

TOWN BUDGET PROCESS

Sponsored By:

Tug Hill Commission

PRESENTED BY:

LAIRD PETRIE

What is a Budget?

- An annual financial plan for the operation of Town government.
- Act as legislative control on taxing and spending, power to levy taxes and approve appropriations.
- Outlines proposed expenditures (*appropriations*) and the proposed means of financing (*estimated revenues and appropriated fund balance*).
- Closed out at end of each fiscal year.

Underlying Principles in Budget Development

- Local government budgeting and accounting must follow the Law.
- Municipal finance laws are derived from two basic principals:
 - Pay-as-you-go principle
 - Benefit principle

Town Law Budgeting Sections

Description	Section:
Definitions	Town Law §103
Submission of Estimate Forms	Town Law §104
Fire District Budgets	Town Law §105
Preparation, filing and review of Tentative and Preliminary Budget	Town Law §106
Contents of the Preliminary Budget	Town Law §107
Public Hearing	Town Law §108
Final Revision and Adaption of Final Budget	Town Law §109
Encumbering Appropriations	Town Law §110
Lapse of Appropriations	Town Law §111
Supplemental Appropriations; Unappropriated and Reserved Fund Balances	Town Law §112
Transfers From General Purpose Funds to Other Funds	Town Law §113

Village Law Budgeting Sections

Description	Statute:
Definitions	Village Law §5-500
Submission of estimate forms	Village Law §5-502
Preparation and of Tentative Budget	Village Law §5-504
Form and Contents of the Tentative Budget	Village Law §5-506
Adoption of Budget	Village Law §5-508
Change in Fiscal Year	Village Law §5-510
Financing Interim Fiscal Period	Village Law §5-512
Limitation of Tax Levy	Village Law §5-514
General Budgetary Controls	Village Law §5-520
Lapse of Appropriations	Village Law §5-522

Town Budget Calendar

	Date*
Budget Officer to notify dept heads re: estimates	Sept. 1
Dept estimates returned to budget officer	Sept. 20
Prepare & file tentative budget with town clerk	Sept. 30
Town clerk submits tentative budget to town board	Oct. 5
Town board discusses/alters budget	
Tentative Budget (as modified) becomes preliminary budget and is filed with town clerk	
Public hearing held	Thursday after election
After public hearing - you may make more revisions	
Budget adopted by:	Nov. 20

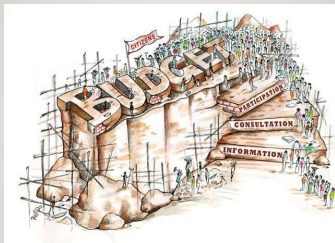
30 day lag for Westchester and Monroe County Towns

VILLAGE BUDGET CALENDAR

	Fiscal Year Beginning			
	<i>Jan 1</i>	<i>June 1</i>	<i>August 1</i>	<i>March 1</i>
Budget Officer to notify dept heads re: estimates	August 1	Feb. 8	April 8	Nov. 8
Dept estimates returned to budget officer	Sept. 1	March 1	May 1	Dec. 1
Prepare & file tentative budget	Oct. 1	March 20	May 20	Dec. 20
V/Clerk submits tentative budget to board	Nov. 1	March 31	May 30	Dec. 31
Board discusses/alters budget	After receiving tentative budget and before public hearing.			
Hold public hearing on tentative budget	Nov. 15	April 15	June 15	Jan. 15
After public hearing, final revisions	After public hearing but prior to adoption.			
Budget adopted by:	Dec. 1	May 1	July 1	Feb. 1

Chartered Villages should check their charter

The Budget Process



Who is Responsible for the Budget?

- Budget Officer
- Governing Board
- Department Heads

Budget Officer

- Responsible for gathering information and preparing the tentative budget
 - The Town Supervisor is the Budget Officer unless he or she chooses to appoint someone else (Town Law §103).

In Villages, the Mayor (or Village Manager) is the Budget Officer unless he or she chooses to appoint someone else (Village Law §5-500).

Useful Information

- Prior year's budget
- Actual results of operations – prior year(s)
- Actual results of operations – current year
- Estimates from department heads
- Capital plan or capital activities
- Wage/salary schedules (Including fringe benefits)
- Debt service and other contractual payments
- Insurance
- Legislation
- Local changes
 - Interest rates
 - Volume or rate increases

Other Useful Information

- Reserve needs
- Contingency appropriation
- 284 Highway Agreement (Towns)
- Interfund transfers
- Other
 - Businesses closing or starting
 - Changes in utility rates or fuel prices

Tentative Budget (Town Law §106)

- Budget officer to furnish estimate forms to department heads by 9/1 (or earlier)
- Department heads must return estimates to Budget Officer by 9/20
- Budget Officer prepares Tentative Budget and must file it with Town Clerk by September 30th
- Town Clerk must present Tentative Budget to Town Board at a regular or special meeting by October 5th

Tentative Budget(continued)

- Town Board works on revisions to Tentative Budget
 - Must remain balanced
 - Appropriations required by law may not be reduced below minimum (i.e. Highway Law § 271)
 - Must be within limitations
 - Contingency – 10% maximum in General Fund
 - Upon completion of review, and changes agreed by the Board will become the Preliminary Budget

PRELIMINARY BUDGET (TOWN LAW §107)

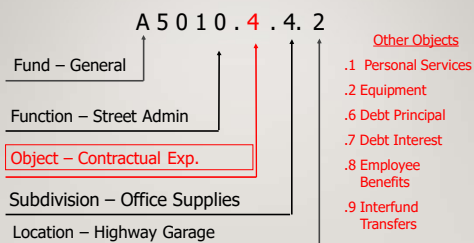
Must Contain:

- Summary of Budget
- Schedule of Appropriations (for each fund)
- Schedule of Estimated Revenues (for each fund)
- Schedule of Estimated Fund Balances (restricted and unrestricted)
- Salaries of Elected Officials
- Tax Exempt Properties Report

SAMPLE SCHEDULE OF APPROPRIATIONS

Accounts	Code	Actual 2020	Amended 2021	Tentative 2022	Preliminary 2022	Adopted 2022
<u>Legislative Board</u>						
Pers. Serv.	A1010.1	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000
Equipment	A1010.2	0	0	200	200	200
Contractual	A1010.4	<u>491</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
		\$5,491	\$5,500	\$6,700	\$6,700	\$6,700
<u>Clerk</u>						
Pers. Serv.	A1410.1	\$10,000	\$10,000	\$10,500	\$10,400	\$10,400
Equipment	A1410.2	1,231	600	0	0	0
Contractual	A1410.4	<u>3,980</u>	<u>4,000</u>	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>
		\$15,211	\$14,600	\$14,700	\$14,700	\$14,600

Minimum Level of Control



PUBLIC HEARING (TOWN LAW §108)

- Must be held no later than the Thursday following election day
- Notice in paper advertising date of public hearing at least 5 days prior to date of Public Hearing (also on Town bulletin board)
 - Notice must include the proposed salaries of elected officials
 - Copies of budget must be available at Town Clerk's office
- After Public Hearing the Board may still continue to work on the Preliminary Budget
 - Document any agreed upon changes made to Preliminary Budget

ADOPTED BUDGET (TOWN LAW §109)

- No later than Nov. 20th
- Clerk must enter into the minutes of board proceedings
- Clerk must certify two copies and give one to the Supervisor which is sent to the County
 - Include a copy all Fire District budgets (Town Law § 105) - **CAN NOT** be altered by Town Board
- A copy of Town Budget should be posted to the Town Website (GML §30)

BUDGET SUMMARY PAGE

Fund	Appropriations and Other Uses	Less: Estimated Revenues	Less: Appropriated Fund Balances	Property Tax Levy
General Town-Wide	956,780	458,955	48,000	449,825
General Part-Town	354,350	167,456	0	186,894
Highway Town-Wide	765,880	378,976	75,000	311,904
Highway Part-Town	467,750	212,555	35,000	220,195
Fire Protection District	79,995	0	0	79,995
Water District	268,885	268,885	0	0
Total Tax Levy				1,248,813

Town Fire Protection Districts (Town Law §184)

- An area of the Town (established by Article 11 of Town Law) for which the Board contracts with a City, Village, Fire District or incorporated Fire Company for fire protection.
 - Budgeted and accounted for in the SF Fund
 - Financed by property taxes levied on properties within the District
 - Contract is generally for one year but can be for up to five years
 - Contract requires a specified \$ amount
 - Requires a public hearing before it is approved

CALCULATING THE TAX RATE (PER THOUSAND)

$$(\text{Tax Levy} \div \text{Total Taxable Assessed Value}) \times 1,000$$

Example:

General Fund Town-Wide Tax Levy = \$ 449,825

Total Taxable Assessed Value = \$ 103,400,000

Tax Rate (per thousand) = \$4.35

TAX CAP (GENERAL MUNICIPAL LAW §3-C)

- Tax Cap form must be filed with OSC **BEFORE** adopting the Budget
- For 2022, the *Allowable Levy Growth Factor* for Towns = 2%
 - The inflation factor [2.3%] or 2% whichever is lower.
- If the proposed tax levy exceeds the calculated *Tax Levy Limit* the Board **MUST FIRST** adopt a Local Law to override the limit.
 - Requires at least 60% of the Board to approve
 - Local Law must be filed with the Secretary of State

BALANCING THE BUDGET



STRUCTURALLY BALANCED BUDGET

- Finance reoccurring operations with reoccurring revenues
- Avoid reliance on one-shot revenues
 - Records management grants, sales of properties, FEMA money
 - Federal ARP and CRRSA acts revenues
 - Surplus fund balances
- Sufficient contingencies
- Reserves in place

APPROPRIATIONS

Questions to Ask:

- Is the service or equipment a NECESSARY expenditure this year?
- Can it be offered more efficiently by another government?
- Can it be offered cooperatively with other government (Article 5-g of GML)?
- Can it be offered more efficiently by outsourcing it to a private vendor?

DETERMINE THE TRUE COST OF SERVICES

- Identify services that represent the greatest net cost
 - Determine the TOTAL costs of each service offered
 - Direct costs (salaries, equipment, contractual expenditures)
 - Indirect costs (employee benefits, insurance, debt, etc)
 - Identify all attributable revenues associated with each service
 - Total Cost – Attrib Revenues = Net Cost to Taxpayer
- Focus on ways to reduce the net cost

Contingent Account (1990.4)

- General Fund–Town-wide (A) - Maximum of 10 percent of total appropriations in A & DA excluding debt service, judgments and repair and improvement of highways (5110 & 5112)
- General Fund–Town Outside Village (B) - Maximum of 10 percent of total appropriations in B & DB excluding debt service, judgments and repair and improvement of highways (5110 & 5112).
- Special Districts - In general, maximum of 10 percent of total appropriations excluding debt service and judgments.

(Refer to Contingent Account Worksheets)

Towns with Villages

- General Rule: Expenditures are to be charged town-wide (A or DA) unless a statute mandates or allows for a part-town charge (Real Property Tax Law §300).
 - Repairs and improvements to highways (DB5110 & DB5112) must be a part-town charge
 - Planning, Zoning, Code Officer , Police (subject to provision of Town Law §150) must be part-town
 - Highway Law §277 - Town Board may exempt Village properties for snow removal and misc (5140-5148) and/or machinery (5130)

Highway Fund Charges

- Only those authorized by Highway Law §141
 - Roads repairs and improvements (Item 1)
 - Bridge repairs and improvements (Item 2)
 - Machinery (Item 3)
 - Snow and Misc. (Item 4)
- All other charges are either General Fund or Special District charges even if work is being performed by the highway crew.

Agreement to Spend Highway Funds (284 Agreement)

- Highway Law §284
- Legal authority to spend highway fund money for road improvements
- Must be signed by the Town Highway Supt. And Town Board
 - Can be amended by the same manner
 - Should be agreed upon before adopting the budget

Budgeting for Interfund Transfers

- Must be within the same tax base
- Prohibited from transferring out of Highway Funds
 - Town Law §113 only allows transfers out of general town-wide and general part-town funds to other operating funds that have the same tax base
 - Exception: Transfers can be made to non-operating funds such as the Debt Service Fund (V) and Capital Projects Fund (H)
- Interfund Transfers out (expenditure) must equal Interfund Transfers in (revenue).

Note: Interfund Loans are allowed between all funds but are not part of the budget process

REVENUES AND OTHER FINANCING Sources

- Estimated Revenues (510)
 - Non-Property Tax Revenues
 - Local, State, Federal
 - Property Taxes
- Fund Balance
 - Reserved (511)
 - Unrestricted (599)

Non-Property Tax Items

- Avoid relying too much on external revenue sources outside the Board's control (sales tax, state aid, etc.)
 - Contact State and County Officials
- Rely more on local sources the Board can control (user fees, departmental revenues, services to other governments, etc.)
 - Are rates sufficient to finance operations?
 - Are there available grant opportunities?
- Avoid relying on "one shot" revenues

Towns With Villages

- General Rule: Revenues follow expenditures
- Some revenues must be budgeted in part-town funds (B, DB):
 - Sales Tax Revenues [Tax law §1262 (c)]
 - Can be budgeted Town-Wide if no tax levy in Part-Town funds
 - CHIPS Revenues (Highway Law §10-c)
- Other revenues may be budgeted part-town if certain conditions are met (check with municipal attorney and/or OSC).

Fund Balance and Property Taxes

- Often become "balancing items" on revenue side of the budget
- Often used as a political football during election times
- Use of each should be governed by board adopted policy and multi-year plans

FUND BALANCE MANAGEMENT

Fund Balance

- Fund Balance is the total accumulation of operating surpluses and deficits since the beginning of the Town's existence.
- Made up of two parts:
 - Restricted – The portion that is not available for discretionary appropriation due to the creation of reserves and other limitations.
 - Unrestricted – The portion that is available for appropriation to reduce taxes and other assignments.

Fund Balance Policy

- 2001 legislation changed the amount of unrestricted Fund Balance a Town can retain.
 - All local governments (not school districts) can now retain a "reasonable amount" of unrestricted fund balance
- Town Board should adopt a Fund Balance policy and abide by it.
- FB policy is an important consideration in developing long-term plans.

Determining a Reasonable Amount

- The “reasonable amount” of unrestricted fund balance to be retained will depend on various factors including.....
 - Composition of the FB (is it all cash?)
 - Cash flow needs for first 2 months
 - Size of the fund
 - Established reserves
 - Budgetary practices
 - Surpluses or deficits
 - Use of contingent appropriations

Estimating Available Unrestricted Fund Balance

General Fund

Unrestricted Cash balance to date	\$ 254,800
+ Revenues expected to be received by year end	\$ 176,300
+ Receivables expected to be collected by year end	\$ 0
- Expenditures expected to be made by ear end	<u>(\$ 183,987)</u>
Estimated Unrestricted Cash at Year End	<u>\$ 247,113</u>

ALLOCATING UNRESTRICTED FUND BALANCE

- Financing established reserve funds
- Paying down debt principal
- Financing “one shot” expenditures
 - Example: capital purchases
- Reduce the property tax levy
 - Be cautious – must be sustainanable

FINANCE RESERVE FUNDS

- Reserves must be legally established
 - General Municipal Law (§§ 6-c through 6-r)
 - Suburban Town Law (§§ 55, 55-a, 55-b)
- Reserves should be limited to amounts specified in resolution or other statutory limitations.
- Establishment and use of reserves should be linked to long-term capital and operational plans.

REDUCE DEBT PRINCIPAL

- Decreases future interest payments
- Shortens life of the loan
- Improves credit ratings

Note: Since not all debt instruments allow for the reduction of principal ahead of schedule, local governments should check with their lender or bond counsel before pursuing this option.

ONE-SHOT EXPENDITURES

- Expenditures that do not normally occur annually, such as:
 - Equipment and capital outlay expenditures (.2)
 - Court-ordered judgments
 - Extraordinary public service contracts (legal, assessor, etc.).

REDUCE PROPERTY TAXES

- Be cautious appropriating Fund Balance to reduce property taxes
- Can result in large increases and decreases in property taxes
- Must be sustainable to avoid fiscal stress

Allocating Estimated Available Unrestricted Fund Balance

Example (see slide #41):

Retain (per fund balance policy)	\$175,500
Increase Capital Reserves	\$ 15,000
Pay Debt Principal	\$ 35,000
Appropriate to reduce taxes (must be sustainable)	\$ 21,613
Total	\$247,113

MONITORING THE BUDGET

BUDGETARY REPORTS

Should be:

- Completed for all major operating funds
- Prepared monthly
- Distributed to all department heads
- Reviewed with all department heads

Are the responsibility of the governing board and fiscal officer

SAMPLE BUDGETARY REPORT

Accounts	Code	Adopted Budget	Amended Budget	Actual To Date	Unexpended Balance
<u>Legislative Board</u>					
Pers. Serv.	A1010.1	\$5,000	\$5,000	\$3,300	\$1,700
Equipment	A1010.2	0	0	0	0
Contractual	A1010.4	850	1,000	500	500
		\$5,850	\$6,000	\$3,800	\$2,200
<u>Clerk</u>					
Pers. Serv.	A1410.1	\$10,000	\$10,000	\$6,700	\$3,300
Equipment	A1410.2	1,235	1,235	0	1,235
Contractual	A1410.4	3,980	4,200	4,200	0
		\$15,215	\$15,435	\$10,900	\$5,535

Options Available For Amending the Budget

- Budget transfers (same fund)
 - Unneeded balances from one account to another
 - From contingency account
- Increasing total appropriations
 - Appropriating Additional Surplus (must first calculate available amount)
 - Using unanticipated revenues (gifts, grants, insurance recoveries)
- Reducing total appropriations

Budget Transfers

- Transfer between appropriation line items in the same fund
 - Must maintain legal limits (example: debt service)
- Transfer from contingency line item (1990.4) to other line items in the same fund
- Must receive Board approval
 - Minutes should show amounts and accounts effected

APPROPRIATING ADDITIONAL SURPLUS

Budget: Est. Revenues (510)	\$ 510,000
Appropriated FB (599)	<u>40,000</u>
	\$ 550,000
Actual: Revenues** (980)	\$ 475,000
Beginning FB (909)	<u>125,000</u>
	\$ 600,000

You Can Appropriate \$ 50,000

****Plus revenues that are reasonably expected to be recognized in the current year**

UNANTICIPATED REVENUES

May be appropriated with resolution of the governing board without performing the calculation

- Grants in Aid
- Insurance Recoveries
- Gifts