

# **Municipal Budgeting**

## **Certified Government Finance Officer Review Session February 2017**

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# Agenda

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## **Tuesday – February 7, 2017**

- Budget Process/Budget Types
- Fiscal Policies & Best Practices
- Performance Measurement

## **Thursday – February 9, 2017**

- Revenue Management and Forecasting
- Capital Improvement Budget & Financial Planning
- Budget Presentation Award

# Budget Process/Budget Type

# Budget Basics

- Governments allocate funds to programs and services through the budget process
- The Budget provides the legal authority to expend funds
- Allocations refers to the distribution of scarce resources amount competing activities or the mix of goods to be produced
  - ❖ Indicate goals and priorities for the upcoming year
  - ❖ Reflects the choices made by the governing body

# Budget Basics

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- Must be responsive to constituents' needs and desires
- Governments should engage in long-term financial planning, including multi-year revenue and expenditure projections
- The budget process regulates the flow of decisions – who will have a say and at what point in the process

# Budget Basics

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- Process should effectively involve major stakeholders and reflect their needs and priorities
- Appropriations are normally not held over for future use if they were not expended in the year they were appropriated
- Appropriations in the annual budget are typically authorized for a single year

# Budget Basics

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- The budget process should:
  - ❖ Incorporate a long-term perspective
  - ❖ Establish linkage to broad organization goals
  - ❖ Focus decisions on results and outcomes
  - ❖ Achieve stakeholders' acceptance of decisions related to goals, services, and resource allocation

# Budget Basics

- The budget is a plan – how do you know when you are done without a plan?
- Benefits of the budget:
  - ❖ Stable service delivery
  - ❖ Impact of current decisions
  - ❖ Thoughtful responses
  - ❖ Identifies future trends early
  - ❖ Builds credibility
  - ❖ Transparency



# Budget Approach

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- Budget Process approaches are designed to provide more and better information to decision makers increasing the rationale for budget decisions
- Approach depends on management and legislative body

# Budget Approach Types

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- Executive Budgeting
- Incremental Budgeting
- Performance Budgeting
- Program Budgeting
- Zero-Based Budgeting
- Budget Allotment
- Priority-Based Budgeting

# Executive Budgeting

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- Control of budget preparation lies with the chief executive officer or city manager
- Earliest version used a simple line item format
- Cities and states were the first to adopt to this format

# Incremental Budgeting

- Current year's budget forms the basis for the upcoming year's budget
- Works best during periods of stable revenues and expenditures
- Works reasonably well in mature communities that have stable service demands
- Inadequate method for addressing revenue shortfalls, sharply increasing service demands or during other volatile periods

# Performance Budgeting

- First major reform after executive budget format
- Major feature is the inclusion of various workload measures that emphasize purposes and accomplishment
- Expenditures are based on measurable performance activities and programs
- Sets primary focus on evaluation of the efficiency of existing activities

# Program Budgeting

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- A budget wherein expenditures are based on program of work and on character and object class
- Organized by specific functions
- Functional areas show related revenues and expenditures
- Links revenues and expenditures to goals, objectives, and outcomes

# Zero Base Budgeting

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- Continued existence of programs and activities must be justified annually
- Purpose is to force conscious decisions between disparate goals
- Designed to address the appropriateness of each goal, rather than the most cost effect program to achieve the goal

# Budget Allotments

- A portion of the budget is allocated to an interim period based on historical spending patterns and needs
- Advantages include:
  - ❖ Avoidance of rushed year-end spending
  - ❖ Aids planning cash flow needs
  - ❖ Helps managers plan inventory needs



# Priority Based Budgeting

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Resources allocated according to how effectively a program or service achieves goals and objectives that are of great value to the community:

- Also known as Budgeting for Results/Outcomes
- Strategic alternative to incremental budgeting
- Philosophy of how to budget scarce resources and a flexible structured process for achievement

# Priority Based Budgeting

- Priority based budgeting process
  - ❖ Government identifies its most important strategic priorities
  - ❖ Programs and services are ranked according to alignment with the priorities using a collaborative evidence-based process
  - ❖ Funding is allocated according to the ranking
- Useful tools to align expenditures more closely with community values

# Phases of the Budget Process

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- Budget manual (call)
- Agency/Department budget requests
- Preparation of the proposed budget
- Legislative consideration and adoption
- Implementation
- Audit and evaluation

# Budget Process - Manual

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- Chief executive officer is responsible – budget guidance outlining fiscal positions
- Contains instructions for preparing and submitting the operating and capital budgets
  - ❖ Description of budget process
  - ❖ Budget calendar
  - ❖ Assumptions to be used for requests
  - ❖ Forms to be used with instructions

# Budget Process

## Department Requests

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- Transmittal memo that outlines its major objectives and initiatives for the budget year
- Budget schedules that detail the amount requested
- Narrative justification of requested amount
- Workforce ratios for some expenditure items

# Budget Process

## Department Requests

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Narrative justifications include:

- Description of current services
- Identify additional needs with supporting detail
- Discuss implications of not funding the requested amounts
- Supporting documentation

# Budget Process - Preparation

- Budget staff reviews requests to ensure:
  - ❖ Compliance with budget instructions
  - ❖ Revenues and expenditures balance
  - ❖ Realistic revenue projections
- Works with chief executive and management team to determine which requests and funding levels will be included in the budget
- Compiles the approved requests into a proposed budget document that is submitted to the legislative body for review and decision

# Budget Process – Legislative Consideration and Adoption

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- Proposed budget is presented to legislative body for consideration
- Reviews budget to ensure constituent needs are addressed
- Holds public hearing in accordance with Florida Statutes and local ordinances



# Budget Process – Legislative Consideration and Adoption

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Budget document should:

- Provide summary information to the public\media
- Include a transmittal letter that outlines key policies and strategies
- Be readable and understandable
- Explain events/conditions that require changes in operations to ensure financial stability
- Be posted on the taxing authorities official website at least two days before budget hearing

# Budget Process – Legislative Consideration and Adoption

## Chapter 200, Florida Statutes – Truth in Millage (TRIM)

- Open discussion of millage rates and budgets
- Purpose is to provide transparency in how local taxing authorities proposed and approve millage rates
- Outlines requirements to be in TRIM compliance
- Determine if there is a tax increased proposed based on the rolled-back rate

# Budget Process – Legislative Consideration and Adoption

## Truth in Millage (TRIM) Process:

- Maximum millage rate for cities and counties is 10 mills
- Defines a “county of special financial concern” as a county where 1 mill raises less than \$100 per capita
- Outlines requirements to be in TRIM compliance
- Department of Revenue is responsible for enforcing compliance of the TRIM (property tax ad valorem) process

# Budget Process – Legislative Consideration and Adoption

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## Rolled-Back Rate

- The millage rate necessary to raise, the aggregate, the same amount of money this year from the taxpayers on last year's tax roll that was raised a year ago (excludes new construction)
- Levying a millage rate higher than the rolled-back rate requires the taxing authority to advertise a tax increase

# Budget Process – Legislative Consideration and Adoption

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## Truth in Millage (TRIM) Process:

- Tax revenue is based on Certification of Value provided by the Property Appraiser and is the valuation of the taxable value within the jurisdiction
- Requires taxing authorities to utilize a minimum of 95% of the certified taxable value
- Requires two public hearings for open discussion of millage rates and budgets

# Budget Process – Legislative Consideration and Adoption

## Truth in Millage (TRIM) Process:

- Trim Day 1 is July 1 or the date of certification, whichever is later
- NLT Trim Day 35 – advise property appraiser of its proposed millage rate and first public hearing date
- NLT Trim Day 55 – property appraiser distributes Notice of Proposed Taxes (TRIM Notice)

# Budget Process – Legislative Consideration and Adoption

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## Truth in Millage (TRIM) Process:

- Between day 65 (September 3) and day 80 (September 18) taxing authority must hold its first public hearing
- Within 15 days of holding the first public hearing the taxing authority must publish an advertisement to adopt the final millage and budget

# Budget Process – Legislative Consideration and Adoption

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## Truth in Millage (TRIM) Process:

- Second Public hearing must be held between 2 and 5 days after the advertisement has been published
- Submit TRIM package to DOR for review and approval



# Budget Process – Legislative Consideration and Adoption

## Public Hearings:

- At both hearings, millage rate must be discussed first before the budget; increase over the rolled-back rate must be announced
- General public is allowed to speak before governing body can take any action
- Millage must be adopted before budget adoption

# Budget Process – Legislative Consideration and Adoption

## Maximum Levy Limits:

- Majority vote – Rolled-back rate (RBR) plus per capita personal income change
- Two-thirds vote – 110% of RBR adjusted for per capita personal income
- Unanimous vote (3/4 if 9 or more) – up to 10 mill cap
- Referendum – up to 10 mill cap
- Super-majority vote is of the membership of the governing body, not the members who are present

# Budget Process – Legislative Consideration and Adoption

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No adopted budget – FS allows taxing authorities to readopt its prior year's adopted final budget, as amended, and expend moneys based on that budget until such time as the tentative budget is adopted if the fiscal year begins prior to adoption of the tentative budget

# Budget Process – Implementation

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- Budget officer implements
- Budget is uploaded into the financial system as approved by the legislative body
- Manage position control process
- Work closely with the finance office

# Budget Process – Audit and Evaluation

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- Monitor the budget monthly and/or quarterly
- Report actual compared to budget
- Adjust the budget as necessary
- Monitor progress toward objectives

# Multi-Year Budgeting

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Budgets are adopted for two or more years:

- Classic (traditional) – both the spending and revenue plan for each budgetary year are approved at the same time
- Rolling – each year's appropriations are adopted in each subsequent year

# Multi-Year Budgeting Advantages

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- Improves:
  - ❖ Financial planning
  - ❖ Long-range strategic planning
  - ❖ Program monitoring and evaluation/benchmarking
- Reduces staff time in budget development
- Links operating and capital activities/spending
- Reduces surprises
- Pinpoints problem areas early

# Multi-Year Budgeting Disadvantages

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- Difficult to project into the future
- Could reduce responsiveness to emergencies if too restrictive
- Initial year may increase work and stress in departments



# Multi-Year Budgeting Safeguards

- Amend existing financial and budget policies:
  - ❖ Allow carryovers from one year to the next
  - ❖ Budget adjustment levels
  - ❖ Use of revenue reserves for unanticipated expenditures
- Create financial policies
  - ❖ Balance budget
  - ❖ Revenue diversification
  - ❖ Debt capacity
  - ❖ Fund balance

# Multi-Year Budgeting v. Financial Plan

## Budget:

- Includes goals or objectives
- Public documents
- Approved by governing body

## Financial Plan:

- Includes goals or objectives
- Public documents
- Not formally adopted by the governing body

# Accounting Basis

## ➤ Governmental fund:

- ❖ Used to account for most, if not all, of a government's taxable supported activities
- ❖ Uses modified accrual basis of accounting

## ➤ Five governmental fund types:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds
- Permanent Funds

# Accounting Basis

- Proprietary funds:
  - ❖ Used to account for a government's business activities and service internal and external customers
  - ❖ Uses accrual basis of accounting
- Two types of proprietary funds:
  - ❖ Enterprise Funds
  - ❖ Internal Service Funds

# Accounting Definitions

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- Encumbrances – obligations incurred for which receipt of goods or services have not occurred
- Mandate – when a higher level of government requires a lower level of government to perform a specific task or to meet a standard

# Fiscal Policies and Best Practices

# Budgeting Best Practices

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National Advisory Council on State and Local Budgeting (NACSLB) has established four principal and twelve elements for budgeting best practices

- Four Principles of the budget process are comprised of Twelve Elements
- Twelve Elements assist in translating the guiding principles into action component

# NACSLB – Four Principles

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1. Establish broad goals to guide government decision making
2. Develop approaches to achieve goals
3. Develop a budget consistent with approaches to achieve goals
4. Evaluate performance and make adjustments



# Elements of Principal 1

## Establish Broad Goals

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1. Assess community needs, priorities, challenges, and opportunities
2. Identify opportunities and challenges for government services, capital assets, and management
3. Develop and disseminate broad goals

# Elements of Principal 2– Develop Approaches

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- 4. Adopt financial policies**
5. Develop programmatic, operating, and capital policies and plans
6. Develop programs and services that are consistent with policies and plans
- 7. Development management strategies**

# Elements of Principal 3– Develop Budget

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8. Develop a budget process for preparing and adopting a budget
9. Develop and evaluate financial options (this would include multi year or long range projections)
10. Make choices necessary to adopt a budget

# Elements of Principal 4– Evaluate Performance

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- 11. Monitor, measure, and evaluate performance
- 12. Make adjustment as needed

# Establishing Strategic Plans (Element 1)

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- A recommended practice by GFOA
- Drawn from the NACSLB (National Advisory Council on State and Local Budgeting)
- Link to the budget
- Be outcome driven
- Be supported by Elected officials

# Recommended Practices

## Fiscal Policies (Element 4)

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- Policies are adopted by the governing body
- All fiscal policies should have an element for measuring performance and reporting

# Operating Budget Policies

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- Define a balanced operating budget
- Develop with the goal to maintain a **structurally balanced budget** (operating revenue = operating costs)
- Identifies who is responsible for budget preparation - management

# Revenue Policies

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- How much change in the property tax rate is acceptable in a given year
- How one-time revenue will be used
- How frequently should service charges and fees be reviewed
- Revenue diversification
- Items that will not be budgeted (i.e. savings)



# Fund Balance Policies

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Establish policy on the General Fund's spendable and unassigned fund balances based on the government's own circumstances:

- Predictability of revenues
- Volatility of expenditures
- Risk of significant one-time outlays (disasters)
- Commitments and assignments
- Conformity with legal/regulatory constraints

# Stabilization Policies

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- Stabilization funds may be called rainy day funds, committed balances, or contingency funds
- Policy will guide creation, maintenance, and use of resources held for financial stabilization purposes
- Policy will identify purpose for which funds can be used

# Contingency Planning Policies

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- General guide to improve the ability to take timely action and to aid management when an emergency occurs
- Should include a basic financial plan in the event of emergencies, natural disasters, or other unforeseen events.

# Debt Policies

- Guides the issuance and management of debt
- Address the issue of debt capacity (GFOA Budget Awards Requirement)
  - ❖ What is the maximum long-term debt burden that the government can incur?
  - ❖ Mix of long-term debt and current revenues for capita projects
- Use of bond proceeds
- When will short-term debt be used

# Develop Management Strategies (element 7)

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## Develop mechanism for budgetary compliance

- Relies on the management structure (process and systems) to ensure compliance with the adopted budget
- Institutes procedures to review budget periodically (budget to actual comparisons) either monthly or quarterly

# Cost of Government Services

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- Full Cost – encompasses all direct and indirect costs related to that service
- Direct Cost – salaries, wages, benefits or employees working exclusively on the delivery of service and materials and supplies and other associated operating costs
- Indirect Cost – shared administrative expenses that may be performed centrally (e.g., purchasing and information technology)

# Cost of Government Services

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- Life-cycle costs – includes costs in addition to purchase price over the life of an asset such as engineering and design, construction, installation, operations and maintenance, repairs, and rehabilitation (useful when deciding to purchase major equipment)
- Opportunity costs – benefit of an options that if forgone by choosing another options

# Cost of Government Services

- Sunk costs – A cost that has been incurred and cannot be reversed (should be ignored when evaluating other options)
- Marginal Cost – expense that would be incurred from 1 additional unit of production

	2009	2010
Cost	\$100,000	\$106,000
Units served (estimated)	85,000	92,000
Marginal cost		\$0.857



# Performance Measurement

# Performance Measurement

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- Process for determining how a program is accomplishing its mission
- Four key steps:
  - ❖ Identification and definition of indicators
  - ❖ Collection of appropriate data
  - ❖ Analysis of data
  - ❖ Reporting results
- Focus on achieving goals and objectives unlike a line item budget which is focused on controlling inputs

# Performance Measures

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- Input – resources used in producing output or outcome
- Output – completed activity, amount of work done
- Workload – level of productivity in providing goods and services
- Effectiveness – goals and objects are met within deadlines
- Efficiency – how much did it cost to produce the outcome

# Performance Measures

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- Linked to specific program goals and objectives
- Measures should be valid, reliable, and verifiable
- Links the budget to outcomes by establishing performance measures agreed upon managers and decision makers

# Performance Measures

- Answer key questions:
  - ❖ How much did we do (quantity)?
  - ❖ How well did we do it (quality)?
  - ❖ How hard did we try (effort)?
  - ❖ Is anyone better off (effect)?
- Why measure?
  - ❖ Improve performance
  - ❖ Enable good decisions making (quantified)
  - ❖ Report to the public

# Program Components

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- Clearly defined service area
- Process
- Activity and tasks
- Planned outcomes or achieved results
- Link expenditures and revenue to goals, objectives, and outcomes
- Expenditures and revenues are related to specific functions

# Performance Benchmarks

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- Useful in assessing how well a function, program, or activity meets their purpose
- Identifying best practices
- Consistently defined and measurable
- Comparative standards that provide a framework for evaluation program/service quality or effectiveness

# Performance Benchmarks

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- Indicators or benchmarks are measures that help quantify the achievement of a result
- Assess progress toward accomplishing desired outcomes
- Examples:
  - ❖ Crime rate
  - ❖ Percent of survey buildings without graffiti
  - ❖ Percent of structures flooding



# Customer Driven Organizations

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- Focus is on providing service and meeting customer needs
- Customer represents a percentage of target population
- Customers included both internal and external
- Goals and objectives of the organization incorporate customers preferences in addition to internal organization goals

# Revenue Management and Forecasting

# Forecasting Revenue

- Estimating revenue is the first step in determining level of resources that will be available for budget appropriations
- Influenced by the following factors:
  - Administrative
  - Economic
  - Political
  - Policy Context
- Stability of revenue stream improves the forecast – utilities have an advantage over governmental revenues

# Forecasting Revenue

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- Involves use of analytical techniques to estimate
- Should be decentralized with each program following a common set of assumptions and methods
- Used to establish spending targets
- Assists in projecting future financial conditions
- Projects capital project pay-go and debt financing
- Should be extended at least three (3) years

# Revenue Manual

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- Documents revenue sources and factors relevant to projecting current and projected collection levels
- Promotes better understanding of government's resources
- Supports decision-making
- Internal staff training tool

# Revenue Manual

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For each revenue source, describe:

- Title and brief description of the revenue source
- Authorization and limitations of the revenue source
- Collection methodology
- Collection history

# Qualitative Methods

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Qualitative revenue forecasting methods rely on judgements about future revenues

➤ Consensus:

- ❖ Group collectively reaches agreement on revenue projections based on previous collection patterns, experience ,and knowledge
- ❖ May be used for new revenues or sources that have inadequate or unreliable data

# Qualitative Methods

## ➤ Judgmental:

- ❖ Informed decision based on history and general economic conditions
- ❖ May be used for revenues with a high degree of uncertainty

## ➤ Expert:

- ❖ Uses economists, demographers, etc. to study trends
- ❖ May be used for revenues affected by national and/or regional trends



# Qualitative Methods

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## Weaknesses:

- Responds to political pressures
- Focus on current issues/events
- Lack of comparability over time

# Quantitative Methods

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- Relies on numerical data – this enables testing to see if underlying data assumptions are met.
- Requires extensive amounts of historical data to generate dependable projects
- Should collect at least **40** data points

# Forecasting Revenue Methods

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- Trend analysis – forecasting future revenues based on its short-term historic trend
- Simple linear and multiple regression analysis
- Time series analysis – forecasting revenue based on financial data over extended periods (e.g., 40 or more periods) collected at equally spaced intervals

# Forecasting Revenue Methods

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Econometric forecasting involves projecting future revenues by taking into account the economic factors that influence the revenue

- Generates revenue forecast using an equations that includes a number of variable that influence the revenues being project
- Sales Tax
- User Chargers (building permits)
- Utility (Public Service) Tax

# Break-Even Analysis

- Simple technique for determining whether a project will break even (e.g., Revenues = Costs)
- Four variables:
  - ❖ Revenue per unit
  - ❖ Fixed costs
  - ❖ Variable costs
  - ❖ Number of units or uses

# Calculate Net Present Value

Method of comparing the long-term financial costs of different alternatives

$$\text{The value of the promise today} = \frac{\text{\$ Promised in future}}{\text{Discount factor}}$$

Example: Benefit today of receiving \$200,000 in a year's time given a 5% discount rate is \$190,476 (\$200,000 divided by 1.05)

# Revenue Restrictions

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- Forming a Community Redevelopment District
  - Must adopt a finding of necessity
- Establishing a business tax – requires an equity study
- Revenue Sharing:
  - Two components – guaranteed entitlement and growth
  - Constrains use of debt service in excess of the guaranteed entitlement amount

# Capital Improvement Program and Financial Planning



# Capital Assets

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- Capital assets are government facilities, infrastructure, equipment, or networks that enable the delivery of essential public sector services
- GFOA recommends governments establish a system for assessing their assets
- Plan and budget for any capital maintenance and replacement needs

# Capital Assets Inventory

- Complete inventory and periodic measurement of the physical condition should be conducted no less than annually
- Inventory should include:
  - ❖ Location
  - ❖ Engineering Description
  - ❖ Book Value
  - ❖ Condition
  - ❖ Replacement Costs
  - ❖ Operating Costs

# Capital Improvement Program (CIP)

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- A plan of capital investment for a period of time, usually 5 to 7 years
- Prioritizes projects and identifies funding sources.
- Should include citizen recommendations
- Should be included and adopted at the same time as the budget
- Is a decision making tool

# Capital Improvement Program (CIP)

- Provides transparency on projects the governmental agency is constructing/ implementing
- Advantages of adopting a formal plan:
  - ❖ Financial management tool
  - ❖ Contributes to long-range planning
  - ❖ Reduces the influence of political considerations in determining which projects to fund

# Capital Improvement Program (CIP)

- Is the outcome of the organization's long-term strategic planning process
- Multi-year program:
  - Budget year (first year) are included in the adopted budget
  - Future years are waiting funding and move up until included in the adopted budget
- Projects are based on priorities and may be not receive funding for other higher priority projects

# Capital Improvement Program (CIP)

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## Steps to identify Capital Improvement Projects:

- Review status of previously approved project
- Identify new projects
- Assess alternatives
- Complete forms
- Evaluate ability to fund

# Capital Improvement Program (CIP)

Evaluate new Capital project:

- Project description
- Location
- Justification
- Cost by year
- Impact of future revenues
- Future operating costs
- Discount capital costs to present value (e.g., measure the benefit given up today when committing to future costs)

# Capital Improvement Program (CIP)

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- Ranking Capital Project criteria:
  - ❖ Should be developed to select and rank
  - ❖ Agreed upon by decision makers
- Consider:
  - ❖ If taxes will have to be raised
  - ❖ How many citizens will benefit
  - ❖ Public safety issues
  - ❖ Ongoing operation costs of the project



# Methods to Finance Capital Projects

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- Current revenues (pay-as-you-go):
  - ❖ Impact fees
  - ❖ Gas taxes
  - ❖ Infrastructure surtaxes
- Debt
  - ❖ Long-term
  - ❖ Short-term
- Grants

# Methods to Finance Capital Projects

Pay-as-you-go revenues requires current revenues to be saved for the project

## ➤ Advantages

- ❖ No interest or financing costs
- ❖ Suited for smaller projects not feasible to finance

## ➤ Disadvantages

- ❖ Current taxpayers pay the project's entire cost but will be enjoyed by future taxpayers
- ❖ Reduces future financial flexibility

# Methods to Finance Capital Projects

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Debt Financing is the issuance of bonds, commercial paper, and/or bank note

➤ Advantages:

- ❖ Intergenerational equity
- ❖ Preserves reserves
- ❖ Suited for larger projects

➤ Disadvantages

- ❖ Interest and finance costs
- ❖ Dedicated revenue stream restricts future use

# Methods to Finance Capital Projects

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- Tax increment financing requires a finding of necessity that blight exists within the CRA's boundaries
- Must be used within the CRA's boundaries and used to revitalize the area

# Budget Presentation Award

# Award Program Outline

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## ➤ Four categories:

- Policy document
- Financial plan
- Operations guide
- Communications device

## ➤ 27 Criteria


- 14 of them are mandatory requirements

# Award Program Outline

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- Six Sections of the Detailed Criteria Location Guide - *provide page numbers, not “yes”*
  - Introduction and Overview
  - Financial Structure, Policy and Process
  - Financial Summaries
  - Capital and Debt
  - Departmental Information
  - Document-wide Criteria

# The Detailed Criteria Location Guide



**GFOA Detailed Criteria Location Guide**  
**Distinguished Budget Presentation Awards Program**

Name of Entity: \_\_\_\_\_  
 State/Province: \_\_\_\_\_  
 First Submission? Yes  No

Cite specific page references on the lines in response to each question.

**Introduction and Overview**

#C1. *Mandatory:* The document shall include a table of contents that makes it easier to locate information in the document.

\* **Table of Contents**

1. Is a comprehensive table of contents provided? \_\_\_\_\_
2. Are all pages in the document numbered or otherwise identified? \_\_\_\_\_
3. Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? \_\_\_\_\_

#P1: The document should include a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

**Strategic Goals and Strategies**

1. Are non-financial policies/goals included? \_\_\_\_\_
2. Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? \_\_\_\_\_
3. Are other planning processes discussed? \_\_\_\_\_

#P2: The document should describe the entity's short-term factors that influence the decisions made in the development of the budget for the upcoming year.

**Short-term organization factors**

1. Are short-term factors addressed? \_\_\_\_\_
2. Does the document discuss how the short-term factors guided the development of the annual budget? \_\_\_\_\_
3. Is a summary of service level changes presented? \_\_\_\_\_

#P3. *Mandatory:* The document shall include a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (e.g., transmittal letter, budget summary section).

\* **Priorities and Issues**

1. Does the message highlight the principal issues facing the governing body in developing the budget (e.g., policy issues, economic factors, regulatory, and legislative challenges)? \_\_\_\_\_
2. Does the message describe the action to be taken to address these issues? \_\_\_\_\_
3. Does the message explain how the priorities for the budget year differ from the priorities of the current year? \_\_\_\_\_



# Requirements for Award

(Reviewed by 3 judges)

- Must be rated proficient or outstanding by 2 judges for each mandatory criteria (14)
- Must be rated proficient or outstanding by 2 judges for each of the four basic categories
  - Policy document
  - Financial plan
  - Operations guide
  - Communications device

# Budget as a **Policy Document**

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- Statement of entity-wide long-term financial policies (**mandatory**)
- Describe process for preparing, reviewing, adopting, and amending the budget (**mandatory**)
- Budget message that articulates priorities and issues for upcoming budget year (**mandatory**)

# Budget as a **Policy Document**

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- Statement of organization-wide strategic goals and strategies (like a vision statement)
- Describe entity's short-term factors that influence the decision made in the budget development

# Budget as a Financial Plan

- Define (explain) the basis of budgeting for all funds:
  - ❖ Include whether or not the basis of budget is the same as the basis of accounting, if not describe difference
  - ❖ Debt service is an example where they may differ
- Budget document should include and describe all funds that are subject to appropriation (may not be the same in the audited financial statement)

# Budget as a Financial Plan

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- Projected changes in fund balances (mandatory):
  - ❖ Define fund balance in the document
  - ❖ Must include all funds appropriated
  - ❖ Explain changes in fund balance greater than 10% and related issues
  - ❖ At a minimum, include information on each major fund and on non-major funds in the aggregate

# Budget as a Financial Plan

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- Summary of major revenues and expenditures, and financing sources and uses, to provide an overview for all total resources (mandatory)
- Summaries of revenues, expenditures, and other financing sources and uses for three years (mandatory)

# Budget as a Financial Plan

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- Describe major revenue sources, explain the underlying assumptions for the revenue estimates and discuss significant revenue trends for at least 75% (in dollars) of the major revenue (mandatory)
- Explain the long-range financial plans and its affect upon the budget and the budget process

# Budget as a Financial Plan

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- Include total amount of budgeted capital expenditures (Mandatory) AND Define!
- Describe impact of significant non-recurring capital investments



# Budget as a Financial Plan

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- Financial data on current debt obligations and description of the relationship between current debt levels and the legal debt limits (**mandatory**)
  - ❖ Must indicate what the legal debt limit is for the jurisdiction
  - ❖ If there is not legal debt limitation, that should be clearly stated

# Budget as an Operations Guide

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- Include entity-wide organizational chart (mandatory)
- Explain relationship between functional units and funds
- Schedule or table summary of personnel or position counts for prior, current, and budgeted year (**mandatory**)

# Budget as an Operations Guide

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- Describe activities, services, or functions carried out by organizational units (mandatory)
- Include goals and objectives of organizational units
- Provides objective measures of progress toward accomplishing the government's mission

# Budget as a Communications Device

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- Include a comprehensive table of contents (mandatory)
- Provide an overview of significant budgetary issues (mandatory)
- Include statistical and supplemental data to describe the organization, community, and population
- Include a glossary

# Budget as a Communications Device

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- Use charts and graphs to highlight financial and statistical information
- Produced and formatted to enhance understandability and usability by the average reader

# Source Materials

# Source Materials – Florida Statutes

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- Chapter 200 (Millage and TRIM):
  - 200.065
  - 200.068
  - 200.071
  - 200.081
  - 200.18
- Chapter 205.035
- Chapter 218.25
- Chapter 163, Part III
- <http://www.leg.state.fl.us>

# Source Materials – GFOA

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- Capital Improvement Programming: A Guide for Smaller Governments
- An Elected Official's Guide to Revenue Forecasting
- An Elected Official's Guide to Performance Measurement
- An Elected Official's Guide to Multi-Year Budgeting



# Source Materials – GFOA

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- Cost Analysis and ABC for Governments
- Decision Tools and Budgetary Analysis
- Financial Policies: Design and Implementation
- The Operating Guide: A Guide for Smaller Governments
- Anatomy of Priority-Driven Budget Process
- An Elected Official's Guide to Government Finance
- An Elected Official's Guide to Debt Issuance

# Source Materials – GAAFR

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- Chapter 1 – GAAP and the Governmental Environment
- Chapter 2 – The Government Financial Reporting Model
- Chapter 10 – Financial Statements
- Chapter 16 – Budgetary Integration and Reporting
- Chapter 17 – Performance Measurement

# Source Materials - WEB

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- Recommended Budget Practices: A Framework for Improved State and Local Government Budget ([WWW.GFOA.Com](http://WWW.GFOA.Com))
- Recommended Practices: Budget and Fiscal Policy ([WWW.GFOA.COM](http://WWW.GFOA.COM))
- Distinguished Budget Presentation Award Program Criteria Guide and Explanations ([WWW.GFOA.COM](http://WWW.GFOA.COM))