Budget 101

2022 MCFOA Conference

March 23, 2022
Meet the Presenters

Jean McGann, CPA
President – Abdo Financial Solutions
Partner - Abdo

Licensed to practice as a CPA in Minnesota, Mrs. McGann provides expertise in financial management services, accounting, and customized solutions for governments, businesses, nonprofits and professional service firms.

Kary Tillmann
City Clerk / Treasurer
City of Zimmerman

Kary has worked for the City of Zimmerman for 15 years and has served as the City Clerk/Treasurer since 2007. She has over 25 years of County and Municipal Government finance experience including working for the cities of Hanover and Corcoran and the Sherburne County Auditor/Treasurer’s Office.
Today’s Agenda

• City Budget Components
• Council & Staff Roles in the Budget Process
• Budget Impact & Considerations
• Budget Timeline & Key Decision Points
City Budget Components

Are you knowledgeable of what funds can provide funding for what expenditures?
Polling Question

TRUE OR FALSE
Every city fund must be budgeted

1. True  2. False
Polling Question

TRUE OR FALSE
Every city fund must be budgeted

1. True 2. False

Additional Resources:
LMC Handbook: Municipal Budgeting (Chapter 20)
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>Considered the operating budget. Primarily supported by property taxes.</td>
</tr>
<tr>
<td><strong>Special Revenue Funds</strong></td>
<td>Must be used for specific purposes. Revenue is specific to the cause.</td>
</tr>
<tr>
<td><strong>Debt Service Funds</strong></td>
<td>Used to pay principal &amp; interest on governmental funds.</td>
</tr>
<tr>
<td><strong>Capital Project Funds</strong></td>
<td>The guiding plan is the City’s long-term plan (which incorporates the multi-year capital improvement plan).</td>
</tr>
<tr>
<td><strong>Enterprise (Utility) Funds</strong></td>
<td>Revenue to support both operational and capital costs.</td>
</tr>
</tbody>
</table>
Operating Budgets
For the General Fund and Special Funds Consider the Following

Revenue:
- Property taxes
- State Aid
- Grants
- Permits
- Licenses
- Interest

Expenditures:
- Wages/Benefits
- Service levels (new programs or services)
- Fixed & variable costs

Property Taxes:
- Revenue restrictions
- Grant requirements
- Union contracts
- Legislative changes
- General economy
Operating Budgets
For the Enterprise (Utility) Funds Consider the Following

Revenue:
- User fees
- Grants

Expenditures:
- Wages/Benefits
- OM & R (operations, maintenance & replacement)
- Debt service
- Fixed & variable costs

Adjustments:
- User fees as opposed to tax levy
- Rate adjustments to fund operations and infrastructure
- Cash or accrual method?
Property Tax Levy

- 100s General Fund Levy
- 200s Economic Development Authority (EDA) Levy
- 300s Debt Service Levies
- 400s Capital Levies

= Property Tax Levy

600 Enterprise (Utility) Funds

= User Fees
Building a City Park

- Tree Trimming
- Maintenance
- Snow Removal
- Benches
- Sidewalks
- Landscaping
- Waste Removal
Roles in the Budget Process

As a clerk/treasurer, what is your role in the city budgeting process?
Polling Question

YES OR NO
Does your city start the budget season with a goal setting session?

1. Yes 2. No
Staff & Council Responsibilities

**STAFF RESPONSIBILITIES**
- Review city’s needs
- Develop budget
- Strategic alignment with Council goals
- Provide recommendations to council

**COUNCIL RESPONSIBILITIES**
- Impact to Community
- Alignment with council goals and priorities
- Provides services levels in needed areas
Polling Question

TRUE OR FALSE

A budget amendment necessary to spend over the budgeted amount

1. True 2. False
Polling Question

TRUE OR FALSE
A budget amendment necessary to spend over the budgeted amount

1. True  2. False

False
Additional Resources:
LMC Budget Guide
LMC Handbook: Municipal Budgeting (Chapter 20)
Polling Question

MULTIPLE CHOICE

How often do you provide budget to actual reports to City Council?

1. At each meeting.
2. Once per month.
3. Quarterly.
4. During the annual audit presentation.
5. Never.
# Quarterly Report

## Variance Analysis

### General Fund

<table>
<thead>
<tr>
<th>Category</th>
<th>YTD Budget</th>
<th>YTD Actual</th>
<th>Percent of YTD Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$379,153</td>
<td>$326,502</td>
<td>86.1%</td>
</tr>
<tr>
<td>Special assessments</td>
<td>5,996</td>
<td>5,649</td>
<td>94.2%</td>
</tr>
<tr>
<td>Cable franchise fees</td>
<td>11,336</td>
<td>9,102</td>
<td>80.3%</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>19,347</td>
<td>40,783</td>
<td>210.8%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>236,960</td>
<td>132,917</td>
<td>56%</td>
</tr>
<tr>
<td>Charges for services</td>
<td>8,085</td>
<td>22,023</td>
<td>245.1%</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>3,394</td>
<td>5,104</td>
<td>150.4%</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>5,250</td>
<td>4,521</td>
<td>86.1%</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td></td>
<td>9,017</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>6,750</td>
<td>5,030</td>
<td>74.5%</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>$677,171</td>
<td>$560,648</td>
<td>82.8%</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$28,995</td>
<td>$37,852</td>
<td>130.5%</td>
</tr>
<tr>
<td>City Administrator</td>
<td>90,023</td>
<td>99,545</td>
<td>110.6%</td>
</tr>
<tr>
<td>Mayor</td>
<td>5,620</td>
<td>3,218</td>
<td>57.3%</td>
</tr>
<tr>
<td>City Clerk</td>
<td>57,645</td>
<td>60,068</td>
<td>104.2%</td>
</tr>
<tr>
<td>Elections</td>
<td>5,385</td>
<td>(217)</td>
<td>(4.0)%</td>
</tr>
<tr>
<td>Assessor</td>
<td>7,500</td>
<td>10,063</td>
<td>134%</td>
</tr>
<tr>
<td>Finance Director</td>
<td>30,000</td>
<td>30,072</td>
<td>100.2%</td>
</tr>
<tr>
<td>Accounting/Auditing</td>
<td>18,675</td>
<td>24,550</td>
<td>131.5%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>7,500</td>
<td>5,890</td>
<td>78.5%</td>
</tr>
<tr>
<td>Engineering</td>
<td>6,375</td>
<td>6,956</td>
<td>109%</td>
</tr>
<tr>
<td>Mosquito control</td>
<td>6,953</td>
<td>9,450</td>
<td>136%</td>
</tr>
<tr>
<td>Planning and Zoning</td>
<td>7,500</td>
<td>5,992</td>
<td>79.9%</td>
</tr>
<tr>
<td>Police</td>
<td>161,430</td>
<td>160,462</td>
<td>99.4%</td>
</tr>
<tr>
<td>Building Inspection</td>
<td>8,089</td>
<td>27,617</td>
<td>341.4%</td>
</tr>
<tr>
<td>Animal Control</td>
<td>263</td>
<td>84</td>
<td>32%</td>
</tr>
<tr>
<td>Street and highways</td>
<td>101,536</td>
<td>77,927</td>
<td>76.7%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>89,470</td>
<td>69,752</td>
<td>78.0%</td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>8,250</td>
<td>10,488</td>
<td>127.1%</td>
</tr>
<tr>
<td>Library</td>
<td>19,350</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CAB</td>
<td>750</td>
<td>885</td>
<td>119%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>488</td>
<td>393</td>
<td>80.6%</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,375</td>
<td>15,120</td>
<td>98%</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>$677,171</td>
<td>$656,177</td>
<td>96.9%</td>
</tr>
</tbody>
</table>

### Key
- **Varies more than 10% than budget positively**
- **Varies more than 10% than budget negatively**
- **Within 10% of budget**
Budget Impact

Do you know how the city tax rate is calculated, how you might compare to similar communities and how to provide context on differences?
Polling Question

MULTIPLE CHOICE

Which of the following items can you influence at the budget hearing?

1. A resident’s total tax bill.
2. A resident’s property value.
3. A resident’s market value exclusion.
4. The property tax levy.
### Resident’s Total Tax Bill

**Value and tax summary for taxes payable 2019**

Values established by assessor as of January 2, 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated market value:</td>
<td>$304,700</td>
</tr>
<tr>
<td>Taxable market value:</td>
<td>$294,883</td>
</tr>
<tr>
<td>Total improvement amount:</td>
<td></td>
</tr>
<tr>
<td>Total net tax:</td>
<td>$3,852.42</td>
</tr>
<tr>
<td>County $1,234.47</td>
<td></td>
</tr>
<tr>
<td>Hennepin County Regional Rail Authority $53.28</td>
<td></td>
</tr>
<tr>
<td>City of MINNETONKA $1,022.59</td>
<td></td>
</tr>
<tr>
<td>School District: Voter Approved Levies $758.18</td>
<td></td>
</tr>
<tr>
<td>School District: Other Local Levies $486.68</td>
<td></td>
</tr>
<tr>
<td>Metropolitan Special Taxing District Tax $74.96</td>
<td></td>
</tr>
<tr>
<td>Other Special Taxing Districts $178.57</td>
<td></td>
</tr>
<tr>
<td>Non-School Voter-Approved Referenda Levies $43.69</td>
<td></td>
</tr>
<tr>
<td>Total special assessments:</td>
<td></td>
</tr>
<tr>
<td>Solid waste fee:</td>
<td></td>
</tr>
<tr>
<td>Total Tax:</td>
<td>$3,852.42</td>
</tr>
</tbody>
</table>

City is 27% of total

Additional Resources:

LMC Property Tax Statement 101
PROPERTY VALUE

NEIGHBORHOOD

IMPROVEMENT

CONDITION

AGE

MARKET
Resident’s Market Value Exclusion

- Maximum exclusion realized at $76k or less
- Benefit is phased out as value increases
- Complete phase out at $413,778

Additional Resources:
LMC Homestead Market Value Exclusion 101 Memo
Levy: Levy + FD Distribution

Net Tax Capacity:

Tax Capacity - Captured Tax Increment Financing (TIF) Value – Fiscal Disparities Contribution

Additional Resources: LMC Property Tax 101
Budget Timeline & Key Decision Points

Do you wonder what questions should be asked and where key decision points are at during the budget process?
Polling Question

MULTIPLE CHOICE

When does your city start the budget process?

1. February – March
2. March – May
3. June – July
4. August
Best Practice Budget Calendar

**APRIL - MAY**
- Capital Improvement Program (CIP) Revisions

**MAY - JUNE**
- Goal setting session with council

**JUNE - JULY**
- Staff preparing budget requests in line with council directive from goal session

**AUGUST**
- Council receives preliminary budget/levy request

**by SEPT 30**
- Council approves preliminary budget / levy

**OCTOBER**
- Review of enterprise fund budgets / levy

**NOV - DEC**
- Council receives final budget/levy request AND approves between Nov 25 – Dec 28

Additional Resources:
- LMC Budgets Dates 101
- Sets the maximum amount that may be levied
- Approval dates are set in Statute
Key Take-Aways

• Think Strategically
• Know your numbers
• Remember – the budget is a process not an event
• Ask Questions
• Collaborate
Questions?