

Budgeting for Cities and Towns in Washington State

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Table of Contents

Introduction	1
Essentials to Good Budgeting	2
Responsibilities of the Involved Parties.....	3
The Budget: Serving a Variety of Functions	6
Different Types of Budgets for Different Types of Funds	9
Performance Management and Budgets.....	13
The National Advisory Council for State and Local Budgeting (NACSLB) Model	15
Budgeting Tools.....	17
Techniques (Nuts and Bolts of Budget Development)	19
Glossary of Budget Terms	29
Sample Ordinances	31
Budget Calendar.....	37
Budget Amendment Matrix.....	38
Bibliography	39

The budget can allow you to do anything you want. You just can't do everything.

Revision - July 2002

There have been many changes and innovations in governmental budgeting over the past few years. Continuing improvements in technology and management innovations have “raised the bar”. This revision will introduce these changes to our discussion on budgets for cities (and other local governments) in Washington State.

The most significant change has been the development of the “National Advisory Council on State and Local Budgeting” (NACSLB) recommended practices.¹ This work is a compilation of guidance in this area, the Government Finance Officers Association (GFOA) worked with other government associations, academia, labor, and industry to form the NACSLB in 1995. The result was a compilation of recommended practices for contemporary governmental budgeting that represents the current state of the art.

Another innovation that has seen significant advances over the past several years has been in the area of performance measurement. Leaders such as the GFOA and the Governmental Accounting Standards

Board have worked to improve the quality and usefulness of an area of governmental reporting known as “Performance Measurement”. The GFOA has extended the concept further and has recently adopted a recommended practice concerning “Performance Management”. This takes the reporting of measures as efficiency and effectiveness and added the concepts to the overall management of the government.

Voter initiatives have also changed the landscape for governmental budgets. Initiatives limiting taxing authority have had a dramatic impact on the fiscal planning and well being of many of Washington’s cities. The need to clearly communicate the way in which public resources are being used to meet community needs has never been clearer.

Fundamentally however, governmental budgeting remains about allocating scarce resources across a variety of community needs. This work attempts to cover both the basics of city budgets and provide a look at some of the innovations.

¹ See Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, NACSLB, published by GFOA in 1998.

Introduction

What is it all about? Why is so much organizational energy invested into building the budget? It is all about building a better community. Both elected and appointed officials work hard to make sure the scarce resources available to meet community needs are used as wisely and effectively as possible.

While typically thought of as a financial activity done to satisfy state law, budgeting is the process of planning for the future of your community.

Fiscal planning involves all elements of a government and should be considered one of the most important opportunities for city officials to effect change. Some of us view it as “the plan.” It could even be defined as the comprehensive plan. No other planning document, project or program can be implemented without the budget. No other planning document is as truly comprehensive as is the budget.

The process of budgeting will not only allocate fiscal resources to meet needs and provide services, it will set a direction for the future. Recognizing budgeting as the most effective method to get results in government, many city officials have become very involved in the budget process.

Additionally, we are being asked more and more for accountability in how the tax dollar is spent. Many years ago we were content to hold budget hearings with only staff and elected officials in the room. This is no longer the case; today we need to be better communicators of our purpose, services and the related costs.

Hopefully, this guide will help you become an effective “budgeteer,” and help you instigate meaningful changes in your community.

The Association of Washington Cities (AWC) and the Washington Finance Officers Association (WFOA) jointly sponsor an annual budgeting workshop for elected officials and appointed officials. It includes the operating elements, capital planning elements, and policy development aspects of the budget process. This budgeting guide is used with the workshop.

While budgeting is an art, and there is no one correct way to budget, certain basic requirements should be met in every case. Principles that have traditionally led to improved budget development are shared throughout this guide.

If you have any questions about the material contained in this publication, please feel free to contact AWC at (360) 753-4137.

Budgeting is the process of planning.

Essentials to Good Budgeting

To be effective in budget-making, you first must determine what the goal of your budget development process will be. At a minimum, your budget must meet the requirements of Washington state law and the State Auditor's Office, including:

Revised Code of Washington (RCW) (see "biennial budgets" later in this publication for more information and RCW authority on multi-year budgets)

- **RCW 35.33.020 Applicability of Chapter**
Applies to all cities and towns except those over 300,000 population.
- **RCW 35.33.051 Preliminary Budget**
On or before the first business day in the third month prior to the beginning of the fiscal year... the clerk... shall submit to the chief administrative officer a proposed preliminary budget which shall set for the complete financial program of the city...

- **RCW 35.33.075 Budget – Final – Adoption – Appropriations**
Following conclusion of the hearing, and prior to the beginning of the fiscal year, the legislative body shall make such adjustments and changes as it deems necessary... and shall, by ordinance, adopt a budget in its final form and content.

Budgeting, Accounting & Reporting System (BARS)

- **BARS Manual**
Section 1.2.1
"Normally all general, special revenue, and proprietary funds of local governments must have annual appropriated budgets... Each local government must prepare a comprehensive, entity-wide budget of all anticipated resources and outlays for the fiscal year, including those funds for which appropriated budgets are not required and including estimates of the annual portion of continuing appropriations."²

A budget is a forecast of expected resources and the purposeful distribution of those scarce resources. When a budget is appropriated by ordinance or resolution, it provides both the right to spend and limits the amount to be spent. Both appropriated budgets and less formal management estimates are used by managers to control spending.³

Understanding the minimum requirements and the objective of your budgeting process is the first essential to effective budgeting. Each organization will have a little different overall objective for its budget development. An important first step is an examination of the goals and purpose for your budget process. Realizing your organizations potential will take time and careful planning. Hint: Don't overlook this important planning detail.

² BARS Manual, Section 1.2.1, page 7.

³ IBID, page 3.

Responsibilities of the Involved Parties

Policymakers' perspective

The policymakers role is multi-faceted (and often difficult). The elected officials provide the city with overall direction. They also have responsibility to the citizens for the level of appropriation and the fiscal integrity of the operation.

Policy making

The underlying budget policies should be adopted by the policy making body early in the process to help guide the development of the budget. These policies should include a sense of direction for the community towards which staff can propose programs or modifications in their development of the preliminary budget to be submitted to the policy makers.

The GFOA advises that setting clear policy direction consists of two components; programmatic and financial. Financial policies include such things as fund balance levels, debt levels, tax burden and other benchmarks. Excellent guidance on financial policies can be found in the NACSLB recommended practices.⁴

The other policy component consists of program guidance. The types of programs and services offered by the city should be examined from a community needs standpoint by the policy makers. Providing this type of guidance early will help your staff be more focused on the right community priorities.

Staff usually prepares the budget request and balances the preliminary budget before presenting it to the policy-making board. If the policymakers provided clear direction through budget policies early in the process, the resulting preliminary budget should target those priorities.

“In its policy making role, the governing body sets short-term and long-term goals, which are reflected in the local government budget.”⁵

“The legislative body should become involved in the development of budget policies and guidelines long before executive officials begin to prepare specific budget requests.”⁶

Fiscal control/responsibility

The appropriations in the budget ordinance determine to what levels the staff is permitted to spend public monies for the purposes of implementing policies. These levels are established as prescribed by RCW 35.33.075 with the budget ordinance passed by the policymakers. “The term appropriation is suitable for this expenditure budget because the amounts are fixed maximums authorized by the legislative body that adopted the budget.”⁷

The elected officials should ensure that the appropriation level will be sustainable by the anticipated revenues, including any anticipated funds to be carried forward from the previous year.


The resulting preliminary budget should target those priorities expressed by the policy makers.

⁴See the Governmental Finance Officers Association website www.gfoa.org. See also Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, NACSLB, published by GFOA in 1998.

⁵Management Practices in Local Government Finance, published by ICMA in 1987, page 128.

⁶An Operating Budget Handbook for Small Cities, published by GFOA in 1978, page 8.

⁷BARS Manual, Section 1.2.2, page 17.



The budget process should be open and interactive from beginning to end.

A balanced budget (where anticipated revenues, combined with cash carry over, are expected to provide for authorized expenditures) is required by RCW 35.33.0.75.

While estimates for revenues and reserves typically come from staff, the elected officials should review the underlying assumptions and acquaint themselves with the potential for revenue shortfalls. Additionally, any policies that relate to levels of reserve funds should be developed to assist with the future fiscal integrity of the entity.

Fiscal integrity

The policymakers also have an obligation to the community to assure the long-term fiscal integrity of the city. This relates more closely to financial policies (again) rather than day-to-day oversight of the city's accounts. The combination of solid financial policies which clearly state the ideals and limits of city financial policy with good organization level financial reporting will provide the best tools to satisfy this calling.

**Long-term planning/
“strategic budgeting”**

The policymakers are in the unique position to direct change over a period of time, often years, by consistently focusing on long-term objectives. This often includes developing a vision or set of long-term community goals. Some jurisdictions conduct retreats for themselves and key staff. Some conduct community surveys and others involve community leaders in focus groups or other forums. The NACSLB advises

that the first step in the budget process is an assessment of community needs. Whatever the method used, this is an essential step in developing an effective budget process.

As the sophistication of the planning processes has improved, many communities are now incorporating these planning processes in a “Strategic Budget.” This involves documenting the anticipated changes necessary in the budget over time (three years, five years or longer) needed to realize the policymakers’ vision.

Chief administrative officer’s perspective

In Washington, a city’s chief appointed officer (CAO) may be either a mayor, a city manager or a city administrator (sometimes titles vary). The CAO leads the budget process to keep it consistent with the goals of the policymakers. The budget is also a means of managing city resources.

A variety of management methods are used. Some cities prefer an autocratic (top down) style, while others use their management team early in the budget development process. There is a greater trend towards a collaborative effort involving policymakers, staff and the community in development of the preliminary budget.

In either case, the budgeting process remains an important responsibility of the chief administrative officer. The CAO should ensure that the policymakers are presented with a preliminary budget and other documents that provide enough information for policymakers and the public to effectively review the budget.

A good budget process starts with the public, involves the policymakers early and keeps the proposed budget consistent with the direction provided by the policymakers.

Finance officer's perspective

The budget is often considered a financial program, relegated to the finance department or clerk/treasurer's office. While the financial element is central, budgeting is more than simply adding up the numbers. Finance directors realize this and, when they're responsible for the budget, they involve many others in its development.

The finance officer's primary responsibility is to provide financial data, review the accuracy of financial data, and assist with fiscal elements of the planning process. The role of financial ombudsman is very important and often rests with the financial official.

Potential roles of "other management"

Many cities involve other managers, and line staff, in budget development. It is very common for department managers to submit budget requests for the coming fiscal year. Many times, these managers solicit involvement from within their departments.

Like the financial officer, the departmental managers should always feel comfortable providing budget feedback on the impact of proposed programs or cutbacks. Such involvement is key to good policy making and must be credible and reliable.

Managers may attempt to influence the outcome of the budget process to the betterment of their department. This should not be viewed as negative or counter-productive. Instead, the CAO must be prepared to sort through departmental requests to expand (or maintain) service and prioritize the preliminary budget accordingly.

Citizen's perspective (does the citizen really have a say?)

Citizens may feel they don't get to have a "budget perspective." This element may get overlooked, but the budget is a plan for spending a citizen's money on services for that citizen. The budget process should be open and interactive from beginning to end.

Many governments seek public input during the policy development stage, early on in the process. Others feel the public comment period should be limited to the public hearings required by law during budget passage.

In either case, the public should be involved and every attempt should be made to achieve the twin goals of meeting community needs and maximizing resources.

The Budget: Serving a Variety of Functions

The budget should explain how the policies will be implemented in a practical way.

The budget as a planning document

The budget is a planning document that has its basis in financial resources. The planning element of the budget can be easily overlooked. The elements of good planning include identifying community needs, city resources, the organizational capability to meet community needs, and a plan to match such resources to the needs.

The first step, identifying the need, should involve an assessment of community goals. These goals and priorities should be general in nature to apply to as many of the responsibility areas in the city as possible. Many cities now use citizen surveys to assess the needs and citizen sentiment on related topics. See the NACSLB for more information.

The policymakers should meet in June or early July to determine what these goals will be for the coming budget process. This way, the departments or CAO have plenty of time to identify how the goals can be carried out in their areas of responsibility. Often, the goals evolve over time rather than change dramatically from year-to-year.

The policymakers should see that the guidance they give to staff as they prepare the budget will help them develop a plan that will make sense to the public, as well as serve the purposes of the city. Clear policy direction is essential in this process.

The budget as a planning document is dominated by words, not numbers. A citizen, bond analyst, potential management employee, or union representative often will not be able to understand the fiscal plan unless written explanation supplements the numbers. While the fiscal element of budgeting requires that numbers, especially as they relate to appropriations, are very important to the process, they should not dominate.

The budget should clearly illustrate the goals of the city at the citywide and program levels. The citywide goals are typically more global and longer term. The budget should break these broader goals into action steps and the effect of these on the operations and programs should be clear in the program and organizational portions of the budget.

Look at your work product. Ask yourself if a newcomer to your community could get a sense of your policy direction and how you will get there from your budget. Is it a planning document involving finances, or is it a line-item list of spending limits without obvious focus?

The budget as an operations guide

In its role as an operations guide, the budget should explain how the plan will be carried out. This element of the budget often is depicted through departmental or program discussions about services provided, use of resources, and abilities to meet needs, goals, and accomplishments. Since budgets usually are submitted by departments, managers often are asked to describe their operations and how they intend to meet the policy directives.

The budget's operations guide portion should explain how the policies will be implemented in a practical way. To discuss this in total for the city would result in a huge, confusing document. This discussion is usually broken down into how it affects the city's various departments. A good budget will summarize the specific operational activities or programs, which support the policy goals of the city either in the budget message, or in a summary section. It is essential to relate the organization's operations to the community objectives to maximize this aspect of the budget.

Format should reflect nature of budget depiction.

The general government operations are usually providing generic services to the entire population. Examples include law enforcement, fire department, and administration. Other elements of general government that meet specific needs for individuals or groups include parks, planning, engineering, and code enforcement. Government operations also include utilities, city shops, and other similar business-like activities.

How these different types of activities are depicted may vary to reflect the services provided. The format used to depict the operations should be tailored to the preferences of those in your organization.

The structure of the organization should be clear.

An organization chart and chart of city positions should be included to explain how the city has structured its workforce to provide the described programs.

The budget as a financial tool

The budget is obviously a financial tool. Because of the appropriation element of budgeting, which is required by law, the budget will always include numbers. How the numbers are depicted is important.

Use numbers in the budget sparingly and meaningfully.

We already determined that the budget should be dominated by explanatory language rather than numbers. Regardless, the numbers are necessary and important. It helps if the numbers illustrate the narrative's financial implications. Intersperse the numbers with the narrative and include lots of explanatory charts and graphs.

The operations discussion should include numbers that show how resources support operations. A historical perspective is important when displaying the fiscal impact. Typically, we see the past few years depicted for comparison, with an indication of the percentage difference between the current fiscal year and the next fiscal year.

Sometimes, governments will depict an estimate of the actual, not budgeted, expenditures for the current year, especially if it is expected to be different than the amount originally budgeted.

Summarize in a clear, comprehensive manner.

The budget should display a summary compilation of the fiscal impact in a format that will include all operations, an assessment of year-end balances, and a historical perspective. The budget

helps elected officials determine that long-term fiscal integrity is maintained. This is accomplished by an illustration of the effect of planned appropriations and revenue estimates on fund balances. In addition, comparing these totals to prior years helps illuminate trends.

The budget as a communication tool

The budget document explains the results of the budget process.

The budget should be one of the most important communications tools you have to describe city policies, operations, and fiscal planning to the community. If the right information is included, it will meet your goal. The next step is to present the budget in a format that is descriptive and useful to the readers.

It is important to know who may use your budget and for what purpose. Budgets can be an internal tool to communicate direction and plans to city staff. Budgets can be an external tool to communicate to citizens and community groups the city's goals and operations. It will be important to tailor your budget to the audience for which it is intended.

Some cities actually prepare two budget documents in addition to the line item print outs from computer systems. One budget is for internal use and the other is for external users.

Budget formats for internal use usually are more detailed about specific operations and finances. Such budgets include policy discussion only to the extent that it supports the city's operational decisions. The operational

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descriptions include objectives and even job assignments. This type of document often is used to develop budget comparisons for work product. Units of measure are determined and objectives are established.

Some jurisdictions prepare a mid-year and post-year comparison with these objectives to measure effectiveness. Internal budgets also contain financial data that is usually more detail-oriented, and often will not include aggregate data or trends.

Budget formats also can be created for external users, such as special interest groups, the business community, for use at presentations, and for the general public. These usually focus on the direction elected officials have set for the city and, generally, how the city intends to accommodate this policy guidance.

A mayor or the city manager often will write a “budget message” that accomplishes this task. The message identifies the community’s goals and vision, discusses any significant operational issues related to these goals, and summarizes the budget’s fiscal impact.

Tables and graphs summarize the fiscal and operational information. This type of budget usually contains very little detailed expenditure information.

A combination of policy, objectives, operations and finances

Ideally, the budget should tell a story (some suggest it should read like a well organized book).

Here’s the scenario: A community has vision, direction, a sense of purpose, and concrete goals. The community that has resources can reach these goals and realize the vision. The city, as the organization dedicated to seeing that these goals are accomplished, is described to some extent, and any change the goals would instill on the city or the way it functions would be described.

The financial resources are described in summary and the anticipated use of these resources is identified. The effect of the use of city resources on the city’s long-term fiscal health is discussed and evaluated.

The result: The efficient use of community resources by the city to accomplish its goals and realize the vision. This is the theme of your budget story!

Different Types of Budgets for Different Types of Funds

Long-term plans – “strategic budgets”

There are a couple of different approaches to long-term budgeting. Many organizations budget capital improvements over a five-year period or longer. The Growth Management Act requires a six-year capital facilities plan (CFP). We will discuss capital improvement programs later in this section.

The value of predicting revenue over future years is to understand your tax base. Another form of “long-term plans” is a long-range revenue forecast. While many revenue forecasts are predicated on changing and difficult-to-measure economic data, it is important to understand the long-term direction of the local tax base.

An understanding of revenue trends can help policymakers avoid future disruptions, such as hiring staff in one fiscal year, then laying them off two years later due to declining revenues. However, the cost of the forecasting activity should not exceed its usefulness to the city. Understanding general direction is important, but too much emphasis should not be placed on exact projections.

To understand the tax base, it is important to understand the way that different taxes are reacting to underlying causes in the economy. Sales tax may be up while property taxes are slow to come in. It may appear as though “times are tough,” but sales taxes have exceeded projections. These and many other anomalies in a tax base can and do occur. Each jurisdiction needs to completely understand its economy to make informed judgments about future resources.

Trending

On the expenditure side, there are two types of long-range plans. The first involves taking current and historic data and developing trends into the future. This results in projecting the future effect of past and current events and service/spending levels.

When this method is used, a careful analysis of the data that the trends are based upon should be made. If any unusual events occurred that could not reasonably be expected to recur, they should be identified and eliminated from the data. A thorough explanation of these deletions and any other assumptions should be included to make the projections more meaningful to the users. After this step is completed, a straight line projection of expenditure trends can be made.

Such an approach should attempt to classify expenditures as to their character and unique nature. For example, an inaccurate forecast would result if gasoline were included with other types of expenditures. The erratic history of gas prices would obviously create unrealistic results if the same history were applied to other types of expenditures.

A long-range budget plan of this type provides **one possible estimate** of future expenditures based upon past trends. When matched to the revenue forecast, a long-range fiscal analysis can be performed.

All users should be cautioned, however, that this data is not a prediction of the future, but rather extrapolation of the past into the future. The city environment is dynamic and always changing. You can be assured that the past will not represent the future to a significant degree.

An understanding of revenue trends can help policymakers avoid future disruptions.

Strategic planning

A second way to treat long-range expenditure forecasts is to actually extend the planning “window” into the future by a few years. A strategic budget process must have a long time horizon. Operating budgets are normally developed to meet a legal requirement for a one or two year appropriations document and related revenue-raising actions.

Even though the budget is typically a one-year document, the lifetime of the municipality, the services it provides, the facilities it uses, and its infrastructure stretch indefinitely into the future. In this approach, the objective is to present multiple years of plans and anticipated expenditures which you believe would result from implementing the policy direction provided by the policymakers.

The difference in this approach is that the past operations only provide a backdrop to future plans. The plans themselves are what the multi-year budgets are based upon. Managers project the cost of meeting long-range goals and these costs are summarized. Again, these cost projections (they are not budgets, just projections of potential future budgets) can be compared to future revenue projections to illuminate the impact of such plans on the fiscal condition of the city. This can provide the basis for long-term analysis of current policies, operating decisions, and budget decisions.

Strategic budgeting is becoming more common with the increased effectiveness of various computer tools. Today’s electronic spreadsheets can accommodate complex logic and do a very good job of making analysis of a variety of strategic scenarios manageable. In addition, even more sophisticated hybrid spreadsheet/database tools are now adding elements to strategic planning that were unthinkable just a few years ago.

In developing your strategic budget, you can choose one of a number of alternative paths to packaging the data for analysis. The traditional “departmental budget” approach may be the easiest to assemble, but may offer the least flexibility in analyzing differing scenarios. Repackaging the data into a form that better supports the policy making decision process can be very helpful. Categories like personnel count by program or function, fixed costs, allocations to other funds, and departmental operating budgets are a few suggestions.

A few progressive cities are experimenting with strategic budgets based on the costs of services. This involves analyzing both the cost of services per unit and the number of units provided. You can assess the total costs for the city, costs for a neighborhood, or the projected cost of an annexation. An example would be police calls for service. If you find that you have 1 call for service per 100 population per year, you can

extrapolate that to the estimated costs to serve a particular group of people based on the number of people involved. In the business district, this can be cost of calls per 100 businesses. This example shows the flexibility of this method as well as the general nature of the estimating process.

The results will not be exact, but will provide an approximation based on data that comes from current records and uses current service levels. This method can also be used to assess changes in service levels. If the cost for calls per capita is decreasing, it may be that you want to assess the ability of your current service levels to provide adequate coverage.

The strength of a strategic budget is the ability to illustrate the assumptions used to arrive at the depicted results. As a policy tool, this will allow policy makers to understand and influence the assumptions so that they reflect the anticipated policy direction. This also allows for the assessment of different policy scenarios (if the plan is constructed so that these changes can be made easily). The assumptions used can then be the focus of the discussion. This will often also permit an understanding of the impact on operations as well. The result is a policy driven document which illustrates operating and fiscal impacts.

Regardless of the methodology used, a strategic budget is a significant step forward in the sophistication of the budget. As a planning tool and a monitoring tool it can be effective to management and policymakers alike.

Multi-year budgets

With the exception of biennial budgeting discussed below, multi-year operating budgets are not a permitted form of budgeting in Washington state. A comprehensive budget can consist of multi-year budgets for capital projects and debt service. These are technically referred to as continuing appropriations and are discussed below.

Annual or biennial budgets

Annual appropriations

Washington state law requires annual (or biennial – see below) appropriations. Most Washington cities utilize annual appropriations for all types of funds and activities. The budget ordinance often reads like the examples in the appendix (pages 30-34). The annual appropriation is an ordinance that the legislative body of a city passes, granting authority to staff members to spend city resources during the fiscal year. This authority lapses at year's end.

The annual appropriation is required to be a “balanced budget,” but once the appropriation level is set, the authority to spend remains even if revenue estimates are not met. An understanding of revenue trends can help policymakers avoid future problems.

Biennial budgets

Biennial budgets are legally permitted by RCW 35.34. In consideration of the lengthy and intense process associated with the adoption of a budget, the Washington State Legislature in 1985 provided for biennial budgets for cities and towns.

The process for adopting a biennially appropriated operating budget is generally the same as for an annual budget. The schedule for submitting budget estimates, the proposed preliminary budget, budget hearings and budget adoption also is the same. The major difference is that the budget is indeed a two-year appropriation with a required mid-biennium review. This review is intended to be a tune-up for the biennium budget, not another budget process.

Presentation of the biennial budget in the financial statements is slightly different from an annual budget. About fifteen Washington cities use biennial budgets. Some cities have used a biennial budget and returned to annual budgets. The trend towards using the biennial budget seems to be expanding slowly.

The advantage to the biennial budget is that the budget process is very time intensive and doing it every other year will provide a time savings for staff and the council without a less significant product. The two-year perspective can be very helpful to address matters more thoroughly at times. Real progress can be made on related topics, such as strategic planning, policy development or performance management in the “off years”.

A disadvantage can be the challenge of forecasting revenues and expenditures for a two-year period, especially in changing economic times.

The process of adopting a biennially appropriated operating budget is the same as that for an annual budget.

Continuing appropriations

A continuing appropriation is a fixed budget for a set amount of dollars extending for more than one fiscal year. This is typically used for capital projects, grants, debt service, and other service projects. When this method of budgeting is used, it requires that an ordinance or resolution authorize the activity for which the funds are being budgeted. The authority to expend monies to meet the obligations of the activity is included in the ordinance.

The main difference between continuing appropriations and annual appropriations is that the ordinance authorizing the activity and the corresponding budget can cover many years rather than lapsing at year's end. No need exists for adding continuing appropriations to the annual budget ordinance. (See the example in the Appendix on page 31 that shows a "memo only" notation of continuing appropriations.)

Capital facilities plan

The capital improvement program has a long history for Washington cities. Traditionally used to plan for substantial capital projects that occur over several years, this form of budget recognizes the time it takes to arrange for expenditures of this magnitude. It is

not uncommon for capital projects to take in excess of a year to complete, making it difficult to budget for this activity in the annual appropriation budget format. Budgeting pieces of a project as it develops over the years could suggest that the city can fund the project for one year but not continue this commitment during the next year. A multi-year approach to capital projects helps meet these longer-range budgeting circumstances.

While capital planning has existed for some time, the passage of the Growth Management Act of 1990 (GMA) caused the focus of capital planning to change significantly. The GMA refers to capital planning as a "facility plan," similar to the traditional capital improvements program. The facility plan is a required element of a comprehensive plan that will provide for development of those facilities that are deficient relative to providing for new development (as well as other projects desired by the community).

Many restrictions apply to state monies and grants, as well as some locally derived revenues, for those cities that do not comply with the GMA facilities planning elements. The introduction of GMA into the capital planning picture has complicated the capital planning process.

The Capital Facilities Plan (CFP) concept is a classic budget development approach. We will summarize it here, knowing that a more detailed discussion is necessary for a complete appreciation of the CFP.

- The city's Comprehensive Plan (land use plan) should include a section that describes the community's stated levels of service for each service area intended to be included by the city council.
- Starting with the community's determined service levels for capital facilities, an inventory of existing capital facilities determines where deficiencies exist.
- The CFP must provide a plan to resolve these deficiencies before further demand on the capital systems can be permitted by allowing additional growth in the community.
- As the community established the initial service levels, they can choose to adjust (lower) the service levels rather than pay for facilities needed to accommodate growth.
- We can choose to allow growth even though our facilities are at capacity by lowering our standards for such facilities.

The dynamic nature of this give and take is a budget making process.

Performance Management and Budgets

Introduction

Performance measurement, also known as service efforts and accomplishments, has grown in popularity with respect to budgeting and external reporting.

The goal is to objectively report to the electorate the results in the community from expending taxpayer money.

The focus is on services or programs targeted by management for stated levels of effectiveness. These can be very comprehensive, but most often include police services, fire services, road and street maintenance, and other direct service functions. While there is some debate as to the proper forum for reporting performance measures, it is becoming increasingly clear that the budget plays a central role.

Understanding the measurement focus

Performance measurement often is standardized as measures of input, output and outcomes. As a result of measuring these, we are able to derive an efficiency measure and an effectiveness measure.

Input measures the amount of resources consumed in pursuing the various objectives of program. Because input is a measure of consumed budgetary resources, we have been reporting on inputs all along. However, we may not have reported input to programs in a way that relates directly to the program objectives. Rather than measure salaries, benefits and supplies, we would organize expenditures around programs, objectives and tasks.

Output is the tangible and objective result of the input.

An example would be an input of dollars for downtown police patrol. The output would be the number of patrol hours actually performed in the downtown area as a result.

Other examples would be:

- The number of potholes patched as a result of input like personnel resources, equipment time and asphalt;
- The number of emergency medical responses by a fire / paramedic unit while the input would be the cost to keep these units on duty and available as well as the equipment and medical supplies;
- The number of building plan permits issued with input consisting of the employees and office space where the permits are reviewed and approved.

Outputs are generally easy to track and are often objective and measurable.

We are now seeing a large number of budgets prepared with good performance measurement of outputs. Departments often track this information in response to questions about their ability to meet community demands with available resources.

Efficiency is measured by comparing the outputs produced to the inputs required to meet these output targets. This can be compared to prior years to see the amount of progress towards a more efficient operation. Another common comparison is with other similar jurisdictions that also compute efficiency measures. Comparing your operations to others is referred to as benchmarking.

While there is some debate as to the proper forum for reporting performance measures, it is becoming increasingly clear that the budget plays a central role.

Outcome measurement attempts to gauge the extent to which your output has had the desired effect. If you were able to increase the patrol hours in the downtown area, did that result in a decrease in the crime rate for the region? Did the additional hours help make patrons feel safer in the downtown area of your city? These are examples of outcome measurement. It becomes apparent that outcome measurement is less objective and harder to prepare than the former types discussed. While the expenditure of public resources is an attempt to accomplish the desired outcome, it is often necessary to use subjective measurement tools to determine if you were successful. Examples of measurement tools are surveys and assumptions about apparent results.

Incorporating performance measurement into your budget

Now let's explore how to include meaningful measures in your budget process and document. The best measures to include will be those that relate to your stated vision and objectives. For this reason, it becomes even more important for staff to have good direction as to the goals of the city which are to be carried out through the budget.

A good budget document will use the clearly defined community goals as a basis for the measurement of the effectiveness of the effort expended towards accomplishing the goals. This can be accomplished by referring specifically to the portions of the budget that support the goals from the goals discussion. Actual page numbers can be included where measures can be found that relate to given goals. Alternatively, the measures can be traced back to the goals or stated direction of the community budget.

If the goals of the community include improving a sense of public safety, this goal can refer to the police budget pages where measures illustrate safety statistics (number of convictions, crime statistics, number of actual patrol hours per capita). In addition, the reference can be to the municipal court budget, the city attorney budget and to the building code enforcement budget if it applies. There are a number of ways to address community concerns, some of them less obvious. This makes it important that your budget be a roadmap to the ways in which you are addressing your stated goals.

Each department should be encouraged to include some statistics about performance in their budget description. Departments should be aware that this type of information is very helpful in making their

arguments for additional resources. Good statistics that relate well to the policy direction of the city will be instrumental in showing the policy makers and citizens of the community that the budget works to carry out their vision.

There are a number of good performance measurement statistic references. We recommend the Government Finance Officers Association (www.gfoa.org), the International City Managers Association (www.icma.org), and the Governmental Accounting Standards Board (www.gasb.org). Each has a web site with both suggestions and ways to order additional materials on the subject.

Performance management is incorporating performance measures with other policy making and operational management aspects of managing your city. The following discussion about the implementation of the NACSLB is one of the best ways to illustrate the integration of the many activities that result in a Performance Management program. The key here is the integration between these recommended practices. Each practice supports and relates to others.

The National Advisory Council for State and Local Budgeting (NACSLB) Model

Establish broad goals

Assess community needs, priorities and challenges

This is a fundamental policy step which includes collecting community (stakeholder) sentiment about the needs and direction of the community. Many cities use citizen surveys to gather information about needs and perceived effectiveness of the existing city programs.

Focus groups, citizen budget committees and the use of existing boards and commissions are other methods used to help gather input for the policy making process.

Identify challenges and opportunities for government services, capital assets and management.

An assessment of the needs for improvement in capital assets and management tools can be added to a review of government services. The annual review of certain government services helps to insure that only those services that are needed or most beneficial to the community are continued.

Develop and disseminate broad goals.

The policy makers (city council) should develop the goals for the city as an early part of the budget process. The term "broad goals" refers to multi-year, citywide goals for the betterment of the community. These should be shared with the community to the extent possible. Methods for sharing these includes the web page, newsletter, a newspaper article and constantly mentioning these as guiding the city's efforts in public comments.

Develop approaches to achieve the goals.

Adopt financial policies.

The NACSLB provides for a comprehensive list of financial policies that will help provide guidance through the decision making process. These include fund balance, revenue and many other important policies. Refer to the NACSLB for the many excellent recommended policies.

Develop programmatic, operating and capital policies and plans.

In addition to financial policies, the NACSLB suggests that program and operating policies are appropriate to the budget process.

Develop services and programs that are consistent with policies and plans.

A connection of the programs and services a city offers with the policies of the city council (both financial and programmatic) is one of the most important and most difficult parts of implementing Performance Management. The budget should make this connection clear. As mentioned earlier, cross referencing the policies to the programs / services and vice versa is important to make it clear that this important step has occurred.

Develop management strategies.

It is important to develop strategies that support the connection of policy making to performance management and then to the budget development. Examples include using the broad goals discussed above to develop operational plans that illustrate management

strategies to implement them. These can take the form of strategic plans or business plans. The key point is to illustrate what changes are anticipated to move the organization towards the accomplishment of the goals.

The management plans can also form the basis for later review such as performance measurement. These plans can illustrate the intended outcomes from each program and service, indicators to illustrate progress toward the outcome and the performance measures that will illustrate how effective the programs and services are.

Develop the budget.

Develop a process for preparing and adopting a budget.

Most larger cities prepare a budget instruction handbook to guide staff in preparing budget materials. This handbook includes the necessary forms, templates, estimates of costs, etc. Personnel costs along with the many assumptions about wage increases, benefits costs and other related personnel costs are provided. Direction about the policy decisions and the nature of the staff response to the policy direction should also be included.

The budget schedule, due dates and other details that staff needs to know in order to prepare the budget materials are all included. Many documents are now shared with staff electronically via spreadsheets and Word documents. Templates help insure the data looks consistent once it is prepared. This is very important to enhance the quick understanding of the issues by others such as the city council or the public.

Develop and evaluate financial options.

This crucial step will allow you to understand the implications of different choices. Since developing a budget is about making good choices, it is important to have a way to evaluate alternatives. Computer models make this much easier and more effective than it once was.

Programs exist that will guide you in setting up the information in spreadsheets so that key “drivers” can be changed and the results of the changed assumption will be illustrated. These programs vary depending on the size and complexity of the organization. A key to the success of your spreadsheet model will be the way in which these assumptions can be used to affect the results. In addition, you will want to be able to easily illustrate the list of assumptions that result in a particular set of results.

The method that your city uses to pose and evaluate these various scenarios should support the budget development process. These reviews usually occur following the development of “broad policy guidance”, but before reviewing the detailed budget proposals. As this step will evaluate the general results from different scenarios which can then be followed by developing the detailed budget materials.

Make the choices necessary and adopt a budget.

Adopting a budget is about making choices. In good economic times, it might be what additional community needs to address. In times of stagnant or declining revenues, the difficult choices are where and how to pull back city services. This is difficult and thought should be given as to how to help the city council best deal with this decision making process. Keep this in mind when designing the budget materials that your council will use. The meetings should provide for lots of discussion about the issues early on and then transition into more of a council oriented session (less staff) where the merits of different decisions can be debated towards the best overall conclusion.

The form of the budget adoption is an ordinance which lists the appropriations approved within each fund. The level of budget adoption is typically at the fund level. This means that legally, the city can exceed the appropriation levels at the program or department level, but need council authority before they can exceed the appropriation at the fund level (a budget amendment). Example ordinances are provided in the appendix.

Evaluate Performance.

Monitor, measure and evaluate performance.

Financial performance should be monitored at least quarterly. These reports should be provided to management, the council and the community. They should be easy to understand by the non-financial persons involved in the process. Graphs and charts are an easy way for others to see and understand financial information. Examples of financial reports are available from GFOA and others.

Program performance should also be monitored as well. This is commonly done once a year, but more cities are beginning to develop systems that produce some performance information more often. This report should illustrate whether the programs are efficient and having the desired results.

Make adjustments as necessary.

Once adopted, the budget can be changed if the reports described above, or other factors suggest that this is in the best interest of the city. This is often the case if economic conditions change resulting in changes to budget estimates. New grants or other changes since the budget was adopted often result in budget amendments.

Budgeting Tools

No substitute for good information

Budget is made up of estimates and predictions about the future that are based on the past and other supporting information. To have good estimates of revenues and predictions of services to be provided, it is important to have reliable historical information. Both the type of historical information and its reliability are important.

Type of information

The type of information that might be helpful includes past revenue and expenditure levels by type and source. This is especially true of revenues. You should know what caused any variations in historical data, as well as the potential impact of those causes on your predictions. The best estimates are those that are collaborated by a number of different sources.

Examples of helpful data include: Trends in the revenue sources for the past ten years, business and economic data, construction activity, results of reassessments of property, inflation rates in the different sectors of the economy, utility rates of your jurisdiction and others, unemployment (or, better yet, employment) data, school enrollment levels, and tourism activity. Most of this information is available within your community and can be easily maintained from year to year. Sales taxes are a large revenue source. Sales tax data is available from the state Department of Revenue. This information is invaluable in looking at trends in retail sales.

Credibility of data

Having a lot of data is helpful. It's also important to have data that you can rely on. If changes have occurred that would affect the trends portrayed in the data you utilize, these should be clearly identified. The types of changes that, when not clearly identified or understood, can result in poor trends and data include: Changes in tax rates or fee levels, annexations, large significant events, changes in accounting classifications, large (one-time) construction projects, and others. These irregularities do not make the effected data unusable, but should be taken into consideration whenever assumptions are used based on such data.

Computerized budget development

Many financial accounting systems include provision for line-item budget development. (We will discuss the role of line-item budgets under the Expenditure Techniques section of this handbook.) An option to generate a budget worksheet is usually available.

As illustrated below, a typical worksheet is divided into the departmental components and lists all BARS accounting line items. It usually includes the final results from the prior year, the current year's budget, and the results thus far for the current year. Space is provided to allow departments to pencil in their budget requests for the coming year. Some systems now provide for "on-line" input of budget requests by departments. Systems often provide for various levels of budget requests, such as "requested, recommended, and final."

The budget is made up of estimates and predictions about the future.

Once final, the budget line items entered into the computer become the budget data for next year within the accounting system. (Newer computer systems support increasingly complicated budgeting methods and versions. Be sure all parties understand the system that will be the backbone of the budget process.)

Personal computer spreadsheets

Probably one of the most significant recent developments is the sophistication of spread sheet software for personal computers. Spreadsheets have helped with budget summarization for some years now. The growing abilities of spreadsheets, and personal computers in general, make these very powerful tools for budget development.

Integration of applications

Spreadsheets can now be created that list all employees by departmental organization. The pay and classification plan can be included, resulting in the actual pay for all employees for the budgeted year, inclusive of taxes, benefits, longevity, and other allowances. Information from these

spreadsheets can be linked to other spreadsheets that provide for other types of expenses.

Revenue estimates can include, and be based on, formulas and electronic trend analysis within the spreadsheets. Community-specific criteria can be built into spreadsheets. When something in the economy or other information changes, that criteria can be updated resulting in updated revenue estimates.

Aids to the communication role of the budget

The ability to link data within various types of software tools is also an innovation that assists with budget development. Budgets need to be presented in a readable format that includes the fiscal impact and/or basis. Word processing or desktop publishing software that contain this type of budget information can include fiscal information as a direct link to your spreadsheets. When updates are made in one spot, the changes flow through to the other software products that are linked to that spreadsheet.

An example would be a change in salary projections as a result of union negotiations. The salary spreadsheet is updated manually, which automatically updates the total budget spreadsheets. This updates the summary spreadsheets, which updates the graphs developed either through the spreadsheet software or a graphics package, and also updates the fiscal portion of the budget narrative in your word processor or desktop publisher. The results of a change in revenue estimation criteria can be seen very clearly as an impact on the total budget in a matter of seconds.

A Typical Worksheet

Program Budget

Account Number	Title	Prior Year Total	Current Year Total	Current Year to Date	Requested Budget	Recomd Budget	Approved Budget
1013514101000	Salaries	\$64,395	\$65,650	\$37,295	\$67,000	\$67,000	\$63,000
1013514102000	Benefits	18,936	21,100	9,627	22,000	22,000	21,500
1013514103000	Supplies	4,750	5,250	3,760	6,000	5,500	5,500
1013514104100	Prof Svcs	1,200	1,200	600	1,500	1,200	1,200
1013514104200	Comm	2,375	2,000	1,800	3,000	3,000	3,200
1013514104300	Travel	3,750	3,500	1,500	5,000	4,000	3,000
Total		\$95,406	\$98,700	\$54,582	\$104,500	\$102,700	\$97,400

Techniques (Nuts and Bolts of Budget Development)

Beginning fund balance

Estimate the beginning fund balances of each fund (if any) and determine how much you anticipate including as resources for coming year. Many city budgets are now into multiple millions of dollars with dozens of employees involved. It is virtually impossible to end the year exactly on budget for expenditures or have revenues exactly match the projections. This means we will either end in a deficit or in a surplus. Prudent management suggests that we should strive to end in a surplus rather than deficit.

In addition, each city must determine how to manage their cashflow. Since property taxes are a large revenue source, and are collected primarily in the spring and summer, there will be peaks and valleys in the cash status of each city. If no cash balance were maintained, you would have times when you would have to borrow operating cash to pay the city's bills (which are usually fairly constant during the year). You will typically have a beginning fund balance to consider when determining what resources are available for appropriation.

Many cities have different policies on how much fund balance to maintain. A few of the methodologies include a minimum percent of the total expenditure budget (usually between 5% and 10%). Others wish to keep a certain number of days or weeks of operations in fund balance. Another method is to keep a fund balance equal to a minimum number of payrolls as a target.

These basic questions will help get you started:

- Does your city have a higher degree of uncertainty because your volatile revenues are the largest, or one of your largest sources? (i.e., sales tax);
- Does your city have a large dependency on one or two major revenue generators? (i.e., company town, Boeing);

The size of your city may determine your needs. Larger cities typically possess broader and deeper tax bases, which may allow them to function with a smaller reserve. Whichever your city chooses, it should be an understood policy of the city. The Government Finance Officers Association has developed a "recommended practice" as to fund balance levels. It generally suggests a minimum balance of 15 percent, but many issues should be taken into consideration. See the recommended practice at www.gfoa.org.

Reserves/fund balance

In addition to a working fund balance, cities have set goals to maintain certain levels of year-end reserves. These are typically depicted as a percent of total fund expenditures. With the size of many city budgets, it would be unwise to attempt to operate without any reserves or rainy day fund. Some reserves are specifically designated for a certain purpose, such as capital improvements or budget stabilization. All reserves should be included in the budget as a part of the total resources available. If the city wishes to maintain certain reserve levels through the budget process, they should be identified as a year-end position that results from not expending all resources available.

It's important to have data you can rely on.

Update this estimate as the process develops

The reserve is a result of external forces and, for the budget process, it's an estimate. With both revenues and year-end expenditures not being entirely known until after the budget is adopted, the reserve is difficult to determine.

It's necessary to assess what the reserve amounts will be early in the budget process and to update this estimate as the preliminary budget moves closer to adoption. It may even be necessary to update the estimate, and revise the budget as a result, after the beginning of the next budget year. (Note: Year-end fund balances should not be relied on for on-going programs.)

Revenues include all sources

List and define all types of revenues for each type of fund. The revenue estimates should be developed early on, with preliminary estimates by July of the previous year. Estimates should be developed for each revenue source. The revenue estimates should be classified according to the fund that they will apply to.

Provide data about the revenue source

Include historical trends, changes in rates, and other factors. In order to assist others in understanding the estimates, it is helpful to explain the basis for your estimates. Again, the estimates are based on historical data and current trends. This should be the type of information provided as a part of the revenue estimates within the budget.

Many people do not understand the way different taxes and fees actually work, and a simple explanation would be helpful. (Of course, it would also help if the tax laws themselves were simple). A comparison of neighboring jurisdictions' tax and fee rates can also be of interest. At the least, a comparison with prior years' experience in the same revenue categories is important.

Provide insight into your estimates

Include the basis for future projections. Including a comment about the reason for each of your projections will help others understand what your estimates are based on. Since over-estimating revenues can lead to poor fiscal results – namely, the inability to provide expected service levels – revenue estimates are a very important part of the budget-building process. Conveying a clear understanding of the basis for estimates that you are using to balance your budget is very important.

Expenditures

Create guidelines

The budget is almost always prepared by staff. Most city government structures cast the elected officials as a policy-making legislative body. The budget is proposed by staff in this environment, reviewed and adopted by the policymakers, and then implemented by staff. Occasionally, problems occur where staff has developed a budget that did not relate to the desires of the policymakers. The preparation of the budget should be consistent with the city's policy direction.

It is important to provide the staff with guidelines that clearly identify the type of budget to be developed, the policy direction to be followed, the specific budget format to use, and any limitations on expenditure requests. Many cities create a small manual on budget preparation to be used by staff to assure that the resulting preliminary budget is consistent with city goals. This manual should be concise and practical.

Cost estimates and salary information should be developed

Any budget data that is already known to some extent should be provided to the staff so they don't recreate the data. This typically includes payroll data and contractual commitments. Additionally, payroll budget requests are typically accepted at face value without much review.

Some tips on budgeting payroll

Each position should be budgeted when developing payroll data. The person filling the position can also be listed although some cities believe this may be unnecessary and too personal. Certain payroll expense classifications depend on the individual filling the position. These include medical benefits (dependent coverages will depend on the dependents) and retirement (depends on hire date).

Some benefits are a factor of the gross salary. These include longevity, FICA, and retirement benefits. Others are a factor of hours worked, such as labor and industries insurance. Still others depend on the type of work

performed. All should be listed and staff should be directed to only utilize the salary and benefit data provided with the budget guidelines for their budget submission.

If there is a need to update this information prior to adopting the budget, or as a result of changes in salaries or benefits, it should come from the budget authority. Any deviation from the salary worksheets provided should be fully explained.

Other known commitments can be identified early on

Again, where the amounts are reasonably known, the known amounts and the amounts requested in the budget by staff should be consistent. Examples are rental amounts, leases, utilities, insurance and other contractual commitments.

Assign budgetary authority and responsibility

Again, in most city structures, staff proposes a budget, elected officials adopt the budget, and staff implements it. As in any good organizational structure, the lines of authority and responsibility should be very clear. The elected officials employ management staff that they feel confident in. Based on that confidence, elected officials assign clear responsibility to staff for fiscal matters.

Who should be responsible?

The extent to which various management staff are responsible should be based on the organizational structure and management style in your city. When such responsibility

is granted, it should be accompanied with authority. For instance, if your city provides complete discretion over the line items of the budget to managers in a department, that department should still be responsible to the policymakers for service delivery consistent with city policy and budget discussions. They should also be responsible for the expenditure levels and legality of their decisions. This should provide for clear accountability for operations and results.

Above all, it should be very clear what the city philosophy is about: authority and responsibility. The budget is no place to resolve personnel problems with management staff. If you have a concern about the management abilities of your staff, this should be addressed as a personnel problem and not distract the city from developing a good budget process.

Develop departmental budget forms

Many differing budget formats exist that reflect the budget philosophy and themes of cities. Some cities prefer to continue using the line-item financial budget. Many have moved to the narrative/operations format. Program level budgets with performance measurement criteria are becoming more common as the means of accountability. In any case, the format should be consistent from one department to another.

Budget data that is accumulated and presented by the departments should be consistent with that which will be needed to make budgetary decisions for the preliminary and final budget product.

Budget information forms influence budget content. It will be important to develop forms that extract the content you desire in your budget. If your city is attempting to clearly illustrate the methods by which the policy issues will be addressed, your budget forms should support this concept. If your city wants to illustrate the resulting service product to the community, forms should ask for this type information. The forms staff uses to prepare the budget affect the type, and sometimes quality, of information provided to the policymakers and the citizens.

Develop a budget calendar

The most often used method of controlling the budget process is the budget calendar. State law includes many requirements for portions of the budget to be accomplished by certain times. These timelines have been simplified by many sources with the use of a budget calendar. The BARS manual includes a budget calendar, and so does the annual budget guidelines published by the Municipal Research and Services Center (MRSC). (See www.mrsc.org/finance/finance.htm on the Internet.)

All calendars typically identify the action to be performed and the date by which it should be accomplished. Some calendars include the reference to the statute that is being satisfied, when applicable. Others include a complete explanation of the step being identified, its purpose, and the intended results. Another important item that can be included is the person, or people, who are actually responsible for this particular budget activity. An example of a budget calendar is on page 37.

The preparation of the budget should be consistent with policy direction of the city.

Develop budget requests

Once the direction for the coming budget is determined, the format is known, and the deadlines established, it is time to formulate the budget requests. In most circumstances, the staff prepares the budget requests themselves. The requests consist of staff requesting a certain level of funding for the activities for which they are responsible.

Many times the staff is attempting to secure a funding level that provides for both enough money to comfortably operate their departments as well as provide for some increase in service levels. Staffs are good advocates for the functions they perform in the city and, therefore, are usually seeking to increase funding to those functions.

In some cities, the requests follow direction by a city manager or administrator. In most cases, the departments are free to request funding for their budget tailored to their goals for the department.

Decentralized budget development

Since management staff is the most familiar with the operations of the city (and how to actually use their resources to accomplish the goals of the policymakers), they are usually the best source of original budget input. Many departments utilize this same theory by using input from the other staff within their department in preparing their budgets (a “bottoms up” approach to some extent).

A situation where departments assign budget responsibility to their management or other staff is referred to as a decentralized budget process.

In this situation, the broadest number of staff is exposed to the budget process. This may help in explaining the demands made on the city’s resources and why, in some years, a department may not receive the level of funding they feel necessary. Additionally, this type of approach tends to encourage a sense of participation in a very important aspect of managing the city. This helps to allow staff to take some ownership in the budget process and the final, adopted budget.

Centralized budget process

When the budget requests are developed by a central office, either the CAO or a budget officer, this is referred to as a centralized budget process. This process helps ensure that the budgets are consistently prepared. An understanding of the goals portrayed in the budget requests are usually easier to gain from a budget that is prepared in a centralized fashion. While there are some advantages to a centralized budget process, the decentralized approach is usually preferred.

Whether the centralized or decentralized approach is used, the budget request usually involves staff listing the resources they expect to need. They often include a narrative as described in the budget format guidelines of the city. The requests will always need to include a fiscal component.

Most Washington cities use the Washington State Auditor’s BARS structure for their fiscal component. (Complete multi-day classes are available for using the BARS account structure. We will briefly explain its use in budgeting here.)

The BARS System

The BARS system provides for a consistent chart of accounts between all Washington cities. This makes the accounting records of one city comparable to that of another Washington city. Additionally, the State Auditor's Office keeps the BARS system consistent with generally accepted accounting principles for local government. With this structure, a series of funds, departments, activities classified by type (fire, police, engineering), basic accounts (personnel, supplies, capital) and sub accounts (line items like postage, FICA or office supplies) is used to organize the chart of accounts.

The purpose of a standard chart of accounts is to achieve consistency across the state. This produces a significant benefit which can help you in developing your budgets. The State Auditor maintains a web site where the financial information from every city, county, ports and transit authority is available dating back to 1991 (for cities and counties). The site will perform many types of analysis and sorting of the data and is fairly detailed. It is a great budget resource.

By using the BARS chart of accounts, departments prepare requests that identify the line items they expect to expend monies from, the departments those line items relate to, and the function in that department that will be supported by such expenditures. Most budget systems will involve preparing a fiscal request as well as the narrative request. In addition to these, a capital improvements program often is used to identify and request capital items such as projects, facilities, or equipment.

Some assistance is provided to the departments as they prepare their payroll calculations and contractual amounts, as we referred to earlier. For the other accounts, the staff preparing the budget will usually look at historical data, the trends that may affect that account in the future, and the way the account may be influenced by changing conditions, including any policy shifts by the council. An example of historical data would be the use of office supplies, where it can generally be assumed that the future will be somewhat a reflection of the past.

Controlling expenditures through the budget

An example of a trend is a continued change in employee medical costs. If the LEOFF I employee medical costs seem to be increasing, for instance, this may be a trend resulting from such things as the aging of the group, the increasing medical system costs, and increasing utilization. To ignore such trends could cause you to budget too little for an expense that will occur regardless of how much you budget. This type of expense cannot be controlled by appropriation levels.

By contrast, if you desire to control the costs of a certain program, the budget can be set at a level which provides for the intended level of service, but no more. The corresponding instruction to staff would be to operate the program at the reduced service level for the year (as opposed to status quo and requesting additional funds mid-year).

Budget amount basis

Aside from this type of input in preparing the budget, staff will guess at what's needed for the coming year. While guessing doesn't sound

sophisticated or professional, it is always a part of every budget cycle. We tend to use words like estimate, but when preparing a budget in July or August for a 12-month period (or 24 month in the case of biennial budgets) that will commence in five months, it is very often a guess.

With the abundance of historical, trend, and policy information available, our estimates are usually well thought out and based on sound reasoning. Staff works hard to develop a budget that has credibility and is based on many different criteria.

When, during the year for which we budgeted, we find that some adjustment is needed, remember that this budget was an educated guess. Sometimes that guess was in excess of a year prior to some circumstance that caused it to be inaccurate. Recent examples are the fluctuation in insurance rates, utility costs and gasoline prices. We need to always be prepared to update our estimates, as better data become available.

Compiling the proposed budget

We have now formulated the budget's role in our city, developed policy guidance as to what that budget should attempt to accomplish, prepared revenue estimates, given instructions as to how to prepare budget requests, and received carefully prepared requests from staff.

It is now time to put all the pieces together and work through balancing the budget, presenting it to the electorate for their review, and adopting the spending plan for the coming year.

We need to always be prepared to update our estimates, as better data become available.

Blend the beginning fund balance, expected revenues, and the expenditure requests into one environment.

The first step is to pull all the pieces together. A computerized spreadsheet is ideal for this function. (We have not seen an effective “budget package” computer program though some are available. ERP programs have begun to have more effective budget presentation programs, but they are used by the very large organizations.) All the various funds should be included in the summary of the budget. The term “fund” refers technically to an “independent set of self-balancing accounts” that represent a portion of your city government’s activities that cannot be commingled with other elements of your city. For example, user fees charged to water customers are segregated into a utility fund of some type to clearly illustrate that resources developed by these user fees have not inappropriately subsidized another function in your city.

Definition of a fund

The general rule is that all activities for which such segregation needs to be illustrated should be shown in a unique fund. Examples are the utility activities, the street fund (a dedicated tax), capital projects (a dedicated tax and grants), stadium fund (hotel/motel dedicated tax), city shops (user fees for this purpose), and some others.

We can usually use the “general fund” when there is no requirement to provide a separate accounting of the use of certain resources. We allocate the resources that are not dedicated by state law or their nature to unique activities to the general fund (such

as property taxes, sales tax, business and occupation tax, business licenses, parks fees, and others). We account for expenditures that are not required to be accounted for in other accounts in the general fund (such as fire, police, engineering, and administration). Understanding the accounting system is not a requirement to be an effective participant in the budget development process, but it’s very helpful in many other management aspects.

What funds to budget for

A common question is: “What funds need budgets?” While the BARS manual does not require annual appropriations for all funds, the comprehensive budget described in the BARS guide includes all funds. Some funds are difficult to budget for. Local Improvement Districts (LIDs) present one of the most difficult budgets to prepare. LIDs are really a method of building a capital project and financing it through assessments to the benefactors.

Your city should talk about all of the different funds and determine how they should be budgeted for to provide for the method that best meets your needs.

Summarize resources

The estimates of beginning fund balance to be utilized in assessing the available resources should be included. The revenue estimates for all funds should be brought forward to this summary. Adding these together, by fund, will provide the total resources available to use in the budget this year. (Remember, you may want to set aside a certain level of these resources as an ending fund balance.) The method you use to summarize the budget should provide for easy modification.

As we said earlier, revenue estimates often are improved with the passage of time, the fund balances are refreshed as we get closer to the current year-end, and the expenditure requests often will be changed through the budget-balancing process. An electronic spreadsheet is one alternative for keeping and easily updating this data. While the computer is never wrong in its math computations, sometimes formulas are flawed. It is very important that the data be thoroughly checked at this stage of the budget development.

Review policy, organizational goals, and priority issues

While the line item budget is submitted following the BARS account structure, and it provides excellent detail, the narrative budget requests also should be submitted for review. A central review of these should take place. This review will look to see that any fiscal data presented is consistent with the line item requests. In addition, the form and content should conform to the guidelines established for this budget cycle. The content should indicate a support of the city-wide policy statements and direction from the policymakers. During this review, changes should be made to develop the consistency that needs to be a part of the final city budget.

Individuality can be expressed in the way that services are provided, but it should not show up in the formats used or in goals that supersede the policymaker's policy direction.

Screen the expenditures to comply with format, policy, goals, and priorities

The expenditures in the line item format, and as they are depicted in the narrative budgets, should support the activities that the city is pursuing. If the staff is involved with the council in setting policy, they will have had their opportunity to propose their departmental goals. When the departments are involved at this stage, it will mean that they can develop a sense of ownership in the policies established by the council for the city and community.

At times, when departments feel that their departmental goals outweigh the direction the city decided to pursue, or when they were not able to propose their department's goals, they may attempt to see their objectives accomplished through the budget. This usually takes the form of proposing a budget that includes appropriations for a new program, a shift in staff duties, or an attempt to develop a constituency for their approach. While the decentralized budget development process is a healthy way to involve departments in the budget process, it is important that all departments of the city support the common goals of the city through their submitted budget requests.

Balance the requested expenditures to the resources

Balancing the budget gets a lot of attention. When we refer to balancing the budget, we are typically talking about the general fund budget, and maybe some of the closely related

budgets like the street fund. This is where the allocation of scarce resources to meet the many needs of the community seems most difficult.

The utility funds, shop funds, stadium funds, and those others with dedicated revenue sources are usually easier to balance, but should not be overlooked. All budgets should be reviewed by the CAO even if they are submitted in a balanced form.

State and federal budget impacts

The general fund will probably take most of the effort in achieving a balance between resources and appropriations. For state and federal resources, the trend has been to provide less general fund revenues and more restrictions on how these monies are to be used. Federal revenue sharing is becoming a distant memory.

State budget impacts

State-shared revenues are predicted to decrease, as the state budget becomes tighter. While the state Legislature has provided access to funding for cities, it has also contributed to the problem of balancing the general fund.

The help comes in the form of additional resources, including a direct pass through for criminal justice purposes and increased gas tax revenues. The increase in resources has been very important to many cities during the past few years. The trend has been to increase the revenues dedicated to specific purposes, and not general purposes.

On the other hand, the state's cities continue to be burdened with additional requirements and mandates accompanied by little or no funding. The Growth Management Act is a good example of an action that creates a significant work load and, in many cases, affects a city's goals and policies. While some monies have been made available, the GMA is a cost item in city budgets that significantly exceeds the monies available.

Other examples of costly mandates are the impact on the law and justice budgets from the domestic violence statutes, environmental restrictions, and the impact of the whistle blowers legislation.

Word of caution

Increasing costs in on-going activities, when combined with the above trends, make balancing the general fund budget difficult. This creates an atmosphere of competition for funds. Departments know that they will need to present a work plan for the use of resources that indicates the public will be best served by their services. Balancing the general fund involves negotiation with departments and special interests, innovative plans for service delivery, and an attempt to maximize revenues and other resources. The tendency to inflate revenues to accommodate a larger appropriation in the fund should be avoided. Another tendency to be avoided is underfunding such items as pensions, maintenance activities, or other contingent liabilities.

Budget balancing

Many times, balancing the general fund involves reducing the requests made by staff for appropriations. This process should be done with the assistance of the staff members who developed the projections. They understand the effect of various levels of budget cuts on their operation and can often recommend different ways to reduce the budget request without seriously affecting the department's plans.

Regardless of the methods used, the general fund budget needs to be balanced prior to October 31 when it is presented to the council.

Present the proposed budget to the policymakers

According to state law, the preliminary budget is to be presented to the city council at least 60 days prior to the ensuing fiscal year. The proposed budget is usually balanced, either by the mayor, in a strong mayor form of government, or the CAO in a council-manager environment. The changes made to balance the budget and the way the budget meets the perceived needs of the community are often scrutinized by the council and other special interest groups.

When the budget is presented to the council, it is often presented to the citizens (and special interests) at the same time. There is usually about one month during which the proposed budget can be reviewed before public hearings begin. The preliminary budget should be clear about what is being proposed, and the fiscal impacts should be summarized and clear to the readers.

Adopt the "final" budget

The budget must be adopted prior to the expenditure of funds for that fiscal year. Washington cities use the calendar year for their fiscal year and the budget must be adopted and in force by January 1 of the year being budgeted for.

The budget ordinance

Many cities utilize an ordinance similar to the example included in the BARS manual. We included sample ordinances from two cities in the appendix on pages 39-43 as a reference. The ordinance requires two hearings and it should include the date that the budget will take effect.

Public hearings

State law requires that public hearings be held regarding the pending budget prior to the final hearing of the ordinance. The legislative body may require the presence of department heads at these hearings. The hearings may cover the entire budget or any portion of the budget. Notice of these public hearings must be published once a week for two consecutive weeks.

Publication

By now it should be clear that the budget is a process, not a document. While this is true, it is important that we document the process and communicate the results to the citizens, management, and others interested in the outcome. The final budget document should accomplish this objective.

There are many different possible styles for the final budget document. Items to consider in developing your budget include:

- Who is reading your budget? Shape the document to its intended uses.
- Don't expect others to carefully read overly text-intensive or number-intensive documents.
- In providing balance between text and numbers, use simple graphs and include brief explanations.
- Tell your story. Don't use someone else's approach that doesn't fit your situation.
- Attempt to have your budget read "like a book." Make its layout logical.
- Don't use technical terms if you can avoid it. Even then, provide a glossary.
- Since your budget decisions are largely based on statistics and peripheral data, include some of it.
- Submit your budget to the WFOA or the national Government Finance Officers Association (GFOA) peer review programs for their helpful comments.

Review and modification of the budget

The budget is an on-going process, not a static document. The budget process involves implementation as a very important component. The process would be a tremendous waste of your precious resources if it did not accomplish something for your community.

Unfortunately, many budget processes result more in documentation than action. The implementation of all the plans that were so carefully developed is as important as their origination. It is typically the CAO's responsibility to carry out the council's plans.

Implementation

It is wise to have a post-budget-adoption meeting of those people responsible for implementing the plans. While sweeping changes may not result from the new budget, there are usually subtle ones.

Many times the payroll accounts to be used will change. In situations where new plans are adopted, such as criminal justice funding, the communication to the operating department, accounting, payroll, and other management will need to be very clear.

Review and analysis

Staff and the policymakers should stay very familiar with budget progress (not process) during the year. Are the assumptions proving true with revenues? Did any of the budgeted employee benefit levels change? Are the plans that were to be implemented with this year's budget going smoothly? Did that capital project get built, and was the operating impact as minimal as predicted? These are questions that, when asked and responded to, can help us put the budget to even better use. As a tool used to compare plans to actual results, the budget can be a useful guide for future decisions.

The tendency to inflate revenues to accommodate a larger appropriation should be avoided.

If revenue assumptions were a bit too conservative, maybe it is acceptable to expand a popular program. If revenues have not materialized or union negotiations resulted in unanticipated costs, maybe an experimental program that wasn't widely accepted should be scaled back.

The budget becomes a point of reference for the current year and also for future years. To enhance the usefulness of the current budget for future years, and make it an even better regulatory tool during the current year, any major changes in assumptions should be reflected in a modification to the budget.

Modifications

We discussed how the budget is an estimate, even an educated guess in some cases. What happens when those guesses don't materialize like we expected?

The budget can, and in many cases will have to be, brought up-to-date with modifications. Such changes to the budget are typically referred to as budget amendments. The budget-amending ordinance must be introduced five days before action is taken, a public hearing must be held, and it must be approved by a majority vote plus one. A matrix on budget amendments is in the appendix (page 38).

Budget modifications can be very important in certain circumstances. State law requires that budgets for those funds requiring annual appropriations be large enough to provide for anticipated expenditures prior to making the commitment for expending the funds. In addition, the appropriation is an official authorization to staff from the elected officials to expend city resources.

If those resources are determined to be not available for expenditure, the appropriation should be adjusted. Additionally, if changes occur during the year that significantly impacts budget planning, this should be handled through an official modification.

For example, a major contributor to your tax base may move in or out of your city, a major new resource may be made available, or a major new service might be requested and need to be evaluated.

Don't be afraid to amend your budget. It should remain applicable to the environment for which it is intended.

Continuing the cycle

No sooner do we develop, adopt, and begin monitoring a budget than it is time to start the process over! It seems like it will never end. In fact, the challenge of providing for the ever changing needs of our communities doesn't end, and the budgeting process can't either. The budget cycle is continuous and the budget from one year should be used as a starting point for the next year's budget. (Plans to start from scratch each year, such as zero based budgeting, don't prove efficient.)

A retreat with council-members and department directors is an excellent way to review the results and monitoring of the current year's budget while starting to look at the challenges that lie ahead for the coming budget development process.

Spring is not too early to begin planning for the next round of budget efforts. Getting an early start in the process will cause the fertile soil of public needs and community resources to be stirred. Your community will be better for your knowledgeable and constructive participation.

Glossary of Budget Terms

Account – A record of additions, deletions, and balances of individual assets, liabilities, equity, revenues, and expenses.

Accrual Basis – A method of accounting in which revenue is recorded in the period in which it is earned (whether or not it is collected in that period), and expenses are reported in the period when they are incurred (not matter when the disbursements are made). This method differs from the cash basis of accounting, in which income is considered earned when received and expenses are recorded when paid. All funds except the governmental funds are accounted on the accrual basis, and the governmental funds are accounted on a modified accrual basis.

Administrative Services

Departments – Refers to organizational units or departments that primarily provide services to other departments or divisions. These include:

- **Legislative** – city council and its functions;
- **Financial Services** – the accounting, financial reporting, customer service, and treasury functions;
- **Personnel Services** – provides centralized personnel services to all city operations;
- **Administrative Services** – provides supervision of financial services and personnel services as well as budget, fiscal planning, tax and license, data processing, risk management, and other general administrative services;
- **Civil Service** – the independent panel that works with personnel/ hiring issues for the Public safety departments.

Agency Fund – A governmental accounting classification used to describe those situations where one jurisdiction is acting on behalf of another.

Appropriation – The legal spending level authorized by an ordinance of the city council. Spending should not exceed this level without prior approval of the council.

Assessed Valuation – The value assigned to properties within the city that is used in computing the property taxes to be paid by property owners.

BARS – The Budgeting, Accounting, and Reporting System for accounting systems prescribed by the Washington State Auditor’s Office.

Benefits – City-provided employee benefits, such as social security insurance, retirement, worker’ s compensation, life insurance, medical insurance, vision insurance. and dental insurance.

Budget – A financial plan of operations for the city. It is a plan, not a list of accounts and amounts.

Capital Improvement Program (CIP) – The element of the budget that deals with the expenditure of funds on durable capital facilities and equipment, typically with a value of more than \$5,000.

Capital Outlay – A budget category that may be a part of a capital improvement program, or in the case of expending less than \$5,000 but more than \$500, is a part of the operating budget.

Capital Project – A single project within the Capital Improvements Program.

Costs Allocation – The assignment of applicable costs incurred by a central services department (like “administrative services”) to a fund based on the benefit to the fund being assessed.

Councilmanic Bonds – Bonds that can be authorized by the city council without a vote of the public in an amount up to .75 percent of the assessed valuation of the city.

Current Expense Fund – See “General Fund”

Debt Service – Interest and principle payments on debt.

Debt Service Funds – The type of fund that accounts for the payment of debt service on general obligations of the city.

Designated Fund Balance – A portion of fund balance that has been designated by past council action for a specific purpose.

Enterprise Fund – A type of proprietary fund in which the direct beneficiaries pay for all costs of the fund through fees, or where a periodic determination of revenues and expenses is desired by management.

Fund – A self-balancing group of accounts that includes revenues and expenditures.

GAAP – “Generally Accepted Accounting Principles,” which are mostly determined by the GASB for governments.

GASB – “Governmental Accounting Standards Board,” which determines the underlying principles to be used in accounting for governmental activities.

General Fund – The fund of the city that accounts for all activity not specifically accounted for in other funds. Includes such operations as police, fire, engineering, planning, parks, museums and administration.

General Obligations – Bonds or other indebtedness of the city for which the pledge made for repayment is the full faith and credit of the city.

Governmental Fund Types – Funds that provide general government services. These include the general fund, special revenue funds, capital projects funds, and debt service funds.

Intergovernmental Revenues – Interfund charges to pay for quasi-external transactions of the fund.

Internal Controls – A system of controls established by the city that are designed to safeguard the assets of the city and provide reasonable assurances as to the accuracy of financial data.

Internal Service Funds – A type of proprietary fund that accounts for the goods and services provided to other units of the city. Payment by the benefiting unit is intended to fund the costs of providing such services.

LEOFF – The “Law Enforcement Officers and Fire Fighters” retirement system of the state that provides coverage for city public safety employees.

Levy Rate – The property tax percentage rate used in computing the property tax amount to be paid.

Licenses and Permits – A revenue category of the city derived from business licenses and building or development permits.

LID – “Local Improvement Districts.” A financing mechanism that permits the building of public infrastructure improvements which benefit a confined area and where the costs for those improvements are to be paid by the benefiting area land owners.

Operating Budget – The annual appropriation to maintain the provision of city services to the public.

PERS – “Public Employee Retirement System.” The state system for public employment retirement applicable in most cities for employees, except where LEOFF is applicable.

Preliminary Budget – That budget which is proposed by staff to the council and has not yet been adopted by the council.

Proprietary Funds – A group of funds that account for the activities of the city that are of a proprietary or “business” character. See “Enterprise Fund.”

Public Safety – A term used to define the combined budget of the police and fire departments.

Revenue Bonds – Bonds sold by the city that are secured only by the revenues of a particular system, usually the water/sewer fund and the regional water fund.

Special Revenue Funds – General government funds for which the source of monies is dedicated to a specific purpose.

Standard Work Year – 2,080 hours a year, 260 days (except leap year).

Working Capital – The year-end balance of current assets less current liabilities.

ORDINANCE NO. _____

AN ORDINANCE, adopting the Final Budget for the City of Wenatchee for the year 1991, fixing the amount of tax levies necessary to raise the amount of stipulated expenditures, and making the tax levies to meet the same, less the total of estimated revenues, including any available surplus.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF WENATCHEE as follows:

WHEREAS, the Commissioner of Finance of the City of Wenatchee, Washington completed and placed on file with the City Clerk a proposed budget and estimate of the amount of monies required to meet the public expenses, bond retirement and interest, reserve funds and expenses of government of said city for the fiscal year ending December 31, 1991, and a notice was published that the City Commission would meet on the 18th day of December, 1990 at the hour of 7:30 pm, at the Commission Chambers in the City Hall of said city for the purpose of making and adopting a budget for said fiscal year and giving taxpayers within the limits of said city an opportunity to be heard upon said budget; and

WHEREAS, the said City Commission did meet at said time and place and did then consider the matter of said proposed budget; and

WHEREAS, the said proposed budget does not exceed the lawful limit of taxation allowed by law to be levied on the property within the City of Wenatchee for the purposes set forth in said budget being all necessary to carry on the government of said city for said year and being sufficient to meet the various needs of said city during said period.

NOW, THEREFORE, the City Commission of the City of Wenatchee do ordain as follows:

SECTION I. The budget for the City of Wenatchee, Washington, for the year 1991 is hereby adopted at the fund level in its final form and content as set forth in the document entitled "1991-1993 Financial Plan and 1991-1995 Capital Improvement Program", copies of which are on file in the Office of the Clerk.

SECTION II. Estimated resources, including fund balances or working capital for each separate fund of the City of Wenatchee, and aggregate totals (net of transactions between funds) for all such funds combined, for the year 1991 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 1991 as found in exhibit "A".

SECTION III. The City Clerk is directed to transmit a certified copy of the budget hereby adopted to the Division of Municipal Corporations in the Office of the State Auditor and to the Association of Washington Cities.

SECTION IV. This ordinance shall be in force and take effect on January 1, 1991. PASSED BY THE CITY COMMISSION OF THE CITY OF WENATCHEE this _____ day of December, 1990.

CITY OF WENATCHEE, a municipal corporation

By: _____
Jim Lynch, Mayor

By: _____
Russ Trimble, Commissioner

By: _____
Ray Provo, Commissioner

ATTEST:

By: _____
Michael E. Bailey, Clerk

APPROVED:

By: _____
Larry Carlson, City Attorney

ORDINANCE NO. _____

Fund	Beginning Fund Balance	Revenue	Appropriation	Ending Fund Balance
ANNUAL APPROPRIATION FUNDS:				
General	929,208	8,653,727	8,640,395	942,540
Streets	145,326	1,137,100	1,121,682	160,744
Convention Center	5,906	191,500	191,500	5,906
Law and Justice	108,183	261,500	261,500	108,183
DARE	393	10,000	10,000	393
Columbia River Drug Task Force	5,831	383,151	383,151	5,831
Drug Investigation	0	25,000	25,000	0
Van Pool	0	15,000	15,000	0
Self-Insurance	250,779	400,000	400,000	250,779
Continuing Appropriation Funds (Memo Only):				
Capital Projects	-5,046	705,046	700,000	0
1989 GO Bond Debt Service	11,456	150,000	150,000	11,456
Public Arts	2,560	10,000	10,000	2,560
Working Capital Funds:				
	Net Change Working Capital			
Water/Sewer		\$755,982		
Regional Water		0		
Cemetery		0		
City Services		13,910		
Firemen's Pension Fund		(28,420)		

ORDINANCE NO. 096-049

AN ORDINANCE adopting the budget for the City of Tumwater, Washington, for the fiscal year ending December 31, 1997.

WHEREAS, the Mayor of the City of Tumwater, Washington, completed and placed on file with the Finance Director a proposed budget and estimate of the amount of the monies required to meet the public expenses, bond retirement and interest, reserve funds and expenses of government of the City for the fiscal year ending December 31, 1997 (the "1997 Preliminary Budget") and a notice was published that the City Council would meet on the 26th of November and the 3rd of December 1996 at the hour of 7:00 p.m., at the Council Chambers in the City Hall for the purpose of making and adopting a budget for fiscal year 1997 and giving taxpayers within the limits of the City an opportunity to be heard about the 1997 Preliminary Budget; and

WHEREAS, the City Council did meet at City Hall on November 26th and December 3rd, 1996 and considered the matter of the 1997 Preliminary Budget; and

WHEREAS, the 1997 Preliminary Budget does not exceed the lawful limit of taxation allowed by law to be levied on the property within the City of Tumwater for the purposes set forth in the 1997 Preliminary Budget, and the estimated expenditures in each fund set forth in the 1997 Preliminary Budget are all necessary to carry on the government of the City for fiscal year 1997 and are all necessary to meet the various needs of the City during that period.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUMWATER, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. The budget for the City of Tumwater, Washington, for the fiscal year 1997 is hereby adopted at fund level as set forth in the document entitled "City of Tumwater 1997 Annual Budget" three copies of which are on file in the Finance Department.

Section 2. Estimated resources, including fund balances for working capital for each separate fund of the City of Tumwater, and aggregate totals (net of transactions between funds) for all such funds combined, for the year 1997 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 1997:

FUND	APPROPRIATION
General	\$8,969,085
Municipal Golf Course	1,395,611
Community Resource Center	283,673
Christmas adopt-a-family	7,000
D.A.R.E.	6,294
Henderson House Museum	2,500
Drug Monies	5,950
Stadium	333,000
City Rental Units	27,400
Mitigation/FILO/Impact Fee	1,738,500
T.U.F.F.	1,000.
G.O. Debt Service	1,228,599
Golf Course Construction	490,000
Community Resource Center Construction	905,000
Capital Improvement	2,961,264
Water	2,795,683

Sewer	6,213,591
Bond Construction	361,450
Utility Construction in Progress	2,472,000
Water/Sewer/Storm Revenue Bond	506,878
Water/Sewer/Storm Revenue Bond Reserve	541,675
Storm Drain Utility	1,552,916
Equipment Rental & Replacement	1,634,781
Employee Flexible Spending	40,000
GRAND TOTAL=SUM(ABOVE)	\$34,473,850

Section 3. The Finance Director is directed to transmit a certified copy of the City of Tumwater 1997 Annual Budget to the Division of Municipal Corporations in the Office of the State Auditor and to the Association of Washington Cities.

Section 4. This ordinance shall take effect five days after passage, approval, and publication.

ADOPTED this ____ day of December, 1996.

CITY OF TUMWATER

Ralph C. Osgood, Mayor

ATTEST: _____

Gayla L. Gjertsen, Finance Director

PUBLISHED: _____

APPROVED AS TO FORM: _____

Patrick Brock, City Attorney

ORDINANCE NO. 097-004

AN ORDINANCE hereby amending Section 1 of Ordinance No. 096-049 entitled, "An Ordinance of the 1997 budget for the City of Tumwater, Washington, for the fiscal year ending December 31, 1997".

NOW, THEREFORE THE CITY COUNCIL OF THE CITY OF TUMWATER, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Ordinance No. 096-049, Section 1 is hereby amended to read as follows:

"Section 2. Estimated resources, including fund balances or working capital for each separate fund of the City of Tumwater, and aggregate totals (net of transactions between funds) for all such funds combined, for the year 1997 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 1997 as set forth below:

FUND	AMOUNT
General	\$9,055,242
Municipal Golf Course (operations)	1,446,659
Community Resource Center	283,673
Christmas Adopt-a-Family	7,605
D.A.R.E. Fund	9,597
Henderson House Museum	2,500
Drug Monies Fund	5,950
Visual Art (Stadium)	350,515
City Rental Units	27,400
Mitigation/FILO/Impact Fee Fund	1,857,853
Special Program - TUFF	1,984
General Obligation Debt Service Fund	1,220,410
Golf Course Acquisition	606,106
Community Resource Center - Construction	894,194
Capital Improvement Fund	2,761,109
Water Fund	2,862,984
Sewer Fund	6,135,622
Storm Drainage Fund	1,649,231
Wa/Se/SD Revenue Bond Redemption Fund	506,878
Wa/Se/SD Revenue Bond Reserve Fund	584,917
Equipment Rental & Reserve	1,587,862
Construction in Progress	2,584,245
Employee Flexible Spending	40,000
TOTAL ALL FUNDS=SUM(ABOVE)	\$34,482,536

Section 2. The 1997 Annual Budget described in Section 2 of Ordinance No. 096-049 is hereby modified to reflect the changes as set forth in Section 1 above.

Section 3. This ordinance shall take effect five days after passage, approval and publication.

ADOPTED this 4th day of February, 1997

CITY OF TUMWATER

Ralph Osgood, Mayor

ATTEST: _____

Gayla L. Gjertsen, Finance Director

PUBLISHED: _____

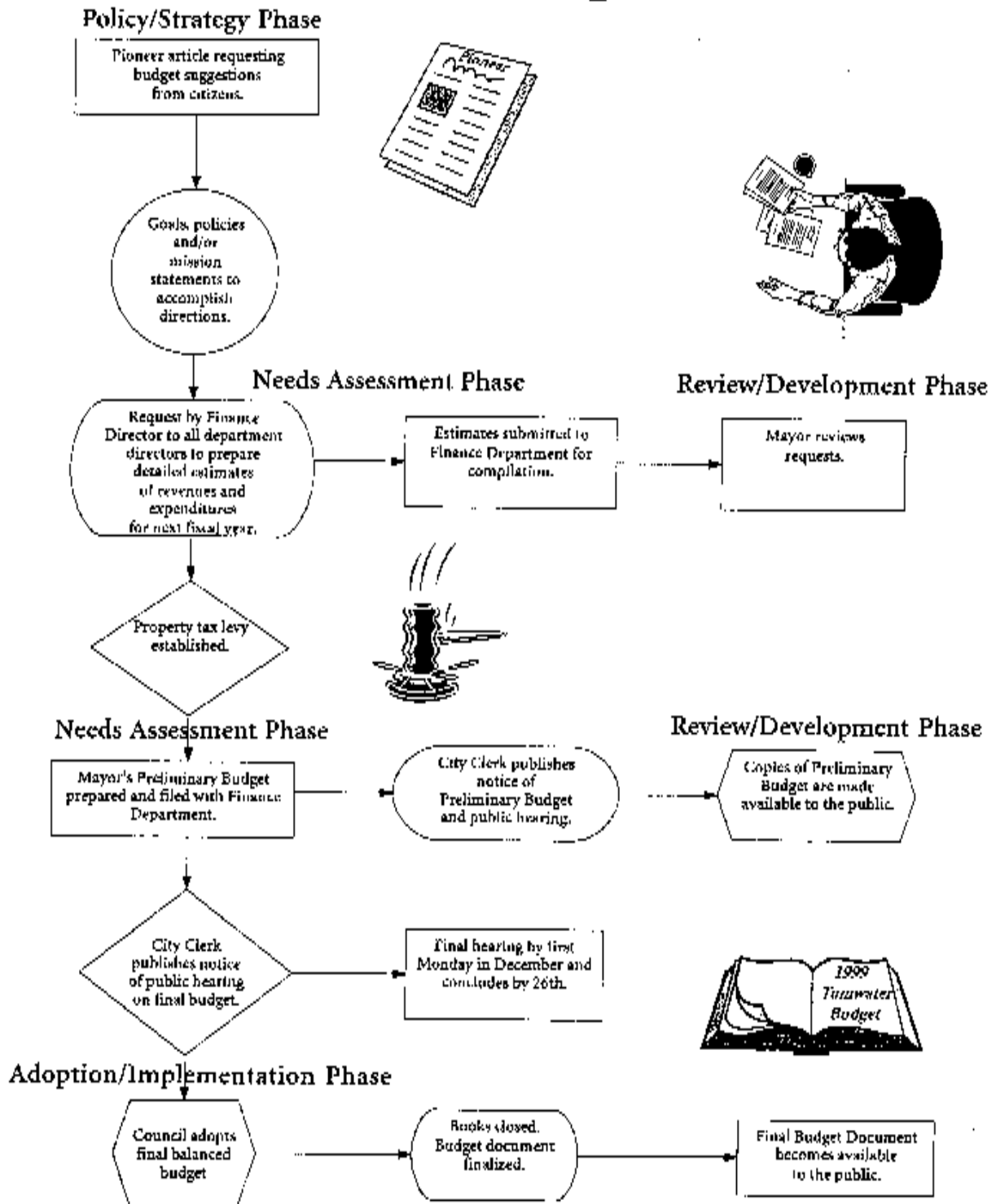
APPROVED AS TO FORM: _____

Patrick Brock, City Attorney

Tumwater Budget Calendar for 1999

Budget 99

Steps in the Budget Process



Budget Amendment Matrix

When are hearings required for city and county budget amendments? Generally, a hearing is only required for budget amendments calling for increase expenditures resulting from "emergency" situations that do not fall within the "nondebatable emergency" definitions of the statutes.

There are distinct budget statutes for 1st, 2nd, and 3rd class cities and towns under 300,000 (RCW 35.33); cities and towns under 300,000 with

biennial budgets (RCW 35.34); code cities (RCW 35A.33); code cities with biennial budgets (RCW 35A.34); cities over 300,000 (RCW 35.32A); and counties (RCW 36.40). These various statutes have largely identical requirements for amending budgets. A hearing is generally not required if the budget amendment is related to 1) "nondebatable" emergencies as defined by statute; 2) unanticipated revenue; or 3) budget reductions. These categories of amendments must be

made by ordinance, but do not require a hearing. However, a hearing must be held for amendments increasing expenditures for emergencies that are not considered "nondebatable" under the statute.

The chart below attempts to outline when the applicable state statutes require a hearing. However, any city or county may have ordinances requiring a hearing or other procedure beyond what is required by the RCWs.

Is a hearing required for budget amendments?

	Code city	Code city with biennial budget	All other cities and towns under 300,000	All other cities and towns under 300,000 with biennial budget	Cities over 300,000	County
"Nondebatable" Emergency	No RCW 35A.33.080	No RCW 35A.34.140	No RCW 35.33.081	No RCW 35.34.140	No RCW 35.32A.060	No RCW 36.40.180
Other Emergency	Yes RCW 35A.33.090	Yes RCW 35A.34.150	Yes RCW 35A.33.091	Yes RCW 35.34.150	Not addressed by statute.	Yes RCW 36.40.140
Reduction of budgeted amount	No RCW 35A.33.120	No RCW 35A.33.200(3)	No RCW 35.33.121	No RCW 35.34.200(3)	No RCW 35.32A.050	No RCW 36.40.
Spending unanticipated revenue	No RCW 35A.33.120	No RCW 35A.33.200(1)(d)	No RCW 35.33.121	No RCW 35.33.200(1)(d)	Not addressed by statute.	No RCW 36.40.100, 140, 195
Transfers within a single fund	No RCW 35A.33.120	No RCW 35A.33.200(2)	No RCW 35.33.121	No RCW 35.33.200(2)	No RCW 35.32A.050	No Miller v. Pacific County, 9 Wn.App. 177 (1973)

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