



TOWN OF LONGBOAT KEY TOWN CHARTER ARTICLE V - BUDGET

**FINANCE COMMITTEE
NOVEMBER 10, 2015**



AUDITOR RECOMMENDATION

Budget – During our review of the Town’s policies and procedures as well as discussions with management and review of the prior year financial statements, we noted that the Town’s legal level of budgetary control (i.e. the level at which expenditures may not legally exceed the appropriations) is the individual account line item level. In our experience auditing over 250 governmental entities on an annual basis, we note that the standard practice for budgetary control is at the departmental level. Commissions set and determine the approved budget based on local ordinances and state requirements but amendments and financial reporting are all performed at the departmental level. This allows for much less time consuming oversight on behalf of the Commission, and allows the finance department the flexibility of making changes to individual line items within the departmental budget. The Commission authorizes for instance Town Managers or Town Finance Directors the ability to make these types of changes without the formal process of going to the Commission for approval. We recommend the Town consider making these changes to streamline the accounting / budgeting process.



FINANCE DEFINITION

The legal level of control means the lowest level of budgetary detail at which a local government's management or budget officer may not reassign resources without approval of the governing authority.

Proposed Based on Auditors Recommendation:

The legal level of budgetary control shall be, at a minimum, expenditures for each department for each fund for which a budget is required.



BUDGET TRANSFER TYPES

Three Types of Budget Transfers:

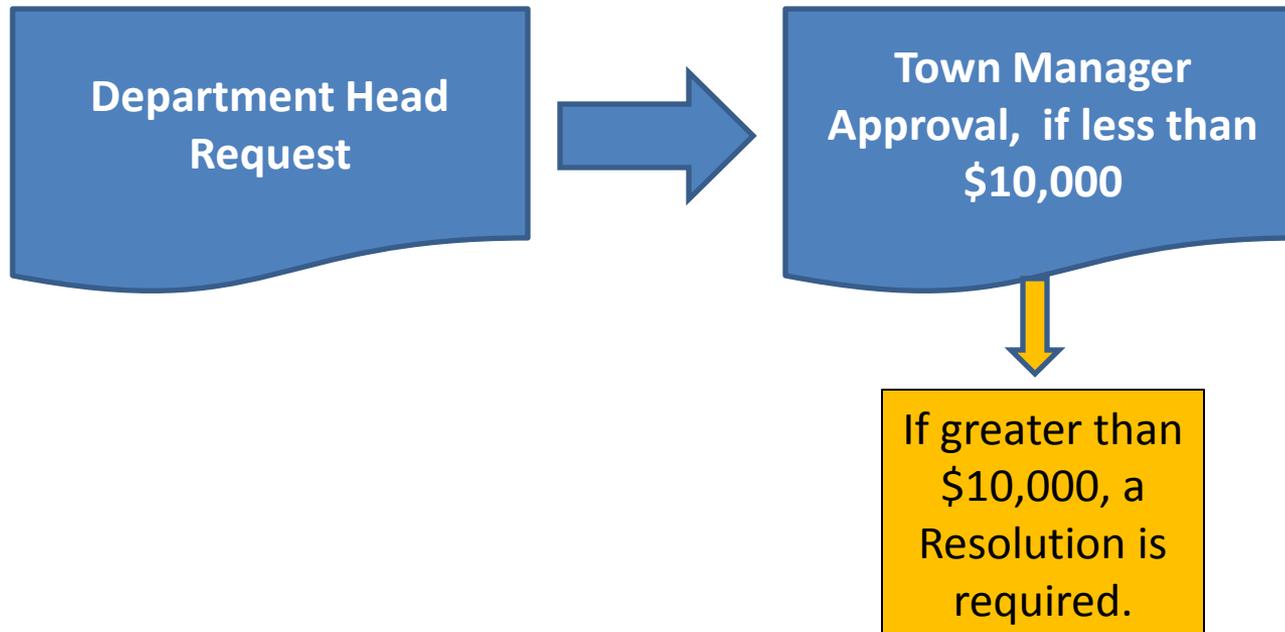
1. Transfers of appropriations within a department.
2. Transfer of appropriations from one department to another.
3. Changes which amend the Fund's Budget:
 - a. Increase an expense with the use of a new revenue source.
 - b. Increase an expense with the use of fund balance.
 - c. Transfers of appropriations between funds.



BUDGET TRANSFER TYPES

Type 1 Budget Transfer:

1. Transfers of appropriations within a department.

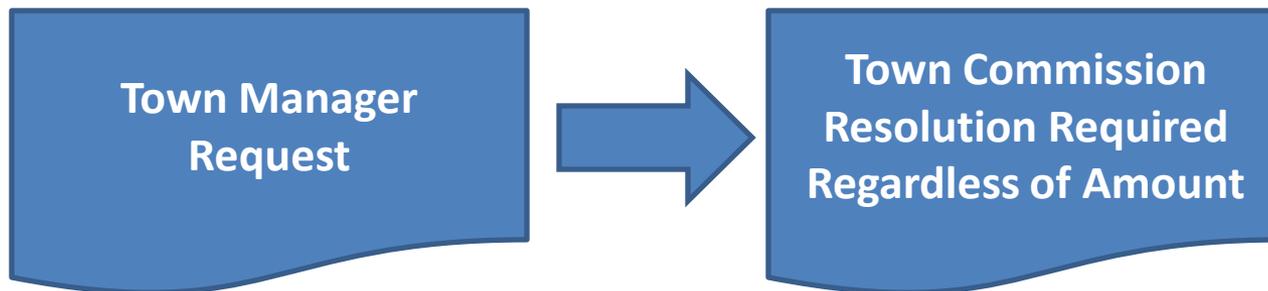




BUDGET TRANSFER TYPES

Type 2 Budget Transfer:

2. Transfer of appropriations from one department to another.
 - ✓ Usually occurs at Year End
 - ✓ Approved by Resolution regardless of dollar amount



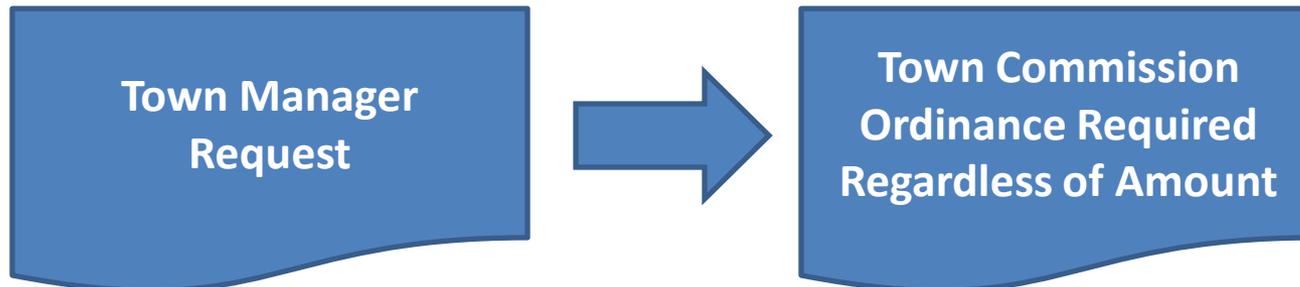


BUDGET TRANSFER TYPES

Type 3 Budget Transfer:

3. Changes which amend the Fund's Budget:

- a. Increase an expense with the use of a new revenue source.
- b. Increase an expense with the use of fund balance.
- c. Transfers of appropriations between funds.



Per State Statute 166.241 (4)(c), if you adopt your budget by Ordinance, then only an Ordinance may amend it.



STATE STATUTE 166.241 (2) AND (4)

(2) The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality's charter.

(4) The governing body of each municipality at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year as follows:

(a) Appropriations for expenditures within a fund may be decreased or increased by motion recorded in the minutes if the total appropriations of the fund is not changed.

(b) The governing body may establish procedures by which the designated budget officer may authorize budget amendments if the total appropriations of the fund is not changed.

(c) If a budget amendment is required for a purpose not specifically authorized in paragraph (a) or paragraph (b), the budget amendment must be adopted in the same manner as the original budget unless otherwise specified in the municipality's charter.



PROPOSED CHARTER REVISIONS- ARTICLE V – SEC. 9(D) TRANSFER OF APPROPRIATIONS

- 1. Change the legal level of budgetary control to the department level.**
 - Departments will be able to go over budget at the line item level as long as they do not exceed the total department appropriated budget.**
 - Eliminates the need for transfers within the department as long as they stay within their total budget.**
 - Finance has discretion to allow these transfers at Department Request**



PROPOSED CHARTER REVISIONS- ARTICLE V – SEC. 9(D) TRANSFER OF APPROPRIATIONS

- 2. Allow Town Manager to make transfers among or between departments and limit it to \$20,000**
 - **Town Manager must give notice to the Town Commission for transfers he authorized greater than \$10,000.**
 - **Provides Town Manager more flexibility to manage operations, while maintaining transparency.**
 - **Saves time and money due to the reduction in preparation and processing of Resolutions.**



PROPOSED CHARTER REVISIONS- ARTICLE V – SEC. 9(D) TRANSFER OF APPROPRIATIONS

Article V. Sec. 9 (d) Transfer of appropriations. **The legal level of budgetary control shall be, at a minimum, expenditures for each department for each fund for which a budget is required.** At any time during the fiscal year, the town manager may transfer up to ~~\$10,000.00~~ **\$20,000.00** of funds constituting a part or all of any unencumbered appropriation balance among programs **either within or between** ~~a~~ departments, offices or agencies ~~y~~ **within the same fund**. The town manager shall thereafter give notice of any such transfers **greater than \$10,000.00** to the town commission. Upon written request by the town manager, the town commission may authorize **by resolution** transfers of larger amounts or unencumbered appropriations among ~~programs within a~~ departments, offices or agencies ~~y~~. ~~and by resolution transfer part or all of any unencumbered appropriation balance from one department or agency to another.~~ **Transfers of appropriations within any fund below the local government's legal level of control shall require only the approval of the town manager.**



PROPOSED CHARTER REVISIONS

ARTICLE V SEC 3 AND 6

SUBMISSION OF BUDGET AND CAPITAL PROGRAM

Change the Due Date of the Preliminary Budget to June 15

- **Currently the Preliminary budget and the Capital budget are required to be submitted to the Town Commission on or before June 1.**
- **June 1 is around the time the estimated assessed values are available.**
- **Changing the due date to June 15th allows finance to have more time to obtain assessed values and provide more accurate numbers.**



PROPOSED CHARTER REVISIONS ARTICLE V SEC 3 AND 6

SUBMISSION OF BUDGET AND CAPITAL PROGRAM

Article V Sec. 3. - Submission of budget and budget message. On or before the ~~first~~ **fifteenth** day of June of each year, the town manager shall submit to the town commission a preliminary budget for the ensuing fiscal year and a final budget and an accompanying message on or before the first day of August of each year.

Article V Sec. 6. - Capital program.

(a) Submission to town commission. The town manager shall prepare and submit to the town commission a capital program on or before the ~~first~~ **fifteenth** day of June of each year.



PROPOSED CHARTER REVISIONS-ARTICLE V SEC 7 (C) SUBMISSION OF BUDGET AND CAPITAL PROGRAM

**Provide for an option whether the budget be adopted by
Ordinance or Resolution**

The requirement for two public hearings is not affected.



PROPOSED CHARTER REVISIONS-ARTICLE V SEC 7 (C) SUBMISSION OF BUDGET AND CAPITAL PROGRAM

Sec. 7. - Town commission action on budget.

(c) Adoption. On or before the last town commission meeting of each fiscal year, the town commission shall, by ordinance **or resolution** which may be made effective immediately, adopt the town budget for the ensuing fiscal year. If it fails to adopt the budget by this date, the amounts appropriated for current operation for the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month-to-month basis, with all the items in it prorated accordingly, until such time as the town commission adopts a budget for the ensuing fiscal year. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated, shall establish the salaries of the town manager and town attorney, and shall constitute a levy of the property tax specified therein.



BUDGET TRANSFERS-PROPOSED CHANGE

Type	Current Process	Proposed Process	Result
Transfers which Amend the Total Budget	Ordinance Regardless of Dollar Amount	Ordinance Regardless of Dollar Amount or Resolution if we adopt the budget by Resolution	No change
Transfer money within a department	Town Manager Approval if less than \$10,000; Otherwise Resolution is Required	No action required.	No transfers required if Department stays within Total Budget
Transfer money between departments	Resolution Regardless of Dollar Amount	Town Manager Approval if less than \$20,000; Otherwise Resolution. Also notify Commission >\$10,000	Changes dollar limit and add notification requirement