

-Budget Exercise-

Directions: Your group is the City/County Manager. The objective is to prepare a recommended General Fund operating budget for the governing body. Your group will need to work through prioritization, political and community interests, business needs, and the rationale for your recommendations.

First, read the background information on revenues, expenditures, and political climate. Then, read through the *Budget Requests* and prioritize the needs. Finally, write your funding recommendations in the space provided on the second page. By state law, the budget must be balanced – total revenues equal total expenditures. You will be given 30 minutes. Be prepared to defend and explain your recommendations.

BACKGROUND INFORMATION

Revenues:

- At current property tax, sales tax, and fee rates, the jurisdiction expects General Fund revenues in Fiscal Year 2011-2012 of **\$20,000,000**.
- The current property tax rate is 35-cents per \$100 valuation. One cent on the property tax rate generates approximately \$250,000 in revenue. You may keep the property tax rate the same, increase property taxes, or decrease property taxes depending on your group's final budget recommendation.

Expenditures:

- Base expenditures – those required to maintain existing levels of service – total **\$19,500,000**. This leaves **\$500,000** available to fund new service and program needs, replacement needs, or one-time capital expenditures.
- The jurisdiction employs 250 people at an average salary of \$35,000.

Political Climate:

- It's an election year, and the governing body is feeling pressure from residents and the local Chamber of Commerce to not increase taxes.
- A number of businesses have shut down. The economy is hurting. Unemployment is 10.8%.

Budget Requests:

- Staff Raises – Staff has not had a raise for two consecutive years. HR is concerned about the potential impact on morale if no raises occur for a third consecutive year.
 - *Cost: \$100,000 (per 1% increase)*
- Retirement System – Actuarial studies for the retirement system indicate the system is underfunded. The state's retirement system board approved a mandated 2% increase in the employer contribution rate for all local government employees across the state.
 - *Additional Cost: \$200,000*
- Health Premium Increase – The jurisdiction was notified by its health insurance carrier that premiums will increase 15% under the plan's current design.
 - *Additional cost: \$200,000*
- Replace Financial Software – The accounting, payroll, procurement and budgeting software is 20 years old. The vendor has indicated that they are phasing out support on the old version during the upcoming year and the jurisdiction must upgrade.
 - *Cost: \$250,000*

- Public Safety – In an effort to increase a public safety presence at schools, the School Board has requested three new School Resource Officers (SROs). Three schools currently have no SROs. The spouse of the governing body’s chair is the principal at one of the schools that would receive an SRO and he/she has been outspoken in the community about the benefits of having an SRO presence in schools.
 - *Cost of salary and equipment (including cruiser) for each officer: \$80,000*
 - *Cost of salaries and equipment for all three officers: \$240,000*
- Fire Protection – The fire repellent suits that firefighters wear are referred to as “turnout gear.” Each firefighter is issued two suits so that if one is damaged at one fire and the firefighter is called out to fight another blaze immediately after returning from the first fire, the firefighter has a fresh suit to properly protect him/herself. This need does not happen often, but it is a safety issue. The Fire Chief states that 25 suits need replacing.
 - *Cost for 25 new suits: \$50,000 (\$2,000 per suit)*
- Cemeteries – The jurisdiction’s primary cemetery is nearing capacity. A prominent civic group and funeral home association have requested a columbarium at the jurisdiction’s cemetery in order to alleviate space concerns, provide burial options, and honor veterans.
 - *Cost: \$80,000*
- Solid Waste/Yard Waste – A knuckleboom truck (to pick up tree/foilage piles) exceeds 100,000 miles, is frequently in the shop for repairs (thus minimizing work crew productivity), has developed some work crew safety risks, and is generally worn-out. If the truck isn’t replaced, the jurisdiction would need to make expensive repairs to the transmission, brakes, and hydraulic components, which may extend the life of the vehicle by only one year.
 - *Cost a): \$100,000 for new knuckleboom truck*
 - *Cost b): \$20,000 for additional maintenance if not replaced*
- Economic Development – Potential new businesses often prefer to occupy ready to move in “shell buildings” that can be quickly fitted to their needs. An opportunity has been presented to the jurisdiction to acquire a large, foreclosed building, which the jurisdiction could retrofit and remarket for economic development. The jurisdiction has an unemployment rate of 10.8% and is desperately trying to recruit new businesses and jobs.
 - *Cost: \$250,000*
- Rainy Day Fund Replenishment – Over the past three years, the governing body has reduced its rainy day fund to its minimum policy level. This has made the governing body uneasy and credit agencies have begun to take notice of the jurisdiction’s finances. The governing body has expressed an interest that the rainy day fund be strengthened with a \$250,000 infusion.
 - *Cost: \$250,000*

Summary of departmental requests:	Requested	Your Recommendation
1. Staff raises	\$ 100,000	
2. Retirement system	\$ 200,000	
3. Health insurance premium increase	\$ 200,000	
4. Replace Financial software	\$ 250,000	
2. Public Safety – SRO officers	\$ 240,000	
5. Fire & Life Safety turnout gear	\$ 50,000	
7. Cemeteries	\$ 80,000	
8. a) Solid Waste/Yard Waste (new truck)	\$ 100,000	
8. b) Solid Waste/Yard Waste (repair existing truck)	\$ 20,000	
9. Economic Development – shell bldg.	\$ 250,000	
10. Rainy day fund replenishment	\$ 250,000	
	Total: \$1,740,000	

What do you recommend cutting? Or, would you raise taxes? You have \$1,740,000 in requests, but only \$500,000 available.