




# Legal Mandates and Budget Best Practices

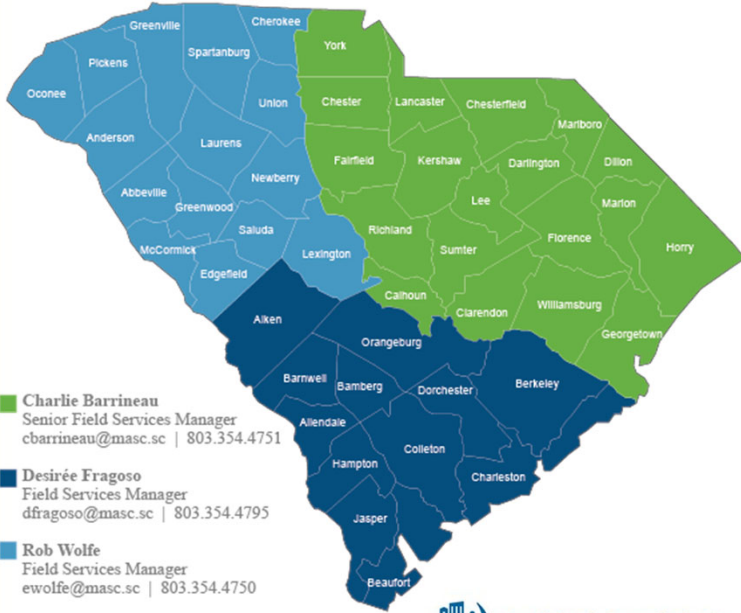
Advanced MEO  
Advanced Budgeting and Finance  
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## The Challenge

- Economic uncertainty
- Changing revenues and cost increases
- Citizen engagement
- Lack of clear vision, priorities
- Council involvement
- Wide range of experience with budgeting practices
- Lack of collaboration across departments
- Staff turnover



## Legal Mandates

- Constitutional mandate balanced budget
- **Article X, Section 7(b)**

*Each political subdivision of the State as defined in Section 14 of this article and each school district of this State shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever it shall happen that the ordinary expenses of a political subdivision for any year shall exceed the income of such political subdivision, the governing body of such political subdivision shall provide for levying a tax in the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses for such ensuing year. The General Assembly shall establish procedures to insure that the provisions of this section are enforced.*





## Legal Mandates

- The **Home Rule Act of 1975** established requirement for balanced budget document adopted by ordinance
- A balanced budget means revenues equal or exceed expenditures



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## Legal Mandates

- **What is a budget?**
  - A financial and planning tool used to forecast anticipated revenues and appropriate expenditures
  - Cap authorized spending levels
  - Direct discretionary funds to expenditures tied to priority goals



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## Legal Mandates

- Before adoption of a budget ordinance **Sec. 5-7-260**, state law requires:
  - Advertisement  
*Follow exactly!*  
**Sec. 6-1-80**
  - Public hearing

### Public Notice hearing on municipal budget

Pursuant to Section 6-1-80 of the S.C. Code of Laws,  
public notice is hereby given that the council for the

(Town/City) of \_\_\_\_\_ will hold a

public hearing on the municipal budget for the \_\_\_\_\_

fiscal year on \_\_\_\_\_ at \_\_\_\_\_

(date) (time)

(place)

Current Fiscal Year Revenue	Projected Revenue 20XX-20XX	Percentage Change in Revenue	Current Fiscal Year Millage
\$ _____	\$ _____	\$ _____%	\$ _____ Mills

Current Fiscal Year Expenditures	Projected Expenditures 20XX-20XX	Percentage Change in Expenditures	Estimated Millage for 20XX-20XX
\$ _____	\$ _____	\$ _____%	\$ _____ Mills*

\*Estimated Millage Equals \$ \_\_\_\_\_ per \$1000 of Assessed Property Value



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## Legal Mandates

- Preparation responsibility dependent on Form of Government
  - Mayor-Council = Mayor
  - Council = Council's choice
  - Council-Manager = Manager
- Adoption is council's responsibility in all Forms of Government



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- **Act 388 (2006)**

- Millage cap = CPI + growth
- Exceed with 2/3 vote if:
  - Prior year deficit
  - Catastrophic event
  - Court order compliance
  - Loss of single taxpayer > 10%
  - State/federal mandate compliance



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■ **Act 388** continued

- Exception must be listed on tax bill

<p><b>VEHICLE</b>      <b>KEEP THIS FOR YOUR RECORD</b></p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <b>SPARTANBURG COUNTY, S.C.</b>  <b>PROPERTY TAX NOTICE</b>  <b>TAX YEAR</b>      <b>1 2011</b> <b>AMOUNT</b> </div> <p>"We now accept <b>MASTER CARD</b> and <b>Visa</b> when presented in person inside the Treasurer's Office"</p> <p>Receipt # 155288-11-1      <b>VEHICLE</b>      <b>REGISTRATION</b>      <b>SALES TAX</b>      <b>SALES TAX</b>      <b>SALES TAX</b></p> <p>DISTRICT      425288-11-1      <b>VEHICLE</b>      <b>REGISTRATION</b>      <b>SALES TAX</b>      <b>SALES TAX</b>      <b>SALES TAX</b></p> <p>YEAR      2004      TYPE      1      <b>VEHICLE</b>      <b>REGISTRATION</b>      <b>SALES TAX</b>      <b>SALES TAX</b>      <b>SALES TAX</b></p>	<p><b>VEHICLE</b>      <b>RETURN THIS SIDE WITH PAYMENT</b></p> <p><b>PLEASE USE PRE-APPROVED ENVELOPE TO RETURN PAYMENT</b></p> <p><b>TREASURER, SPARTANBURG COUNTY</b>  <b>PO BOX 1000</b>  <b>SPARTANBURG, SC 29308</b></p> <p>155288-11-1</p> <p><b>SLATTON JEFFREY SCOTT</b></p> <p><b>SC DEPARTMENT OF MOTOR VEHICLES</b></p> <p><b>NAME</b>      <b>VEHICLE</b>      <b>YEAR</b>      <b>REGISTRATION</b>      <b>SALES TAX</b>      <b>SALES TAX</b>      <b>SALES TAX</b></p> <p><b>VEHICLE</b>      <b>YEAR</b>      <b>REGISTRATION</b>      <b>SALES TAX</b>      <b>SALES TAX</b>      <b>SALES TAX</b></p> <p><b>STATE OF S.C. VEHICLE CENSUS TAXES</b>      <b>40.00</b></p> <p><b>COUNTY AND CITY GENERAL TAXES</b>      <b>132.25</b></p> <p><b>SALES TAX</b>      <b>169.25</b></p> <p><b>DECAL</b>      <b>40.00</b></p> <p><b>ROAD FEE</b>      <b>25.00</b></p> <p><b>PAY THIS AMOUNT →</b>      <b>169.25</b></p> <p><b>BY: 08/31/2011</b>      <b>PAY THIS AMOUNT</b></p> <p><b>WARNING</b></p> <p><b>IF YOU NO LONGER OWN THIS VEHICLE OR YOU NO LONGER WANT TO PAY THIS NOTICE, CONTACT THE COUNTY AUDITOR'S OFFICE AT: (864) 596-2500</b></p> <p><b>SPARTANBURG TREASURER'S OFFICE</b></p> <p><b>NAME OF JURISDICTION COMPANY</b></p> <p><b>PRINT NAME OF OWNER</b>      <b>DATE</b></p> <p><b>PLEASE PRINT CLEARLY (IF ADDRESS HAS CHANGED)</b></p> <p><b>NAME</b></p> <p><b>ADDRESS</b></p> <p><b>CITY</b>      <b>STATE</b>      <b>ZIP CODE</b></p> <p><b>MAILING ADDRESS IF DIFFERENT FROM ABOVE</b></p>
<p><b>SPARTANBURG TREASURER'S OFFICE</b></p> <p><b>RECEIVED</b>      <b>DATE</b>      <b>TIME</b></p> <p><b>RECEIVED</b>      <b>DATE</b>      <b>TIME</b></p>	



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## Legal Mandates

- **Act 388** continued
  - Millage not subject to cap
    - Bonded debt
    - Reserve account maintenance
    - Lease/purchase of real property



## Legal Mandates

- **Act 388** continued
  - Millage bank or look back
  - Current year millage allowance + any unused allowance for each of the three previous years

Fiscal Year	Prior Year Millage	% Average CPI	% Population Growth	Allowable Annual % Increase of Millage Rate	Millage Bank Used	Millage Bank Balance
FY 09	100	1.0%	1%	2%	-2%	0
FY 10	100	1.5%	2%	3.5%	0	3.5%
FY 11	100	2.0%	0%	2%	0	5.5%





## Legal Mandates

- Property tax reassessment and rollback of millage (**Sec. 12-43-217**)
  - Every five years
  - Cannot realize a windfall
- Local Option Sales Tax Credit Factor
  - Must adjust annually (**Sec. 4-10-40**)



## Legal Mandates

**Act 176**, the business license standardization law, became effective **January 1, 2022**.



- Rebalance
- Repeal
- Replace





## Legal Mandates

- Annual financial reporting requirements
  - Audit and copy to State Treasurer by 13<sup>th</sup> month (**Budget Proviso 76.10**); Failure to submit the audit will result in the treasurer withholding all of the municipality's Local Government Fund dollars
  - **Proviso 98.9** – July 1, 2025
  - Local Government Finance Report by January 15 (**Sec. 6-1-50**); Failure to submit the report may result in the withholding of 10 percent of the current year's state aid.



## Budget Best Practices

- Start as early as practicable
- Start with a vision, goals and strategic plan
- Have a long-term perspective
- Council and staff agree on the clear process
  - May depend on Form of Government







## Budget Best Practices

- Develop and follow budget calendar
- Who's responsible for deliverables? May be dependent on Form of Government.
- When are deliverables due?



## Sample Budget Calendar



### City of Mauldin

#### FY2024 Budget Calendar

August - October	Pre-Budget Items 10-year Capital Budget updated and distributed to Department Heads.
December - January	Budget request forms are prepared and distributed to Department Heads. Finance staff compiles personnel and fringe benefit numbers. Finance staff compiles Projected Revenue numbers. City Administrator develops and distributes the Budget Guidance document. Council retreat - to establish goals and budget objectives for staff.
February	Feb 6 Budget requests due to Finance Director. Feb 7-24 Budget is reviewed and refined as needed. Feb 27 Any changes are processed and entered by Finance staff.
March	March 1-15 Council budget notebooks are produced and distributed by the finance department. March 16 Budget Workshop with Council and staff. March 30 Budget Workshop with Council and staff.
April	April 3-7 Budget revisions are inputted. Budget Ad is prepared. April 24 Budget Ad is submitted to newspaper. April 27 Budget Workshop with Council and staff. April 27 Ad is circulated in the Greenville News.
May	May 15 Public Hearing and first reading on the proposed Budget Ordinance.
June	June 19 Second reading and Adoption on the proposed Budget Ordinance.
July	July 1 New fiscal year begins- adopted budget now in effect.

- Creates Transparency
- Sets Level of Responsibility
- Stick to the Schedule



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## Budget Best Practices

- Prioritize needs, projects
- Be conservative
- Use budget as tool to fulfillment strategic plan
  - Performance-based budgeting
  - Zero-based budgeting



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## Budget Best Practices

- Consider adopting financial policies
  - General fund reserves
  - Other fund reserves
  - Grants
  - Debt
  - Investment
  - Economic Development
  - Risk management and internal controls



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## Budget Best Practices

- Engage citizens in meaningful way, early and often
  - Public hearings, citizen academies, listening sessions, surveys
- Empower, engage staff
- Leverage technology



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## Budget Best Practices

- Communicate clearly and broadly
- Keep it simple
  - Use visuals
- Be transparent – FOIA
- Have regular budget to actual reporting
  - Monthly/quarterly
  - Explanation of variances
- Audit - public presentation, vote to accept

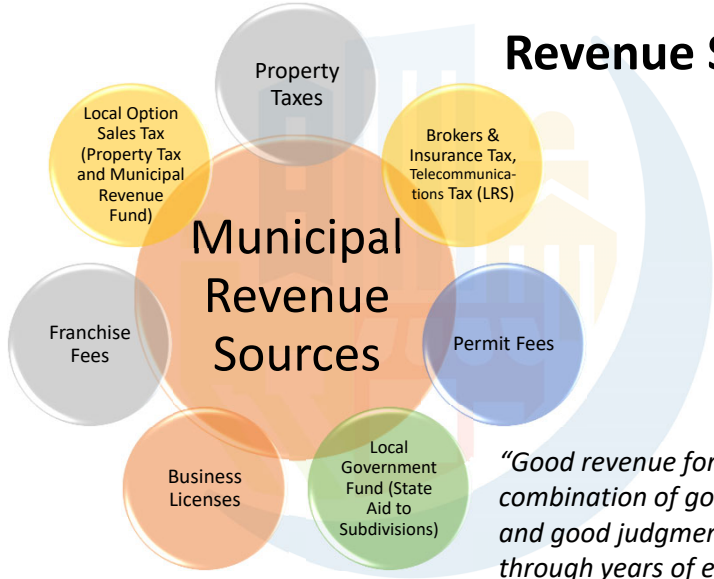


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# Best Practices: Budget Preparation

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## Revenue Sources

**Municipal Revenue Sources**

- Property Taxes
- Local Option Sales Tax (Property Tax and Municipal Revenue Fund)
- Brokers & Insurance Tax, Telecommunications Tax (LRS)
- Permit Fees
- Local Government Fund (State Aid to Subdivisions)
- Business Licenses
- Franchise Fees

*“Good revenue forecasting is a combination of good information and good judgment - often refined through years of experience.”*

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## **Budget Best Practices: Projecting Revenues**

- Historical trends
- Expected changes to revenues
  - New construction/development
  - Businesses openings, closings
  - Automobile tax base
  - Investment yields
  - Impact of weather
- New revenue from tax, fee or charge increases



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## **Budget Best Practices: Estimating Expenses**

- Use year-to-date performance (mid-year financial statements)
- Audits from previous year
- New activities, programs, services
- Any known increases
  - Insurance premiums
  - Utility rates
  - Scheduled increases in contracts
  - Forecasts such as EIA's short term energy outlook



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## **Budget Best Practices: Estimating Expenses**

- Personnel (usually largest category)
  - COLA, merit increases, increases for certifications
  - Overtime, holiday pay, training
  - Health insurance, Retirement contributions
  - Payroll taxes, Worker's Compensation premiums
- Operating (non-personnel)
  - Debt service
  - Contract services
  - Utilities
  - General Liability insurance



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## **Worst Budget Practices: What NOT to Do**



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## Worst Budget Practices

- Abdicate your oversight
  - Not ask questions
  - Worry about looking dumb
- Ignore the long-term trends
- Use unrealistic revenue and expenditure estimates
- Not focus on results and outcomes
- Balance budget with one-time revenue source(s)



## Worst Budget Practices

- Grants – not consider ongoing expenses for when funding period ends
- Ignore variances in the prior and current years
- Add a static percentage to the prior year's budget
- Check the box after budget adoption
- Ignore audit findings





## Resources

Municipal Association of SC

[www.masc.sc](http://www.masc.sc)

*Handbook for Municipal  
Officials in SC*

Keyword: budget



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