

Budgeting Process for City of Castroville

March 11, 2015

Introduction



Texas municipalities use different budgeting processes to allocate financial resources efficiently.



Each method has strengths and weaknesses, and many cities adopt a hybrid approach.



This presentation covers the most commonly used budgeting methods, along with examples from the adopted FY 2024-2025 budget.

Line-Item Budgeting

Traditional method that itemizes expenditures by category such as salaries, utilities, and supplies.

In FY 2024-2025, Castroville allocated funds to specific departments such as:

Police Department: Budgeted for personnel salaries, equipment, and operational costs.

Public Works: Funds designated for street maintenance, utilities, and infrastructure projects

Performance-Based Budgeting



Links funding to specific outcomes and performance measures to improve efficiency.



Budget includes objectives like reducing emergency response times and improving infrastructure quality, with funds allocated to departments based on goals and objectives.

Zero-Based Budgeting (ZBB)

Requires all expenses to be justified from zero each year, eliminating unnecessary spending.

Departments are required to justify their entire budgets, leading to a thorough review and reallocation of resources

Program-Based Budgeting

Groups expenditures by programs and services rather than by department.

Budgets include cross-departmental programs like community welfare which may allocate funds to a food pantry, police department, and other social services.

Capital Budgeting



Focuses on long-term infrastructure investments and major capital projects.



The FY 2024-2025 budget includes capital projects such as:

Water System Improvements: Allocated funds for upgrading water infrastructure

Street Rehabilitation: Budgeted for resurfacing and repairing major roadways.

Incremental Budgeting



ADJUSTS THE PREVIOUS YEAR'S BUDGET WITH SMALL INCREASES OR DECREASES, PROVIDING STABILITY.



EXAMPLES INCLUDE: PROVIDING AN ANNUAL COST-OF-LIVING-ADJUSTMENT (COLA) OR REDUCING ALLOCATIONS TO EACH DEPARTMENT BY A SET PERCENTAGE IN ANTICIPATION OF RECEIVING LESS REVENUES

Priority-Based Budgeting (PBB)

Allocates resources based on community priorities and essential services.

May place emphasis on funding essential services such as public safety and infrastructure maintenance. This approach requires a clear understanding of the community's priorities.

Rolling Budgeting

Continuously updates the budget, allowing real-time adjustments to financial plans.



Quarterly financial reports are used to adjust budgets as needed, ensuring responsiveness to economic changes.

What is Castroville using?

- We are utilizing a hybrid budgeting approach, combining elements of Line-Item budgeting, Incremental Budgeting, and Capital Budgeting, with some aspects of Priority-Based Budgeting.

Current Budget Methodology

1. Line-Item Budgeting:

- a) The budget outlines detailed expenditures by department and category (e.g., salaries, maintenance, utilities).
- b) Provides clear visibility on how funds are allocated to each city department.
- c) This is a traditional method used by most municipalities for **transparency and accountability**.

2. Incremental Budgeting:

- a) The budget shows **modest increases in funding across departments** based on previous year's allocations.
- b) There are no drastic cuts or changes, suggesting an approach that builds on prior years' budgets with minor adjustments for inflation, revenue projections, and operational needs.

Current Budget Methodology Cont.

4. **Capital Budgeting:**

- a) Significant funding is directed towards **infrastructure projects**, such as: Water System Upgrades and Street Repairs & Rehabilitation.
- b) These investments align with our Capital Improvement Plan (CIP), a key characteristic of capital budgeting.

5. **Priority-Based Budgeting:**

- a) While not fully implemented, the city appears to prioritize funding towards essential services and as Public Safety and Infrastructure (Roads and Water Systems
- b) This suggests a partial alignment with Priority-Based Budgeting, where resources are directed towards critical community needs rather than across-the-board funding increases.

Why this budgeting method?

Transparency & Accountability

- The use of line-item budgeting ensures every expense is documented clearly.
- It helps elected officials and citizens understand how public funds are allocated.

Stability & Predictability

- Incremental budgeting ensures financial stability by making small adjustments instead of overhauling expenditures.
- This reduces the risk of budget volatility.

Long-Term Infrastructure Planning

- The Capital budgeting approach allows the city to plan and allocate resources for large-scale projects over multiple years.

Responsive to Community Needs

- Priority-Based Budgeting elements help ensure that funding is focused on essential services such as public safety, utilities, and infrastructure.

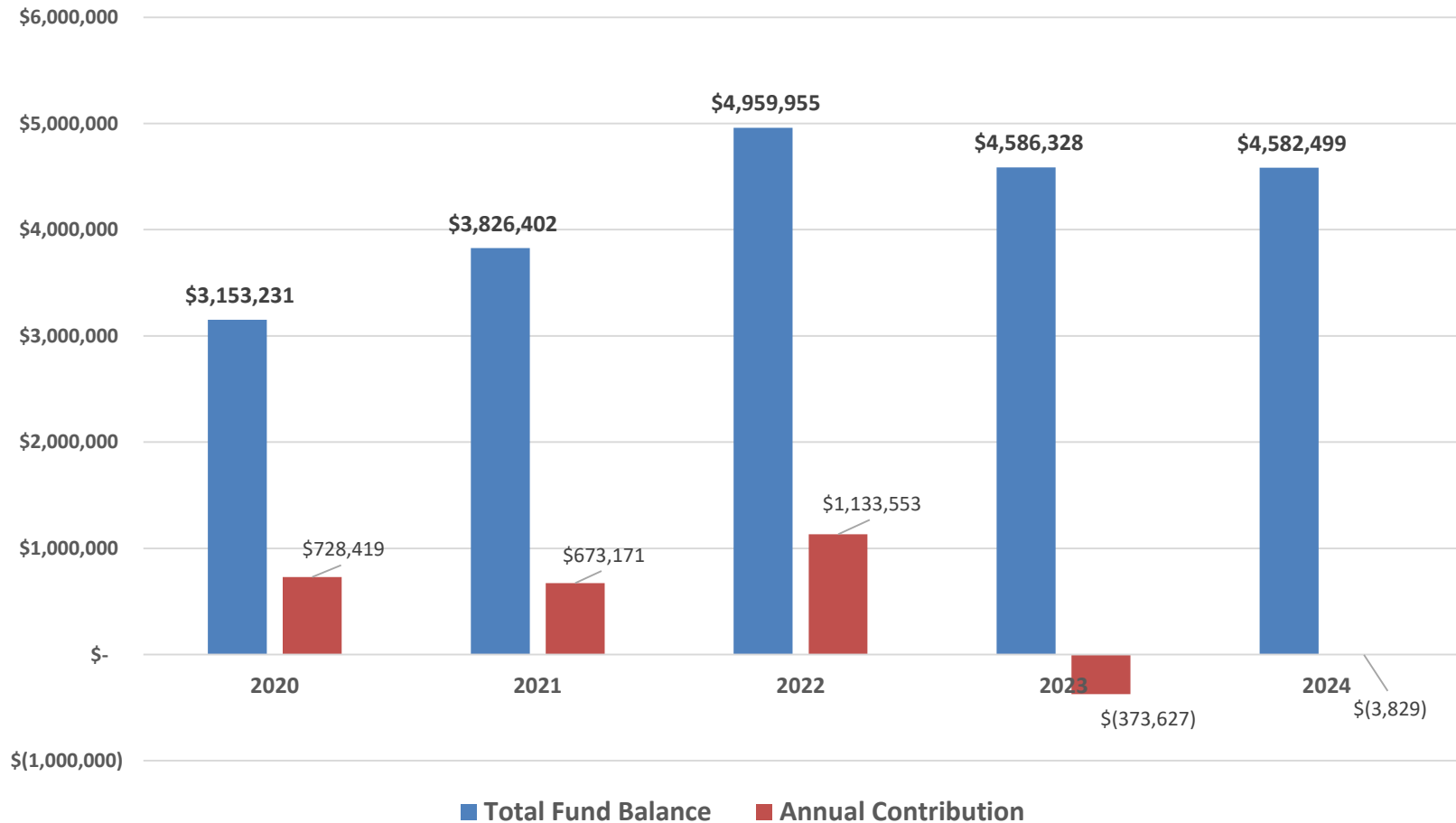
Concluding thoughts..

Municipalities in Texas use various budgeting methods depending on their size, financial strategy, and priorities.

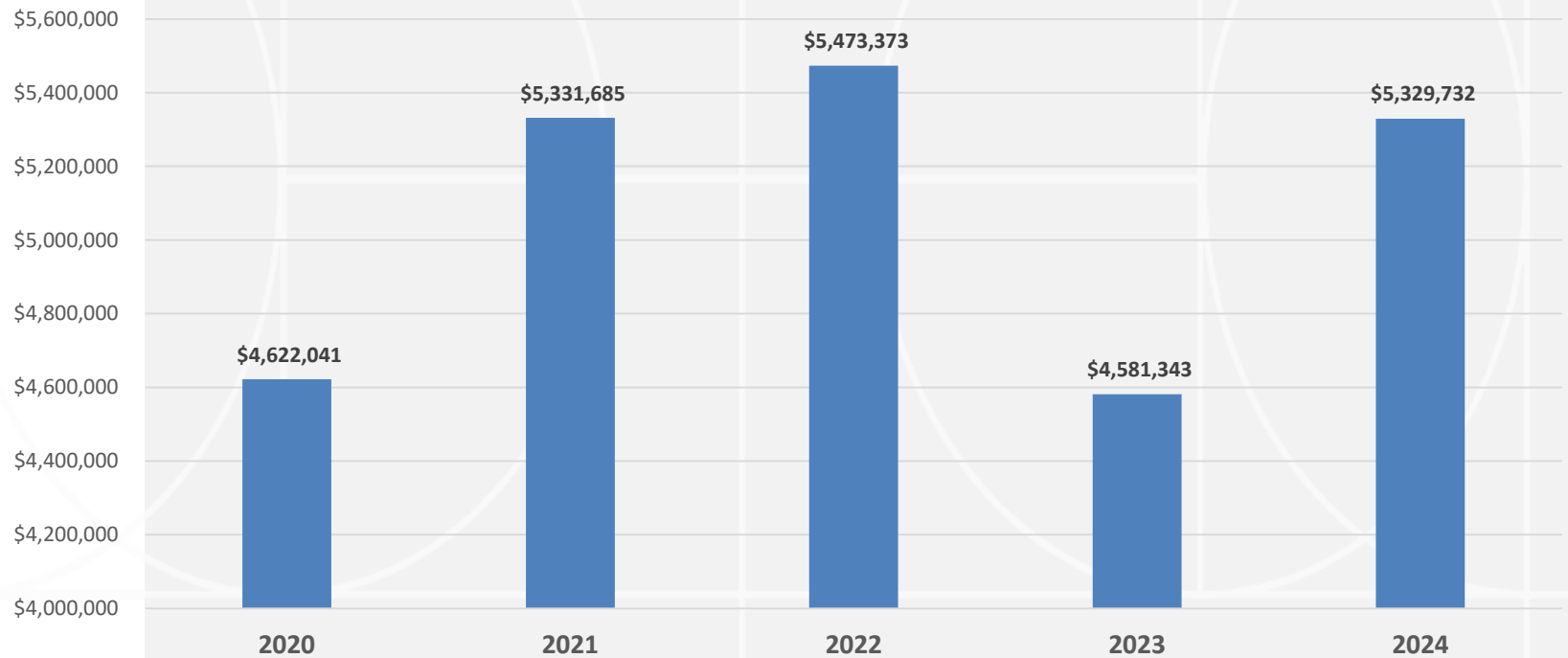
Many cities adopt a hybrid approach to balance control, efficiency, and community needs.

Understanding these processes helps in making informed financial decisions and improving municipal financial management.

Historical Fund Balance Contributions General Fund



Historical Fund Balance (Unrestricted) Enterprise (Utility) Fund



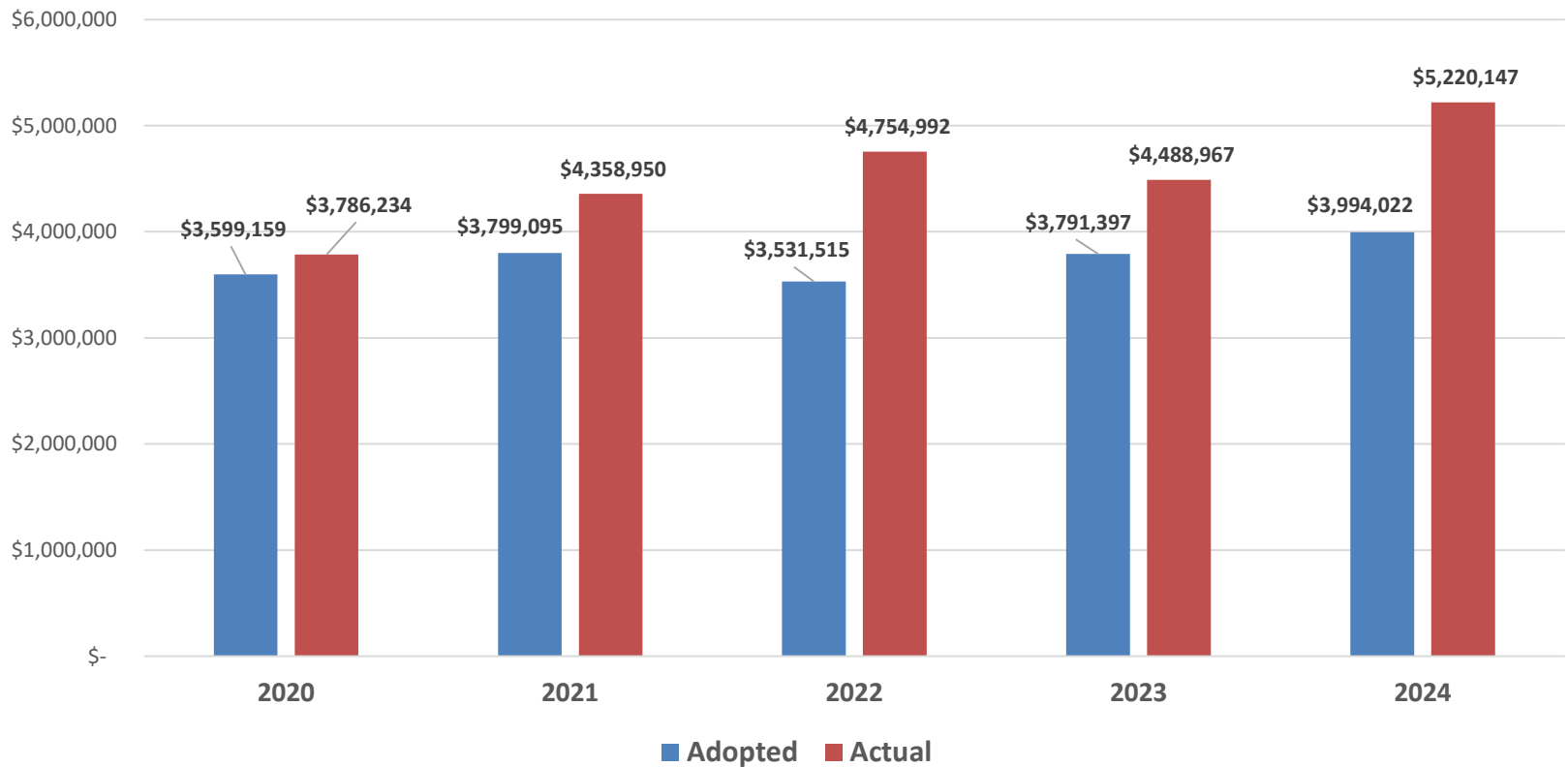
Full Time Equivalency (FTE) by Department (General Fund)

STAFFING	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GENERAL FUND						
CITY ADMINISTRATOR	1	1	1	1	1	1.5
CITY SECRETARY	1	1	1	1	1	1
FINANCE	3	3.5	3.5	3.5	3.5	3.5
LIBRARY	2.5	3.5	3.5	3.5	3.5	4
POLICE	9.5	11	11	10	11	13
MUNICIPAL COURT	1.5	1	1	1.5	1	1.5
COMMUNITY DEVELOPMENT	2	2	2	2	1	2
STREETS	4	3.5	3.5	4	4	3
PARKS AND RECREATION	2	3.5	3.5	4	4	5
ANIMAL CONTROL	1	1	1	1	2	2
TOURISM & BUSINESS DEVELOPMENT	0.5	0.5	0.5	1.5	1.5	1.5
TOTAL GENERAL FUND	28	31.5	31.5	33	33.5	38

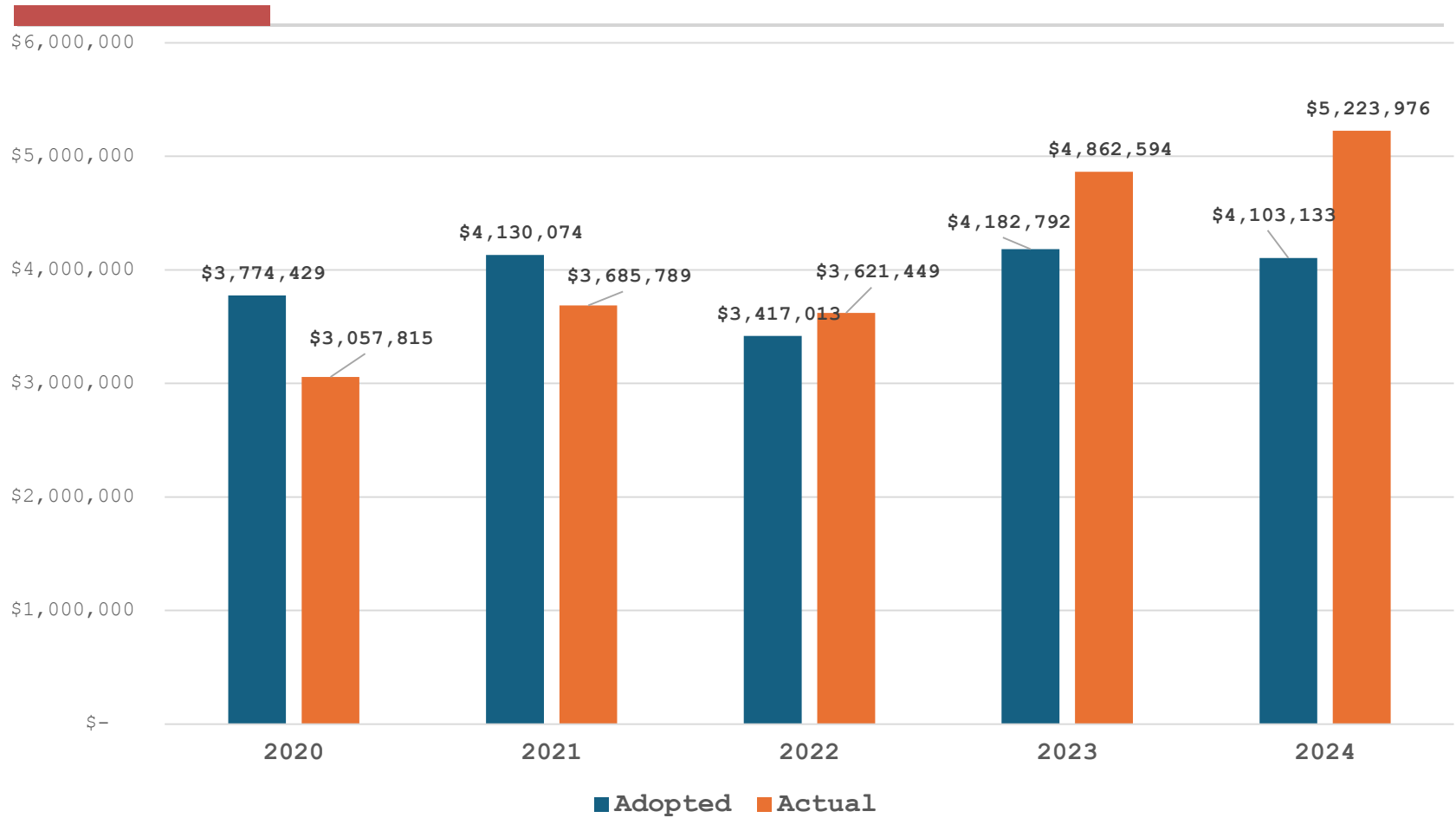
Full Time Equivalency (FTE) by Department (Utility Fund)

STAFFING	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
UTILITY FUND						
PUBLIC WORKS ADMINISTRATION	7	8	8	8	8	7
WASTEWATER	3	3	3	3	3	3
ELECTRIC	4	4	4	5	5	5
WATER	3	3	3	5	5	6
TOTAL UTILITY FUND	17	18	18	21	21	21

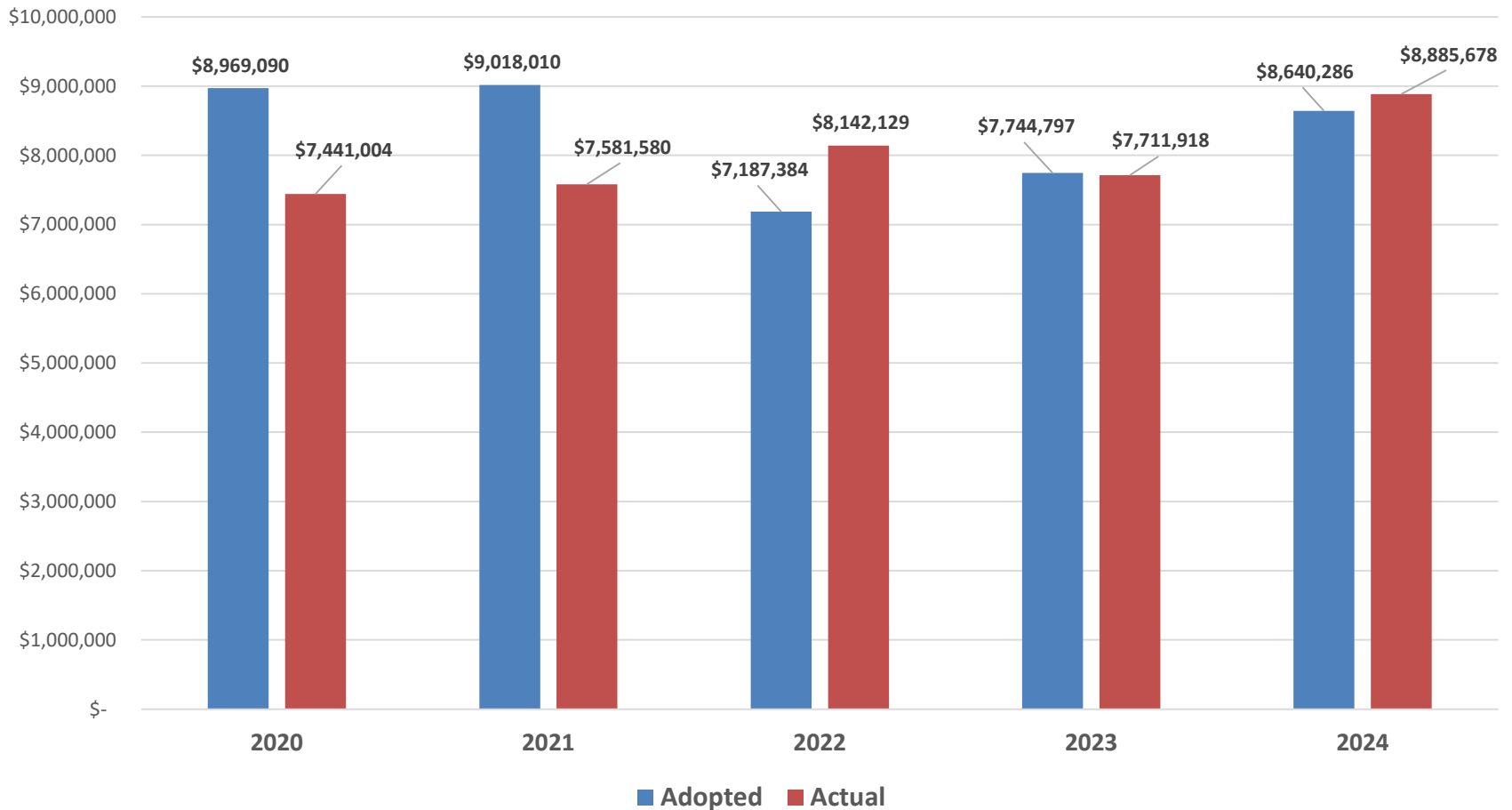
Adopted vs. Actual (Revenue) General Fund



Adopted vs. Actual (Expenditures) General Fund



Adopted vs. Actual (Revenue) Utility Fund



Adopted vs. Actual (Expenditures) Utility Fund

