

# CITY OF WEST RICHLAND

## Budget Introduction



# What is a Budget?



## **Formal appropriation:**

City's financial resources are approved for spending as required by statute



## **Economic plan:**

Focuses resources for the accomplishment of goals & objectives



## **Communication tool:**

Citizens and other interested parties can understand the City's plans and priorities

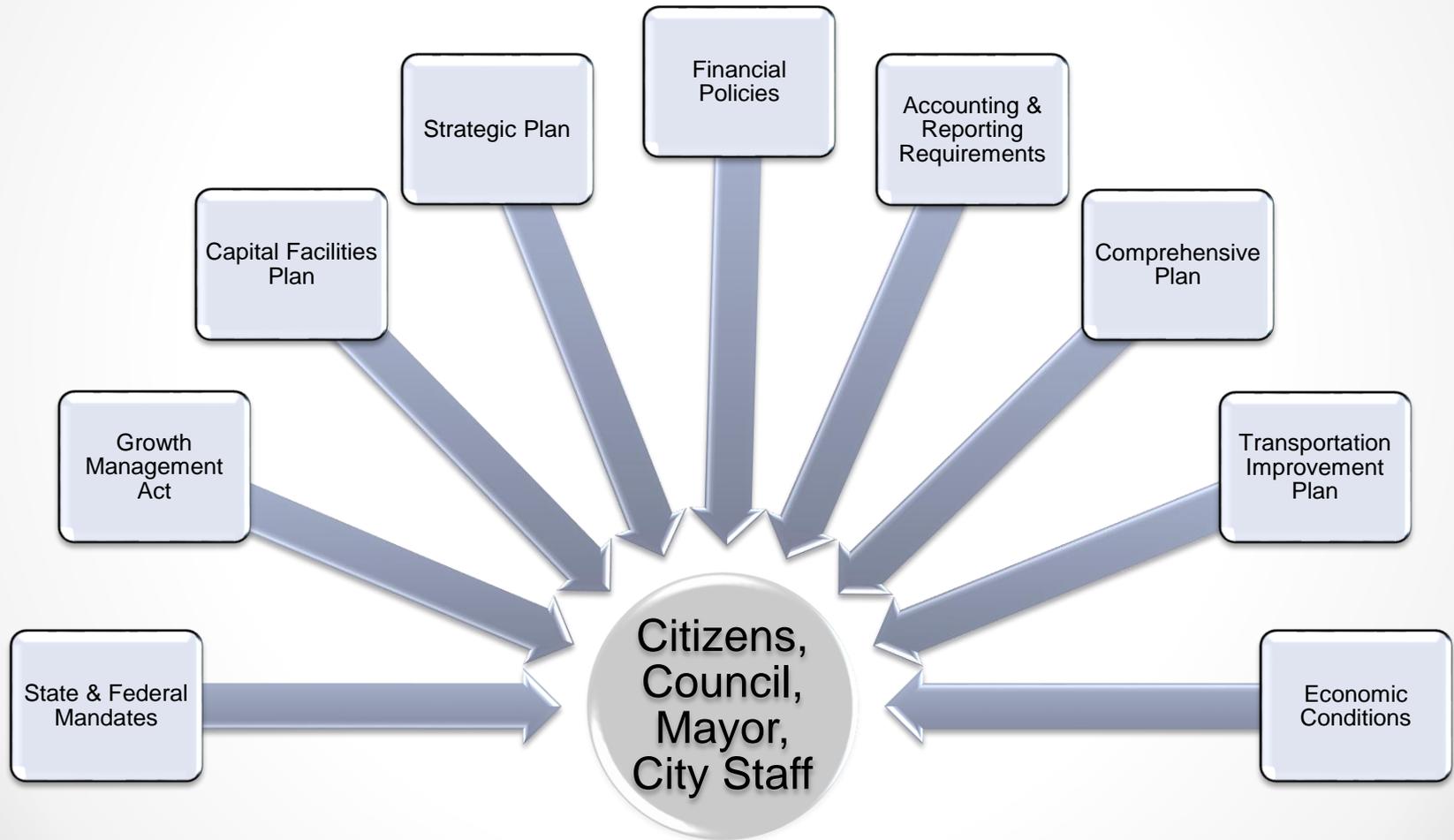


## **Financial management tool:**

Promotes accountability, fiscal discipline and provides a comparison for actual results



# Budget Participants and Influences



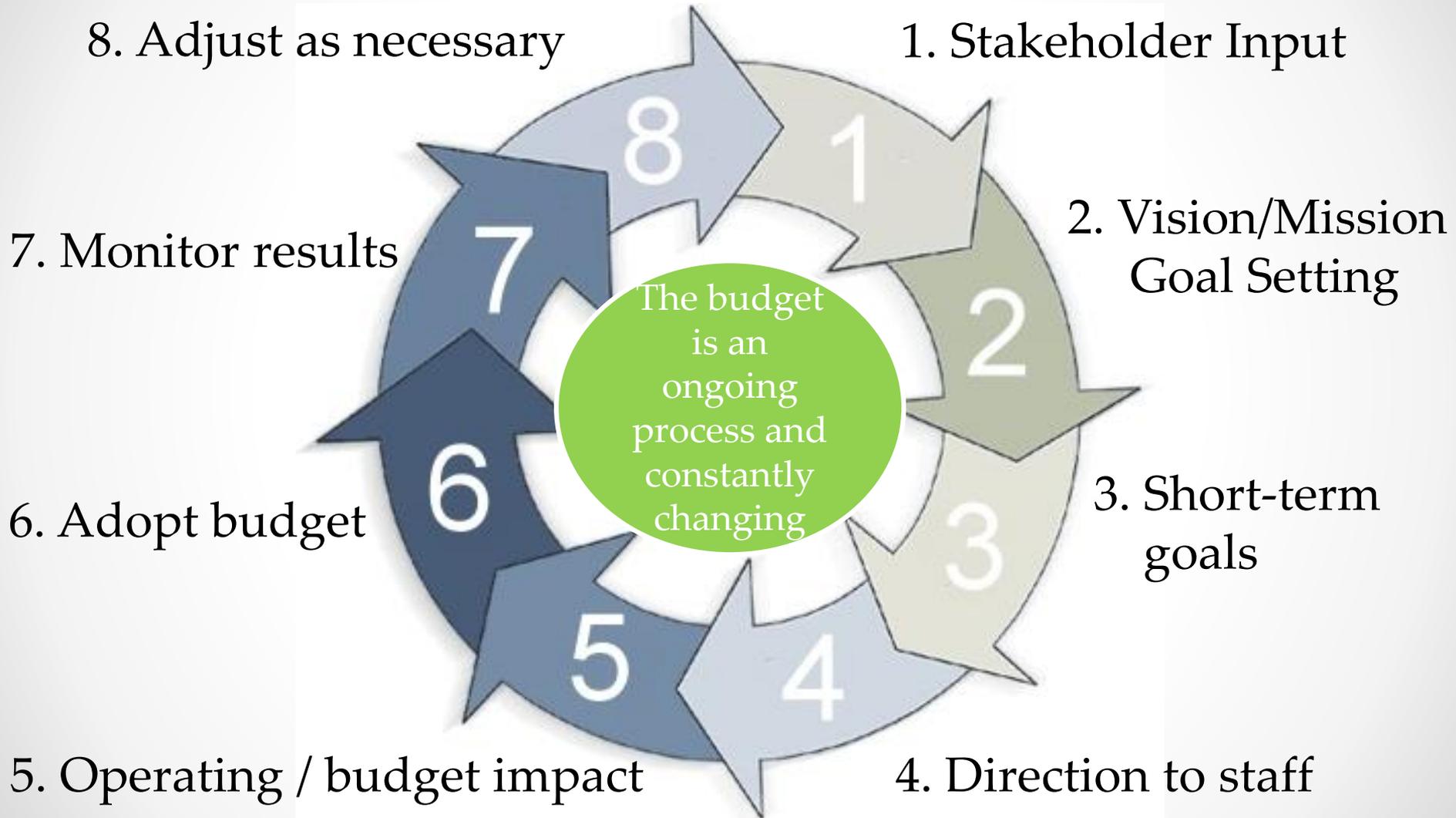
# Budget Requirements

- **Budget must:**
  - Be presented to the public for comment prior to adoption
  - Be adopted prior to expenditure
  - Be balanced (appropriations cannot exceed resources)
  - Be reported to various regulatory agencies once adopted
  - Be adhered to once commenced (expenditures cannot exceed appropriations at the fund level)
  - Have City Council approval for any/all amendments to total fund appropriations
- **Budget should:**
  - Incorporate a long-term perspective (e.g. capital asset needs, maintaining service levels, stakeholder needs and priorities, revenue forecasts, etc.)
  - Be linked to organizational goals which guide government decision making
  - Incorporate appropriate policies (e.g. reserves, setting of fees and charges, debt, use of one-time resources and unpredictable revenues, revenue diversification, contingency planning, design of programs and services, etc)
  - Be focused on results and outcomes and provide performance measures and benchmarks to measure results
  - Have a guided process for development, presentation and adoption

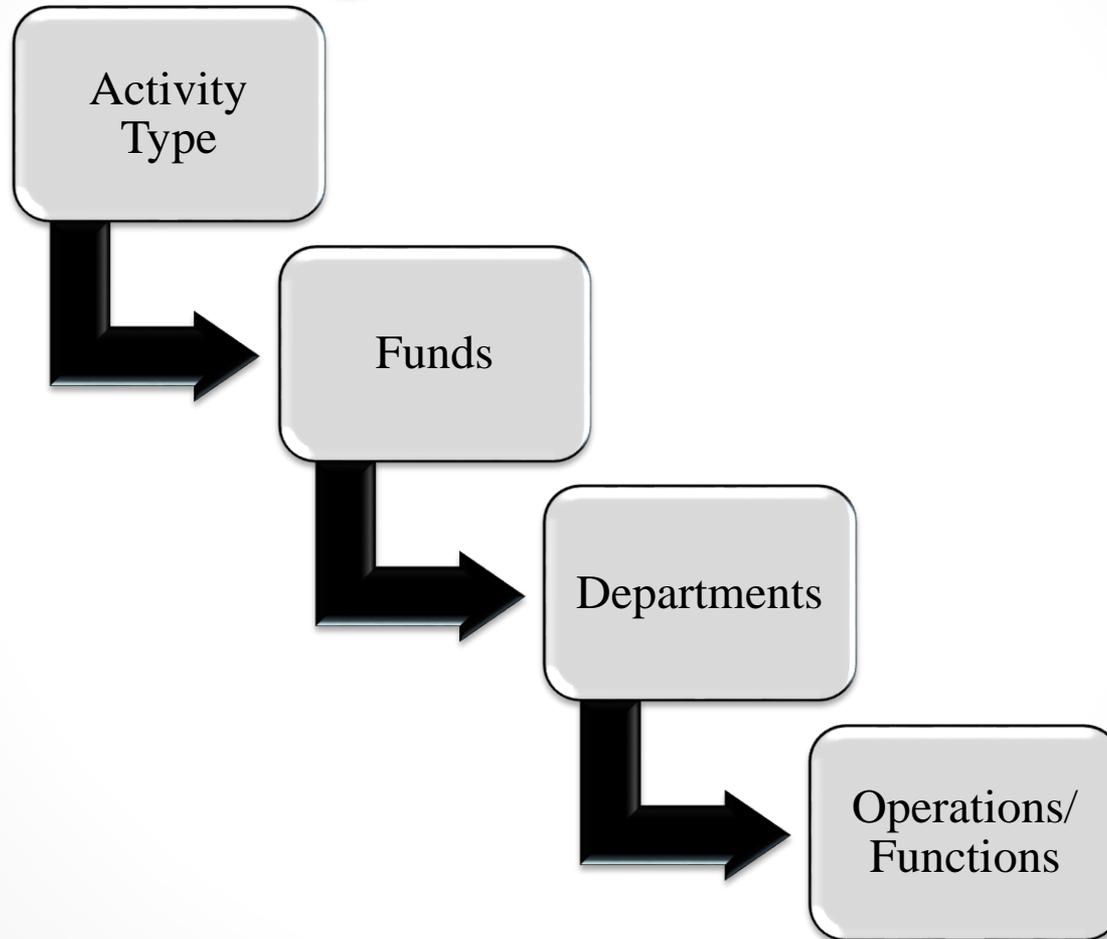
# Roles of the Budget Makers

- **City Council (Policy Makers):**
  - Provide policy guidance at the beginning
  - Confirms budget meets direction by adoption
  - Monitors for conformity and results
- **Mayor (CEO):**
  - Propose policy
  - Develops organization strategy to implement policy
- **Departments:**
  - Develop operational strategy
  - Provide service
  - Accountable for the day-to-day
- **Public (Stakeholders):**
  - Observes results and provides input

# National Advisory Council on State and Local Budgeting (NACSLB)



# Budget Structure



# Budget Structure

- The City's activities fall within three distinct activity types:
  - Governmental
    - Services in which there is not typically a direct relationship between costs and how they are recovered from users.
    - Primary revenue sources are taxes, licenses and permits, state shared revenues, etc.
  - Proprietary
    - Services in which there is typically a direct relationship between the costs and how they are recovered from users.
    - Primary revenue sources are charges for services
    - Operate similarly to a private business.
  - Fiduciary
    - City is essentially acting as a custodian of the monies within these funds.

# Budget Structure

**FUNDS ARE USED TO ACCOUNT FOR VARIOUS GOVERNMENTAL, PROPRIETARY AND FIDUCIARY ACTIVITIES.**

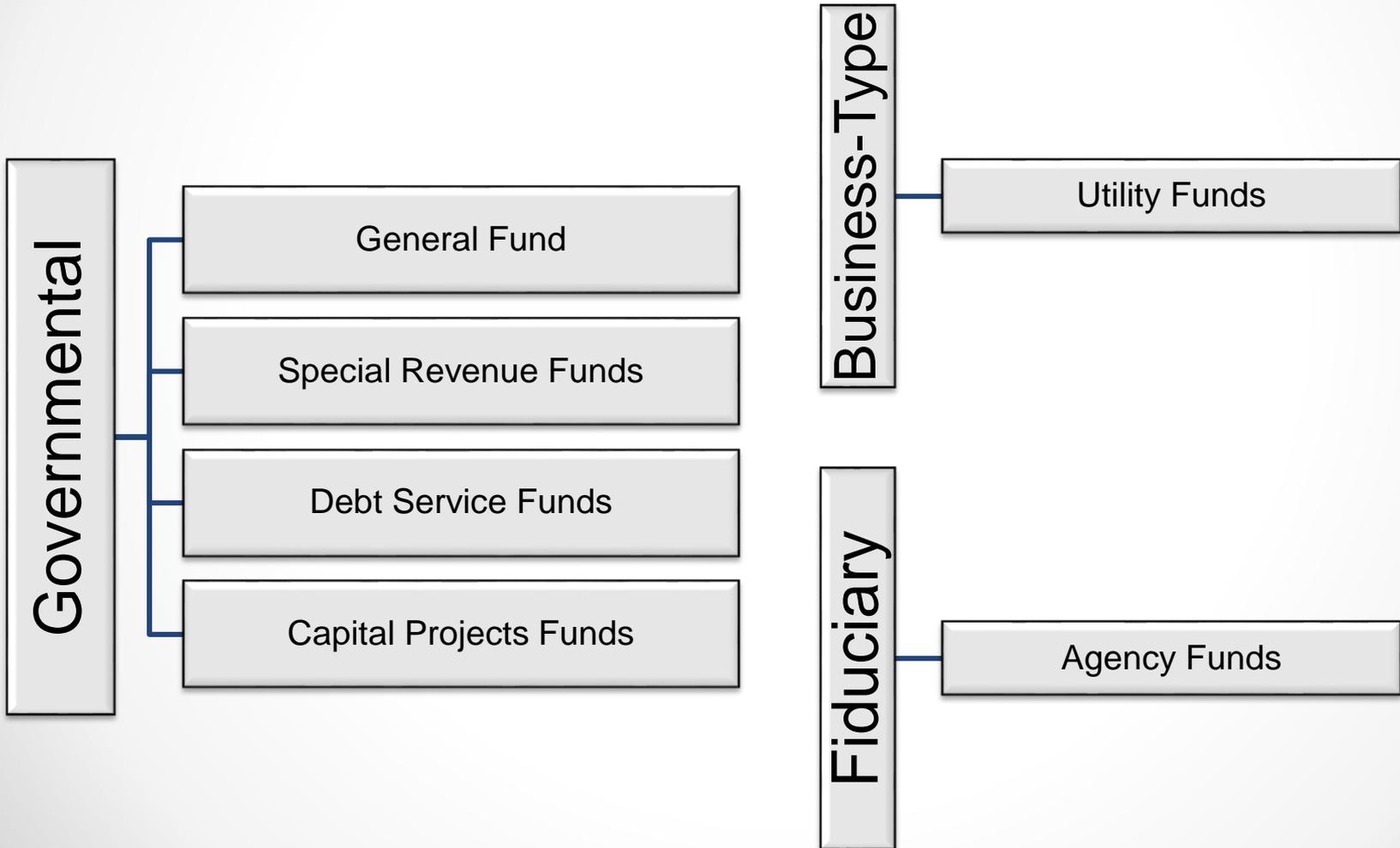
## **Funds exist due to the following factors:**

- Accounting requirements
- Statutory requirements
- Debt covenant requirements
- West Richland Municipal Code

## **Fund characteristics:**

- Legally separate entity
- Cannot “benefit” at the expense of another, unless permitted by state law (except for General Fund)
- Restrictions on expenditures
- Requires a separate budget (except for debt service and fiduciary funds)

# Budget Structure



# Budget Structure

## General Fund

- City's main governmental operating fund
- Primarily funded by taxes, state shared revenues & charges for services
- Budget is required
- One of largest portions of total budget

## Special Revenue Funds

- Exists to account for and demonstrate use of restricted governmental revenues
- Budget is required
- Typically less than 10% of total budget

## Debt Service Funds

- Exists to make payment on governmental long-term debt secured by the City's taxing authority
- Budget is not required as debt service is already approved upon issuance of the debt

## Capital Projects Funds

- Exists to account for large governmental capital projects and their funding sources
- Budget is required
- Typically less than 10% of total budget

# Budget Structure

## Utility Funds

- Accounts for all operations of the City's utilities (operating, debt payment, capital)
- Primarily funded by charges for services
- Budget is required
- One of largest components of total budget

## Agency Funds

- Accounts for funds on deposit with the City
- Budget is not required as these \$ do not belong to the City

# Budget Structure

- Revenues are:
  - Taxes, licenses & permits, intergovernmental, charges for services, fines & penalties, miscellaneous, other financing sources
    - *Taxes, charges for services and intergovernmental typically comprise largest portions of revenues in the budget*
  - Not allotted to divisions and their operations/functions



# Budget Structure

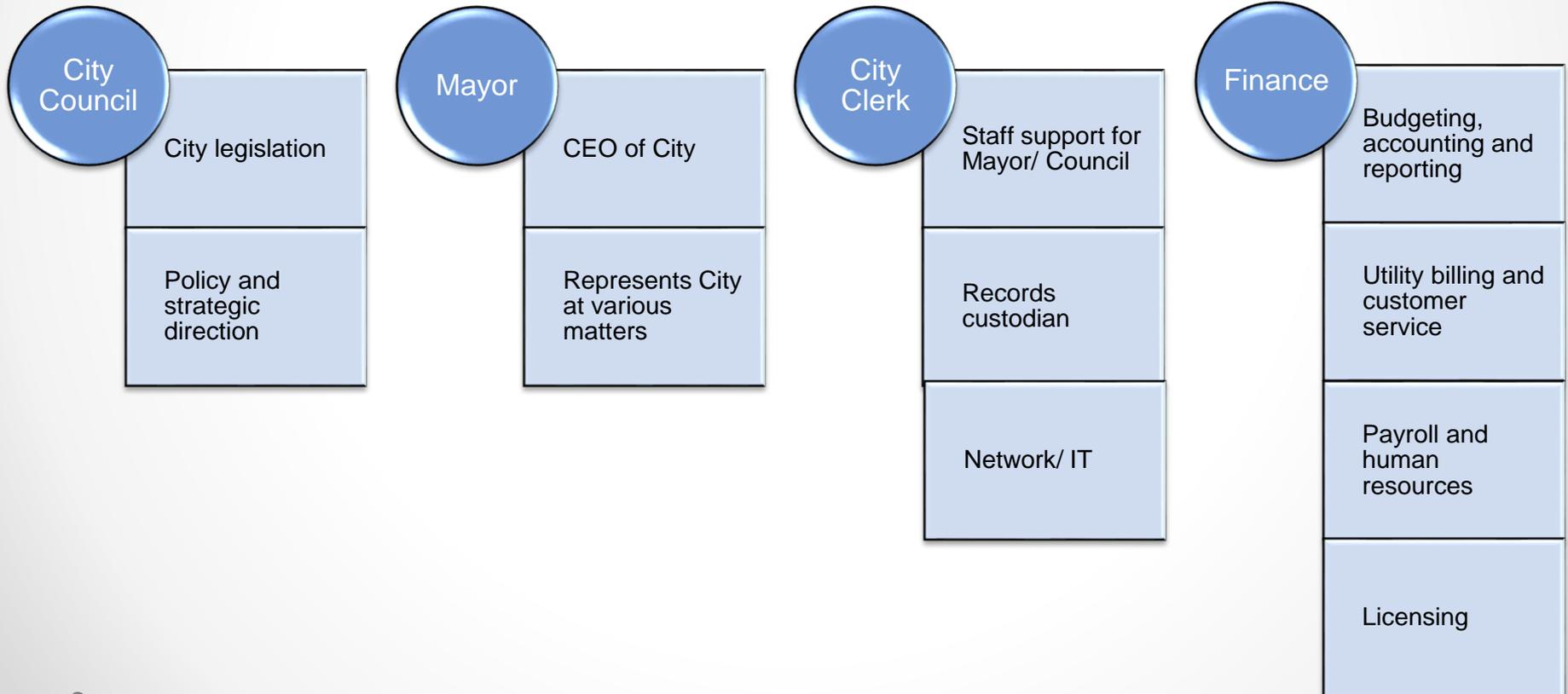
- Expenditures are classified by function (i.e. public safety, administration, etc) and type:
  - Salaries & Benefits, supplies, services, intergovernmental, capital outlay, debt service, other financing uses
    - *Public Safety and Utilities functions typically comprise the largest portions of the budget by function*
    - *Salaries & Benefits, services and capital outlay typically comprise the largest portions of the budget by type*
  - Most line items within each may have a budget, however, legal compliance with appropriations are at the fund level not the line item or division or operation/function level.

Total ***fund*** expenditures cannot exceed total ***fund*** appropriations.



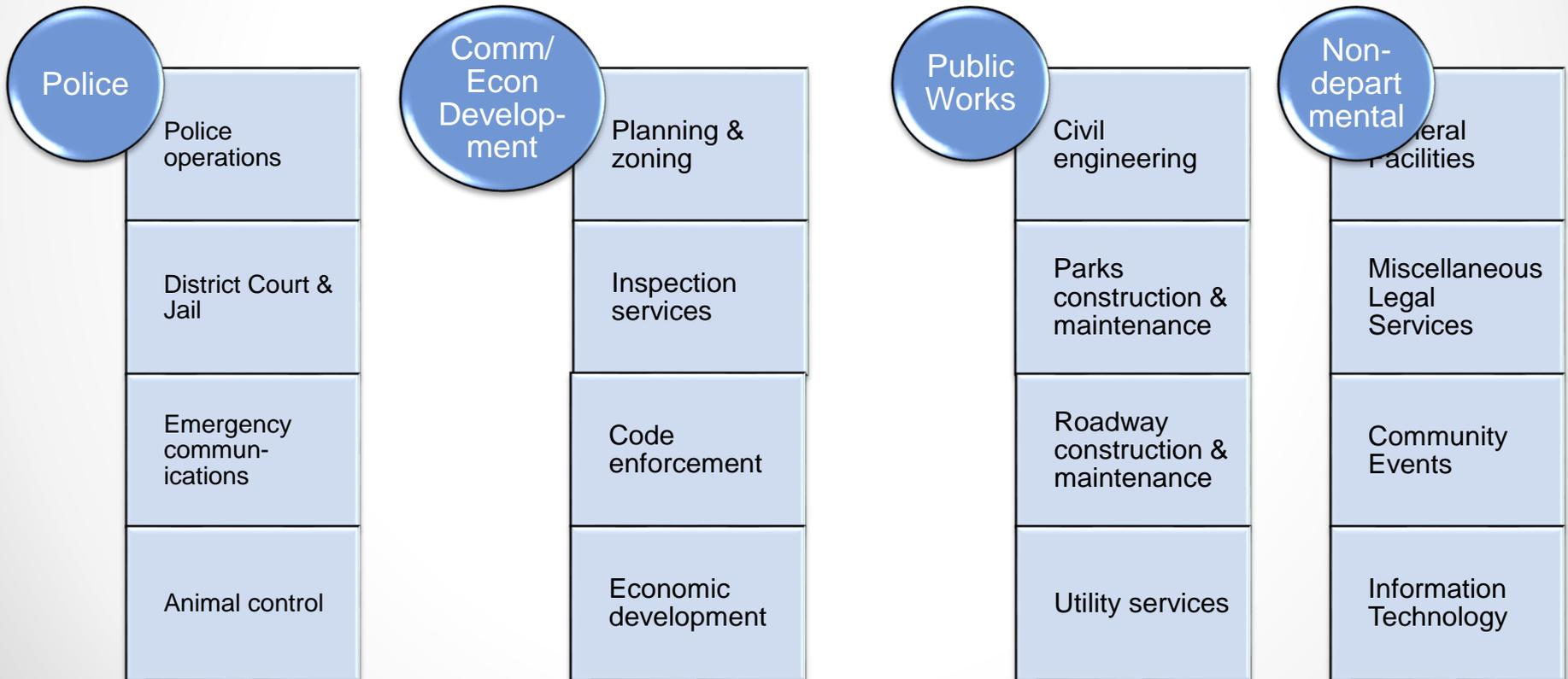
# Budget Structure

Activities within each budgeted fund are divided into the following division and operations/functions:

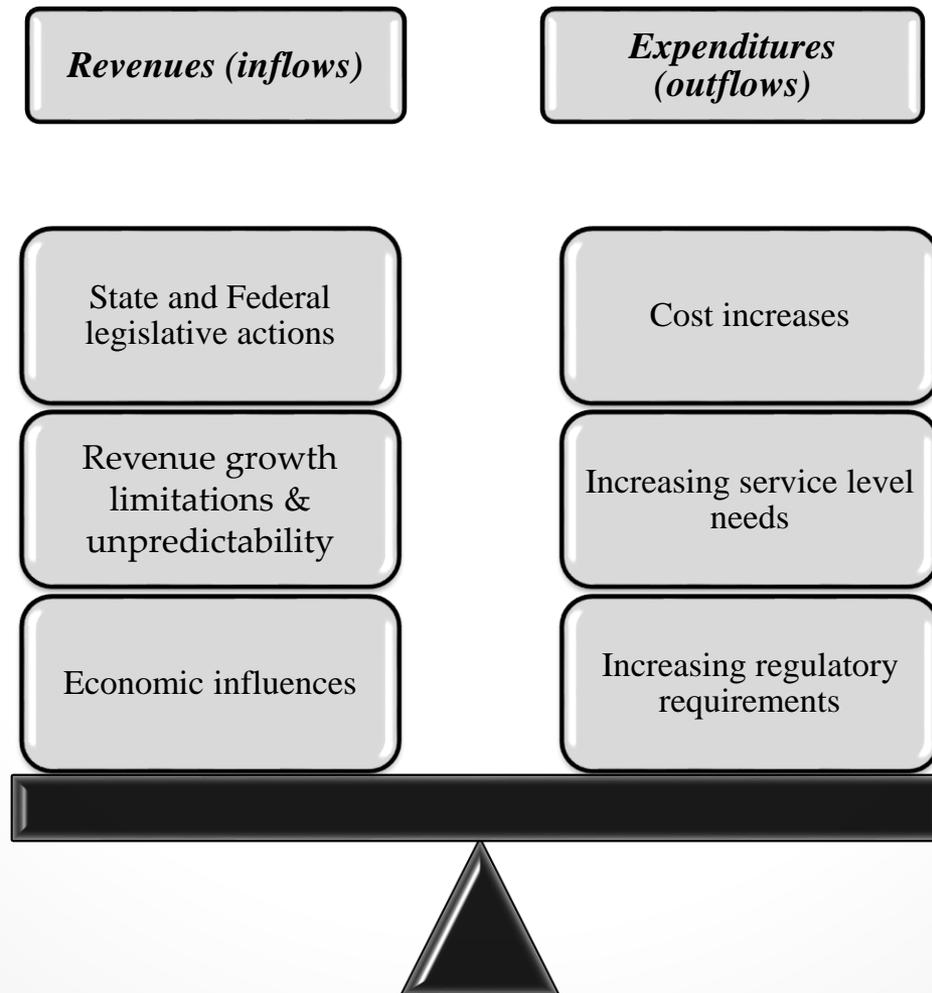


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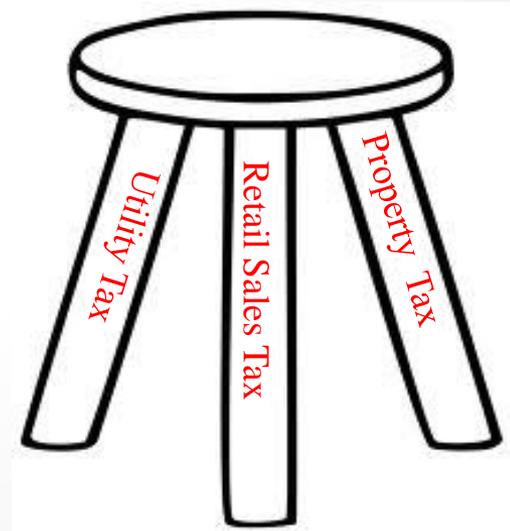


# Budget Challenges



# Budget Challenges

- State and Federal Legislative Actions:
  - Reduction of state shared revenues (i.e. Liquor related revenues)
  - Mandate for increased education funding – McCleary decision
- Revenue growth limitations & unpredictability:
  - Property Taxes I-747 – limited to lessor of 1% growth or IPD, excluding new construction
  - Unpredictable building revenues
  - Limited & unpredictable sales tax revenues
- Economic Influences
  - National and State economy
  - Hanford cleanup activities



# Budget Challenges

- Property Taxes – Where do these tax dollars go?

Richland School  
District 39%

State  
Schools 19%

Fire  
District #4 16%

City of  
West  
Richland  
13%

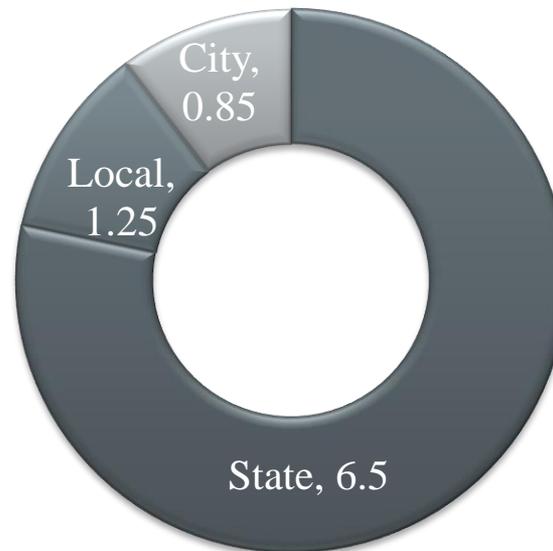
Benton  
County 10%

Port  
3%



# Budget Challenges

- Sales Taxes – Who gets what portion of the 8.6%?
  - For every \$100.00 in applicable sales in West Richland, the consumer pays \$8.60. Of the \$8.60 in sales tax paid, the City only receives 85¢.



# Budget Challenges

- **Cost Increases**
  - Medical and other benefit costs – Rising health care costs, pension contributions costs, etc.
  - Service and intergovernmental costs
- **Increasing Service Level Needs**
  - The City's population has nearly doubled since the early 2000s. This affects all areas of services (i.e. public safety, transportation, general government services, etc.)
- **Increasing Regulatory Requirements**
  - Operating requirements, financial reporting, etc.

# Looking Ahead

- Over the summer, the Mayor and staff have been working hard to develop a balanced budget. We will continue to work toward development of a balanced, proposed budget considering all relevant changes in assumptions as they become known.
- Beginning in late September and continuing through October, presentations will be coming forward from each department of their budget requests and department goals and objectives for the 2017/2018 biennial budget.
- Proposed 2017/2018 biennial budget is anticipated for presentation to Council on October 18, 2016
- Public hearings on revenue sources and the 2017/2018 biennial budget in November
- Adoption of the 2017/2018 biennial budget in December