Budget Training for Service Area Commissioners

Division of Rural Services
Commissioners are an essential part in the budget planning process for Service Areas.
Budget Training for Service Area Commissioners

Overview

• Commissioners and Budgets

• Budget Planning
  • Short Term
  • Long Term

• Budget Process
  • Worksheet
  • Definitions
  • Budget Adjustment Scenarios
  • Tax Cap

• Budget Meeting

• Timeline
Commission Role in Service Area Budgets

Every February during the Budget Planning process, Commissioners:

• May move funds from fund balance (savings) to working budget
• May make a contribution to a project from fund balance (savings)
• May move funds from current FY revenue to fund balance (savings)
• May lower revenue*
• Cannot increase revenue during this process
Planning

Short Term Planning
• Annual, Routine Maintenance
• Immediate repairs that need to be addressed

Long Term Planning
• Future projects
• Major, costly repairs
• Capital Projects
• Long Term Regular Maintenance
Budget Training for Service
Area Commissioners

Budget Process

Budget Worksheet, Definitions, Budget Adjustments, Scenarios, Tax Cap
**Budget Worksheet**

- **Taxable Assessed Value**: The current value of all parcels within the service area boundary.

- **Fund Balance (savings)**: This is the amount that is in the service areas Fund Balance (savings) as of December 31, 2021. Note that at the end of this FY (June 30, 2022) any unused funds that you are currently working with will roll into this account. Any budget transfers out of savings from Jan-Jun will also affect this number.

- **Mill Rate**: This is the rate that is used to calculate funds generated by property taxes. 1 mill equals $100 per $100,000 of taxable assessed value. It can fluctuate depending on TAV.

- **Road Miles**: This is the actual road miles within the service area boundary that is eligible for maintenance.
A brand for a company is like a reputation for a person.

**Budget Worksheet cont’d**

- **Tax Cap**: Amount of revenue the service area will receive from property taxes. This number is (or was at some point in time) voted and passed by the residents within the service area, and is adjusted for CPI. The only way to increase this number is by a public vote and the only way to decrease it is by submitting a recommendation to the mayor.

- **Interest Earnings**: Service areas do receive interest on their funds. Recently the number has been quite low. These are estimated amounts.

- **Contribution from Fund Balance**: If a service area would like to transfer over money from their savings account to be ready for use on July 1st.

- **Total Revenue**: Total that the service area will receive from all revenue sources

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Approved Budget</th>
<th>FNSB FY 2018 Recommended Budget</th>
<th>FY 2018 Recommended Budget By Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes (Tax Cap)</td>
<td>$7,350</td>
<td>$7,450</td>
<td>$7,450</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$40</td>
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<td>$50</td>
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<tr>
<td>Total</td>
<td>$7,390</td>
<td>$7,500</td>
<td>$7,500</td>
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<tr>
<td><strong>New Total</strong></td>
<td>$7,390</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Loan Repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>$6,080</td>
<td>$6,000</td>
</tr>
<tr>
<td>Borough Direct Cost</td>
<td>$1,310</td>
<td>$1,500</td>
</tr>
<tr>
<td>Total</td>
<td>$7,390</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

### Project Description

Be specific.
Budget Worksheet cont’d

- **Loan Repayment**: If a service area has taken out a loan, the payment amount will be listed here.

- **Operating Expenditures**: Estimated cost of providing road maintenance within the service area. This number is calculated by taking the total revenue less the direct costs.

- **Borough Direct Costs**: This is the annual cost of operating the Rural Services Division allocated between all service areas.

- **Contribution to Fund Balance (Savings)**: Indicate if funds are to be moved into savings from the revenue that will be received July 1st.

- **Contribution to Capital Project Account & Description**: Indicate how much money is anticipated to be spent on a capital project. Please be as descriptive as possible.

- **New Total Expenditures**: Will reflect any changes the service area has requested (e.g. moving funds to savings, or to a project). It is important to remember that your total expenditures cannot equal more than your revenue.
Additional Info

- If Rural Services does NOT receive a completed budget worksheet back from commissions by the deadline, the Service Area budget will default to the recommended budget.

- Commissions can still discuss the budget after the deadline, however no changes will be accepted after February XX.

- All items except for reducing the tax cap can be accomplished throughout the fiscal year.
Examples and scenarios in which the budget may be altered
Budget Adjustment Scenario

Adjusting Budget, Scenario “A”

Commission discuss spending $15,000 more on maintenance for the next fiscal year.

A. Move funds from Fund Balance
B. New Total Revenue
C. Operating expenditure is increased
D. Direct Cost stays the same
E. New Expenditure Total
F. No Changes to any other Expenditures
G. Reminder : Total Expenditure = Total Revenue (B=G)

### Anywhere Road Service Area
FY 2017-18 Recommended Service Area Budget

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<td>Property Taxes (Tax Cap)</td>
<td>$20,460</td>
<td>$20,700</td>
<td>$20,700</td>
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<tr>
<td>Interest Earnings</td>
<td>$540</td>
<td>$300</td>
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<td>$7,390</td>
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<td>$21,000</td>
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- Contribution from Fund Balance: $15,000 (A)
- New Total: $36,000 (B)

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<td>Operating Expenditures</td>
<td>$19,450</td>
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<tr>
<td>Borough Direct Cost</td>
<td>$1,570</td>
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<tr>
<td>Total</td>
<td>$21,020</td>
<td>$21,000</td>
</tr>
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</table>

- Contribution to Fund Balance: (F)
- Contribution to Capital Project Account: (F)

- New Total: $36,000 (G)

2016 Taxable Assessed Value: $5,366,535
Fund Balance (Savings) as of 12/31/16: ($15,000)...
2016 Mill Rate: 1.371
Road Miles: 0.99
Budget Adjustment Scenario

Adjusting Budget, Scenario “B”
• Moving money to Capital Project

Commission discuss to move $25,000 to a capital project. Move funds from Fund Balance (savings)
A. New Total Revenue
B. Operating Expenditure is staying the same
C. Not Contributing to Fund Balance
D. Added to Capital Project with proper project description
E. Reminder: Total Expenditure = Total Revenue (B=F)

Widen Ditch Lane Road to Title 17 standards
A brand for a company is like a reputation for a person.

**Budget Adjustment Scenario**

Adjusting Budget, Scenario “C”

Commission discuss to place $5,000 back into the Fund Balance.

- A. Revenue will remain the same
- B. Reduce Operating Expenditures
- C. Contribution to Fund Balance
- D. Total Expenditures will remain the same
- E. Funds reflect a future capital project

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<td>Contribution to Capital</td>
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<tr>
<td>Project Account</td>
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Budget Adjustment Scenario

Adjusting Budget, Scenario “D”
- Reducing the Tax Cap

Commission votes to reduce the tax cap $3,000.
A. Change Property Taxes Item
B. Change Total
C. No Contribution from Fund Balance. New Total
D. Operating Budget will decrease $3,000.
E. New Total of Expenditures
F. No changes to capital or Fund Balance. New Expenditures Total

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| New Total | $21,020 | $21,000 | $18,000 (F) |
The Four Things to Know About Increasing the Tax Cap

**Formal Vote**
Increasing the tax cap requires a formal vote of the residents. It can NOT be requested during this process.

**August**
The process to increase the tax cap begins in August with our office notifying commissions to hold a meeting to discuss the tax cap.

**March**
If a commission requests a tax cap increase, the official election will be held in March.

**Funds**
If the tax cap increase passed, the additional funds will be available to the commission the first day of the next fiscal year, which is July 1st of the same calendar year.
The Four Things to Know About Decreasing the Tax Cap

**No Formal Vote**
Unlike increasing the tax cap, decreasing the tax cap does NOT require a formal vote.

**Public Meeting**
The commission must hold a public meeting with the intention to discuss the tax cap.

**Minutes**
The commission must submit clear and concise minutes which indicate each commissioners vote, as well as the dollar amount the commission wishes to reduce the tax cap.

**Recommendation to Mayor**
Once minutes are submitted, a recommendation to the mayor will be forwarded on the commissions behalf. The mayor will make the final decision to move forward with the reduction.
Budget Training for Service Area Commissioners

Budget Meeting Timeline

Set Up Agenda

Submit meeting request to Rural Services within the applicable deadline

Agenda must include “Budget Planning”

Advertise Meeting

Hold Meeting

• Discuss agenda items
• Vote on any items requiring action,
• Take minutes of meeting

Submit meeting minutes with votes clearly indicated and budget worksheet before provided deadline

Turn In Minutes & Worksheet
Budget Training for Service Area Commissioners

**Budget Timeline**

- **January 31st**: Letters and budget information mailed to commissioners
- **February 22**: Submit meeting request no later than February 22nd, at 9am
- **February 27**: Meeting for budget changes must be held on or before February XX
- **February 28**: Meeting minutes and the signed budget worksheet must be received by 5pm on February 28th
SUMMARY

- Starts in February
- Public Meeting Required
- Cannot Increase Tax Cap
- Only Time to Reduce Tax Cap
- If No Changes Required, No Action is Necessary

Www.Fnsb.gov/228/Rural-Services