

County Budgeting – Your Primary Duty

Budget Management and Governmental Accounting

Newly Elected Officials Training

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Robin Campbell, Assistant County Manager, Thurston County

Class Outline

- Auditor Hunt
 - What is a Budget
 - Budget Responsibilities
- Robin Campbell
 - Budget Process and Management
 - Governmental and Fund Accounting
- Auditor Hunt
 - Suggestions for Success/Pitfalls
 - Conclusion/Questions?

What is a Budget

Mission of the Budget Process

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to **promote stakeholder participation** in the process.

National Advisory Council on State and Local Budgeting

The Budget Serves a Variety of Functions

- **A Reflection of Policy**
 - Budget is the means to achieve the goals of government. What a jurisdiction considers most important will govern how it allocates funds.
- **A Financial Plan**
 - The plan forecasts expenditures and expected revenues then distributes those resource to achieve community goals. Funding is always a compromise between available funds and expected service levels.
- **A Management Tool**
 - Compare and control actual expenditures to plans and policy objectives

The Budget Serves a Variety of Functions

- Legal Compliance/Mandates
 - Constitutional Duties
 - Statutory Duties
- Defining Service Levels
- Funding Discretionary Programs
- Plan for your Community
- Public Information

Know Your Budget Drivers



Budget Policies

- Fund Balance Level (Reserves)
- Balancing the Operating Budget
- Use of One-Time Revenues
- Use of Fluctuating Revenues
- Revenue Diversification
- Fees & Charges
- Debt Issuance & Management
- Debt Level & Capacity
- Contingency Planning
- Revenue Sources – Taxing Authorities

Budgets by Different Names

- Preliminary Budget
- Annual or Biennial Budget
- Fiscal Budget (Financial)
- Operating Budget (Services)
- Capital Budget (Infrastructure)
- Continuing Appropriation (Debt Service)
- Budget Detail

Line Item

Incremental

Program

Baseline

Zero Based

Budget Responsibilities

Board of Commissioner/Council Responsibilities

RCW 36.40

- Adopt a balanced budget on or before December 31
- Amend budgets periodically in order to
 - Recognize unanticipated local, state, or federal funds
 - Make revisions or transfers between departments
 - Account for expenditures related to emergencies (expenses which could not reasonably have been foreseen at the time of making the budget)

Board of Commissioner/Council Responsibilities (continued)

- RCW 36.32.120
 - Set the amount of taxes to be collected and ensure collection
 - Audit the accounts of all officers having the care, management, collection, or disbursement of any money belonging to the county or appropriated to its benefit (monitor the budget)

Elected Official, CFO, Manager, Engineer Responsibilities

- County Officials/Department Heads
 - File with the Auditor or CFO “detailed and itemized estimates” of revenues and expenditures on or before the 3rd Monday in August (RCW 36.40.010)
- Auditor or CFO RCW 36.40.040 & 36.40.050
 - Prepares Preliminary Budget and submits to Commissioners on or before the 1st Tuesday in September (RCW 36.40.040 & 36.40.050)
- County Engineer
 - Submits a recommended plan for road construction and maintenance on or before the 1st of October. Changes to the adopted road plan require unanimous vote.

Budget Process and Management

Example process and dates required by RCW (mostly 36.40)

March— June	Pre-Budget Items Strategic planning sessions to develop goals and priorities. Update and/or adopt financial policies. Public hearings for capital facility plan updates for GMA planning counties. Capital improvement plan updates for partially planning GMA counties. Communicate budget objectives to county departments and elected offices.
July	July 12* County auditor or chief financial officer (CFO) notifies all officials of the request for budget.
August	Before Aug 9* Auditor or CFO prepares estimates for debt service and all other estimates not called for in the notification to officials. Aug 9* Budget estimates from all officials filed with auditor or CFO.
September	Sept 7* Preliminary county budget prepared by auditor or CFO is submitted to the commissioners. Sept 20* Notice of public hearing on budget and tax levies. Copies of budget available to the public. Sept 25 Implicit price deflator calculated (only applies to counties of 10,000+ population).
October	Oct 4* Final budget hearing by board of commissioners.
December	Dec 6 Alternate final budget hearing on preliminary budget; deadline to certify to assessor next year's property taxes levied on behalf of other taxing districts (such as fire districts). Dec 15 Deadline to certify to assessor next year's property tax levies for county purposes. Dec 31 Budget adoption.

Budget Preparation Inputs and Guides

Local laws, plans, and policies may prescribe:

- *Areas of responsibility & authority
- *Timelines & process

Plans and Laws (e.g.):

- County Codes
- County Resolutions
- County Ordinances
- Home Rule Charters
- County Strategic/Operational Plan(s)
- Transportation Improvement Plans
- Capital Facilities Plans
- Solid Waste Management Plans
- Drainage Improvement Plans
- Union Contracts

Policies (e.g.):

- Financial Management Policies
- Grant Management Policies
- Personnel Policies
- Contracting & Procurement Policies
- Debt Policies
- Investment Policies

Budget Office

Auditor's office or BOCC appointee (statute allows either – or as stipulated in your County Charter) is responsible for preparing a recommended budget and implementing the budget process

- Policy Analysis
- Expenditure Forecasts
- Financial Planning
- Performance Measures
- Strategic Planning
- Revenue Forecasts
- Capital Expense Planning
- Line Item Detail

Forecasts

- Start with what you know (or think you know)
 - Property Taxes
 - Salaries
 - Debt Service
 - Contracts
 - Fixed Costs
 - Debt Obligations
- Add assumptions for more volatile items
 - Sales and Use Tax
 - Utility / Fuel Costs
 - REET
- Create parameters for new initiatives
 - Some from forecasts
 - Some from what if's

General Fund Tax Revenue Comparison



12%

State

Four Revenue Legs

1. Property Taxes
2. Sales Taxes
3. Business Taxes, Fees & Licenses
4. Utility Taxes



60%

Counties

Two Revenue Legs

1. Property Taxes
2. Sales Taxes

**Property Tax as a %
of GF Tax Revenue**



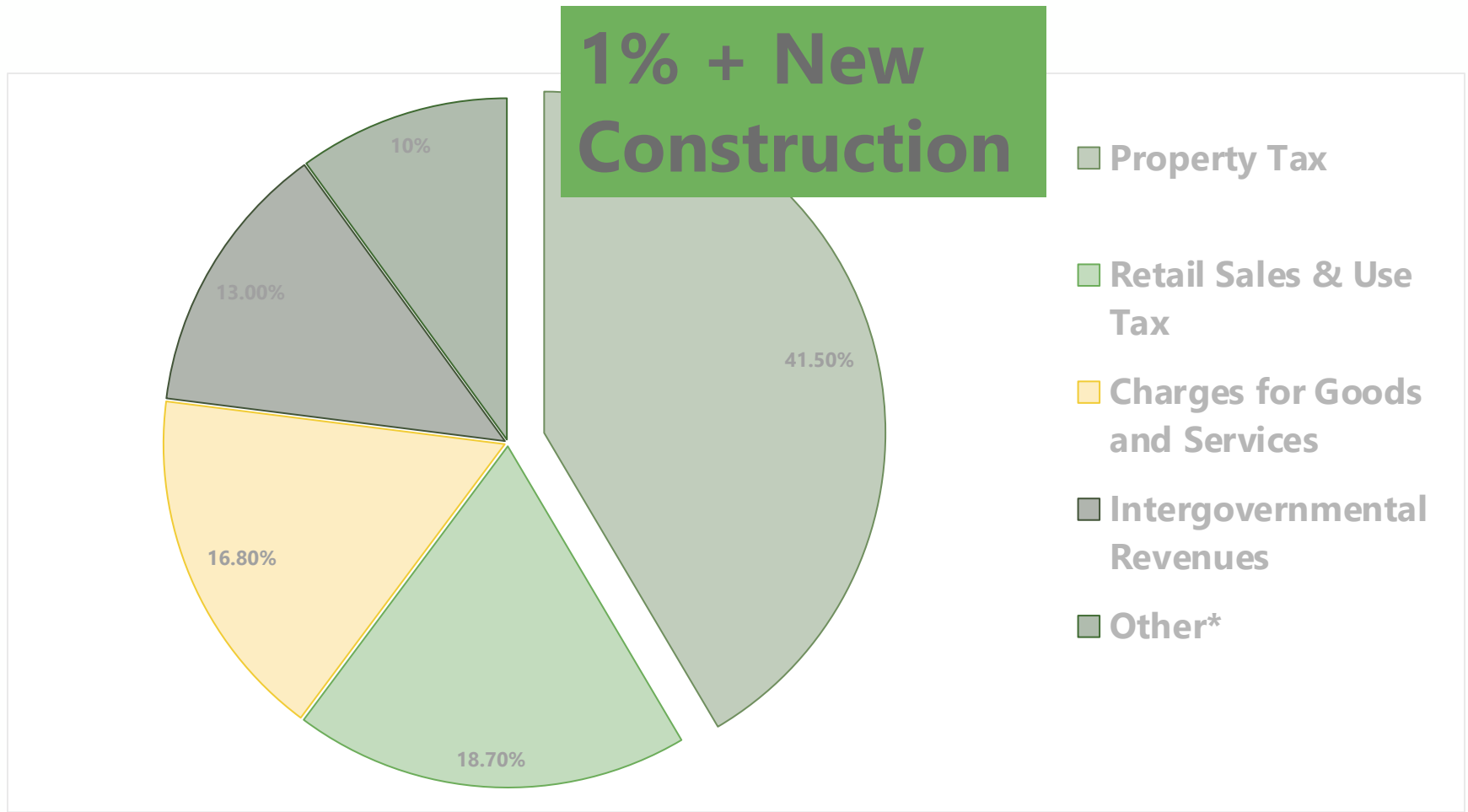
22%

Cities

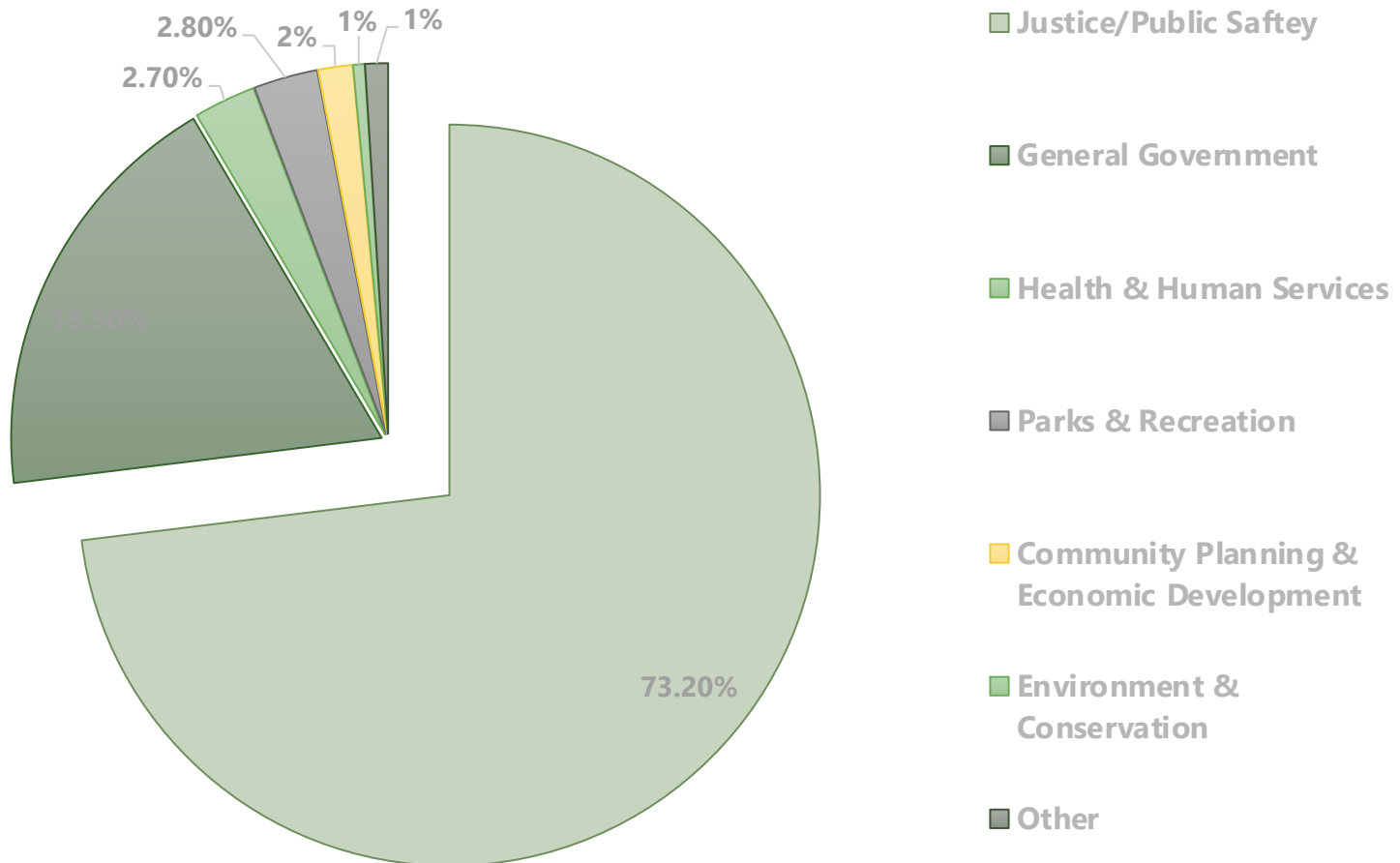
Four Revenue Legs

1. Property Taxes
2. Sales Taxes
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4. Utility Taxes

General Fund Revenues



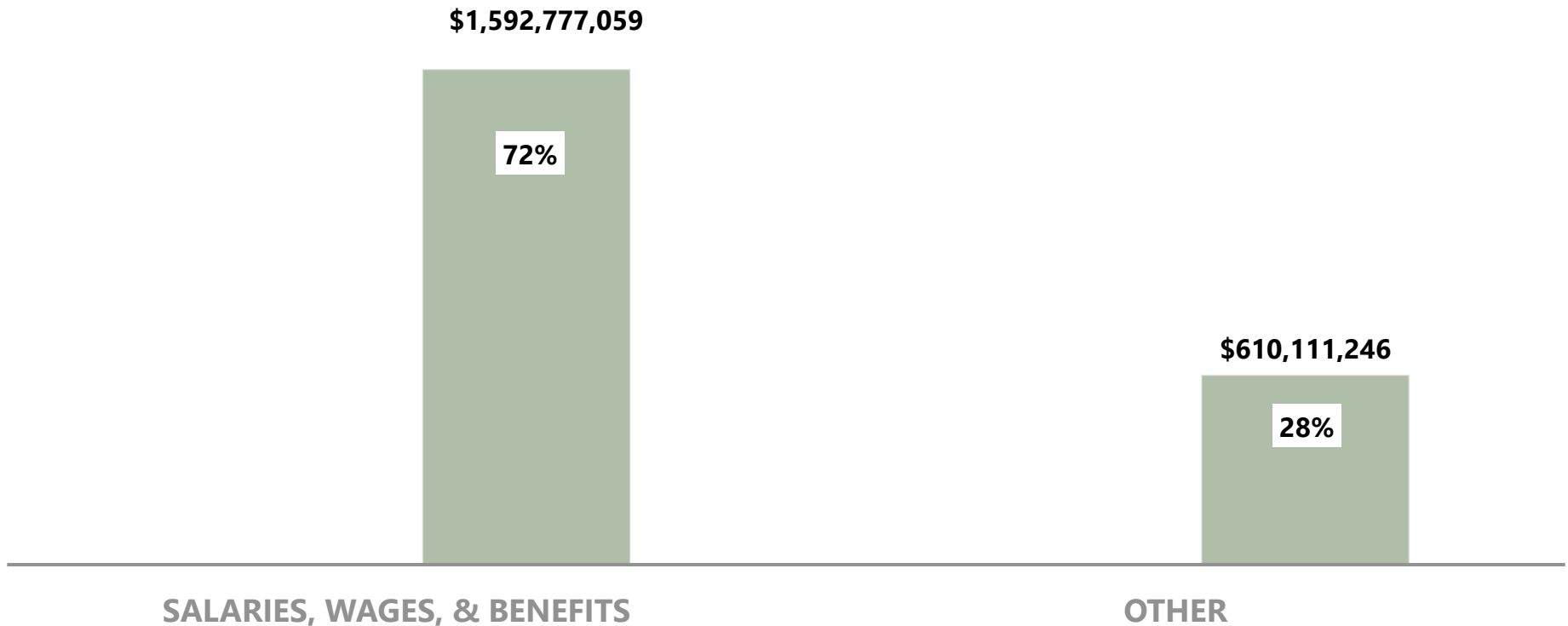
General Fund Expenditures



General Fund Expenditures Continued...

The majority of budgets are already committed to baseline obligations. The County General Fund is no different. State-wide, 72% of County General Fund expenditures are for salaries, wages, and employee benefits. These costs are largely fixed by contracts.

State-wide County General Fund Expenditures (2014)



Tangible Actions and Steps

- **Develop a Budget Calendar**
 - Start with the “required” (State Law) steps
 - Add internal (community driven) steps
- **Provide Direction to Departments**
 - Re-state mission or goals
 - Possible limit of “baseline” budget requests
- **Establish Parameters**
 - Revenue projections
 - Maintaining or restating established policy statements

Tangible Actions and Steps (cont)

- **Enhancement Requests**
 - Provide forms (electronically if possible) with clear directions
 - Follow-thru with prior Council/Board goal statements
- **Banked/Banking Capacity**
- **Road Fund**
 - Levy Shift
 - Levy Diversion

A Balanced Budget

+Beginning Available Resources (Fund Balance)
+New Revenues

=Total Budgeted Resources

+New Expenditures
+Ending Available Resources

=Total Budgeted Uses

Budget Tools Available

- MRSC Annual “Budget Suggestions”
- MRSC Revenue Guide for Counties
- New Construction Property Tax Figures (Assessor’s Office)
- Salaries and Benefits – Known Increases
- CPI-COLA
- Legislative Changes
- Rate Models
- The Web
- Other Counties
- SAO – FIT Tool
 - <https://portal.sao.wa.gov/FIT/>

Contents of a Budget Document

- Budget Message
- Budget Resolution
- Reserve Available and Used to Balance
- Revenue Summary (By Type)
- Expenditure Summary (By Type and Function)
- Indebtedness and Payment Schedule
- Personnel Additions/Deletions
- Department Budgets (By Program)
- Capital Improvements

Getting Your Message Out

- Put Your Proposed Budget on “The WEB”
- Find ways for Meaningful Public Input and Participation
- Provide email Address for Questions
- Use Graphics Where Possible
- Make it Simple to Understand

Property Tax Dollar

Local
Schools

31.8¢

State School

21.6¢

**Yakima
County**

13.9¢

Fire
Dist.

4.3¢



Cities

15.5¢

County

Road

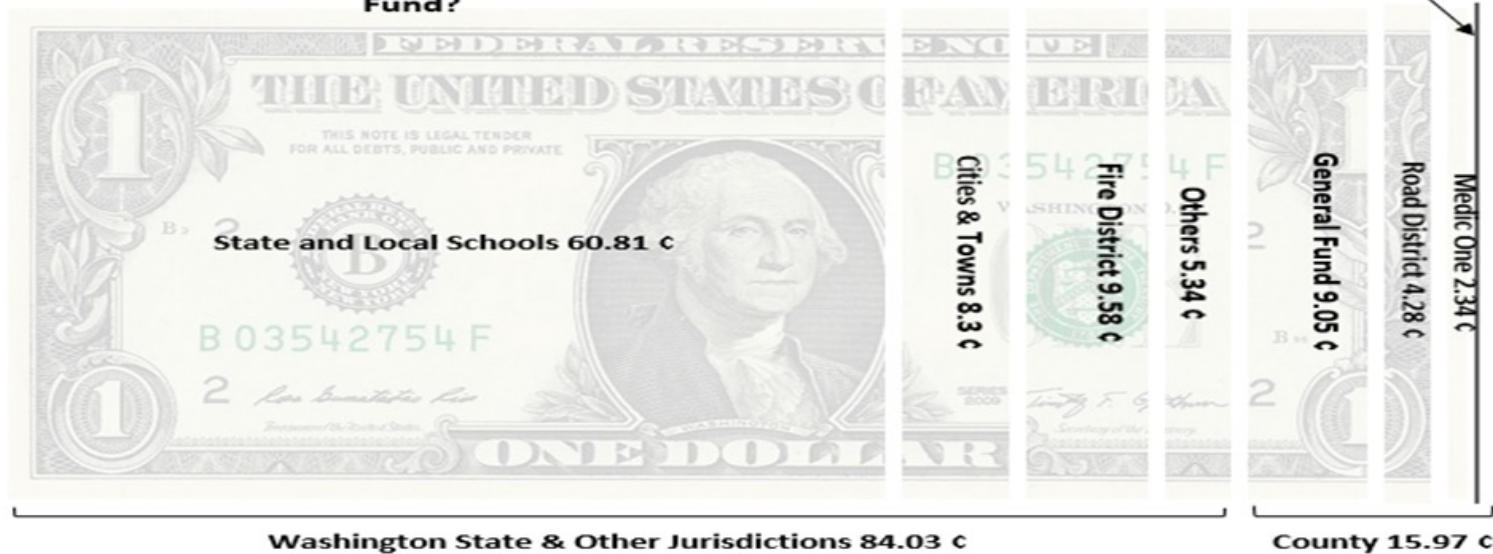
7.6¢

Other

5.3¢

Distribution of Property Taxes

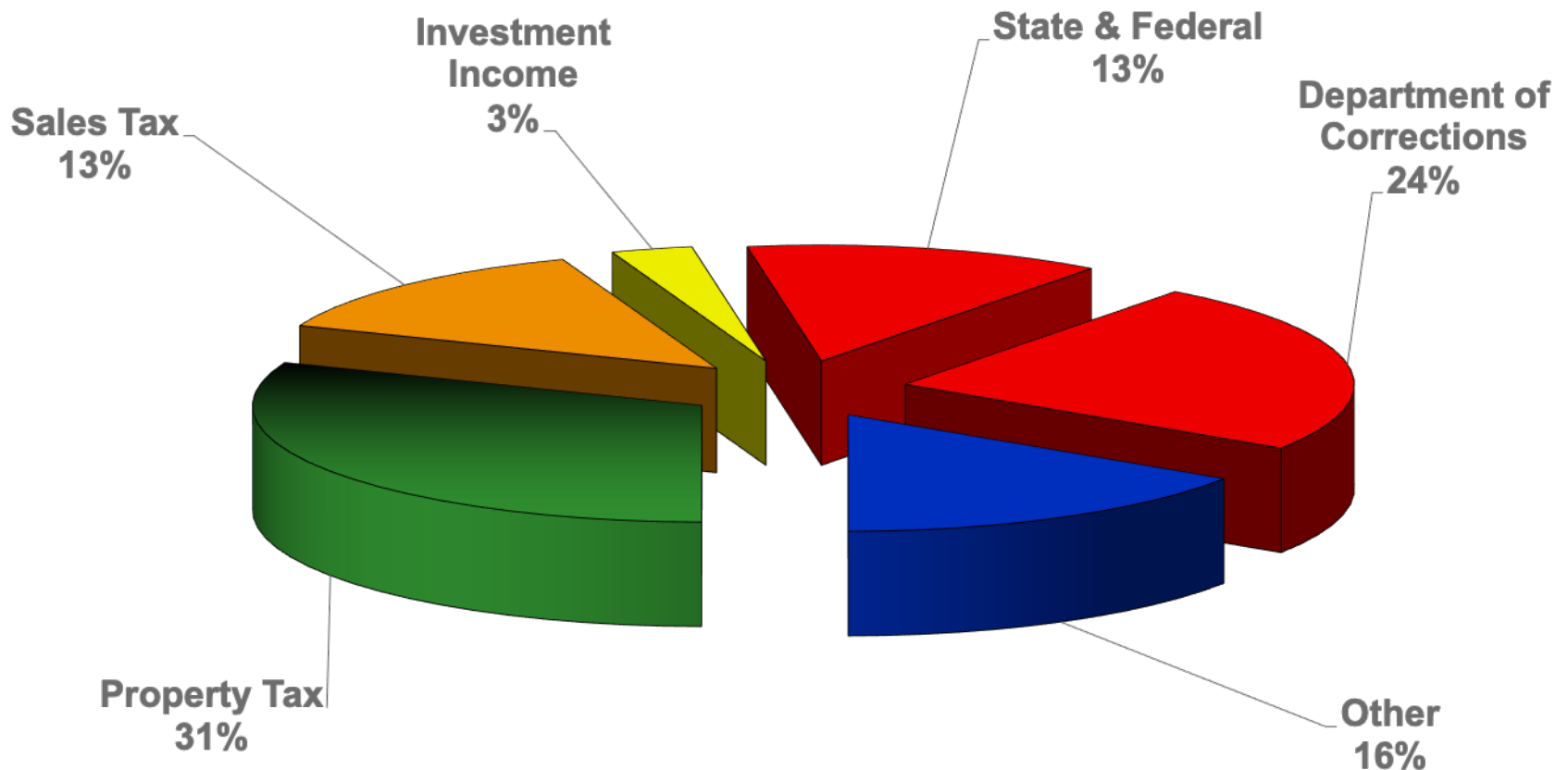
Did you know that only 9.05 ¢ of each Property Tax Dollar goes to the Thurston County General Fund?



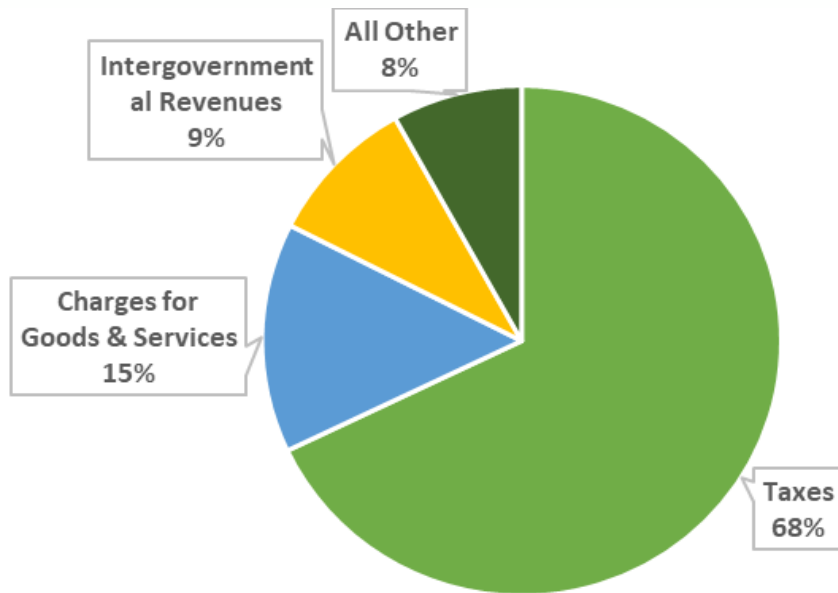
Yakima County

2006 General Fund Revenue

\$60,225,900



General Fund Revenue

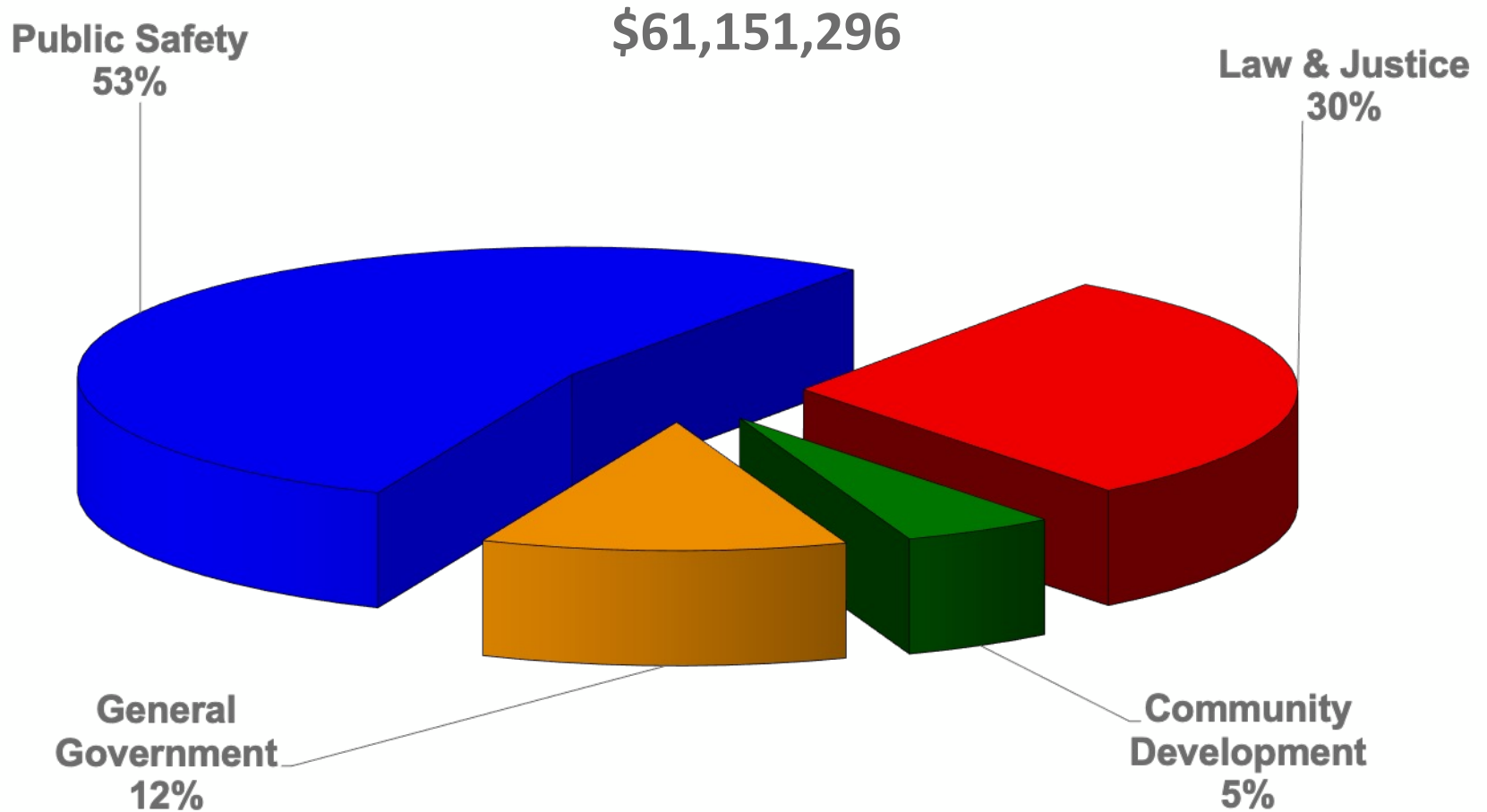


General Fund Revenues by Source	2022	2023
Taxes	78,741,500	79,705,500
Charges for Goods & Services	17,249,360	17,066,825
Intergovernmental Revenues	12,111,246	11,053,497
All Other	9,293,016	9,513,012
Totals	117,395,122	117,338,834

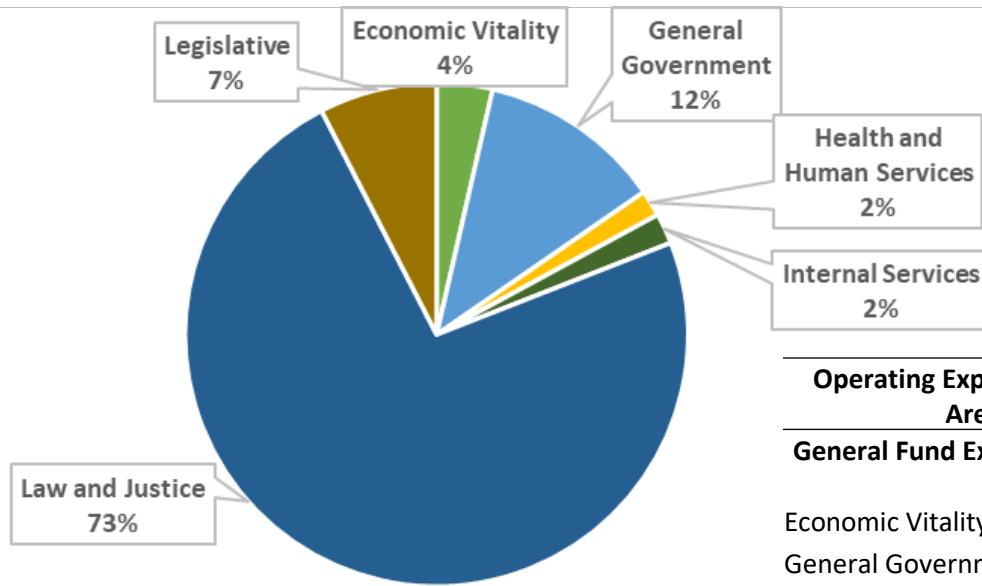


Yakima County

2006 General Fund Expenditures



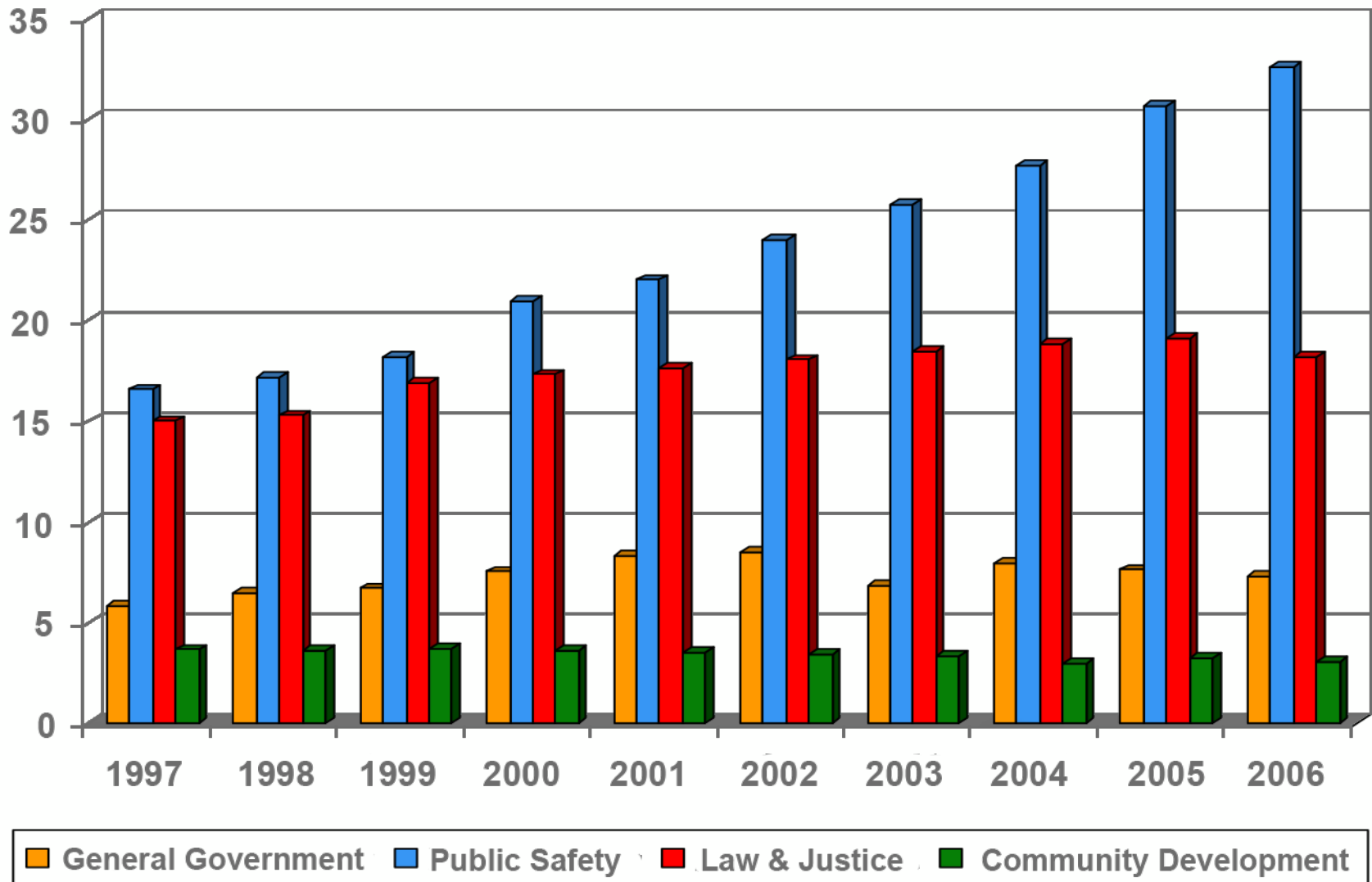
Proposed Operating Expenditures General Fund



Operating Expenditures by Strategic Area All Funds		
	2022	2023
General Fund Expenditures by Strategic Area		
	2022	2023
Economic Vitality	4,490,084	4,458,324
General Government	14,547,667	14,681,411
Health and Human Services	2,120,811	2,091,832
Internal Services	2,518,818	2,435,635
Law and Justice	91,884,160	91,079,967
Legislative	10,204,808	9,392,708
Totals	125,766,348	124,139,877

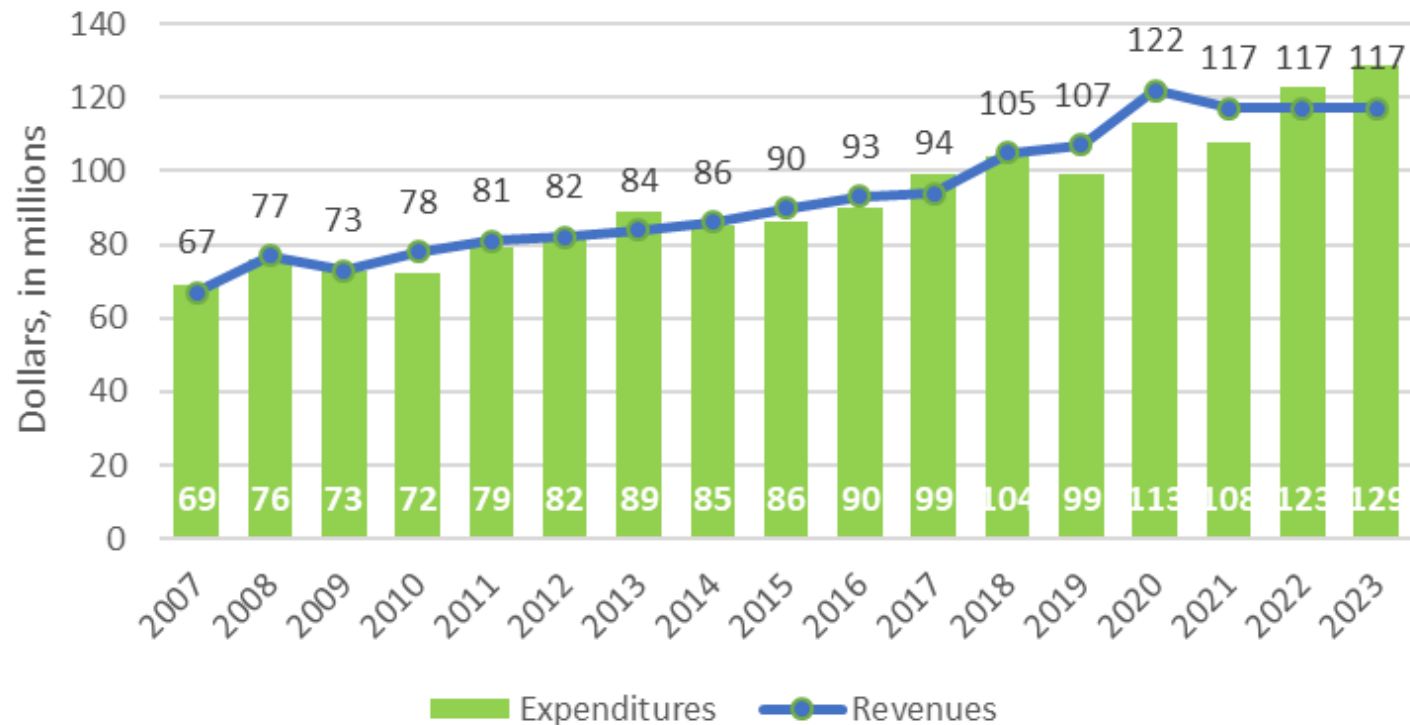


Yakima County General Fund Expenditure History



General Fund

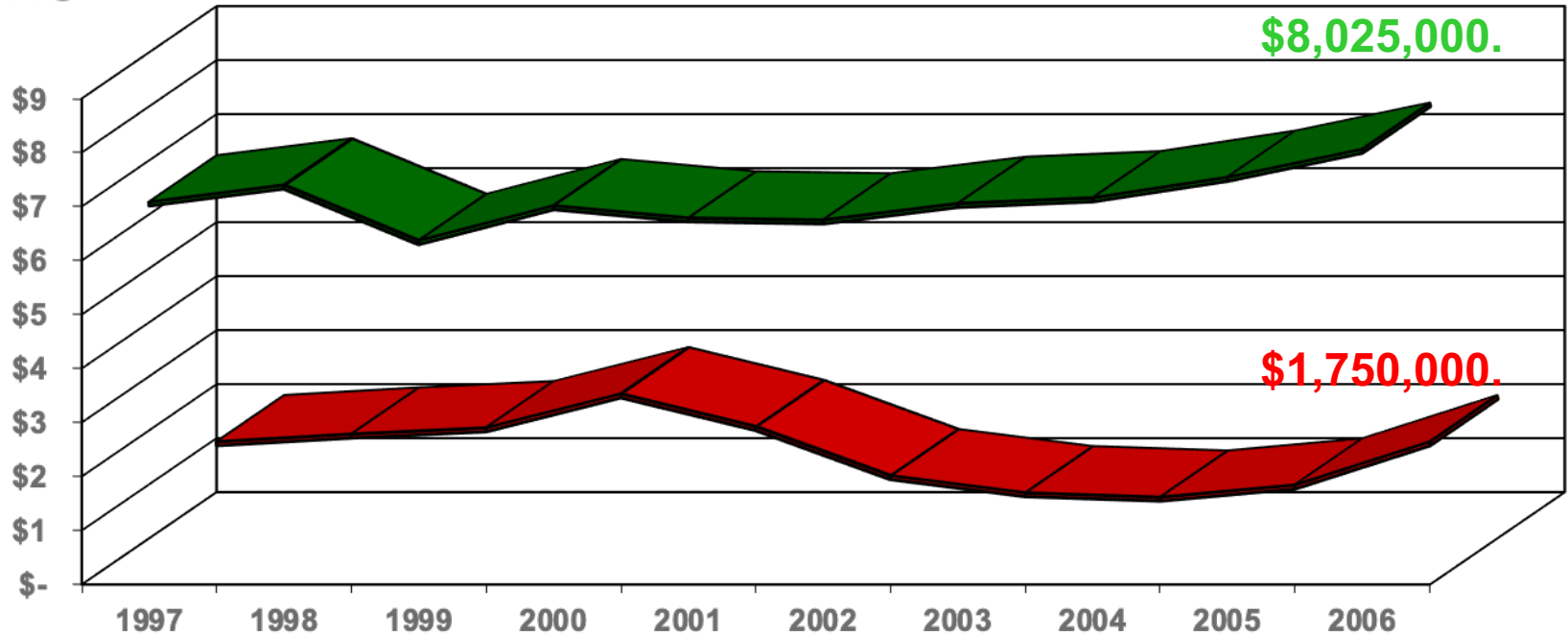
Historical Revenue and Expenditures



Sales Tax & Interest

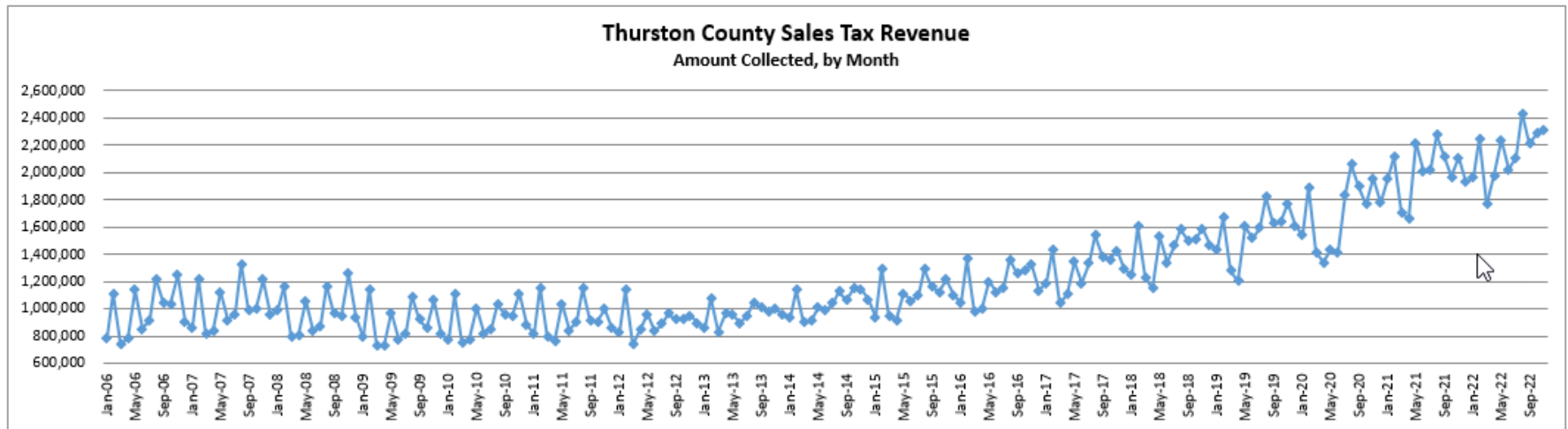
Show Increases

Millions



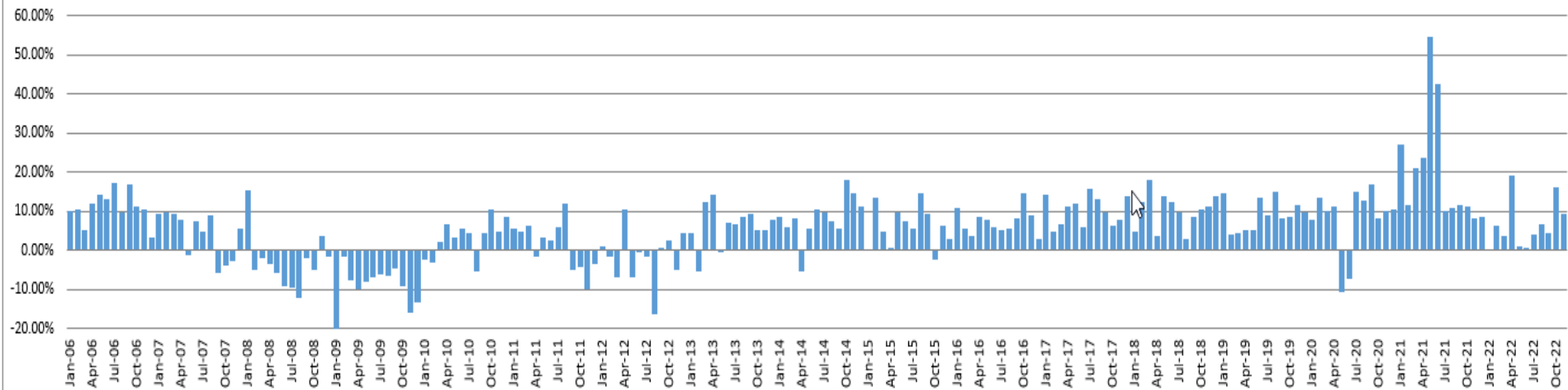
■ Sales Tax ■ Interest

Trend in Sales Tax Revenue



Trend in Sales Tax Revenue

Thurston County Sales Tax Revenue
Percent of Year-over-Year Change, by Month



Governmental and Fund Accounting

Fund Accounting

The County budget is divided into Funds

- A fund is an accounting term used to describe a balanced set of accounts (revenues and expenditures)
- A fund documents where monies come from and how they are used to carry out specific purposes or achieve objectives. Fund accounting enhances traceability and therefore transparency.
- The cash, assets, liabilities, income and expenses of each fund are kept separate from other funds
- “One fund cannot benefit at the expense of another.” (RCW 43.09.210)
- Similar to personal bank accounts
 - Household checking
 - Retirement
 - Savings account
 - Christmas Club

Fund Types (6)

General Funds (Current Expense)

Current Expense is the usually the largest fund, is funded largely by unrestricted revenue, and is comprised of departments encompassing the legislative, public safety, judicial, legal, financial and administrative functions of a county. Other general funds are others funded primarily by unrestricted revenue.

Special Revenue Funds

Account for revenues derived from specific taxes, grants, or other sources which are designated/restricted to finance particular activities.

Debt Service Funds

Account for the accumulation of resources to pay principal, interest and costs related to general obligation and long-term bonded debt.

Fund Types (continued)

Capital Projects Fund

Account for resources designated for the acquisition, construction or repair of capital facilities.

Enterprise Fund

Account for operations where revenues are derived primarily through user fees such as classified public utilities.

Internal Service Fund

Account for operations that provide goods and services to other departments of the county or to other governmental units on a cost-reimbursement basis.

Miscellaneous

- Financial Policies
 - Fund Balance
 - Debt Management
 - Investments
- Borrowing Options
 - Talk with your County Treasurer
- LID/RID

SUGGESTIONS FOR SUCCESS

Suggestions for Success

- Conduct your own research
 - Look at last 3-5 years
- Schedule meetings with all departments and offices
 - Review budget, goals & objectives, service levels
- Maintain a long-term perspective
- Fiscally Sustainable Budget

Pitfalls

- Insufficient reserves
 - Allow for emergencies, contingencies
- Not monitoring budgets
 - Unrecognized revenues
 - Overspending
- Not following statutory requirements
- Not asking questions
- Overbudgeting

CONCLUSION

In Summary...

- The budget process is largely controlled by State law
- The Budget is a financial plan as well as a policy document (you do what you fund)
 - Policy – Policy – Policy
- Budget writing is necessarily a collaborative process
- Restricted revenues require careful monitoring

Questions?