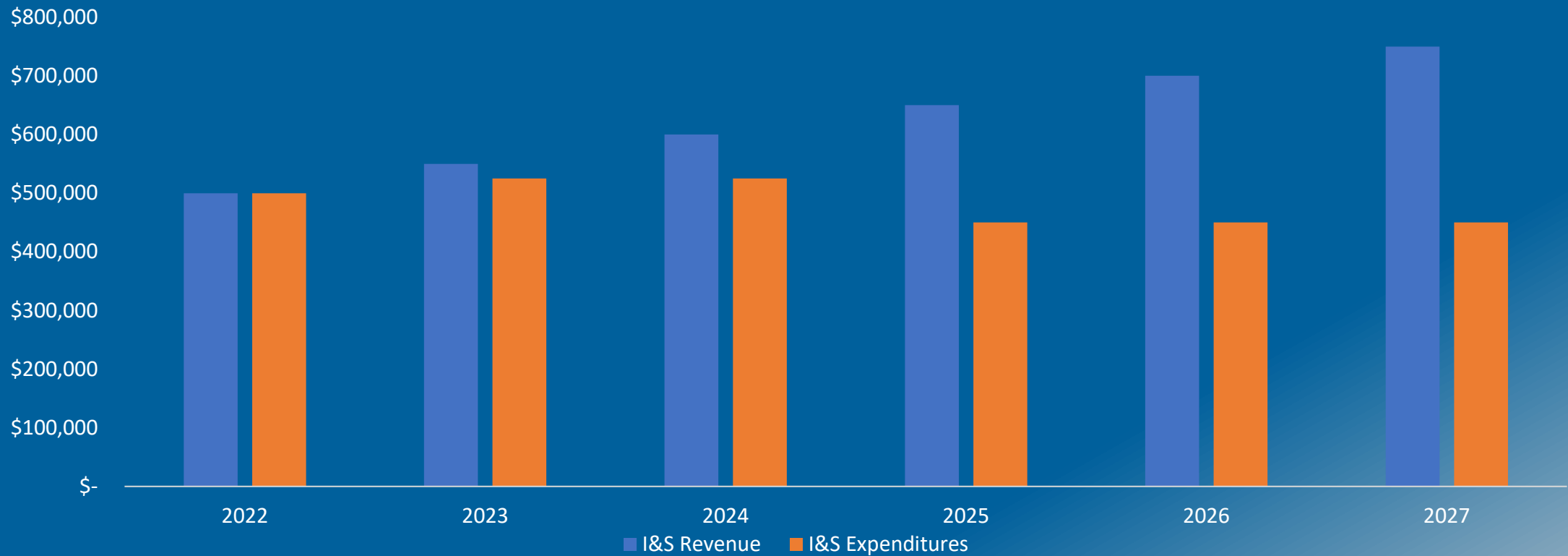
- Certificates of Obligation, General Obligation Bonds, Tax Notes, Leases

Practical Considerations:

- Forecasting is based on debt schedules or terms of agreements
- Future Debt forecasting is highly dependent on net revenue availability

Example of Debt Capacity

I&S Revenue vs. Expenditures





Expenditure Category - Capital

Definition:

- Exceed capital threshold set by your municipality
- Typically, large purchases that retain value after one year, and are listed on your fixed assets.
- Can be a combination of goods that make up one asset.
 - For Example: roads, which are a combination of services, supplies, time, and other resources.

Examples:

- Roads, utility lines, Vehicles, Equipment, Comprehensive Plans, Studies

Expenditure Category - Capital

In Practice:

- Items are typically prepared separately in a Capital Improvement Program that looks out over multiple years
 - This is due to the high costs and preparation needed for each item
- Each item is approved by Council at the time of budget adoption and then again when the purchase is made.
- The operating impact for each item needs to be evaluated along with the cost of item.

Projections for Current Year

Department (Non-Personnel) Projections

- Department input is necessary for most accurate current year spending projections
- Challenges
 - ERP Software Limitations
 - Departments turn in all projections as BUDGET!
 - Department users have limited financial backgrounds

Information Gathering

Personnel

- Number of Payrolls – Completed
- Number of Payrolls Remaining
- Number of Past/Remaining Insurance Payrolls
- Split of Fiscal Years
- Number of payrolls in current month
- Estimated Vacancy Fill Dates
- Upcoming Retirements

Financial Data

- Adopted/Amended Budget
- Current Month Expenditures
- Current YTD Expenditures
- Prior YTD Expenditures
- Prior Year Total Expenditures

Formulas

- Remaining Pay Periods
- Remaining Insurance Pay Periods
- Monthly Average
- Current Month being New
- Current YTD Same % as Prior
- Matching Budget
- Current YTD = Total

Department User Assistance & Reminders

- Include filters for G/L Columns
- Allow for manual adjustments
- Hide reference columns in worksheet
- Enter projections into ERP/Operational Budgeting Software

Excel Worksheet – Current Year Projections: Revenue & Expenditures

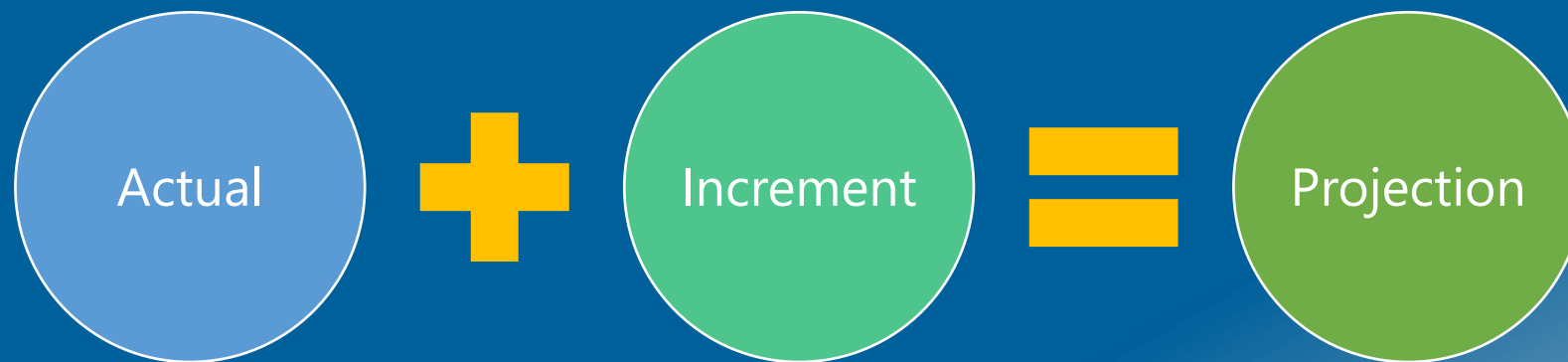
Other Budget Considerations

Long Range Forecasting

Incremental Forecasting

- Utilize a known increment for a projection
- The increment will differ based on judgement, most often relies on historical or gathered information

Formula



Incremental Forecasting

- Example: We are projected to grow by 200 homes next year with the current developments we have in place.

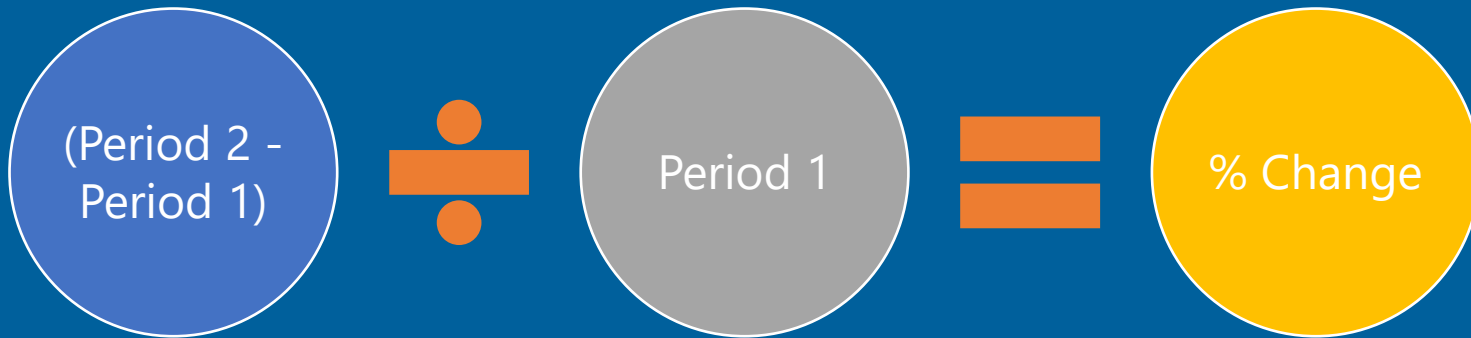
$(\text{Taxable Values From Prior Year}) + (200 * \text{average taxable value} / 100 * \text{current tax rate}) = \text{property tax values for next year}$

- This assumes your property tax base is not decreasing.

Trend Analysis

- “Trend analysis” estimates the growth pattern of a revenues/expenditures based on its short-term historic trend
- When used in forecasting it assumes revenues/expenditures will continue to exhibit the same growth patterns

Formula



Example:
 $10\% = (110,000 - 100,000) / 100,000$

Trend Analysis

- Trend Analysis is an analytical tool that can help you ask better questions.
- Example: Sales Tax on average has gone up 11% the past two years.
 - You should not immediately use 11% as the projection, you should dig further to see why it increased each year.
 - Once you obtain the why, then you can know if the pattern will continue.

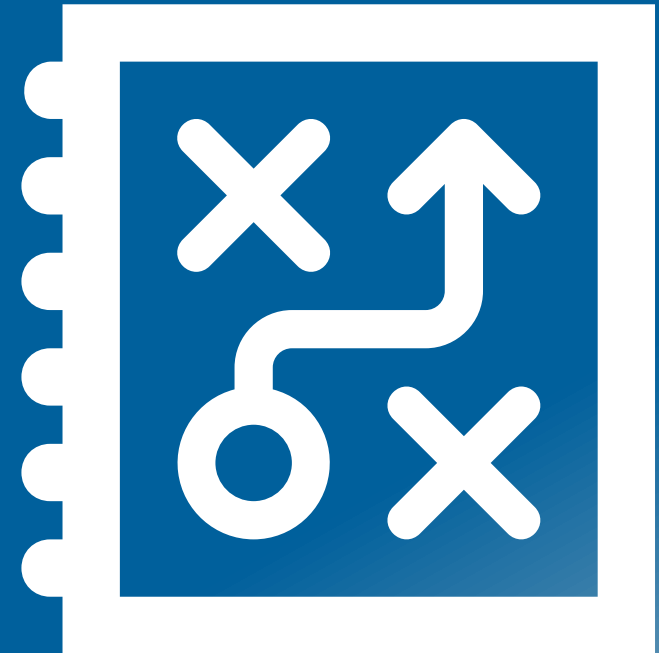
GFOA Best Practice

- Financial Forecasting in the Budget Preparation Process
 - Forecast major revenues and expenditures – several years into the future
 - Key Steps
 - Define Assumptions
 - Gather Information
 - Preliminary/Exploratory Analysis
 - Select Methods
 - Implement Methods
 - Use Forecasts

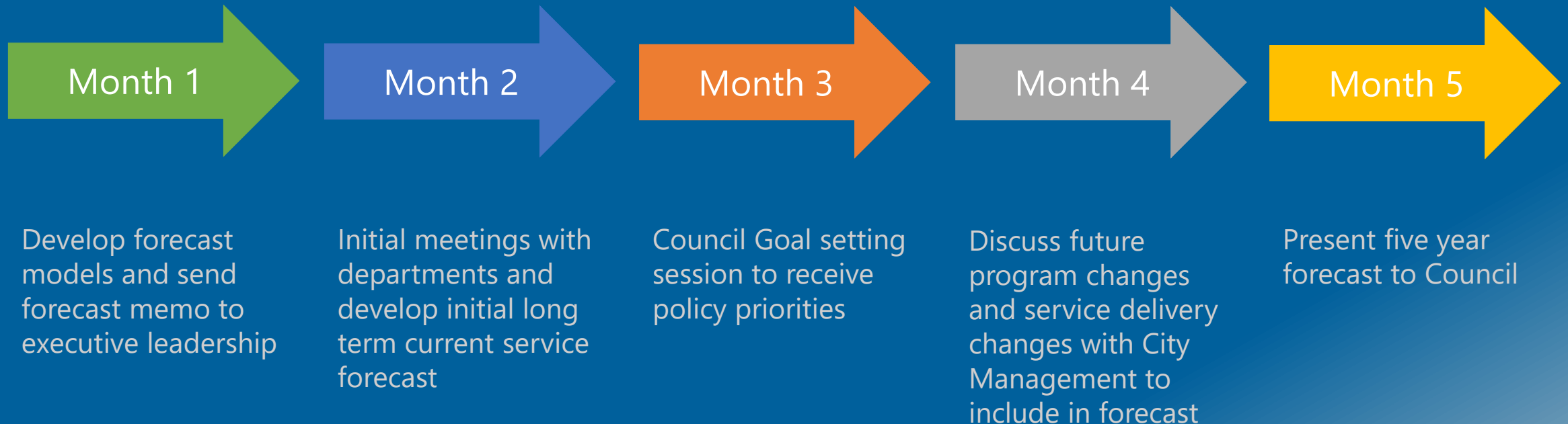
Council Goal Setting

Summary of City Council Priorities

- These priorities will help you forecast
- Should tie to your strategic plan
- Must address Compensation
- Public Safety (Largest overall Expenditure)
- Reaffirm Financial Policies



Example Timeline of the Five-Year Forecast



Five Year Financial Forecast & Budget



- Financial Forecast is an early financial outlook and should include all major funds
- Provides an opportunity for continued Council policy discussion on upcoming annual budget
- Forecast is not a budget

Forecast Methods

Call out Your Growth Assumptions

REVENUE SOURCES	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax	6.4%	5.0%	4.5%	3.0%	3.0%
Sales Tax	3.5%	3.0%	4.0%	4.3%	4.3%
Charges for Current Services	7.7%	1.5%	8.9%	7.5%	10.8%
Business and Franchise Taxes	(3.8%)	(3.5%)	0.0%	0.0%	0.0%
Other Resources	4.8%	3.4%	2.5%	2.2%	2.2%

Other Major Funds



Water & Sewer Operations

- Operational Costs
- Capital Investments
- Debt Issuances



Stormwater Operations

- Operational Costs
- Capital Investments
- Debt Issuances



Hotel Occupancy Tax

- Fee on Hotel Room Stays
- Occupancy rates
- Allowable expenses

Expenditure Assumptions

- Personnel Calculations
 - Use current employees as a base
 - Include any step-plan increases
 - TMRS Forecast
 - Healthcare assumptions
 - Consumer Price Index
- Multi-year contracts, grant cash matches, operating costs from capital projects
- Financial Policies and Council Direction

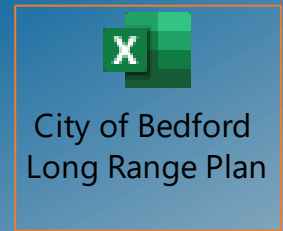
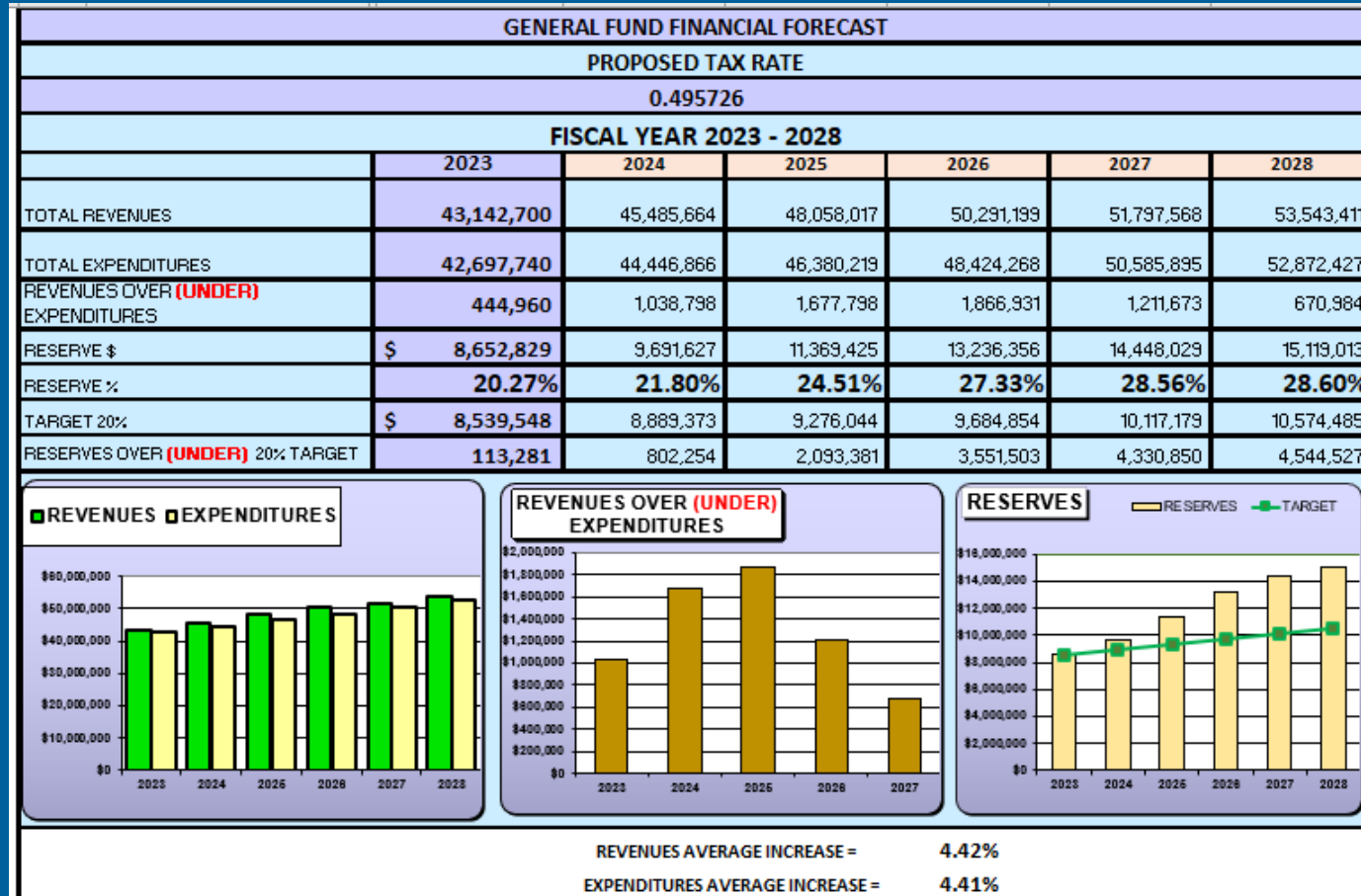


Economic Outlook & Perspective



- A forecast of the City's finances recognizes that the fiscal health is directly linked to the success of local, national, and global economies
 - Unemployment rate and employment growth
 - CPI growth
 - Housing prices and inventory
 - Hotel demand
- Know what is applicable to your community

Provide an Overview



City of Bedford Long Range Plan

Performance Measures

7 Principles of Performance Management

1. A results focus permeates strategies, processes, the organizational culture, and decisions.
2. Information, measures, goals, priorities, and activities are relevant to the priorities and well-being of the government and the community.
3. Information related to performance, decisions, regulations, and processes is transparent – easy to access, use and understand.
4. Goals, programs, activities, and resources are aligned with priorities and desired results.

7 Principles of Performance Management

5. Decisions and processes are driven by timely, accurate, and meaningful data.
6. Practices are sustainable over time and across organizational changes.
7. Performance management transforms the organization, its management and the policy-making process.

Performance Measure Categories

- Inputs – Measures resources used to produce outputs and outcomes. Use sparingly.
 - Number of FTEs
- Outputs – Workload measure that reports what was produced, number of customers served, etc.
 - Job postings processed
- Efficiency – type of measure that relates inputs to outputs
 - Percent of successful IV sticks on first try
- Effectiveness & Outcome – Focus on impact of particular activity or process.
 - Library users rating programs as excellent on annual survey

Challenges in Performance Management

- Challenge 1 – Departmental Resistance
 - Inability to control the measure
 - Linking the measures to program effectiveness
 - Accountability
- Challenge 2 – Ease and Consistency of Measurement
 - Who inputs the information
 - Stopping and starting the clock
- Challenge 3 – Integrity of Measurements
 - Incentive to report “good” information
 - Culture of fear

Challenges in Performance Management

- Challenge 4 – Identifying Meaningful Measurements
 - If the answer is always the same, it is not a measure (i.e. processing payroll)
 - Performance – data aligned to a performance goal
 - Workload – measures that tell level of busyness
 - Informational – measures that help better understand context of happenings and provide situational awareness
- Challenge 5 – Comparability of Measurements
 - Comparable over time
 - Comparable to neighboring cities

Implementing Performance Measures

- Generate support and buy-in
 - City Manager's Office
 - Department Directors
 - Simple Tools
- Align to Standards
 - GFOA Distinguished Budget Presentation - #O6: The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
 - ICMA Certificates in Performance Management

Implementing Performance Measures

- What to Measure?
 - Start with questions already being asked by Council, Residents, and Stakeholders
 - Avoid words that are not quantifiable – i.e. good, better, more efficient
 - See what data you already have
 - Borrow from a friend – what do your benchmark cities measure?
- Build a Routine
- Establish Accountability

Story Time

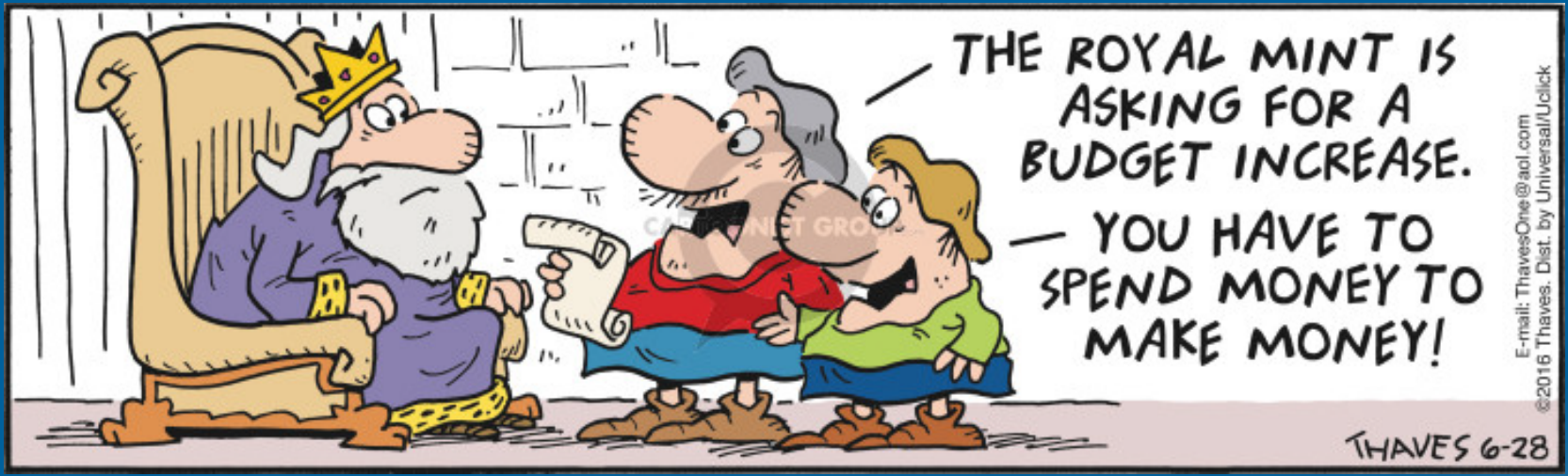


PMs in Budget

- Highlights departmental success/concern
- Provides potential outcome to budget requests
- Defines what citizens receive for their money
- Links annual budget to long-term vision
- Creates long-term history of success/concern

- *Required for GFOA Budget Award*

Capital Improvement Program



E-mail: ThavesOne@aol.com
©2016 Thaves. Dist. by Universal/Uclick

What is a CIP

Capital Improvement Project: Construction, major maintenance and improvement projects. Includes infrastructure upgrades and replacement

- Capital Improvement Plan: A 5 to 10 Year Plan
 - Update Annually – Not “One and Done”
 - Approved by Council
 - Future Capital Improvement Projects



What qualifies as a Capital Improvement Project?



**MAINTAINS/
IMPROVES A CITY
ASSET**



**NEW
CONSTRUCTION**



EXPANSION



RENOVATION



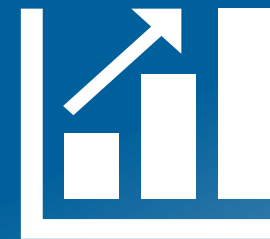
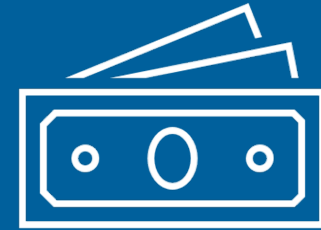
REPLACEMENT



**USUALLY
COMPLETED OVER
MULTI-YEARS**

Why Budget for Capital

- High Price Tag
- Debt Issuance
- Costs Occur Over Multiple Years
- Projects May Occur at the Same Time



3 Key Pieces In Developing a Capital Improvement Plan

- Capital Management Policies
- Quantify Operating & Maintenance Costs of Projects
- Identify Funding Sources

Capital Management Policies

City Commits to Full Comprehension of its Fixed Assets Investment; Full Reporting of Assets Costs and Tracking

A Minimum of 5 Year of Future Planning for Existing Deficiencies as well as New Growth

Strategy or Plan for Maintenance, Rehab, Replacement

Full Recognition and Awareness of Developer Contributions

Examples of CIP Policies

City of Corinth – Asset Management Plan

City of Round Rock – Financial Policies

City of Boerne – Fiscal & Budgetary Policy

City of Lago Vista – Fiscal & Budgetary Policy

Quantifying Operating & Maintenance Costs Associated with the CIP

GFOA Budget Award requirement to identify the operating and maintenance costs associated with the CIP

These costs are important for the development of the operating budget and future forecasts

Decision makers, whether it be council, management, or citizens need to be made aware of the future spending implications

Operating costs projections should extend out further than one year

Examples of GFOA Award Recipients for Capital Projects

Upper Trinity Regional Water District (TX) – 2019

Parker (CO) – 2020

Barnstable (MA) – 2020

Narragansett Bay Commission (RI) – 2020

Lake Havasu City (AZ) – 2019

Lakewood (CO) - 2019

Types of Funding Sources

Fund Savings

General Obligation Bonds

Certificate of Obligation Bonds

Revenue Bonds

Public Private Partnerships

Special Revenue Funds

Impact Fees

Developer Contributions

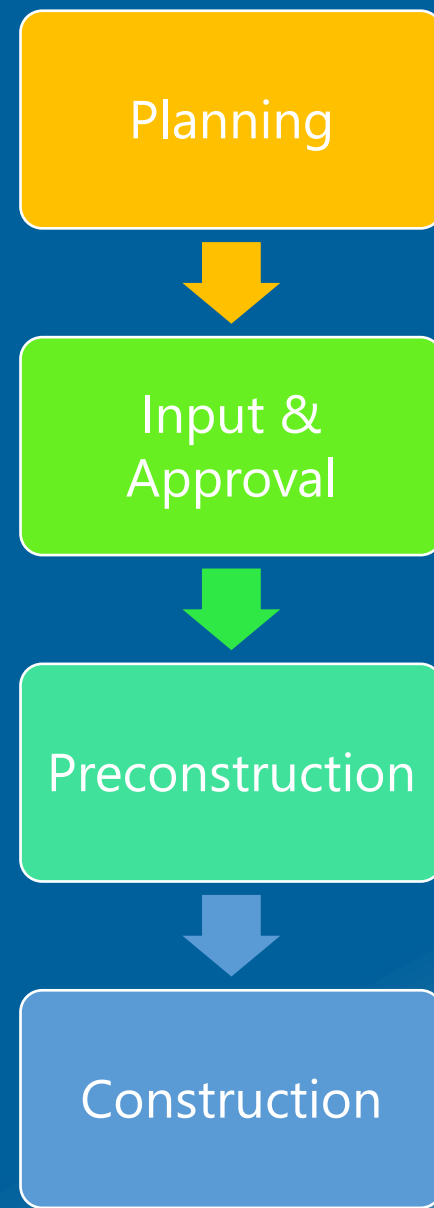
TIRZ

Grants

**The Life of a
Capital
Improvement
Project –
Cradle to
Construction**



The Life of a Capital Improvement Project – Cradle to Construction



The Life of a Capital Improvement Project – Cradle to Construction

Planning

- Identify Needs
- Determine Financial Impact & Scope
- Prioritize Capital Requests
- Evaluate Available Funding Sources & Potential Partnerships
- Draft Preliminary financial plan for review

The Life of a Capital Improvement Project – Cradle to Construction

Input & Approval

- Present Plan to Council
- Conduct Public Hearings
- Hold Election (Depending on Funding Source)

The Life of a Capital Improvement Project – Cradle to Construction

Preconstruction

- Studies & Reviews
- Property Acquisitions
- Designs Finalized
- Request for Proposals (If bidding the project out)
- Awarding of Construction Contract (If bidding the project out)

The Life of a Capital Improvement Project – Cradle to Construction

Construction

- Construction Management
- Project Tracking
- Changes Orders
- Weather Delays
- Project Finish Out

EXAMPLE



Planning

- 2004 - Water Master Plan Identifies the need for an elevated storage tank to support the Town
- 2012 – New Development Agreement increasing density and water needs
- Jan. 2018 – Water Impact Fee established increasing the scope of the design and providing a funding source for engineering costs

Input & Approval

- Spring 2018 - Staff presents Council & citizens with proposed debt issuance to fund the project
- July 2018 Water Tower funding included in FY 2019 Budget
- Sept. 2018 – Council Approves 2018 COs

Preconstruction

- 2019 - Site Acquisition starts along with preliminary engineering
- Fall 2019 - ROW is purchased and engineering plans are finalized
- Sept. 2019 – Project is put out to bid
- Nov. 2019 – Contractor is selected, and bid is approved by Town Council

Construction

- Jan. 2020 Construction Begins
- Sept. 2021 Construction is complete

The Budget Connection – How do these projects fit

- Project Planning is often an operational cost
- Annual Budgets Must Include Operating and Maintenance Costs of Assets
- Inflation Should be Factored into the Equation
- Contingency Funding can impact the operating budget
- Internal Service Funds Used to Set Aside Funds for Future Purchases
 - SCBA
 - Information Technology
- Long Term Forecasting Included in the Annual Budget Process

Why develop a CIP?



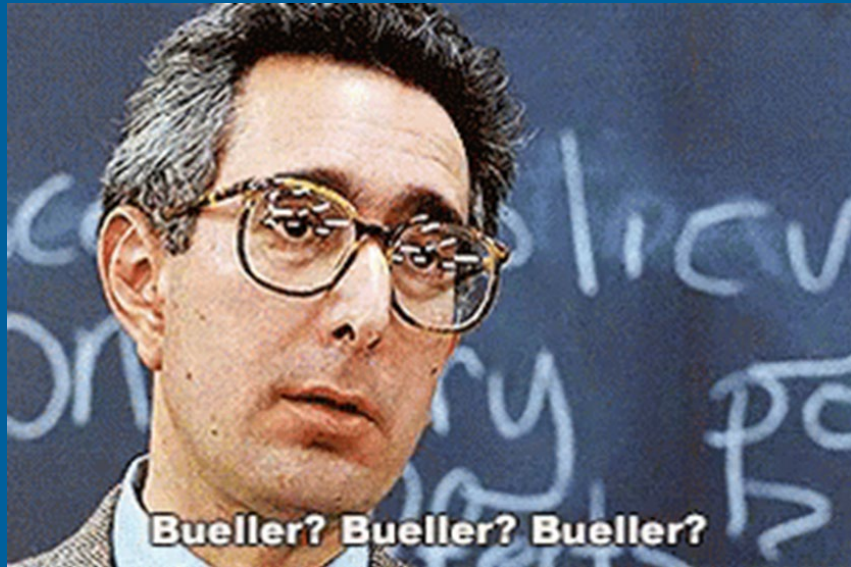
“If You Fail to Plan,
You Plan to Fail”

Benjamin Franklin

Communicating the Budget

Finance Presentation Expectations

The Information To the Audience



Finance Presenter

How Audience Wants it Presented



Understanding Roles

- City Council
 - Has authority and responsibility to ask detailed financial questions
 - Need full access to financial data
- Finance Director
 - Ensure financial information is accurate, correct, and presented in a transparent and easy to understand way
- City Management
 - Liaison between Council and staff
 - Anticipate Council questions and suggest ways to make information easier to understand

Presentation Types

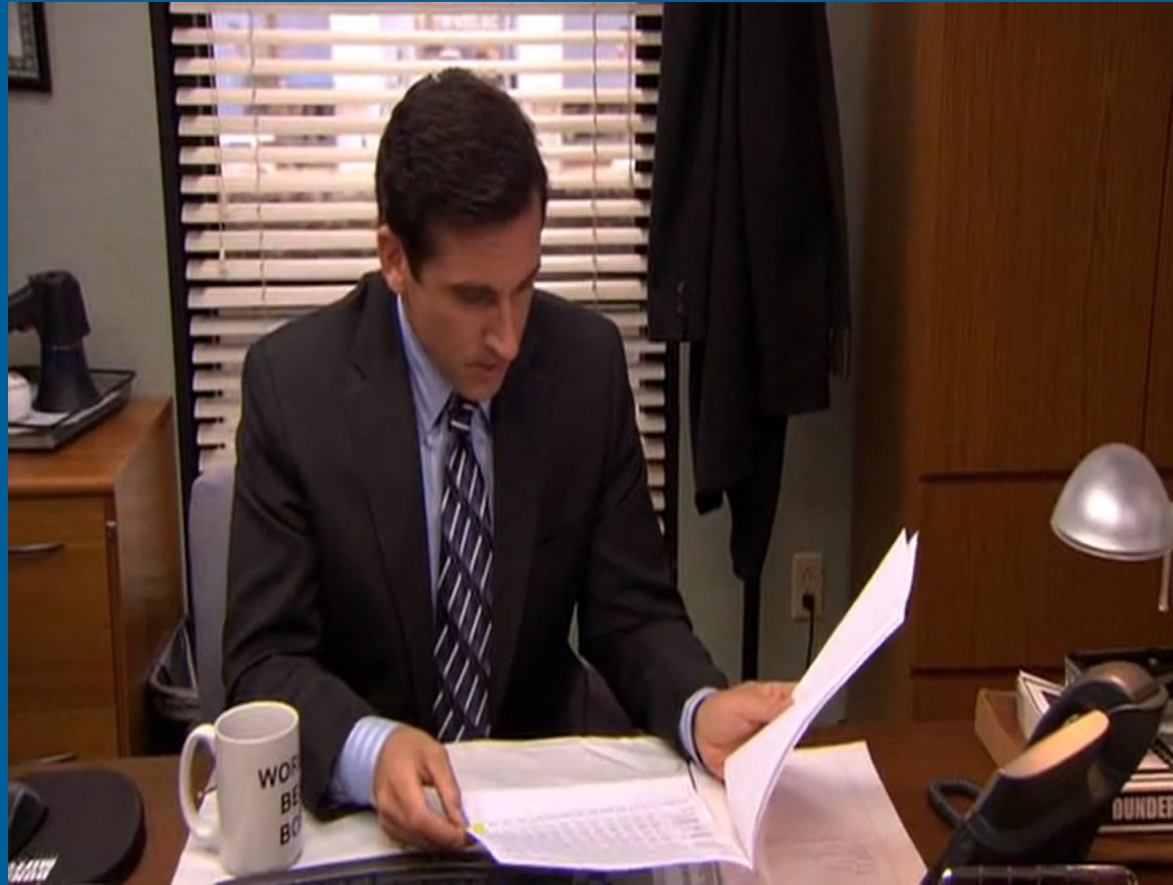
- Typical Finance Types
 - Informational
 - Persuasive
- Patterns
 - Direct – straight to the point, then explain
 - Audience type: pleased – neutral
 - Indirect – explain situation, then make point
 - Audience type: neutral – hostile
- Ordering ideas
 - Categorized – informational presentations, by threes where possible
 - Cause & Effect – ordered by arguments and causality
 - Problem Solution – short v. long-term
 - Storytelling – ordered chronologically

Good Presentation Outline

- Know your audience!
- Tell them what you're going to tell them
 - Tell them what you need (feedback, decision, simply education?)
 - Tell them why they should care
 - Tell them again
- Tell them
 - Three things
 - Keep it Simple
 - Know your audience & know yourself
- Tell them what you told them
 - Restate and summarize
 - Follow up on what you need

Techniques to Presenting Data

Technique – Keep it Simple & Know Your Audience



Techniques – Related to your audience

- Know your Audience
 - CPAs vs Pipe Fitters
 - Expressive vs Analytical
- Avoid asking for a decision the first time you present an item
- Do not ask open ended questions. Give a recommendation or at worst multiple choice
- If it's a complex concept but critical, break down the components, teach the audience, don't assume it's intuitive
- Interpret the data that you are presenting and anticipate their questions

Financial Tricks – “The Trojan Horse”



Techniques – Related to your data

- Spell out acronyms
- Summarize most critical points
- Create lists of like information
- Provide detailed data in advance
- A picture is worth a thousand words

Financial Tricks – “The Number Dump”





A picture is worth a thousand words

- Financial presentations should be able to tell their own story without a narrative or explanation
- Information should be prepared so that anyone can easily understand it
- Simply converting numbers into complex charts doesn't solve the problem
- Infographics, Dashboards, Data Exploration

The Bad



Account	Description	-	-	2020 ACTUAL	2021 ACTUAL	2022 YTD	2022 BUDGET	2023 BASE BUDGET	DECISION PTS "ONE-TIME"	DECISION PTS "ONGOING"			
100-0000-5001	TAXES SALES TAX	(7,048,607)	(6,735,627)	(4,820,959)	(4,944,448)	(3,864,470)	(4,800,000)	(5,300,000)	(500,000)	(81,547)	(5,881,547)	(500,000)	(355,552)
100-0000-5004	TAXES CURRENT AD VALOREM TAXES	(5,966,680)	(6,246,430)	(6,448,929)	(6,281,794)	(6,294,430)	(6,331,356)	(7,217,578)	-	-	(7,217,578)	(886,222)	(935,784)
100-0000-5007	TAXES DELINQUENT AD VALOREM TAX	(42,082)	56,244	(46,984)	(71,878)	(82,501)	(45,000)	(60,000)	-	-	(60,000)	(15,000)	11,878
100-0000-5010	TAXES PENALTY & INTEREST	(51,143)	(68,839)	(76,814)	(83,877)	(62,189)	(70,000)	(70,000)	-	-	(70,000)	-	13,877
100-0000-5019	TAXES MIXED BEVERAGE TAXES	(22,110)	(36,424)	(20,267)	(32,313)	(21,770)	(22,000)	(28,000)	-	-	(28,000)	(6,000)	4,313
100-0000-5101	FRANCHISE RECEIPTS ELECTRIC	(534,575)	(509,880)	(517,122)	(527,331)	(263,220)	(510,000)	(510,000)	-	-	(510,000)	-	17,331
100-0000-5103	FRANCHISE RECEIPTS GAS	(47,628)	(62,152)	(62,347)	(53,125)	(59,089)	(65,000)	(65,000)	-	-	(65,000)	-	(11,875)
100-0000-5109	FRANCHISE RECEIPTS TELEPHONE	(55,962)	(39,077)	(49,681)	(43,523)	(20,612)	(40,000)	(40,000)	-	-	(40,000)	-	3,523
100-0000-5112	FRANCHISE RECEIPTS CABLE TV	(65,710)	(44,633)	(51,087)	(45,603)	(20,768)	(50,000)	(40,000)	-	-	(40,000)	10,000	5,603
100-0000-5201	GARBAGE RESIDENTIAL COLLECTION	(789,061)	(795,189)	(775,730)	(845,562)	(669,338)	(815,000)	(855,000)	-	-	(855,000)	(40,000)	(9,438)
100-0000-5202	GARBAGE COMMERCIAL COLLECTIONS	(1,619,477)	(1,493,691)	(1,563,485)	(1,530,286)	(1,193,401)	(1,645,000)	(1,645,000)	-	-	(1,645,000)	-	(114,714)
100-0000-5207	CODE ENF REIMB DEMO/ADM FEE	(450)	(5,510)	(1,400)	(4,133)	(6,459)	(5,000)	(5,000)	-	-	(5,000)	-	(867)
100-0000-5301	PERMITS MECHANICAL	(9,446)	(18,165)	(5,576)	(8,044)	(4,785)	(8,000)	(8,000)	-	-	(8,000)	-	44
100-0000-5304	PERMITS BUILDING	(25,390)	(70,787)	(44,695)	(42,992)	(52,679)	(40,000)	(45,000)	-	-	(45,000)	(5,000)	(2,008)
100-0000-5305	PERMITS SIGNS	(2,206)	(2,769)	(1,920)	(2,621)	(1,615)	(2,000)	(2,000)	-	-	(2,000)	-	621
100-0000-5307	PERMITS BUILDER LICENSE	-	-	(102)	-	(100)	(250)	(250)	-	-	(250)	-	(250)
100-0000-5310	PERMITS ELECTRICAL	(3,826)	(5,882)	(4,578)	(4,112)	(5,010)	(5,000)	(5,000)	-	-	(5,000)	-	(889)
100-0000-5313	PERMITS ELECTRICAL LICENSE	(100)	(302)	(115)	(100)	(100)	(200)	(200)	-	-	(200)	-	(100)
100-0000-5316	PERMITS PLUMBING	(4,066)	(5,652)	(4,264)	(4,105)	(5,165)	(5,000)	(5,000)	-	-	(5,000)	-	(895)
100-0000-5319	PERMITS HOUSE MOVERS LICENSE	-	-	-	-	-	-	-	-	-	-	-	-
100-0000-5322	PERMITS ELECTRICAL EXAMS	-	-	-	-	-	-	-	-	-	-	-	-
100-0000-5325	PERMITS STREET CUTTING	(350)	(950)	(925)	(875)	(650)	(1,000)	(1,000)	-	-	(1,000)	-	(125)

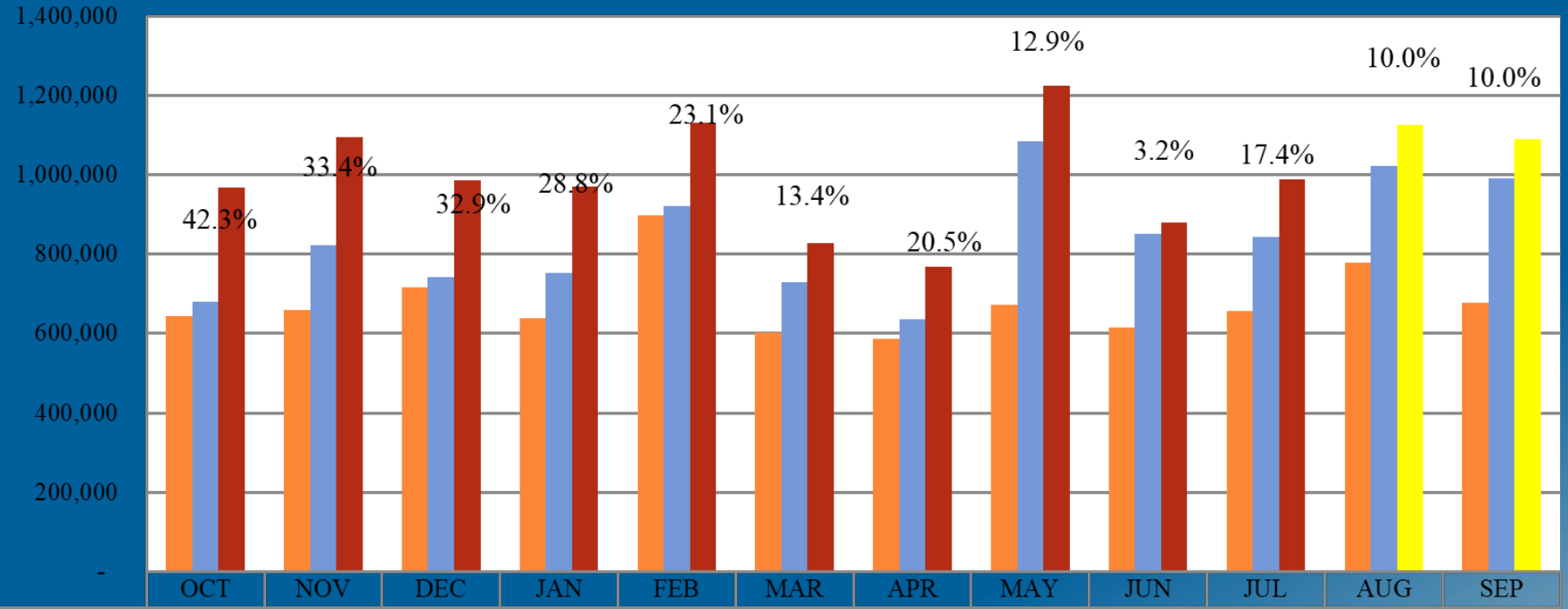
The Bad



SUMMARY OF COMBINED BUDGETS FY12

	ACTUAL FY10	ADOPTED BUDGET FY11	PROPOSED BUDGET FY12
ANTICIPATED REVENUE	\$ 12,653,616	\$ 13,546,729	\$ 10,161,468
ANTICIPATED EXPENDITURES	\$ 7,660,249	\$ 13,422,913	\$ 10,057,584
UNAPPROPRIATED BALANCE	\$ 4,993,367	\$ 123,816	\$ 103,883
EXPENDITURES			
Manager's Office	\$ 607,333	\$ 546,417	\$ 653,727
Human Resources	\$ 44,304	\$ 81,752	\$ 88,663
Information Systems	\$ 200,197	\$ 296,337	\$ 313,377
Legal	\$ 146,431	\$ 154,818	\$ 156,507
Police	\$ 1,411,945	\$ 1,468,489	\$ 1,643,499
Emergency Medical Services	\$ 656,246	\$ 676,891	\$ 749,677
Streets	\$ 429,613	\$ 398,446	\$ 443,579
Parks	\$ 777,289	\$ 912,577	\$ 1,130,584
Recreation	\$ 517,661	\$ 615,088	\$ 553,208
Community Events	\$ -	\$ -	\$ 46,837
Planning & Zoning	\$ 160,895	\$ 144,694	\$ 158,398
Community Development	\$ 546,884	\$ 191,206	\$ 255,578
Finance	\$ 257,275	\$ 390,915	\$ 375,451
Municipal Court	\$ 73,782	\$ 79,751	\$ 81,030
Facilities Management	\$ 73,369	\$ 77,580	\$ 80,320
Debt Service	\$ 911,721	\$ 1,392,330	\$ 1,358,316
Trophy Club Park	\$ 100,205	\$ 126,000	\$ 117,041
Street Maintenance Sales Tax	\$ 94,439	\$ 126,273	\$ 129,424
EDC 4A	\$ 202,018	\$ 288,774	\$ 294,661
EDC 4B	\$ 91,378	\$ 124,595	\$ 167,950
Storm Drainage	\$ 116,923	\$ 248,000	\$ 93,358
Hotel Occupancy Tax	\$ 19,000	\$ 20,050	\$ 20,975
Capital Projects Fund	\$ 221,340	\$ 5,061,930	\$ 1,145,426
TOTAL	\$ 7,660,249	\$ 13,422,913	\$ 10,057,584

The Ugly



■ 2019-2020 Sales Tax Revenue	645,019	658,268	717,419	638,933	897,750	602,054	587,442	672,683	615,677	656,106	779,823	677,729
■ 2020-2021 Sales Tax Revenue	679,649	821,846	741,519	753,000	919,936	730,584	637,219	1,083,220	852,154	843,432	1,022,683	990,289
■ 2021-2022 Sales Tax Revenue	967,442	1,096,060	985,207	969,490	1,132,044	828,815	767,646	1,223,356	879,284	989,830	1,124,951	1,089,318
% change over prior year, same month	42.3%	33.4%	32.9%	28.8%	23.1%	13.4%	20.5%	12.9%	3.2%	17.4%	10.0%	10.0%
% change year over year	42.3%	37.4%	35.9%	34.1%	31.5%	28.7%	27.7%	25.2%	22.6%	22.0%	20.7%	19.6%

The Ugly



Ad Valorem Tax Analysis

PROPOSED AD VALOREM SCHEDULE

Budget Year	FY12	\$ Increase	% Increase
Prior Year's Certified Value	\$ 768,444,280		
Prior Year's Levy	\$ 4,367,266		
Prior Year's M&O Tax Rate	\$ 0.39722		
Prior Year's I&S Tax Rate	\$ 0.11778		
Prior Year's Tax Rate	\$ 0.51500		
Current Year's Certified Value	\$ 828,422,663	\$ 59,978,383	7.81%
New 2011 Value	\$ 69,474,263		
Current Year's Net Certified Value	\$ 758,948,400	\$ (9,495,880)	-1.24%
Effective Rate	\$ 0.5284		
Rollback Rate	\$ 0.5679		
Value of \$.01	\$ 82,842		
Interest & Sinking Fund Beginning Balance	\$ -		
FY07 G.O. Debt Service	\$ 1,054,064		
Total General Fund Debt Service Rqmt	\$ 1,054,064		

Proposed Ad Valorem Tax Rate Computation:

Proposed Tax Rate	\$ 0.424807
Proposed Levy	\$ 3,887,175
100% Collection Rate	\$ 3,887,175

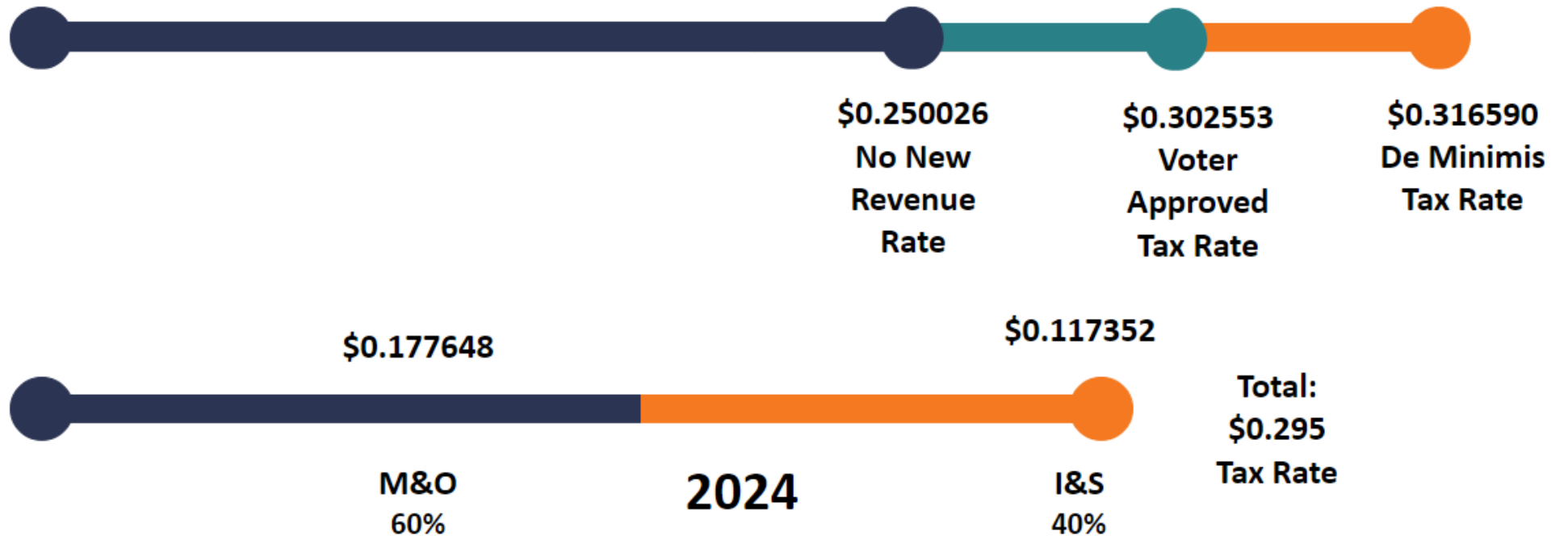
Proposed Ad Valorem Tax Rate for Debt Service:

Proposed Tax Rate	\$ 0.115193
Proposed Levy	\$ 1,054,064
100% Collection Rate	\$ 1,054,064

Total Proposed Ad Valorem Tax Rate	\$ 0.5400
% Increase over Effective Rate	2.2%

The Good

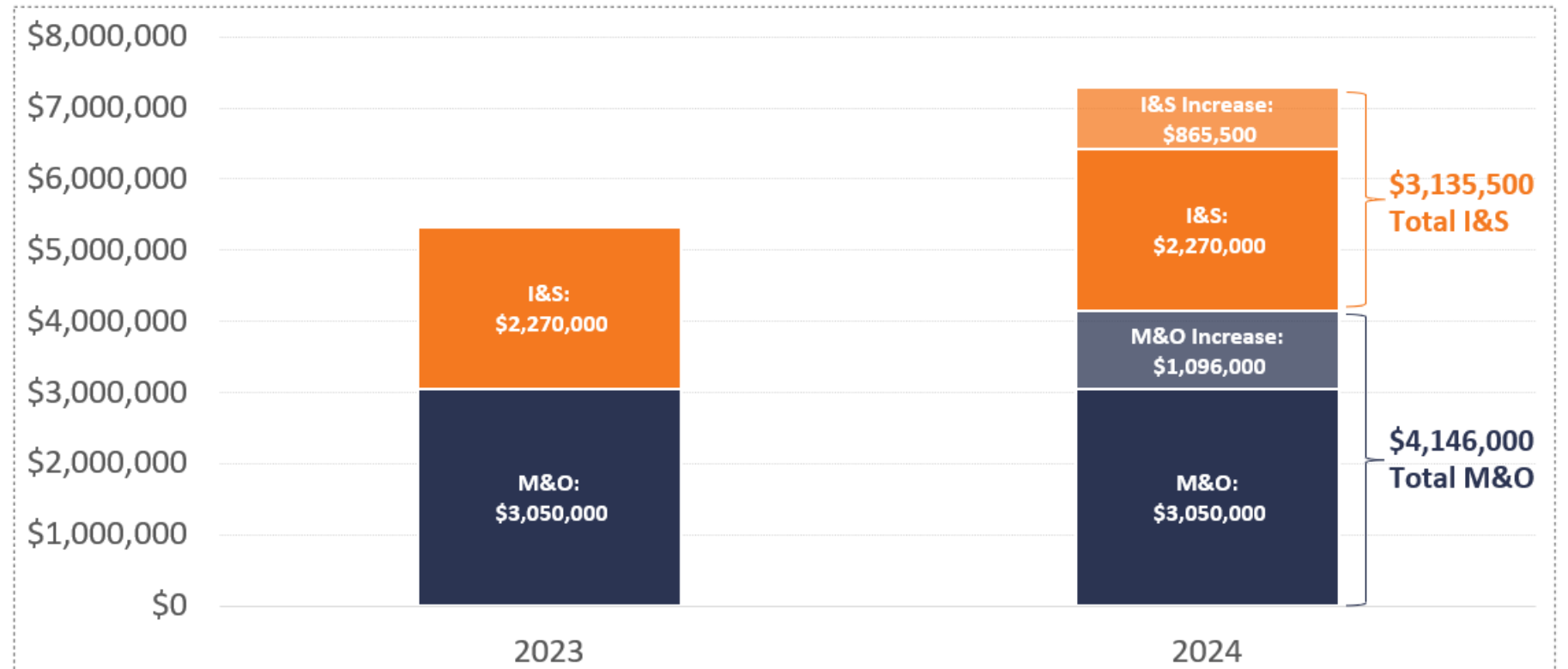
NO TAX RATE CHANGES



The Good

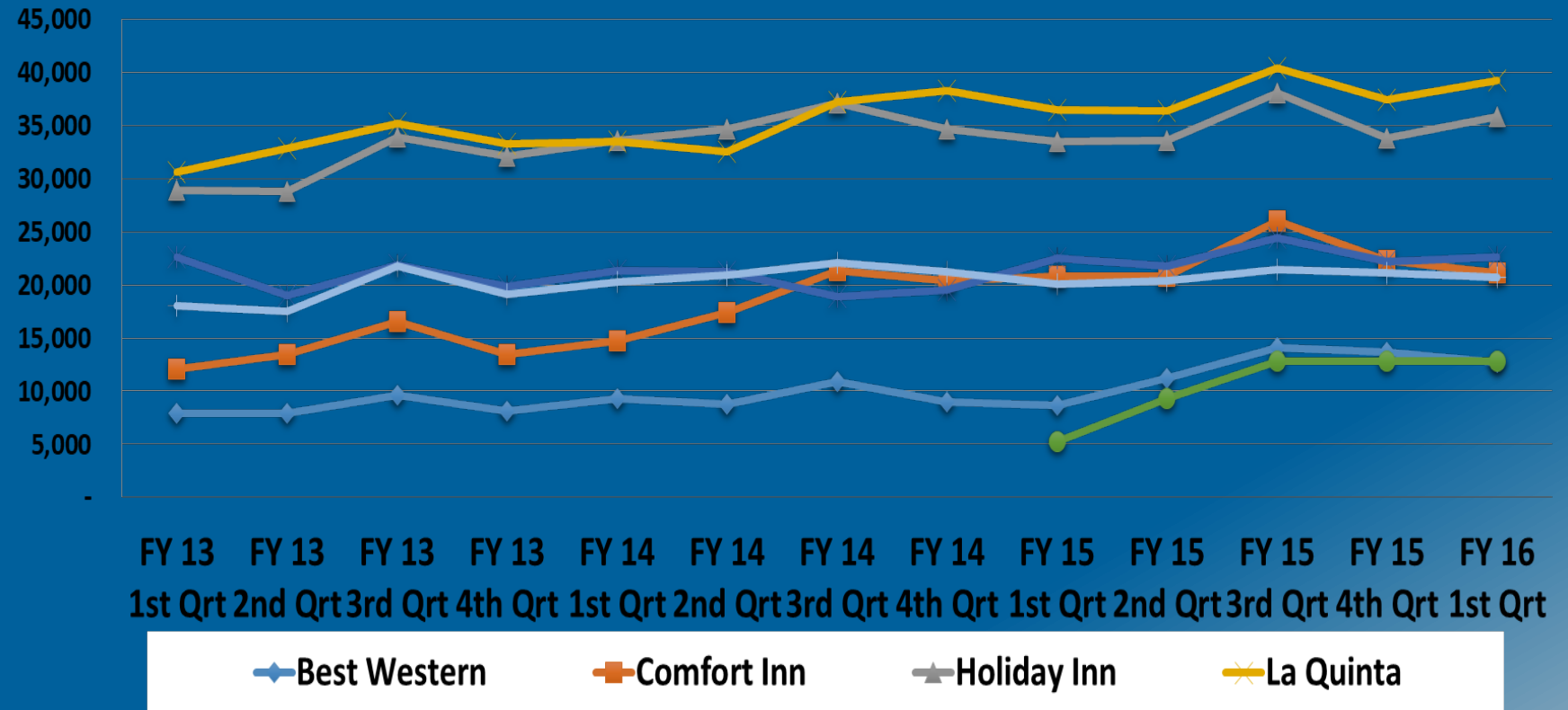
PROPERTY TAX REVENUE

INCREASING BY \$1,961,500 OR 37% DUE TO GROWTH IN PROPERTY TAX BASE



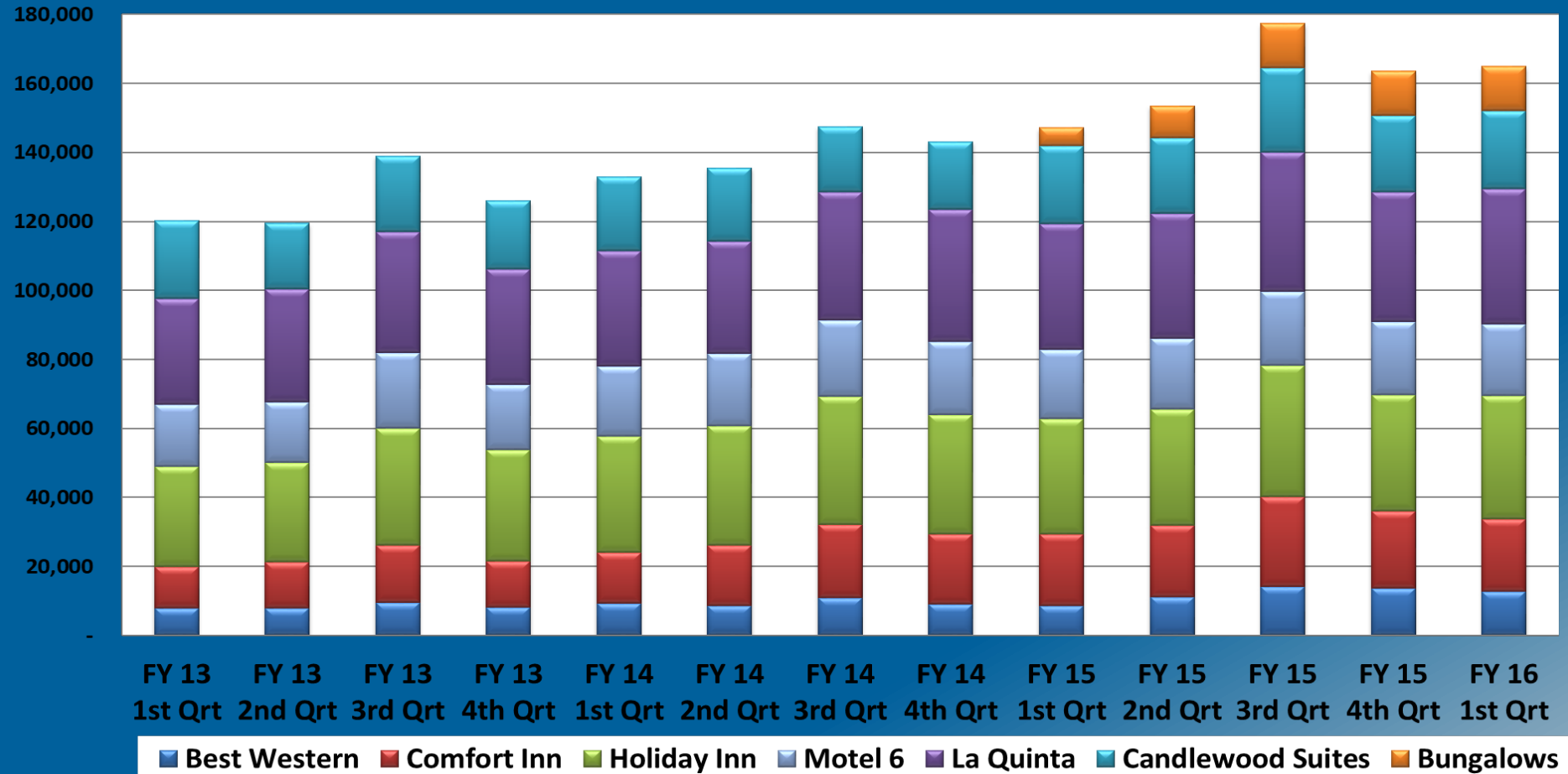
The Ugly

Occupancy Tax Collection by Location



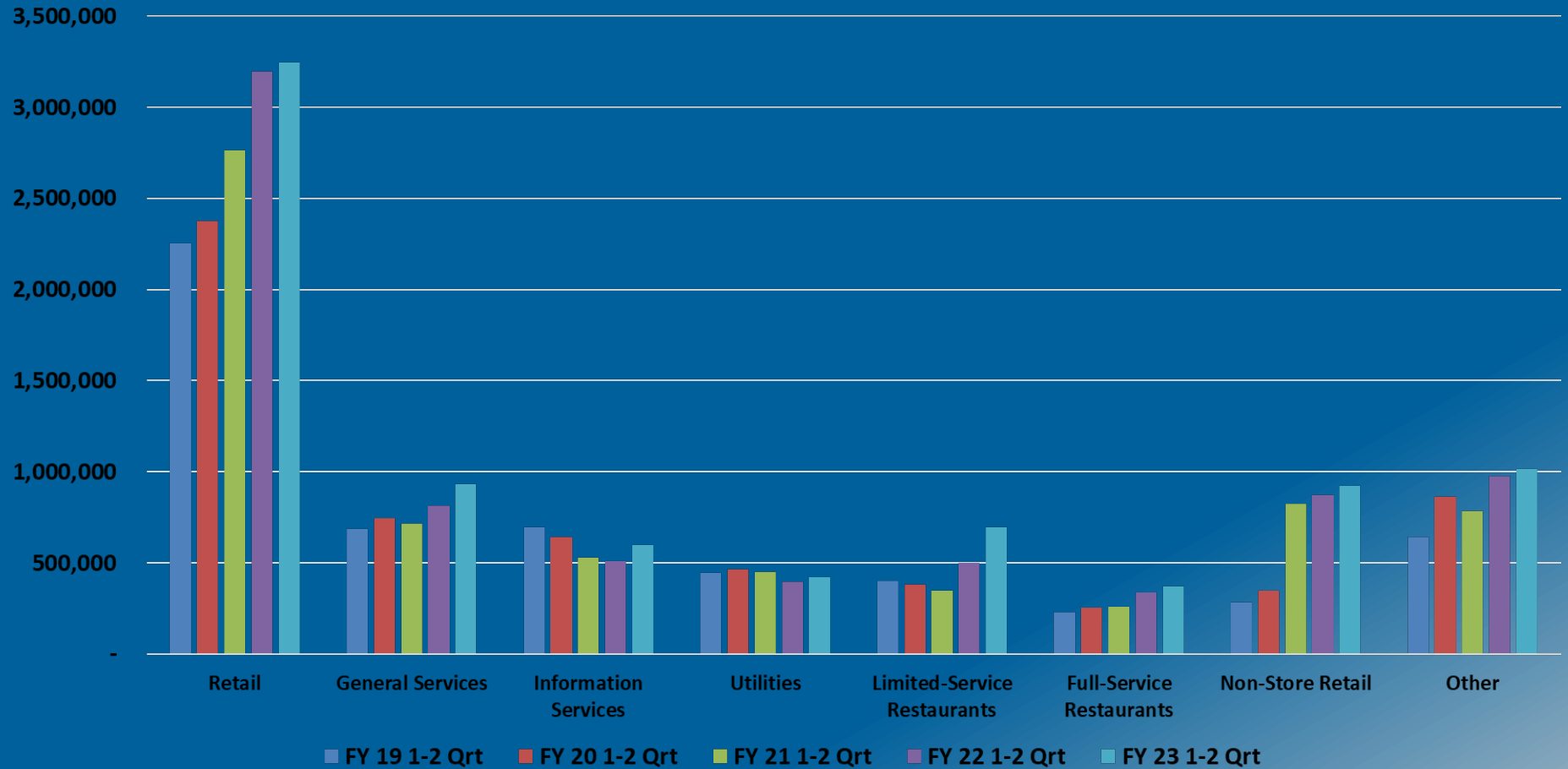
The Good

Occupancy Tax Collection by Location



The Good

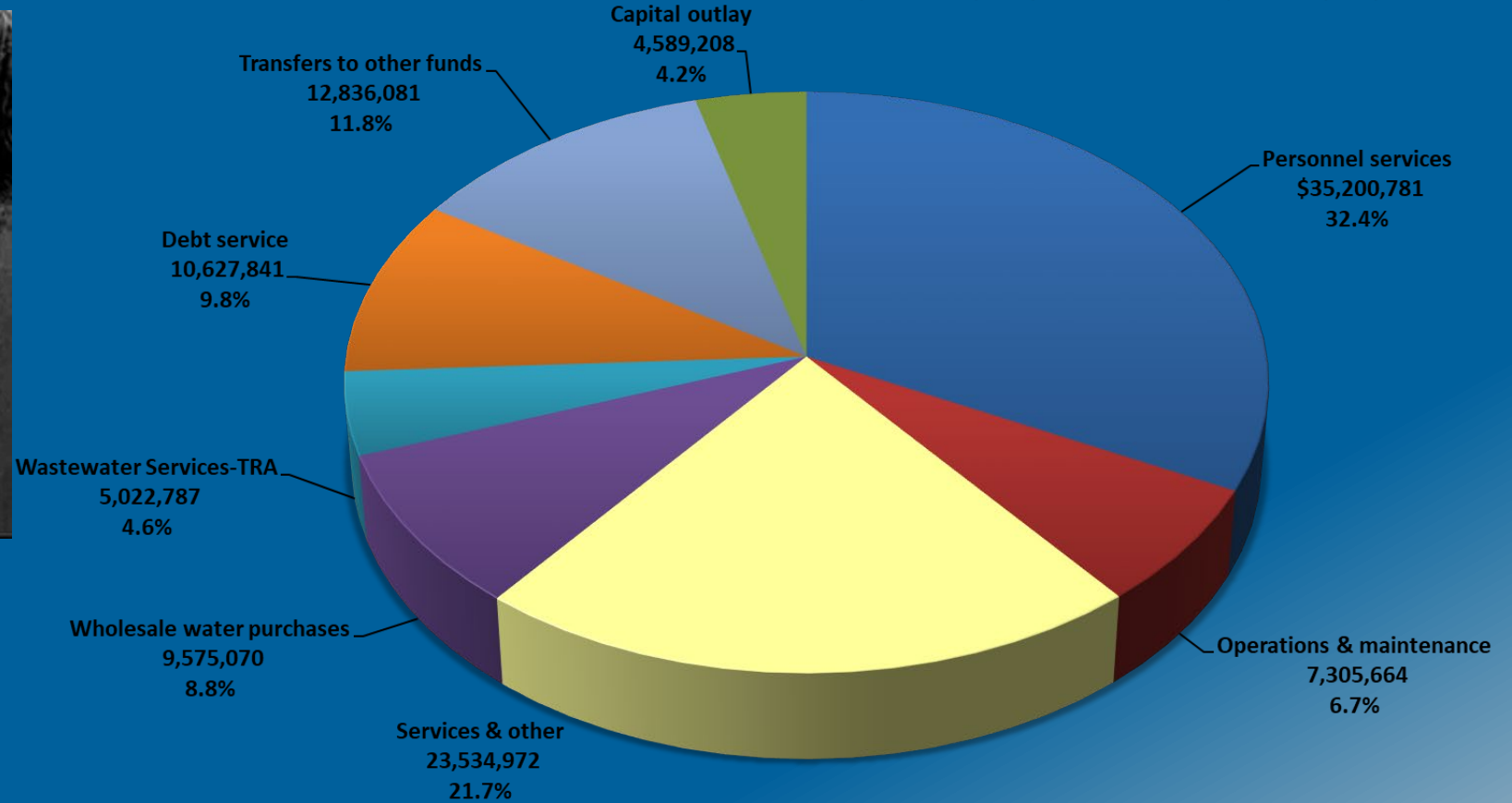
FY 19-FY 23 Quarter 1 & 2 Sales Tax as \$



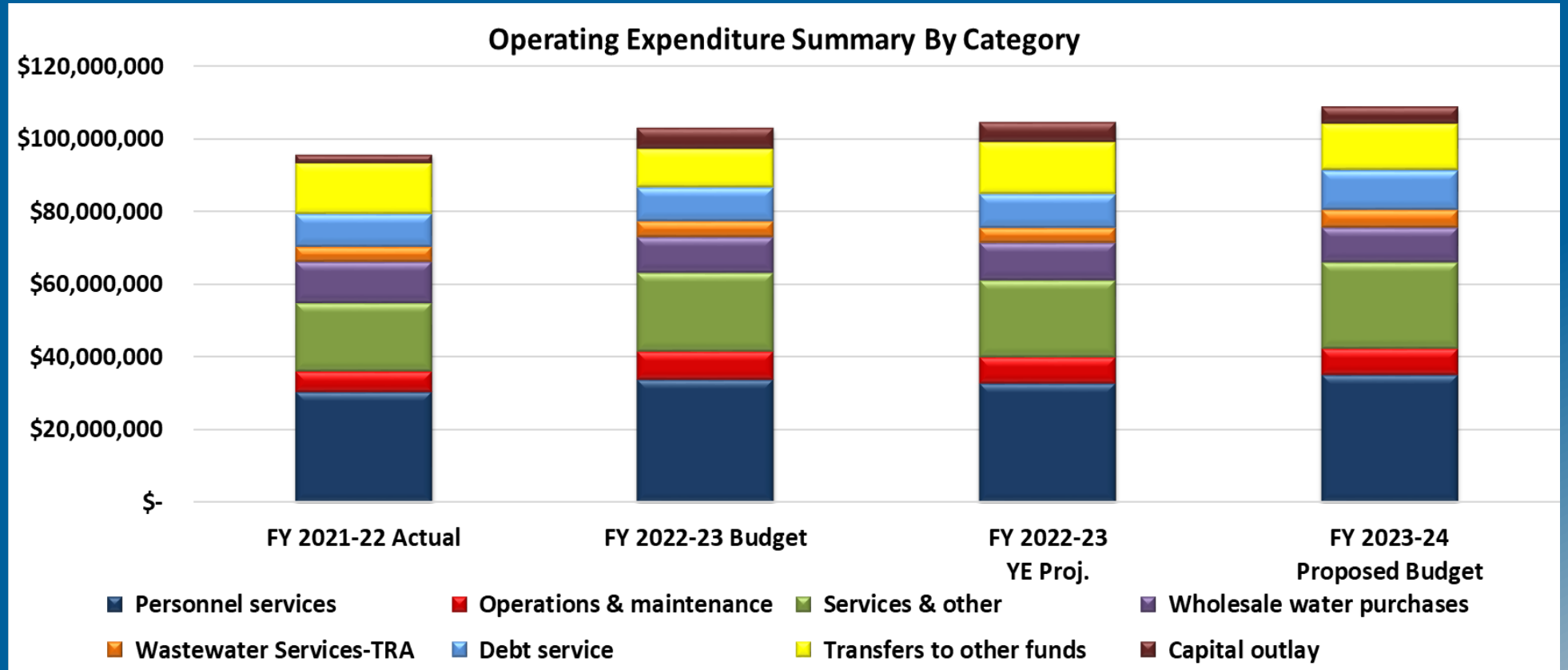
The Ugly



FY 2023-24 Consolidated Operating Expenditures by Category



The Good

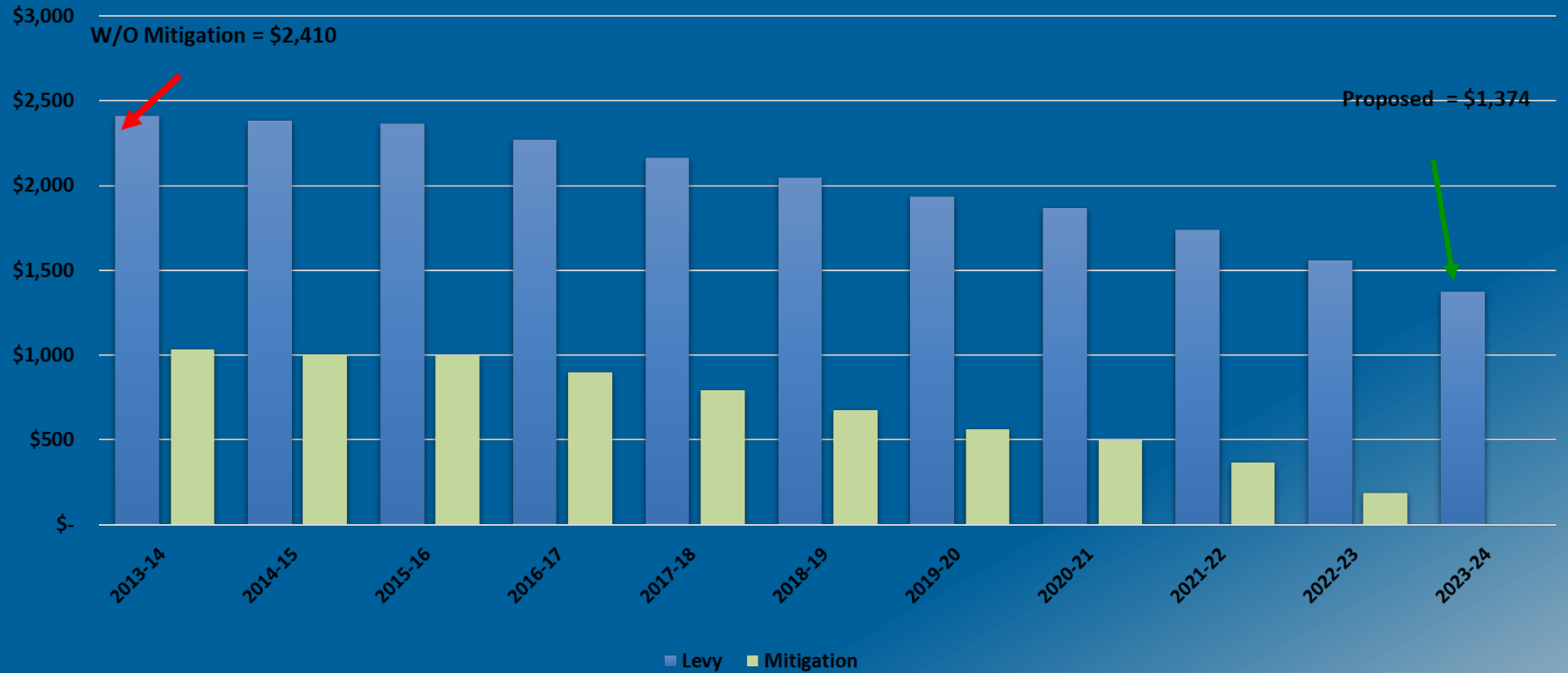
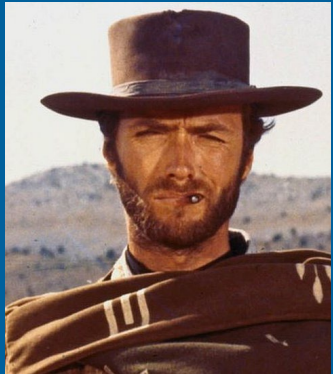


Keller Tax Mitigation Timeline – Ugly

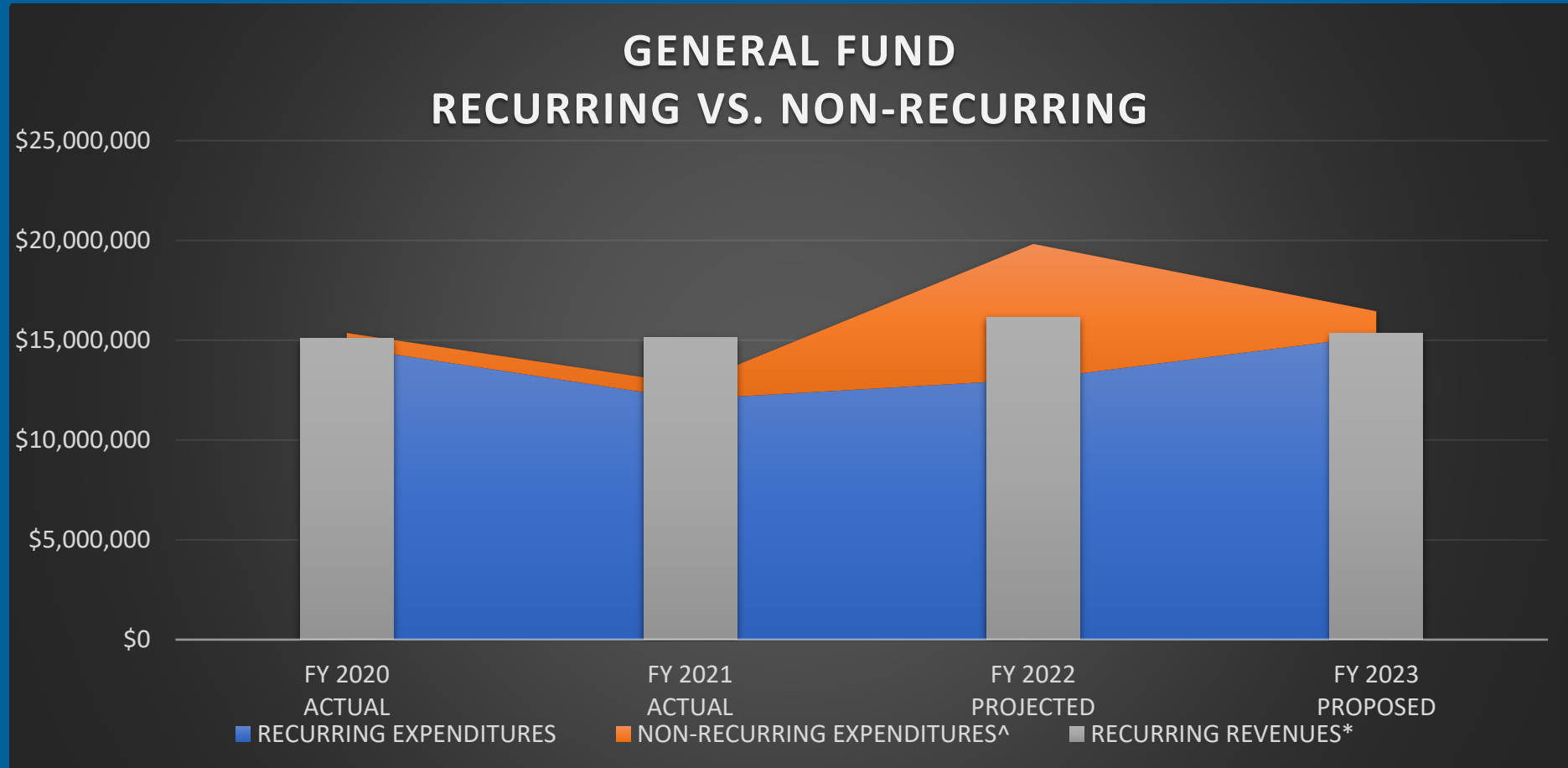


Fiscal Year	Tax Rate	Change from FY 2013-14	Homestead	Avg. Home Tax Bill without Mitigation
FY 2013-14	\$0.44219	-	1%	2,410
FY 2014-15	\$0.43719	(\$0.00500)	1%	2,382
FY 2015-16	\$0.43469	(\$0.00750)	1%	2,369
FY 2016-17	\$0.43000	(\$0.01219)	4%	2,272
FY 2017-18	\$0.42750	(\$0.01469)	8%	2,165
FY 2018-19	\$0.41325	(\$0.02894)	10%	2,047
FY 2019-20	\$0.39990	(\$0.04229)	12%	1,937
FY 2020-21	\$0.39500	(\$0.04719)	14%	1,870
FY 2021-22	\$0.39500	(\$0.04719)	20%	1,739
FY 2022-23	\$0.35450	(\$0.08769)	20%	1,561
FY 2023-24	\$0.31200	(\$0.13019)	20%	-

Keller Tax Mitigation Timeline – Good



The Good



Unrelatable – Ugly



	Water Rate Adjustment		Wastewater Rate Adjustment	
	Current	Proposed	Current	Proposed
Base Rate	\$16.96	\$20.01	\$11.91	\$14.05
Tier 1 – Rate/Usage (0-2K)	2.44	3.17	3.5 (0-50K+)	4.14 (0-50K+)
Tier 2 – Rate/Usage (2-10K)	3.62	4.27		
Tier 3 – Rate/Usage (10-20K)	3.94	4.65		
Tier 4 – Rate/Usage (20-25K)	4.37	5.16		
Tier 5 – Rate/Usage (25-40K)	5.49	6.48		
Tier 6 – Rate/Usage (40K+)	5.92	6.99		
Monthly Bill @ 6,700 Gallons	\$38.85	\$46.42	\$35.36	\$41.78
Monthly Bill @ 20,000 Gallons	\$90.20	\$107.02	\$35.36	\$41.78

The Good – Relatable



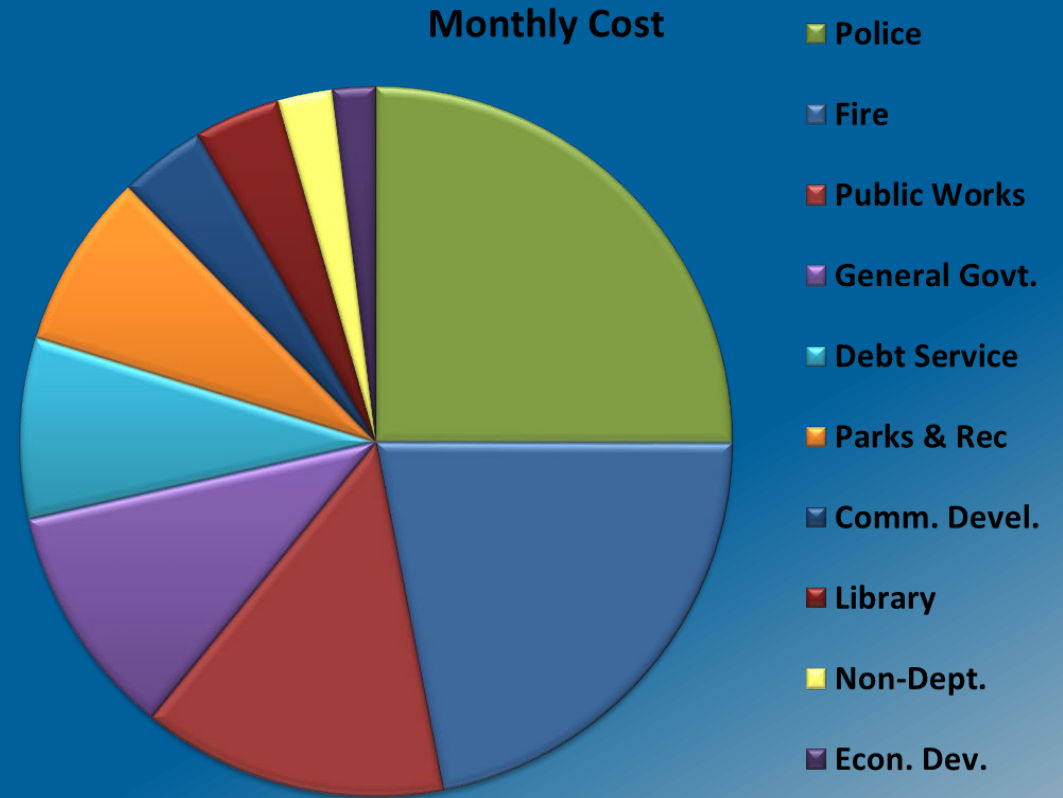
Monthly Bill	Current	Proposed	Difference (%)	Difference (\$)
<u>AVERAGE MONTHLY BILL</u>				
Water (16,381 Gallons)	102.75	100.64	(2.06)%	(2.11)
Sewer (8,311 Gallons)	55.72	60.42	8.43%	4.70
TOTAL	\$158.47	\$161.06	1.63%	\$2.59

The Good – Relatable

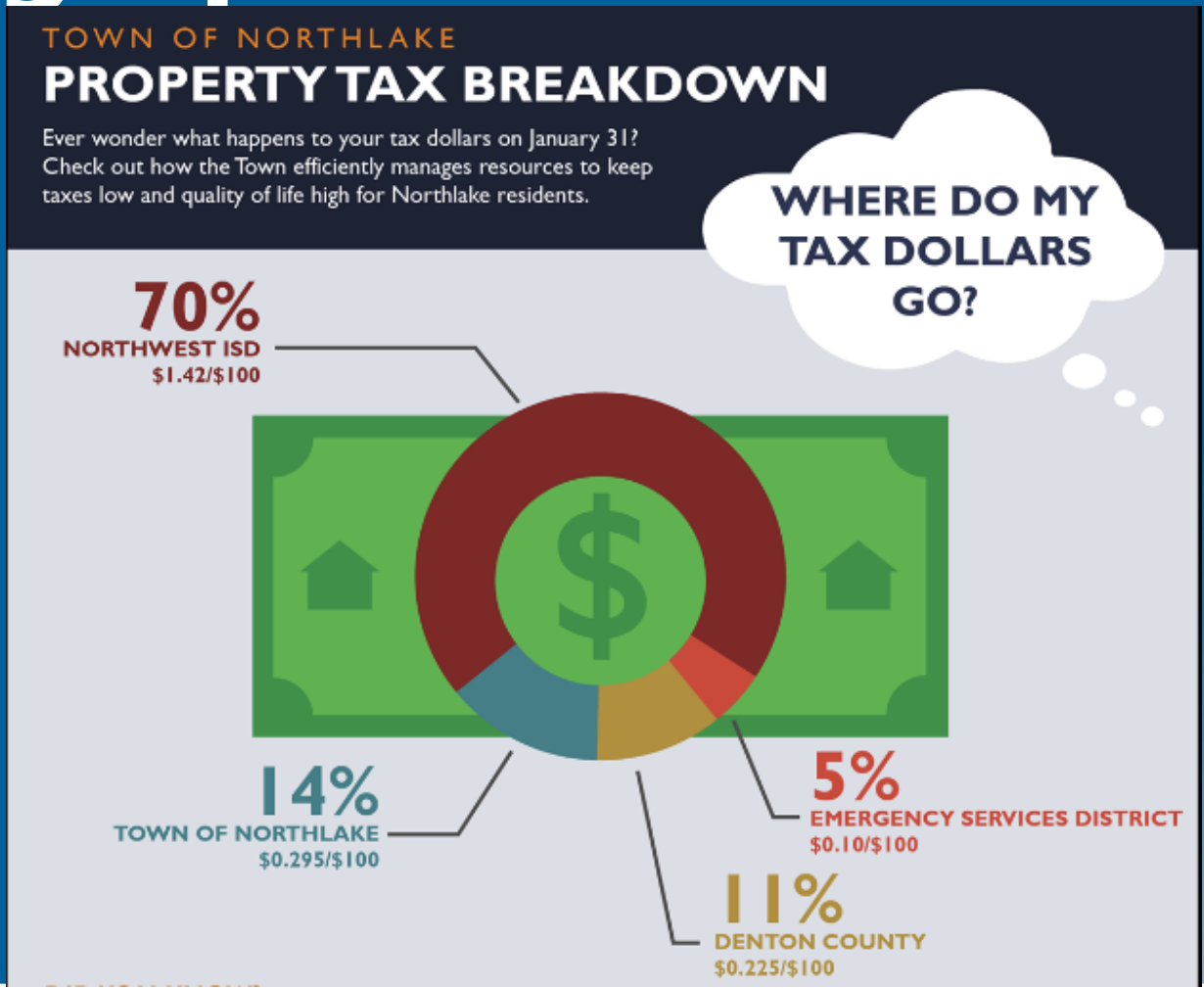


Monthly Cost of City Services Average Residential Taxpayer

Police	28.68
Fire	25.10
Public Works	15.90
General Govt.	12.17
Debt Service	9.47
Parks & Rec	9.14
Comm. Devel.	4.48
Library	4.47
Non-Dept.	2.85
Econ. Dev.	2.24
Total	\$ 114.49



The Goodest – Infographics!!!



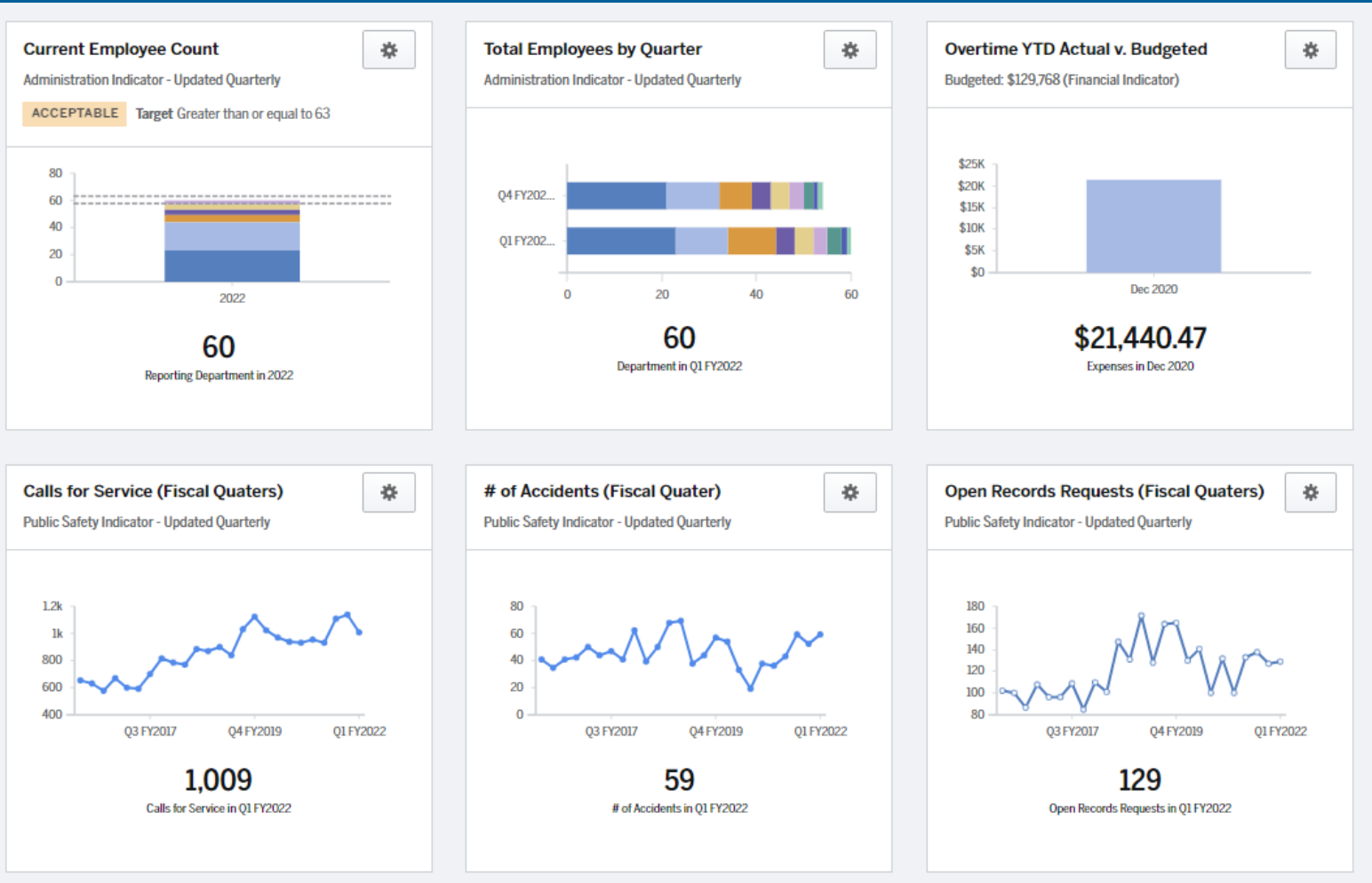
The Best – Know the Audience

Essential Points for FY 2023-24 Budget

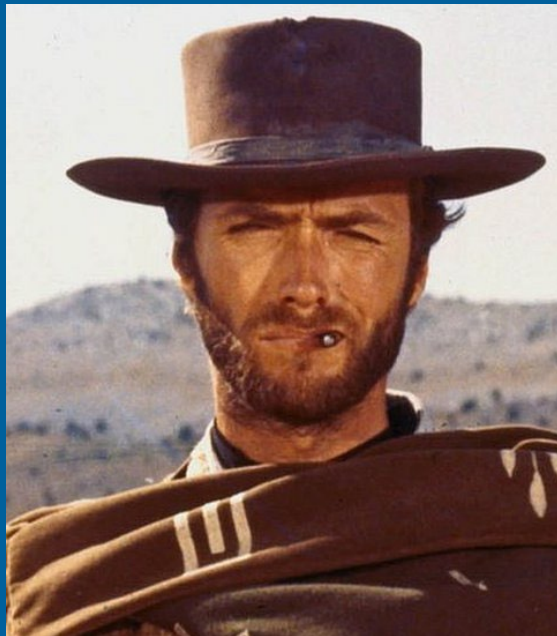
- An operationally balanced budget that meets City Council goals and directions (Strategic Goal 3.1)
- Proposing Tax Rate under “No New Revenue” Rate (3.3)
- Total Personnel net increase under 4% (5.3)
- Continued investment in streets and sidewalk infrastructure = \$15.5M (4.1, 4.2)
- Sports Park Debt = \$27.0M
- Elm Street, & SWIFT Debt (2.1)
- Pavement markings = \$700K
- Second Year of TIRZ#2 Fund (2.4, 4.5)
- 2 Detention Officers (cost split with Regional Partners) (1.3)
- Rate adjustments to City water of (2.0)% & wastewater of 8.5% (3.1)
- Maintains All Replacement Funding (3.4)



The Most Goodest – Dashboards!!!

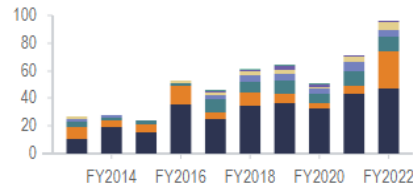


The Prime Good – Exploration!!!



Crime Data

Reported Crimes

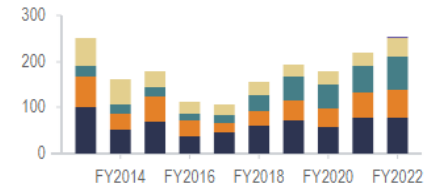


96

Crime in FY2022

One measure of the police department's success is the number of reported crimes in a community. This measure can offer some insight into a police department's and communities ability to deter crime over time. Over the last five years, the number of reported crimes in Northlake has remained relatively flat, even with increased population growth.

Arrests Performed

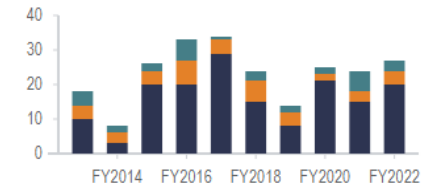


253

Arrest Type in FY2022

The number of arrests performed by a police department can help demonstrate how successfully a department and community are in reducing crime and how active the department is in pursuing potential violations of the law. Since 2012, NPD has seen a decrease in the number of arrests per year, and for the last several years, arrests have remained relatively consistent.

Burglaries Reported



27

Burglary Type in FY2022

[Click to explore data](#) →

As with the number of crimes reported and arrests, burglaries reported also offer insight into the Department's and Northlake's success in reducing crime. While data shows a spike between 2015 and 2017, NPD has seen a reduction in the number of burglaries since that time.

Other Tips

- Follow GFOA Standards/Awards Criteria
- Follow State Law
- Follow your Charter
- Budget: Last Year Actual, Current Year Budget, Current Year Projected, Proposed/Adopted

Advice Received

- Its okay to say "I do not know"
 - They will always remember the wrong number
- Do not be "snow blind" / Too into the weeds
- What's the point? Make it clear on slide

Summary and Feedback

- With strategic and careful preparation of your financial presentations you can:
 1. Give them key points they can understand
 2. Engage and entertain your audience
 3. Consistently reinforce your message
 4. Arrive quickly and painlessly at your desired result
- Know your audience:
 1. Take time to answer questions and remember that they don't live, eat, and breath governmental finance all day, every day
 2. Avoid acronyms
 3. Summarize the discussions
 4. Focus on outcomes rather than dollars

After the Numbers...

Compiling the Budget



Compilation Options

- Standard Computer Software
 - Microsoft Office
 - Adobe Professional
- Professional Budget Book Builder Software/Contract
- Digital Budget Book Platforms
 - ClearGov
 - OpenGov

PDF “Book” Examples

- Bedford:
<https://bedfordtx.gov/DocumentCenter/View/7262/Fiscal-Year-2020-2021-City-of-Bedford-Program-of-Services-Budget>
- Keller:
<https://www.cityofkeller.com/home/showpublisheddocument/27671/638096798490770000>
- Northlake:
<https://www.town.northlake.tx.us/Archive.aspx?ADID=94>

Digital Budget Book Examples

- Bedford: <https://city-bedford-tx-budget-book.cleargov.com/14099>
- Northlake:
<https://stories.opengov.com/northlaketx/published/PIkQsu80H>

GFOA Distinguished Budget Award



Purpose

- Established in 1984 to encourage state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting.
- Award program recognizes individual governments that succeed in achieving that goal.

Award Focus Areas

- Introduction and Overview
- Financial Structure, Policy, and Process
- Financial Summaries
- Capital and Debt
- Departmental Information
- Document-wide Criteria

Award Program Links

- Program Overview: <https://www.gfoa.org/budget-award>
- Application Information: <https://www.gfoa.org/budget-award-application-information>
- Budget Award Criteria/Location Guide: https://gfoaorg.cdn.prismic.io/gfoaorg/234798d8-f7d3-45c2-8767-d705a53595c3_BudgetCriteriaGuide2021orlater.pdf
- Explanation of Criteria: https://gfoaorg.cdn.prismic.io/gfoaorg/8a42cc08-d162-463d-8060-4be2092b5320_BudgetCriteriaExplanations2022.pdf

Budget Monitoring



Post Budget Adoption Tasks

- Upload/Approve your Budget in your ERP
- Reporting (Best Practices)
 - Monthly Reports to Departments/Management
 - Quarterly Reports to Council/Public
- Budget Amendments
 - Check your charter – adopt on Fund, Department, or Account?
- Keep Management informed on significant changes or concerns
- What numbers do you trust?

Questions & Comments

Contact Information

John Zagurski, CGFO	Aaron Rector, CGFO
Director of Finance	Dir. Of Administrative Services
Town of Northlake	City of Keller
940-242-5706	817-743-4026
jzagurski@town.northlake.tx.us	arector@cityofkeller.com

Meg Jakubik, CGFO	Cayce Lay Lamas, CPA	Martie Simpson, CPA
Strategic Services Manager	Director of Finance	Executive Director
City of Bedford	City of Westlake	GFOAT
817-952-2117	817-490-5721	254-223-0885
meg.jakubik@bedfordtx.gov	claylamas@westlaketx.gov	martie@gfoat.org