
CITY OF HILSHIRE VILLAGE BUDGET WORKSHOP

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City Administrator & Treasurer





BUDGET CYCLE OVERVIEW

- Preparation
 - Create and present the Executive budget.
 - Budget Workshops
 - Public Hearings
- Legislative
 - After the public hearings on the budget and proposed tax rate or fee increases, the city council carefully considers suggestions expressed by local citizens and, as appropriate, amends the proposed budget.
- Executive Implementation
 - Budget amendments and supplemental appropriations must include offsetting revenue sources
- Accounting & Financial Reporting
 - Budget Audit at FYE: Accounting & financial reporting via an Annual Comprehensive Financial Report (ACFR) that is reviewed by an independent auditor.



2022-2023 TIMELINE

August 2	August 9	August 16	September 6	September 13	September 20	September 30
Budget Workshop	Budget Workshop & Special Council Meeting	Regular Council Meeting & Budget Workshop	Budget Workshop (if needed)	Budget Workshop & Public Hearing	Regular Council Meeting & adoption of Budget and Tax Rate	Fiscal Year End

ACCOUNTING METHODS

Modified Accrual - records supplies and consumables as used during the fiscal year when they are purchased. (Governmental Activities)

- Revenues – measurable & available
- Expenditures – goods and services received
- Change in fund balance
- Balance sheet
- Statement of Revenues, Expenditures and Changes in Fund Balance

Accrual - records income when it is earned rather than when received and expenses the item when ordered rather than when payment is made. (Enterprise Funds)

- Revenues – Earned & measurable
- Expenses – Goods and services used
- Depreciation
- Statement of Revenue, Expenses and Changes in Net Assets

$$A=L+FB-R+E$$

$$\text{Assets} = \text{Liabilities} + \text{Fund Balance (net assets)} - \text{Revenue} + \text{Expenditures (expenses)}$$

PARTS OF THE BUDGET

- Operating Budget
 - Reports the spending plan for a government's ongoing services such as police, fire, water, and sewer service. Typically organized by the department and provides line item detail.
 - Money comes from current revenues such as property, sales, and franchise taxes, service charges, fees and fines; and grants.
 - Capital Budget
 - Represents a spending plan for the acquisition of fixed assets, such as roadways, drainage, water & sewer lines.
 - Usually part of a Capital Improvement Plan (CIP) that projects major construction and acquisition needs for a multi year period.
 - Funding usually comes from long-term obligations.
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BUDGET FUNDS

Municipal Accounts are called funds.

- **General Funds** – Operating funds
 - **Utility Funds** – Operating funds for water and sewer
 - Not commingled with General Funds
 - **Special Revenue (Metro) Funds** – Ear-marked for a special purpose or project
 - Special assessment funds – Streets, sidewalks, etc.
 - **Capital Project Funds**
 - Carry over from year to year
 - Not commingled with General Funds
 - Usually incorporated into a Capital Improvement Program (CIP).
 - **Debt Service Funds** – Used to pay off Principle & Interest on debt issues
 - **Fiduciary Funds** – Collected as an agent for another fund
 - Employee pension funds
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Revenue

Listed in the budget by source:

- Property taxes
- Sales Taxes
- Franchise Fees
- Fines & Fees
- Licenses and permits
- Interest
- User fees

Expenditures

Typically grouped by type:

- Personnel services
- Operating expenses
- Contractual expenses
- Capital outlays
- Debt service





TAX RATES

Property tax rates must be adopted after the budget is approved. It may be done in the same meeting but after the budget is adopted. The tax levy should provide only the revenues needed to accomplish the budget's requirements.

The city council must adopt and notify the tax assessor of the rate adopted by Sept. 30 or the 60th day after the date the certified appraisal roll is received by the city, whichever is later. If the tax levy is not adopted by these dates, the tax rate is set by law at the lower of the no-new-revenue tax rate calculated for that tax year or the tax rate adopted by the city for the preceding tax year.

A city's property tax rate consists of a maintenance and operations (M&O) tax rate and, if applicable, an interest and sinking (I&S) tax rate.

- The **M&O** tax rate provides funds for maintenance and operations. M&O includes such things as salaries, utilities, and day-to-day operations.
- The **I&S** tax rate provides funds for payments on the debt that finances a district's facilities, including interest and principal on bonds and other debt.

TAX RATES

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No New Revenue

Enables the public to evaluate the relationship between taxes for the prior year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years.

If property values rise, the no-new-revenue tax rate goes down.

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Voter Approval 3.5%

Calculated maximum rate allowed by law without voter approval. Provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra three-and-a-half percent increase for those operations, and sufficient funds to pay debts in the coming year.

If the proposed tax rate is more than the No New Revenue rate or the Voter Approval Rate, the city must have two public hearings on the proposed tax increase.

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De Minimis

Designed to give smaller taxing units, including cities with a population of less than 30,000, some flexibility to budget for extraordinary costs that may not be possible under the three and a half percent voter-approval tax rate

A tax rate that exceeds the voter approval rate but is less than the de minimis rate can be petitioned by the voters calling for an election to limit the size of the tax increase.

An automatic election must be held if a taxing unit exceeds the Voter Approval rate and the De Minimis rate.

CALCULATING TAX RATES

No New Revenue Rate

calculated using form 50-589 or 50-884 from the comptroller's website

$$\frac{(\text{Last Year's Levy}) - (\text{Lost Property Levy})}{(\text{Current Total Value}) - (\text{New Property Value})}$$

Voter Approval Rate

$$\begin{aligned} &\text{No-new-revenue M\&O rate X 1.035} \\ &+ \\ &\text{Current Debt} \\ &+ \\ &\text{Unused Increment Rate} \end{aligned}$$

If the entity adopts an amount that exceeds the voter approval rate, voters may petition for an election to limit the rate to 3.5%.

De Minimis Rate

$$\begin{aligned} &\text{No-new-revenue M\&O rate} \\ &+ \\ &\text{The rate that, when applied to a taxing unit's current total value, will impose} \\ &\text{an amount of taxes equal to \$500,000} \\ &+ \\ &\text{Taxing unit's current debt rate} \end{aligned}$$

ADOPTED TAX RATE IS:

BELOW voter-approval tax rate	No election required
ABOVE voter-approval tax rate but BELOW de minimis rate	Voters may petition for an election*
ABOVE voter-approval tax rate; Taxing unit does not calculate a de minimis rate	Election required**
ABOVE voter-approval tax rate and ABOVE the de minimis rate	Election required

* See Tax Code Sec. 26.075 for details on when voters may petition for an election.

** See Water Code Secs. 49.23601, 49.23602, and 49.23603 for details on election requirements for water districts.