

# WELCOME



## City of Norman Municipal Finance Series

### Session I

October 14, 2010

# Opening Comments & Staff Introductions

# PURPOSE

## Why are we having this series?

- Inform citizens about Municipal Financing and Budgets
- Address current & long-term financial plans
- Answer questions about the City's financing and budget

## What do we want to accomplish?

- Inform and receive input

# Topics in Municipal Finance Series

**Series I** – Fund Accounting & Budget Basics (Oct. 14)

**Series II** – Detail of General, Capital, Enterprise & Other Funds and Fund Balance (Oct. 21)

**Series III** – Capital & Economic Development Financing (Oct. 28)

**Series IV** – Panel of other Cities (Nov. 4)

**Series V** – Long-Term Planning, Public Forum and Closing (Nov. 18)

# Fund Accounting & Budget Basics

- Discuss financing and budget constraints put upon City
- Discuss fund accounting and budget basics
- Explain why City funds are separated and only used for certain expenditures
- Explain why our main revenue source (sales tax) limits our flexibility and planning

# What is a Budget?

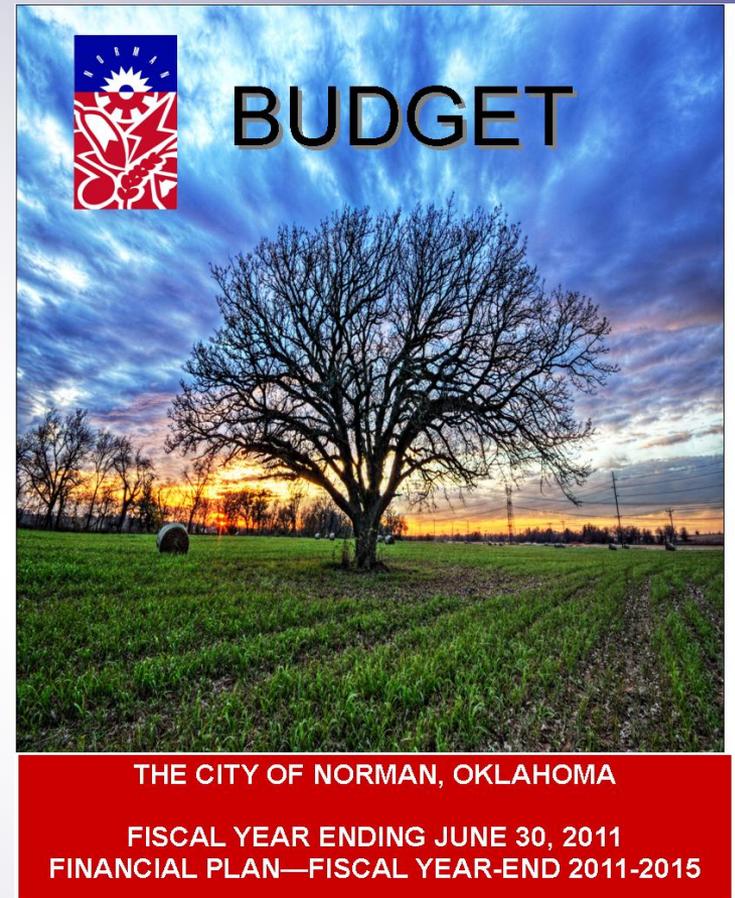
“A plan for the accomplishment of programs related to objectives and goals within a definite time period, including an estimate of resources required, together with an estimate of the resources available”

- Public Budgeting In America, Thomas D. Lynch

**Budget - A purposeful distribution of scarce resources**

# Budget Document

- Policy Document
- Financial Plan
- Operations Guide
- Communication Device

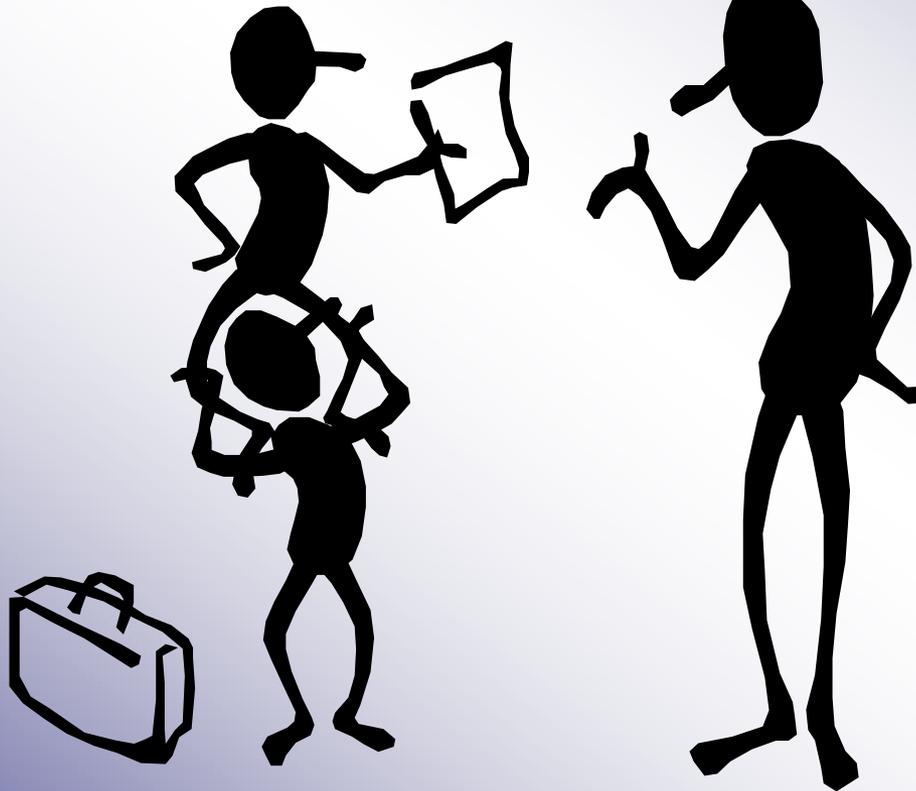


# Budgetary Controls & Constraints

Budgets are always created within a restricted financial environment. Every budget decision involves some potential benefits which may or may not be obtained. Also every decision involves opportunity costs. Choices must be made among competing and alternative programs.

We've finished the project on time and on budget!

That means I have given you too much time and too much money.



# Oklahoma Municipal Budget Act

(Title 11 Oklahoma Statutes 2006)

- Gives deadlines for submission
- Requirements and Contents of Budget
- Monies received and expended must be accounted for by Fund or Account
- Public Hearing on Proposed Budget required
- Adoption of Budget and Filing requirements
- Establishment of Funds and Classifications of Revenues & Expenditures
- Operating Reserves
- Transfers
- Amendments
- Audits

# Generally Accepted Accounting Principles (GAAP)

- GAAP – Accounting Principles for local governments prescribed by the Governmental Accounting Standards Board (GASB)
- The accounting and reporting policies of the City conform to GAAP applicable to state and local governments.
- Budget Basis vs. GAAP Basis
  - The City prepares its budget on a Budget Basis and its financial statements on a GAAP Basis
  - Major difference is encumbrances are recorded as reservations of fund balance on a GAAP basis as opposed to the equivalent of expenditures (Budget basis) in all governmental funds.
  - Revenues are not recorded until actually received using Budget Basis, but are allowed to be booked if reasonably expected to be received in a 60-day period using GAAP basis.

# FUNDS

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**FUNDS** - the assets of the City are divided into distinct funds. Funds have their own separate set of financial records for recording and reporting assets, liabilities, fund balance, and changes in fund balance.

Transfers between funds require City Council approval and are only made in special circumstances.

# FUNDS cont.

- Public and nonprofit sectors use fund accounting
- Why funds? – control and accountability of resources dedicated for certain activities and uses.
- 3 classifications of funds: Governmental (account for tax-supported activities), Proprietary (account for business-type activities) and Fiduciary (account for resources held by govt. as a trustee or agent for outside parties that cannot be used to support the government's own programs)

# TYPES OF FUNDS

- ◆ **GENERAL** - used to account for all financial resources except those required to be accounted for in another fund. It is the general operating fund.

Includes budgets for Parks, Public Works, Police, Fire, HR, City Council, City Clerk, City Manager, Finance, Legal, Municipal Court and Planning Departments.

- ◆ **SPECIAL REVENUE** - used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. (PSST, SEIZURES & RESTITUTIONS, EMERGENCY COMMUNICATIONS, CDBG, WESTWOOD, ROOM TAX, ART IN PUBLIC PLACES)

# TYPES OF FUNDS

- ◆ **CAPITAL** - used to account for capital improvements funded with sales tax revenue, user fees, etc. (CAPITAL IMPROVEMENT PROJECTS, PARK LAND & DEVELOPMENT, HALL PARK, UNP TIF)
- ◆ **ENTERPRISE** - used to account for operations in a manner similar to private business enterprises - where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. (WATER, WASTEWATER, SANITATION)



# Budget Timeline

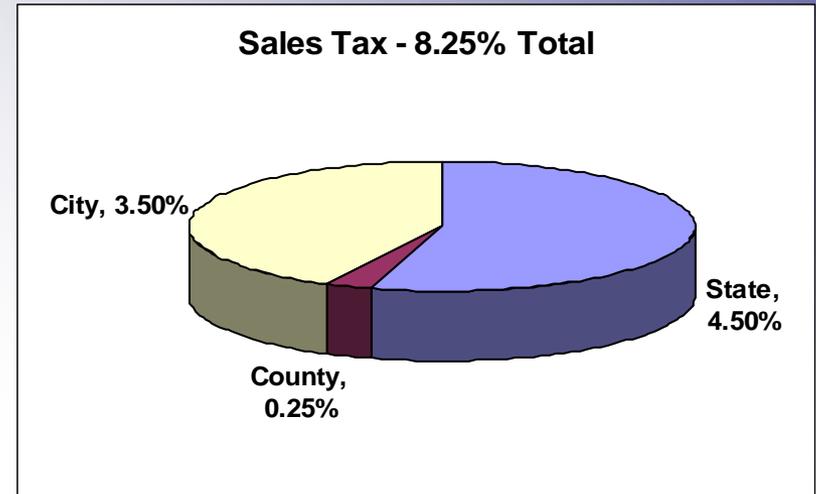
- October to June process with many activities and meetings in between
- Staff and Council input throughout entire process

# Fiscal Year 2010-2011 Summarized Budget Calendar

- Council Finance Committee begins budget discussions (10/21/2009)
- Council CIP Budget Work Session (11/17/2009)
- Council Finance Committee Budget Discussion (11/18/2009)
- Council Finance Committee Discussion of Mid-Year Budget Projections (2/17/2010)
- Council Study Session – General and Special Revenue Funds Budget (4/20/2010)
- Council Study Session – Enterprise Funds (4/27/2010)
- Council Study Session – Capital Funds (5/4/2010)
- Council Finance Committee-Of-The-Whole Budget Discussions (5/5/2010, 5/19/2010)
- Public Budget Hearing – (5/25/2010)
- Council Considers Budget For Adoption – (6/8/2010)

# Main Revenue Sources

- Sales Tax (8.25% Total)
  - State (4.5%)
  - County Jail (.25%)
  - City (3.5%)
    - Public Safety Sales Tax (.5%)
    - City General (2.3%)
    - Capital Sales Tax (.7%)
      - In 1976 Citizens voted on and approved a portion of sales tax to be used only for capital improvements.



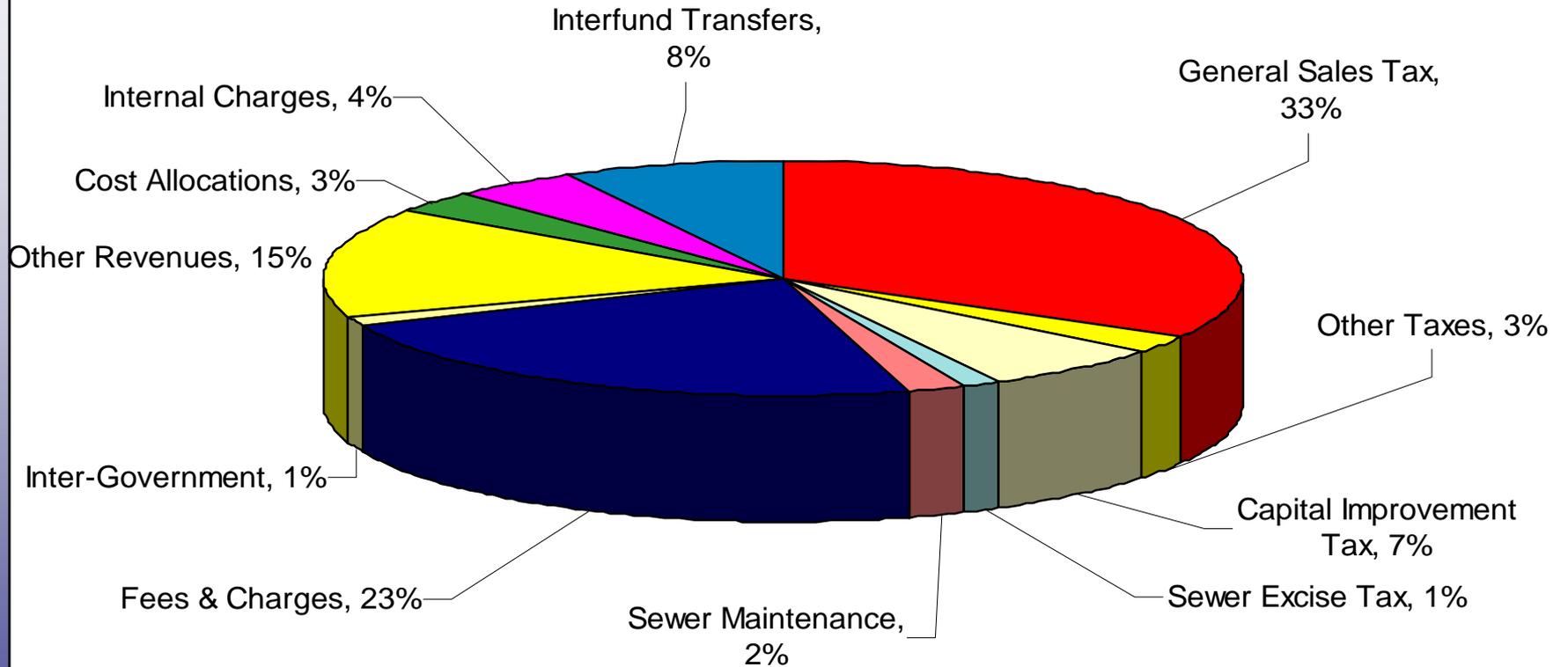
Sales tax is volatile and unpredictable, makes it difficult to plan and budget. There is an over reliance on this source that has to be competed for.

# Other Main Revenue Sources

- Use Tax (internet/catalog sales)
- User Charges (Water, Wastewater, Sanitation, Recreation Programs)
- Franchise Fee (fees pd. by utility companies for use of ROW)
- Fines (traffic/parking violations)
- Permits (building, business licenses, garage sale)

# FYE 2011 ALL FUNDS PROJECTED TOTAL REVENUES

\$155,963,924



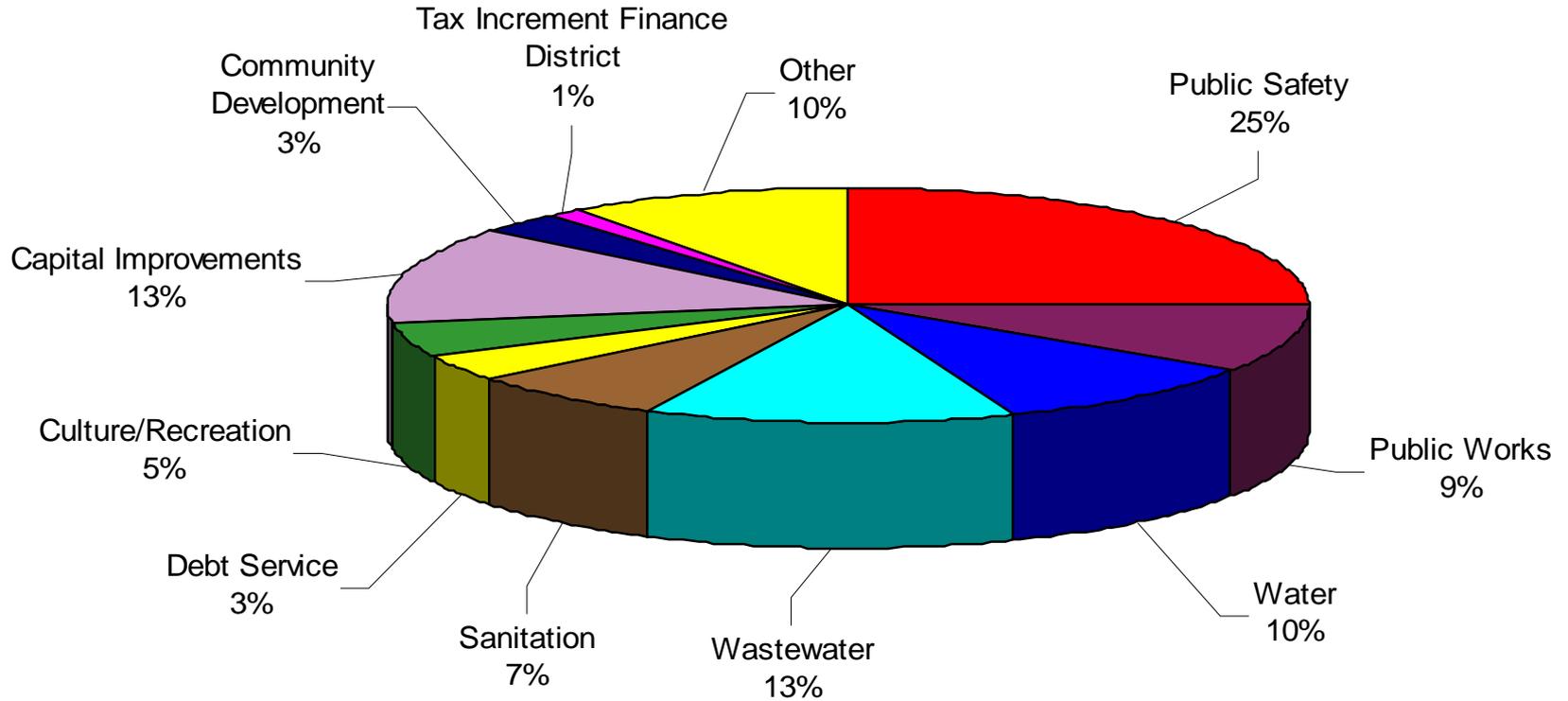
# Expenditure Categories

- Salaries & Benefits
- Supplies & Materials
- Services & Maintenance
- Capital Equipment
- Capital Projects
- Cost Allocations & Inter-fund Transfers

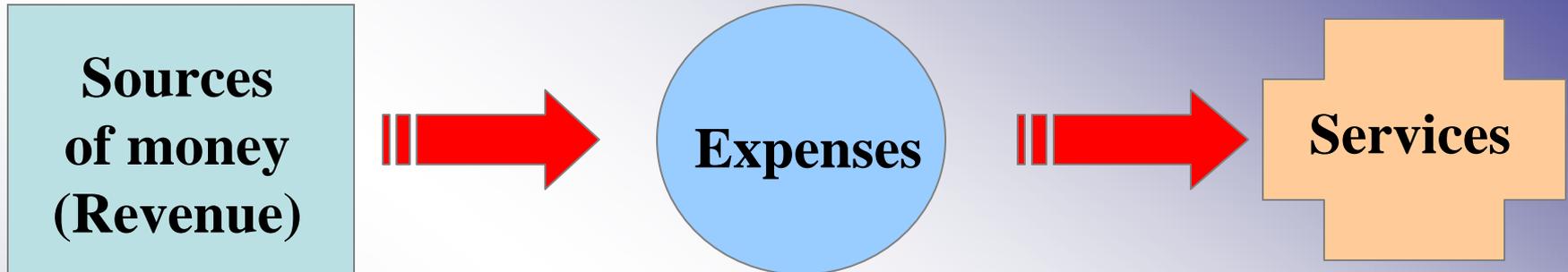


# FYE 2011 ALL FUNDS PROJECTED TOTAL EXPENDITURES

**\$159,759,254**



# FLOW OF MONEY



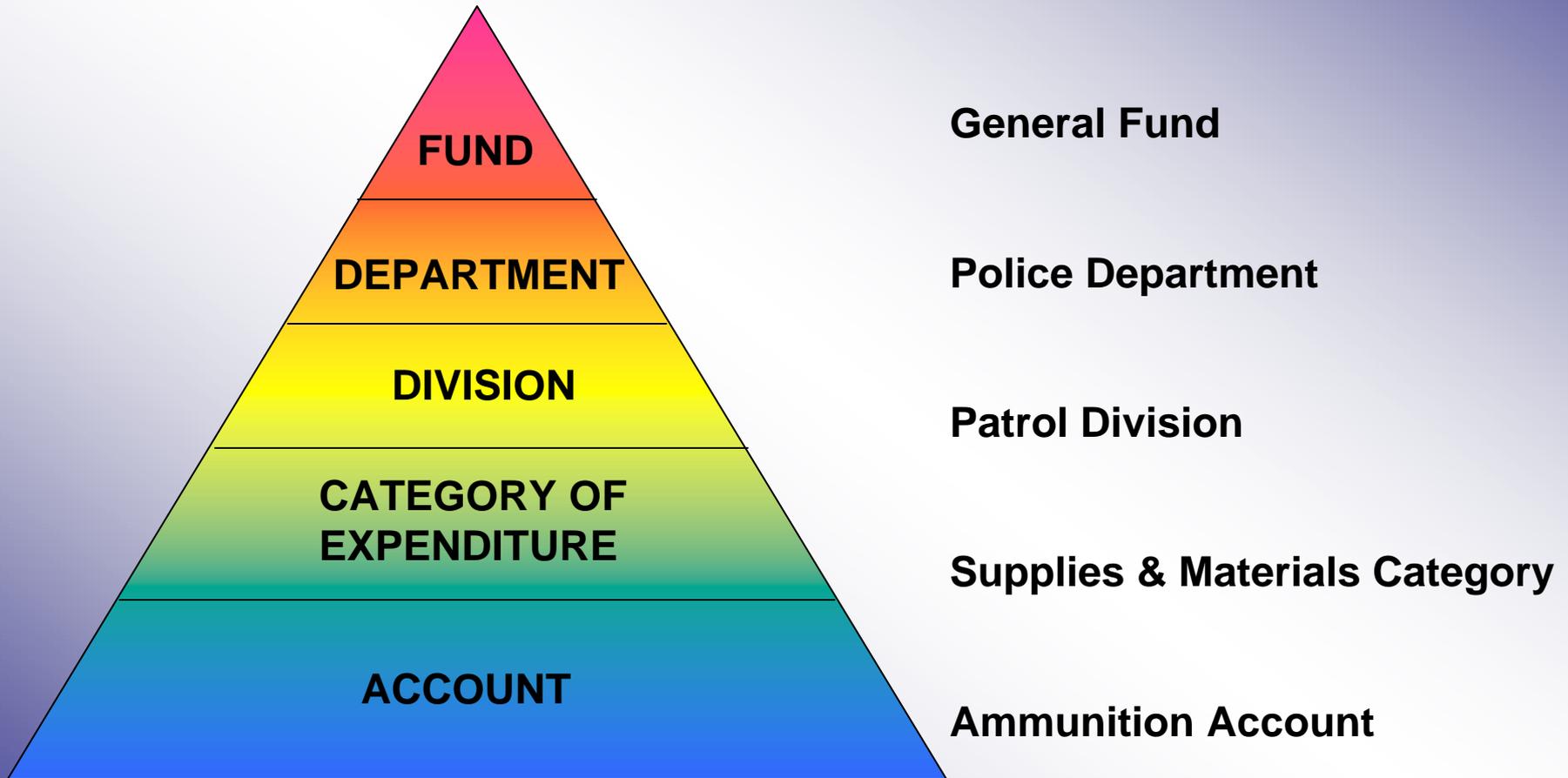
## Main Sources of Revenues:

Taxes  
Charges for Service  
Investments  
Licenses/Permits  
Other Agencies  
Fines

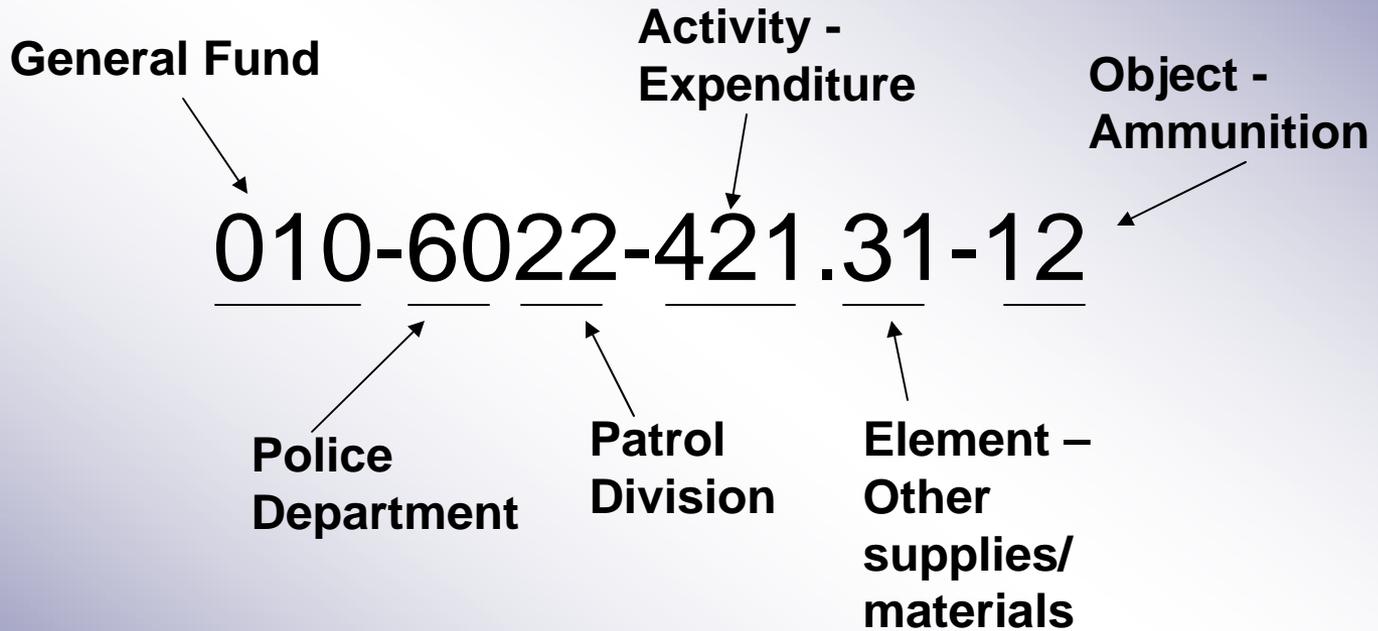
Salaries & Benefits  
Supplies & Materials  
Services & Maintenance  
Capital Equipment  
Internal Services  
Capital Projects  
Debt Service

Fire & Police Protection  
Water  
Sewer  
Parks & Rec.  
Community Development  
Streets

# Hierarchy of Funds to Accounts



# Account Description



# Accounting & Budget Documents

(First 3 available at the Norman Public Library or City Clerk's Office and on [www.CityofNorman.com](http://www.CityofNorman.com))

-  Annual Budget (Arranged Summary to Detail)
-  Annual Capital Improvement Budget & 5-Year Plan  
(Gives Project Detail)
-  Annual CAFR (Comprehensive Annual Financial Report)
-  Monthly Revenue & Expenditure Report (Yellow Book)
-  Interim Reports (Committees)

# Questions/Comments

**Next week . . .**

**Thursday, October 21<sup>st</sup>,  
6:00 p.m.**

**Series II – Detail of Funds**