Going Beyond the Numbers

BUDGETING 101 FOR ELECTED OFFICIALS
Welcome

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Senior Manager
AEM Financial Solutions

Licensed to practice as a CPA in Minnesota, Mrs. Holthaus brings a wealth of knowledge and expertise creating customized solutions for local governments and nonprofit agencies.

Dan Greensweig
LMCIT Administrator & Moderator
Agenda

• City Budget Components
• Council Role in the Budget Process
• Budget Impact and Considerations
• Budget Timeline and Key Decision Points
Polling Question:

What is the size of your city?

1. Under 2,500
2. 2,500 – 10,000
3. 10,000 – 25,000
4. Over 25,000
Polling Question:

How many budget cycles have you participated in?

1. None! This will be my first time.
2. One or two
3. Three or more
City Budget Components

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

Every city fund must be budgeted?

1 True

2 False
Every City Fund Must be Budgeted?

TRUE

FALSE
City Funds

100s
- General Fund
  - Considered the operating budget
  - Primarily supported by property taxes

200s
- Special Revenue Funds
  - Must be used for specific purposes
  - Revenue is specific to the cause

300s
- Debt Service Funds
  - Used to pay principal & interest on governmental funds

400s
- Capital Project Funds
  - The guiding plan is the City’s long-term plan (which incorporates the multi-year capital improvement plan)

600s
- Enterprise (Utility) Funds
  - Revenue to support both operational and capital costs
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

= User Fees
Building a City Park

Tree Trimming
Maintenance
Snow Removal
Benches
Sidewalks
Landscaping
Waste Removal
As an elected official, what is your role in the city budgeting process?
Polling Question:

Does your city start the budget season with a goal setting session?

1 Yes

2 No
SET GOALS
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:

A budget amendment is necessary to spend over the budgeted amount.

1 True

2 False
A budget amendment is necessary to spend over the budgeted amount?
Polling Question:
How often do you receive budget to actual reports from city staff?

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

## Variance Analysis

<table>
<thead>
<tr>
<th></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>8,985</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 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>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>YTD Budget</th>
<th>YTD Actual</th>
<th>Percent of YTD Budget</th>
</tr>
</thead>
<tbody>
<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>18,875</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>98.9 %</td>
</tr>
</tbody>
</table>

**Key**
- Varies more than 10% than budget positively
- Varies more than 10% than budget negatively
- Within 10% of budget
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:
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

<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</td>
<td>$1,234.47</td>
</tr>
<tr>
<td>Hennepin County Regional Rail Authority</td>
<td>$53.28</td>
</tr>
<tr>
<td>City of MINNETONKA</td>
<td>$1,022.59</td>
</tr>
<tr>
<td>School District: Voter Approved Levies</td>
<td>$758.18</td>
</tr>
<tr>
<td>School District: Other Local Levies</td>
<td>$486.68</td>
</tr>
<tr>
<td>Metropolitan Special Taxing District Tax</td>
<td>$74.96</td>
</tr>
<tr>
<td>Other Special Taxing Districts</td>
<td>$178.57</td>
</tr>
<tr>
<td>Non-School Voter-Approved Referenda Levies</td>
<td>$43.69</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
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 + Fiscal Disparities Distribution

**Net Tax Capacity**:  

\( \text{Tax Capacity} - \text{Captured Tax Increment Financing (TIF) Value} – \text{Fiscal Disparities Contribution} \)

**Additional Resources**:  [LMC Property Tax 101](#)
Budget Timeline and Key Decision Points

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

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

Sets the maximum amount that may be levied

Approval dates are set in Statute

Additional Resources: [LMC Budget Dates 101](#)
Key Take-Aways

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

Jean McGann
President
AEM Financial Solutions

Victoria Holthaus
Senior Manager
AEM Financial Solutions

Dan Greensweig
LMCIT Administrator
& Moderator

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