


**Presenting Budget Details
to Your Governing Board**

 For Ohio GFOA 22nd Annual
Fall Conference

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AGENDA

1. The Budget Process
2. Key Elements of a Budget
3. How to Make a Budget Distinguished



The Role of the Budget

Purposes of Local Governmental Budgets

1. To set public policy.
2. To act as a legislative control on taxing and spending by the legislative authority.
3. To serve as a financial planning tool.



Phases of the Budget Cycle

1. Preparation
2. Legislative approval
3. Executive implementation
4. Accounting
5. Financial reporting

Acronym : PLEAF

Budget are prepared annually or biennially.

Budget Classification Structure

- Fund
- Organizational Unit
- Program
- Activity
- Object of expenditure
- Source of revenue
- Project



Funds Used in Budgeting

- Governmental Funds
 - General Fund
 - Special Revenue Fund
 - Debt Service Fund
 - Capital Projects Fund
- Proprietary Funds
 - Enterprise Funds
 - Internal Service Funds
- Fiduciary Funds
 - Nonexpendable Trust Fund
 - Expendable Trust Fund
 - Pension Trust Fund
 - Agency Fund



Steps leading to Budget Adoption

- Budget planning meetings,
- Preparation and submission of annual tax budget
- Formal presentations of the recommended budget,
- Adjustments to the recommended budget,
- Adopting the formal budget ordinance, and
- Preparation of approved budget document.



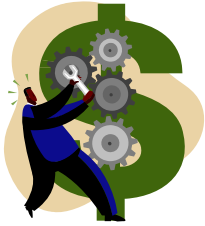
Factors that influence Budgets

- Political environment
 - Feedback from citizens
 - Citizen involvement
- Economic environment
 - Recessions and expansions
 - Inflation and changes in interest rates
 - Competition for business investment and residents
- Social environment
 - Population change
 - Age distribution
 - Personal Income
- Legal environment
 - Requirements for budgetary balance
 - Mandates

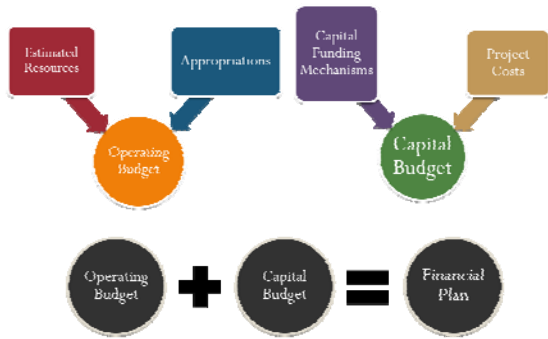


Types of Budgets

- Line-item budgeting
 - Zero-base budgeting
 - Target-base budgeting
- Performance budgeting
- Program budgeting



Character of the Budget



Operating vs. Capital Budgeting

- Operating budgets are always adopted either:
 - on an annual basis, or
 - on a biennial basis.
- Capital budgets are planned over one or more years, but is typically a multi-year budget presentation.
- Local government have traditionally adopted fixed budgets with single spending levels; the alternative is flexible budgets.

Type of Budgetary Accounts

- ESTIMATED RESOURCES
 - Revenue forecasted to support the appropriations within the budget ordinance.
- APPROPRIATIONS
 - Expenditure authority created by the appropriation ordinance that are signed into law.
- ENCUMBRANCES
 - Arise subsequently as appropriations are committed through purchase orders and contracts.

How do I begin?

The budget process begins with developing of a budget calendar, developing goals and objectives for the organization, and developing policy guidelines.

Budget Process

- A good budget process:
 - Incorporates a long-term perspective
 - Establishes linkages to broad organizational goals,
 - Focuses budget decisions on results and outcomes,
 - Involves and promotes effective communication with stakeholders, and
 - Provides incentives to government management and employees

The Budget Calendar

- The annual operating budgets should be adopted prior to the beginning of the budgeted fiscal year.
- To ensure that the goal of enacting the budget prior to the beginning of the budgeted fiscal year is accomplished, a budget calendar should be established.
- The budget calendar should outline all the key dates in the budget development process.
- The primary budget official should prepare and/or approve the calendar prior to its implementation.

The Budget Calendar (continued)

- Contents of a budget calendar
 - Guidelines for departments to follow in preparing their budget requests.
 - Deadline for revenue forecasts.
 - Deadline for expenditure estimates.
 - Instructions on how and what to utilize to submit a departmental budget.
 - Budget worksheets
 - Executive summaries
 - Performance measures
 - Outline when and how other planning process will be coordinated.
 - Denote review and compilation period.
 - Denote when budget hearings will be held.
 - Provide a schedule of when legislation and documentation will be presented to the legislative body.

Developing Goals & Objectives

- Governments are ongoing entities that are expected by their citizenry to provide services continually and eternally.
- When preparing a budget both the long-range and short-term goals and objectives of the organization need to be identified.
- Elements to consider are:
 - capital budget items
 - debt obligations
 - master plans of the organization, especially strategic plans
 - cyclical and fixed costs

Developing Policy Guidelines

- Identify principal policies that should be reflected in the budget.
- To develop policies, begin by
 - Reviewing the current budget year conditions, and
 - Anticipating what may be needed in the future for the upcoming budget year(s).
- The financial policies should be formally endorsed by the legislative body and disseminated to all appropriate administrative officials.

What are the key elements of a budget?

1. Transmittal letter
2. Community profile
3. Fund Structure
4. Overview of the Budget
5. Details by Departmental Unit
6. Supplemental Information

Transmittal Letter

- Summary budget details
- Highlights of the budget
- Objectives and goals of the budget
- Initiative in this budget that were not in the previous budget
- Assumptions for both revenue and expenditure
- Economic outlook

Community Profile

- History of the community
- Brief discussion on the quality of life
- Brief discussion on business community
- List of public officials
- Organizational chart
- Demographic details

Fund Structure

- Financial policies used to prepare the budget
- Details on how budget is developed
- Budget calendar
- Definition of the various types of funds within the organization.
- Basis of budgeting and accounting
- Presentation on how funds are categorized
- List of fund definitions

Overview of the Budget

- Discussion by the preparer of the budget on details on the current budget over previous budgets.
- Discussion on changes in fund balance
- Overview of the major revenues of the organization
- Discussion on revenue projections as a whole
- Discussion on appropriations as a whole
- Discussion of personnel changes

Details by Departmental Unit

- Discussion of major funds
- Description of each unit within the organization
- Overview of what is in the unit budget
- Overview of unit changes in personnel
- Performance measures for the departmental unit

Supplemental Information

- Any information that assists in understanding the economic factors of the community
- Examples of types of items included:
 - Capital budget or Capital Improvement Plans
 - Ordinances
 - Object code guide
 - Property tax presentations
 - Income tax presentations
 - Demographic & economic statistics

What makes a budget a Distinguished Budget?

Everyone has a budget
But what makes a budget a Distinguished Budget?

Four Themes of Budget Presentation

- The Budget as:
 - A policy document
 - The budget document should identify, purpose, and clarify policies
 - A financial plan
 - The budget is the primary instrument for promoting solvency, efficiency, and collective choices regarding distribution and allocation of resources between economic sectors and individuals.
 - A operational guide
 - The budget seeks to explain the relationship between organizational units and programs.
 - A communication device
 - The printed operating budget document is a central focal point for residents, taxpayers, the financial community, and the media.

The Budget as a Policy Document

1. **Mandatory:** Summary of long-term financial policies & goals
2. Coherent statement of organizational goals & objectives the address long-term issues.
3. Description of entity-wide short-term initiatives that guide the development of the budget.
4. **Mandatory:** Budget message that outline priorities and issues in the budget presented.
5. Clearly stated departmental goals & objectives.

The Budget as a Financial Plan

- Describe all funds that are subject to appropriation.
- **Mandatory:** Summary of revenue and expenditures to provide an overview of the total resources budgeted by the organization.
- **Mandatory:** Summaries of revenues and other financing sources.
- **Mandatory:** Describe major revenues sources
 - Explain underlying assumptions
 - Discuss significant revenue trends.
- Projected changes in fund balances.

The Budget as a Financial Plan (cont'd)

- **Mandatory:** Budgeted capital expenditures.
- **Mandatory:** Financial data on current debt obligations.
 - Describe the relationship between current debt levels, and
 - Legal debt limits, and
 - Explain the effects of existing debt levels on current and future operations.



The Budget as an Operations Guide

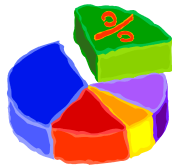
- **Mandatory:** Describe activities, services or functions carried out by organizational units.
- Provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
- **Mandatory:** An organizational chart(s) for the entire organization.
- **Mandatory:** A schedule or summary table of personnel or position counts for prior, current and budgeted years will be provided.

The Budget as a Communications Device

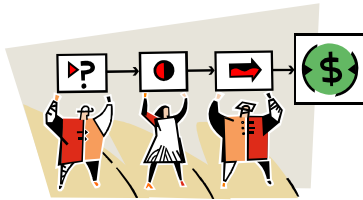
- Provide summary information including an overview of significant budgetary issues, trends, and resource choices.
- Explain the effect, if any, of other planning processes has upon the budget and budget process.
- **Mandatory:** Describe the process for preparing, reviewing and adopting the budget for the coming fiscal year.
- **Mandatory:** Charts and graphs should be used, where appropriate, to highlight financial and statistical information.
- **Mandatory:** A table of contents to make it easy to locate information in the document.

The Budget as a Communications Device (cont'd.)

- A glossary of terminology.
- Statistical and supplemental data that describes the organization, its community, and population.
- The document should be produced and formatted in such a way as to enhance its understanding by the average reader.



Questions ?



Contact Information



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