

LET'S TALK ABOUT BUDGETS & BUDGET ADJUSTMENTS

JANUARY 24, 2023

WHAT IS A BUDGET?

- By State Statute 50.550
 - 1. The annual budget shall present a complete financial plan for the ensuing budget year. It shall set forth all proposed expenditures for the administration, operation and maintenance of all offices, departments, commissions, courts and institutions; the actual or estimated operation deficits or surpluses from prior years; all interest and debt redemption charges during the year and expenditures for capital projects. ...
 - 3. In addition, the budget shall set forth in detail the anticipated income and other means of financing the proposed expenditures.

WHAT HAPPENS IF YOU GO OVER BUDGET?

State Statute in the County Auditor chapter: 55.030 To prescribe accounting system – other duties (certain first class counties).

- ... He shall keep accounts of all appropriations and expenditures made by the governing body of the county; and no warrant shall be drawn or obligation incurred without his certification that an unencumbered balance, sufficient to pay the same, remains in the appropriation account against which such warrant or obligation is to be charged. ...

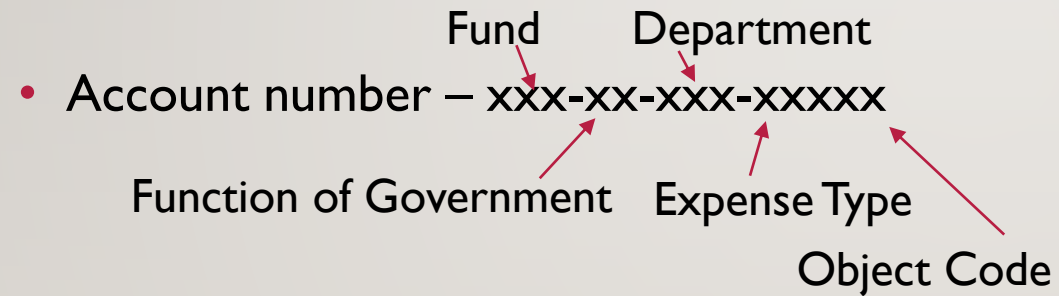
WHAT WE NEED TO UNDERSTAND

- Our budget book is a complete financial plan; however, some of it is additional detail beyond what is technically the actual budget. What constitutes the appropriation account level of information is an interpretation of State statute and a possible further decision by Commission.

State Statute 50.540 ... The expenditure estimates shall be classified to set forth the data by funds, organization units, character and objects of expenditure; the organization units may be subclassified by functions and activities, if so directed by the budget officer. ...

STATUTE COMPARED TO ACCOUNT NUMBER

- funds, organization units, character and objects of expenditure
 - organization units may be subclassified by functions and activities



- Issues\interpretations?

IMPACT OF DECISION

Possible budget adjustments for currently negative balances for 2022

Basis	Amount	Funds	Counts of Unique/total			
			Office Holders	Departments	Exp Type	Accounts
By Account (1,081 accounts)	-26,753,725.90	16	11	67	8	444
			31	93	191	444
By Exp Type in Dpmt in OffHold in Fnd	-14,880,991.18	13	10	52	8	
			28	68	113	
By Exp Type in OffHold in Fnd	-13,111,462.98	12	10		7	
			25		53	
By Department in OffHold in Fnd	-13,308,023.72	12	6	30		
			18	38		
By Office Holder in Fnd	-8,025,913.57	9	6			
			13			
By Fund	-4,388,557.41	8				

REQUEST

- I will be making a recommendation to Commission which defines the appropriation account level. Please email me your comments and concerns. I will consider them when forming my recommendation and I will include all of them in the packet I provide to Commission.
- Please note this is a decision made by Commission, who should work closely with the Auditor on what is practical while meeting statutory requirements.
- My goal is to have this defined and included in all future budget books. We will also set-up the Know Your Numbers Financial Huddles monitoring at the defined appropriation account levels.

HOW CAN A BUDGET ADJUSTMENT BE MADE?

- Statute 50.622 - 1. Any county may amend the annual budget during any fiscal year in which the county receives additional funds, and such amount or source, including, but not limited to, federal or state grants or private donations, could not be estimated when the budget was adopted. The county shall follow the same procedures as required in sections 50.525 to 50.745 for adoption of the annual budget to amend its budget during a fiscal year.
- Statute 50.630 - The county commission may authorize the transfer within the same fund of any unencumbered appropriation balance or any portion thereof from one spending agency under its jurisdiction to another; but this action shall be taken only on the recommendation of the budget officer and only during the last two months of the fiscal year, except that transfers from the emergency fund may be made at any time in the manner herein provided.

WHAT IS THE EMERGENCY FUND?

- Statute 50.540 – 4. ...The budget officer shall provide in his recommendations, and the county commission shall provide in its appropriation order, that an amount equal to not less than three percent of the total estimated general fund revenues shall be appropriated each year as an emergency fund. At any time during the year the county commission in counties of class one may make transfers from the emergency fund to any other appropriation, ... but the transfers in all classes shall be made only for unforeseen emergencies and only on unanimous vote of the county commission.
- These are our Contingency accounts. For 2023 we have \$2,625,000 in general revenue, \$1,000,000 in Road & Bridge, \$349,915 in E911, and \$300,000 in Senior Services.

MONITORING

- When spending is above the Appropriation Account level a budget adjustment must be made for the spending to occur. This typically happens with a Commission approved use of contingency in the first 10 months. Contingency might be paid back with use of unencumbered account balance in the last 2 months.
- We need to do a better job of getting documented Commission approval using our Request for Emergency Procurement and/or our Budget Adjustment Request Form. Both will be available on the Budget webpage. It is possible that we could quickly use all of our contingency funds and have nothing left for emergencies.

REAL LIFE EXAMPLE

- A change in statute has allowed for the possibility for E911 operators to transfer from the General Division to the Police Division for LAGERS benefits. The estimated cost for this is a lump sum payment of \$889,769. The fund has a cash balance to make this payment; however, it was not budgeted and while there is a contingency balance in E911 it is only \$349,915. If Commission approves this it will need to authorize \$539,854 of GR contingency going to this purpose. This is 20.5% of GR Contingency and leaves only \$2,085,146 for remaining unplanned emergency spending in the first 10 months of 2023.

BENEFIT OF MONITORING

- As you can see, Commission has to weigh every decision about the use of contingency against a possible more urgent use. It is imperative that we monitor not only the impact of decisions already authorized but the pace of spending and explanations for those in our regular financial huddles.
- As we monitor, we will discover better ways to budget and plan for contingencies and the future in general.

FINANCIAL HUDDLE IN FEBRUARY

- Update on where we are in defining the Appropriation Account level in budget
- Preview of revised monitoring system at that level
- Review of Request for Emergency Procurement and Request for Budget Adjustment forms.

ANY
QUESTIONS

