Effective Financial Management

Money Mistakes: Strengthening Municipal Financial Practices

2026 Small Cities Summit

August 12, 2026

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Municipal Association of South Carolina

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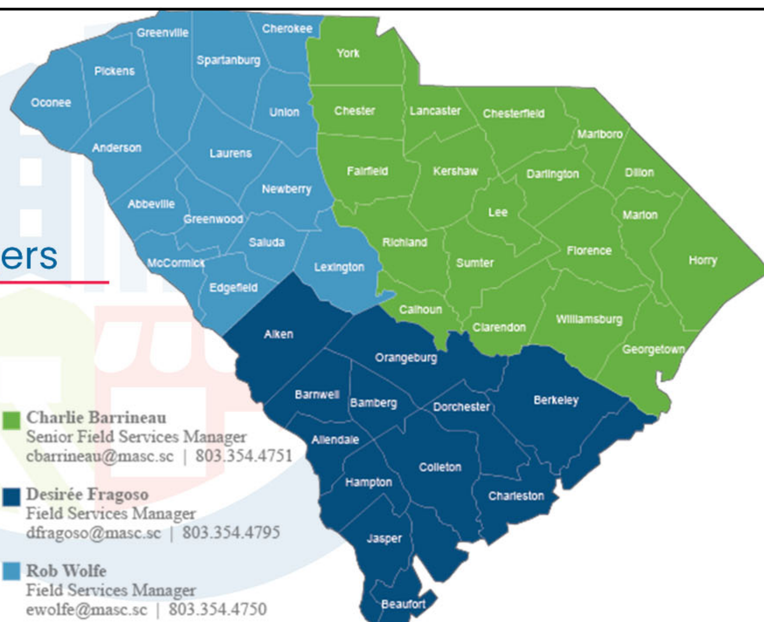
Field Services Managers



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Agenda

- ❑Why financial management matters
- ❑Council's responsibility
- ❑Budgeting strategies and best practices
- ❑Reporting strategies and best practices
- ❑Common pitfalls
- ❑Q&A

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Why

Strong public financial management is the foundation of public trust. When governments manage taxpayer dollars responsibly, they earn the confidence to deliver the services citizens expect.

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Why

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Budget Road Map

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Annual Budget – Legal Requirements

- Municipalities <u>must</u> adopt balanced budgets. *Article X, Section 7(b) - S.C. Constitution*
- No expenditures unless authorized by the budget ordinance or by Council via a subsequent resolution. *Article X, Section 8 - S.C. Constitution*
- Local code may provide discretion for shifting appropriations during fiscal year to achieve the goals of the budget

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Who Prepares The Budget?

Responsibility for budget **preparation** varies among the forms of government:

Form of Government	**Responsible Party**
Council-Manager	**Manager**
Mayor-Council	**Mayor**
Council	**Council discretion**

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Council's Responsibility

- Responsible for overall financial management of the municipality unless specifically delegated elsewhere by law. *S.C. Code § 5-7-160*
- Must develop and maintain budget enforcement standards.
- Approves borrowing and other financing options, including financing capital improvements.

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Council's Responsibility

- Ultimately responsible for establishment and utilization of financial reporting systems and standards
- Establishes policies for the investment and management of cash assets
- Selects / approves CPA or independent public accountant to perform annual independent audit

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Council's Responsibility

Department of the Treasury
Internal Revenue Service

Notice 784
(Rev. June 2016)

Could You be Personally Liable for Certain Unpaid Federal Taxes?

www.irs.gov/pub/irs-pdf/n784.pdf

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Establishing the Budget Process

- Cities set their fiscal year by ordinance
- Fiscal years may vary
- All municipalities basically have the same budget process.
- The complexity, formality and number of people involved tends to vary based on size.

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Establishing the Budget Process

- Goal setting for the coming year / strategic plan update
- This is ideally done prior to the completion of the expenditure request and review process
- Also, set some parameters for staff to make requests
- Thought should be given to major projects, initiatives and service / service delivery changes

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Budget Calendar

- Creates transparency
- Sets level of responsibility
- Try to stick to the schedule

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 inputed. 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.

Budget Cycle

- There are four stages of the budget cycle:

Preparation Stage

Budget Cycle

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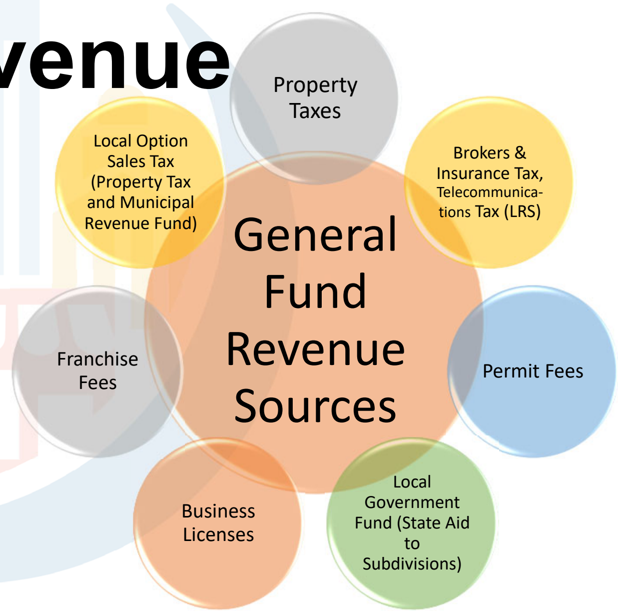
Projecting Revenue

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



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Projecting Revenue

- Historical Trends
- Expected changes to revenues
  - New construction / development activity
  - Business openings and closings
  - Automobile tax base
  - Investment yields
  - Projected impact of weather on water, sewer and electric sales
- Potential new revenue from tax, fee or charge increases

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Projecting Revenue

Projecting Property Tax Revenue:

The initial assessment from the county will be inaccurate due to timing

Calculate expected tax revenue after adjusting the initial assessment

New construction may not make the tax rolls

Council sets property tax rate, not county auditor

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Projecting Revenue

Property Tax Increases *(S.C. Code § 6-1-320)*:

Act 388 (2006) limits an increase in the operating millage of a city and county to no greater than:

The percentage increase in population of the city/county during the preceding year as estimated by S.C. Revenue and Fiscal Affairs, and

The percentage increase in the average of the 12-monthly consumer price indices (CPI) during the preceding year

If the CPI is negative and/or if the population of the city/county is estimated to have decreased, then the percentage(s) used for calculating the millage limitation is equal to zero

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Projecting Revenue

Property Tax Increases *(S.C. Code § 6-1-320)*:

Act 57 (2011) permits an additional increase not exceeding unused portion of the percentage increase permitted by Act 388 for the three preceding years.

- Referred to as the **<u>"three year look back"</u>**
- Also known as a local government's "millage bank"
- Maintain a spreadsheet to track your city's "millage bank balance"
- **<u>Referencing the "look back" and the balance in your "millage bank" in an article of the budget ordinance is a recommended practice</u>**
- Always work from the earliest year in the "three year look back" to present when *debiting* your "millage bank"

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Projecting Revenue

Property Tax Increases *(S.C. Code § 6-1-320)*:

The limitation, or "cap", provided in Act 388 does not affect millage that is levied to pay:

- Bonded indebtedness

- Payments for real property acquisition using a lease purchase agreement

- Maintain a reserve account

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Projecting Revenue

Projecting Other Revenue Sources:

✓ Local Option Sales Tax

✓ Business License

✓ Local Hospitality Tax

✓ Local Accommodations Tax

✓ Fines and Forfeitures

✓ Fees (Sanitation, Public Works, etc.)

✓ Charges (water, sewer, electric, etc.)

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Projecting Revenue

Imposing a new fee *(S.C. Code § 6-1-330):*

Must provide notice of the new fee and hold a public hearing that allows for public comment prior to adopting an ordinance enacting the fee

If fee generates 5% or more of prior year budget total, funds from fee must be segregated

Must disclose if the fee is going to fund a service that was previously funded by property taxes

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Estimating Expenditures

What is an Expenditure?

The amount of cash paid for a service rendered, goods received, or an asset purchased

There are three main categories of expenditures (usually presented by department):

Personnel (Salaries, benefits)

Operating (Office supplies, utilities, contracts)

Capital (IT Hardware, rolling stock, infrastructure)

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Estimating Expenditures

- Utilize year-to-date performance (mid-year financial statements)
- Audits from previous years
- Any known increases, such as:
  - Insurance premiums
  - Utility rates
  - Scheduled increases in contracts
  - Forecasts such as the EIA's Short-Term Energy Outlook
- New activities or programs

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Estimating Expenditures

- **Personnel (usually the largest category):**
  - Detailed list of staff and salaries
  - Any proposed cost of living adjustments or merit pay increases
  - Overtime, callback, training and holiday pay
  - Allowances for vacancies, increases for certifications, etc.
  - Health insurance – employer share
  - Retirement contributions – employer share
  - Workers' Compensation Premiums
  - Payroll Taxes (Employer share Social Security, Medicare and state)
  - Unemployment

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Estimating Expenditures

- **Operating (Non-personnel):**
  - Office supplies, printing, postage
  - Tools and small equipment purchases and repairs
  - Employee training & travel
  - Safety training and supplies
  - Gasoline and Diesel
  - Utilities and telecommunication
  - General Liability Insurance (Property, Auto, Liability)
  - Professional & contract services, leases, etc.
  - Debt service

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Estimating Expenditures

- **Capital:**
  - Machines, equipment and vehicles
  - Buildings, parking and recreation facilities
  - Infrastructure
- Expenditures are classified as capital exp based on capitalization thresholds and the asset(s) they are replacing, enhancing or upgrading (when in doubt, ask auditor).
- They may be funded with recurring or nonrecurring revenue or debt proceeds.
- Forecast capital expenditures in your Capital Improvements Program as a part of your Comprehensive Plan (S.C. Code § 6-29-340(B)).

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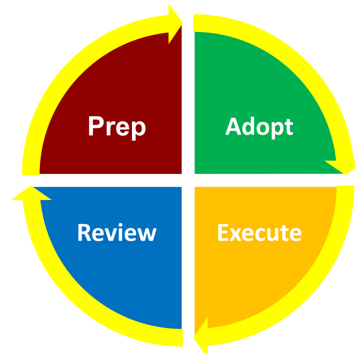

Adoption Stage

Budget Cycle

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Adopting the Budget

Must be adopted by ordinance with the necessary number of readings as required by local code. *S.C. Code § 5-7-260.*

Budget ordinance sets/provides:

- Property Tax (Millage) Rate
- Appropriation Levels
- Procedure for Amendment and Administration of the Budget
- Debt Proceeds and Debt Service
- Short-term Borrowing
- Elected Official Compensation (or by stand-alone ordinance)

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Adopting the Budget

A public hearing must be held before adopting the budget. *S.C. Code § 6-1-80.*

May be held in conjunction with first or second reading of the budget ordinance, or at an isolated date/time.

Public notice of the hearing must be published in a newspaper of general circulation.

Notice must be given at least 15 days before the public hearing.

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Adopting the Budget

The public hearing notice must contain:

- Name of the local government
- Date, time and location of the hearing
- Total operating revenues and expenditures in current fiscal year budget
- Projected operating revenues and expenditures of next year’s budget
- The percentage change
- Millage for the current fiscal year
- Estimated millage in dollars as necessary for next year’s budget

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Adopting the Budget

- Before adoption of a budget ordinance ***S.C. Code § 5-7-260***, state law requires:
  - Advertisement *Follow exactly!* ***S.C. Code § 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 herby 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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Cybersecurity

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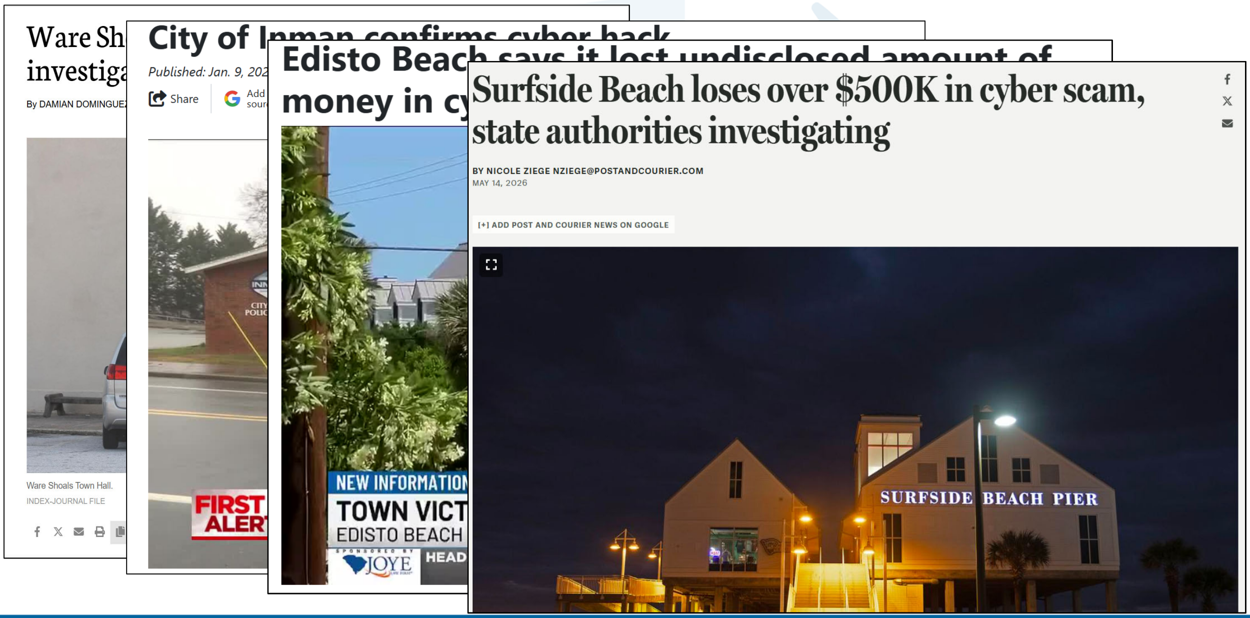

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Cybersecurity

- It's not a matter of if, it's a matter of when
- Train elected officials and employees on policies and how to detect common cyber threats
- Adopt internal controls
- Invest in IT support
- Ensure anti-virus software is operational/updated
- Implement multifactor authentication
- Cyber insurance

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Questions

Money Mistakes:

Strengthening Municipal Financial Practices

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Additional Resources

Government Finance Officers Association (GFOA)
www.gfoa.org

International City-County Management Association (ICMA)
www.icma.org

Municipal Association of South Carolina
www.masc.sc

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