

Finance Committee Meeting Topic: Budgeting Basics – General Fund



City of Lockport, NY

August 9, 2023

What Budgeted Funds Do We Have?

- General Fund
- Enterprise Funds
 - Water
 - Sewer
 - Refuse and Recycling
- Internal Service Funds
 - Health Insurance
 - Worker's Compensation

Today, we are focusing on the General Fund only!



Steps to Analyze the General Fund Budget:

1. Review expenditures changes
2. Review revenue changes
3. Understand how property tax revenue impacts tax payers and budgetary choices both in the budget year and years beyond
4. Consider amendments to the budget for new initiatives and resulting tax rate
5. Prioritize sustainable budgetary choices

Step 1- Review the main cost drivers in the expenditures

Why are costs changing? Items can increase/decrease depending on:

- Personnel alterations from current status quo
- New program/initiative costs
- Cost increases for current service delivery (COLAs and contractual obligations, utilities, insurances, typical expenditures, etc...)
- Eliminated or reduced program/line item needs



Step 1 (Continued)- Review the main cost drivers in the expenditures

To determine what the major cost drivers are, utilize the narrative sections in the beginning of the budget. Useful reports include:

- “Personnel Budgeting” (page 10 of FY 2023 Appropriated Budget)
- “Changes in Spending Patterns” (page 15 of FY 2023 Appropriated Budget)
- “Fund Balance Utilization” (page 24 of FY 2023 Appropriated Budget)

Full detail of line items can be found in the accompanying Transaction Report.

Step 2- Review changes impacting revenue sources

Revenues can increase or decrease depending on:

- Updated 12-month trends and projections
- Changes in service delivery standards (i.e., new procedures that allow for new or increased revenue)
- Increases to user fees and charges / property taxes



Step 2 (Continued)- Review changes impacting revenue sources

To determine the major changes impacting revenues, utilize the narrative sections in the beginning of the budget. Useful reports include:

- “Changes in Revenue” (page 12 of FY 2023 Appropriated Budget)
- “Property Taxes and User Fees” (page 13 of FY 2023 Appropriated Budget)
- “Performance Management” (page 27 of FY 2023 Appropriated Budget)
- “Environmental Stress Indicators” (page 34 of FY 2023 Appropriated Budget)

Step 3- Contextually understand the property tax rate change

- While it is easy to dismiss a tax increase, a small but steady property tax rate increase can promote tax equity and better equip the City for natural service delivery cost increases in future years.
- Review the chart detailing prior year property tax and assessment changes.
- Understand that you are making decisions that will impact each year moving forward.



Step 4- Consider changes to the budget

- As you review the budget, you may wish to amend the budget to alter a program / initiative and resulting tax rate.
- Council has the opportunity to have a public hearing and create line item changes to the Mayor's budget.
- As you review the budget, make a list of changes you may wish to see.
Remember to also list out possible reductions to other lines/services too.



Step 5- Prioritize sustainable budget choices

- Our budget is required to be balanced. That means that all expenditures must match revenues.
- Fund balance can only be used for one-time purchases (and must be documented with what purchase they are to be used for).
- One-time revenue sources may seem to eliminate tough budgetary decisions but only push them out. Do not use one-time revenues to support on-going operations.
- Be conscious of maximum limitations to property taxes as well as to how the budget can interact with fund balance policy.

Council Member Expectations

- When the Mayor's Recommended Budget is published, Council members are responsible to take time to review the document and to understand all components of the budget.
- Review sessions with department heads are not intended to review each line item, rather to spend time focusing on specific questions regarding the transaction report that you may have in order.
- Council members will not yell during the budget meetings. While there may be disagreements, it is imperative that members unite to create one singular budget path for the City. Major disagreements will result in a informal vote in which the majority will dictate the decision and we will move on.

~Budgeting Basics Takeaways~

The five basic steps to understanding the General Fund budget:

1. Review expenditure changes
2. Review revenue changes
3. Understand the context of the property tax levy
4. List out considered changes to programs and line items
5. Prioritize sustainable and responsible budgetary decisions