

LAFAYETTE
CONSOLIDATED

GOVERNMENT
CENTRE DE LA CULTURE ACADIENNE ET CREOLE



A Citizen's Guide To the Budget

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What is the Budget?

The budget is:

A plan for how the Government spends your money:

What activities are funded? How much does it spend for Police, Firefighters, parks, roads, etc.?

A plan for how the government pays for its activities:

How much revenue does it raise through different kinds of taxes: property and sales taxes.

A plan for government borrowing or repayment of borrowing:

If revenues are greater than spending, the government runs a surplus. When there is a surplus, the government can reduce its debt—money it owes to investors – or increase its services.

A historical record:

The budget reports on how the government has spent money in the past, and how that spending was financed.

Source: US Government Printing Office, www.gpoaccess.gov, "Citizen's Guide to the Federal Budget"



Where the Money Comes From—and Where It Goes

In a typical household, a father and mother might sit around the kitchen table to review the family budget. They might discuss how much they expect to earn each year, how much they can spend on food, shelter, clothing, transportation, and perhaps a vacation, and how much they might be able to save for their future needs. If they do not have enough money to make ends meet, they might discuss how they can spend less, such as by cutting back on restaurants, movies, or other entertainment. They also might consider whether to try to earn more by working more hours or taking another job. If they expect their shortfall to be temporary, they might try to borrow. On the other hand, if they find themselves with more income than needed to meet their usual needs, they might use some of the extra money to improve their situation in critical areas, such as buying better health insurance, and to pay off debts they built up in earlier years.



In some ways, the City-Parish Government plans its budget much like families do. The President and Council determine how much money they expect to receive in each of the next several years, where it will come from, and how much to spend to reach their goals. Unlike a family, the Government must keep in mind that it gets its revenue from you, the taxpayer. When the budget is in surplus, the Government debates how much of the surplus should be used to invest in new spending, to pay down past debt, or to reduce taxes and fees.

Revenues: Where does the money come from?

Taxes

The **property tax** rate is expressed as a permille (amount of tax per thousand currency units of property value), which is also known as a *millage rate* or *mill levy* (A mill is also one-thousandth of a dollar). For example, a residential property that qualifies for homestead exemption (up to \$75,000—does not apply to city taxes) with a market value of \$100,000, assessed at 10%:

If you live outside the City of Lafayette – Parish tax of 86.11 mills

$$(\$100,000 - 75,000) \times 10\% \times .08611 = \$215.28 \text{ Tax due}$$

If you live inside the City of Lafayette - City tax of 17.81 mills and a Parish tax of 84.58 mills

$$\begin{aligned} 178.10 &= \$100,000 \times 10\% \times .01781 \\ + \underline{211.45} &= (\$100,000 - 75,000) \times 10\% \times .08458 \\ \$389.55 &\text{ Tax due} \end{aligned}$$

A **sales tax** is a consumption tax charged at the point of purchase for certain goods and services. LCG currently has a 2% tax for the City of Lafayette and a 1% tax for the Parish Government:

<u>Locality</u>	<u>City of Lafayette</u>	<u>Unincorporated Areas</u>
State	4%	4%
School Board	2%	2%
City (see graph on page 6)	2%	
Parish Government		1%
Sheriff		1%
Total Sales Tax	8%	8%

Debt

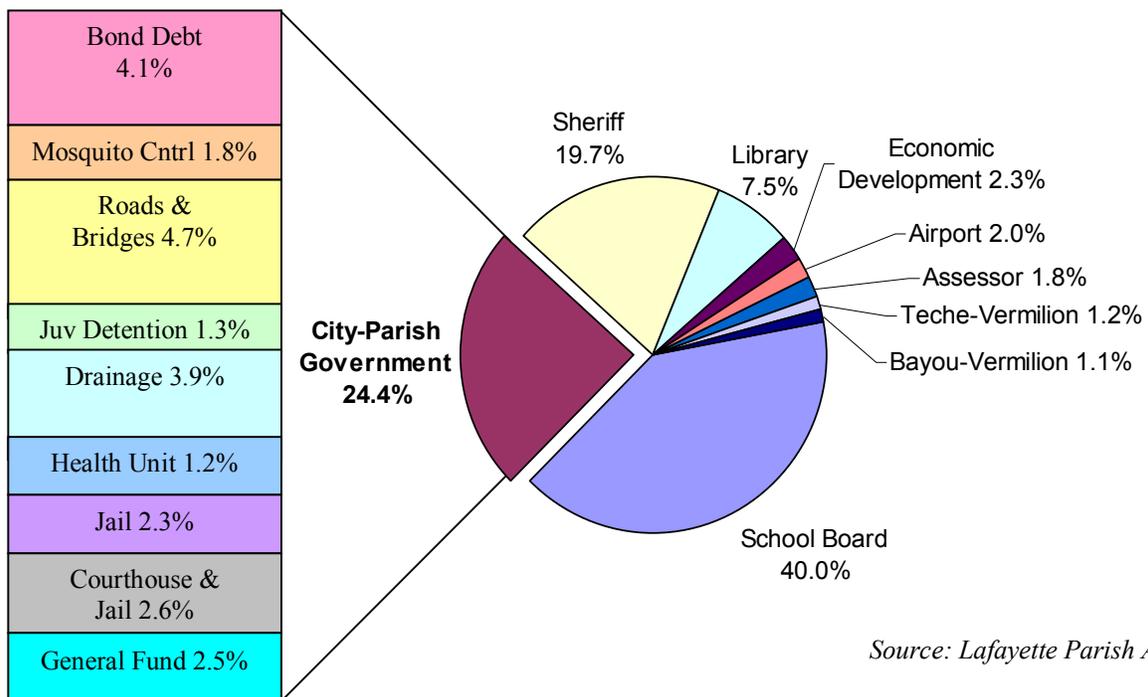
Municipal bonds are debt securities that state, cities, parishes, and other governmental entities issue to raise money for public purposes—such as building roads, sewer systems, public buildings, and other special projects. A primary feature of many municipal securities is that the interest you receive is generally exempt from federal income tax. The interest may also be exempt from state and local taxes if you live in the state where the bond is issued.

When you purchase a municipal bond, you lend money to the “issuer,” the government entity that issued the bond. In exchange, the government entity promises to pay you a specified amount of interest, usually semiannually, and return your money, also known as “principal,” on a specified maturity date.

Spending: Where do my taxes go?

Parish Wide Property Taxes

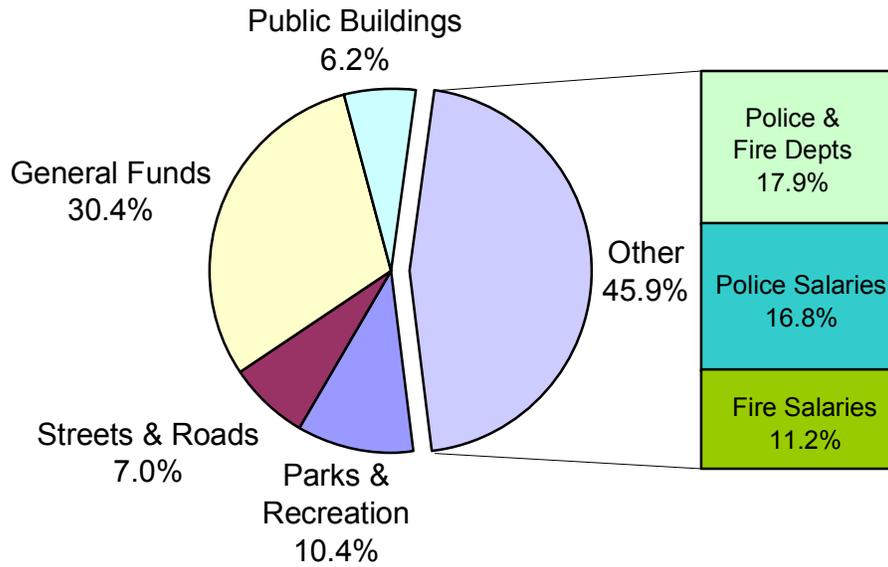
Includes All of Lafayette Parish



Source: Lafayette Parish Assessor

City of Lafayette Property Taxes

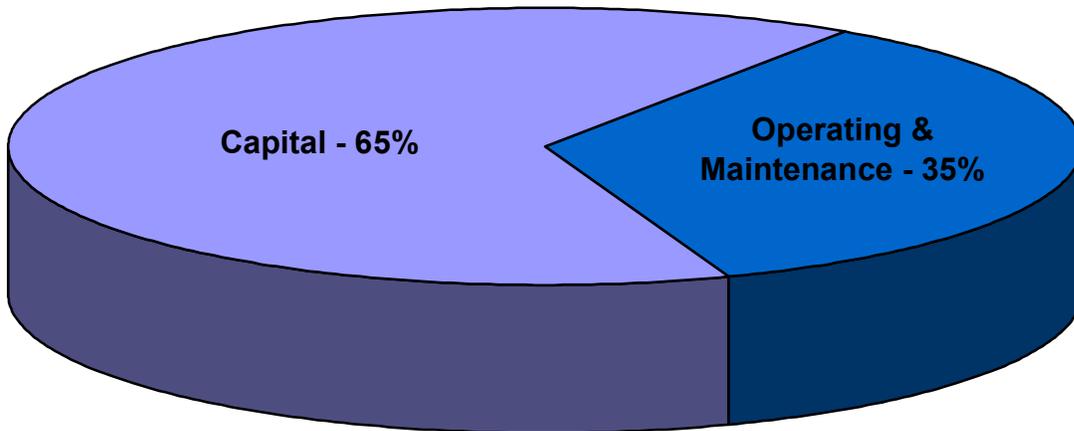
Includes the city only



Source: Lafayette Parish Assessor

Sales & Use Tax 2%

Includes the city only



How Does the Government Create a Budget?

The President and the Council both play major roles in developing the LCG budget.

The President's Budget

In accordance with Charter requirements, the President's budget is presented to the council at least 90 days prior to the beginning of each fiscal year (August 3), and includes a complete financial plan for the ensuing fiscal year:

- 1) President's message and budget summary outlining the proposed fiscal plan and describing significant features of the budget.
- 2) Detailed estimates of all proposed expenditures and anticipated revenues including:
 - a) Manning or organizational tables for each of the departments, agencies, or programs
 - b) Delinquent taxes for current and preceding years, with the estimated percentage collectible
 - c) Statement of the indebtedness of the City-Parish Government, showing debt redemption and interest requirements, debt authorized and unissued, and conditions of the sinking fund
- 3) Capital Budget—a five year plan for all capital improvements and acquisitions, including cost estimates, methods of financing, recommended time schedules, and estimated annual cost of operating and maintaining completed capital improvements.
- 4) Complete draft of the appropriation ordinance
- 5) Any other information requested by the Council



Action of the Council

The council begins by examining the budget in detail. Several hearings will be held in which the public can comment on the portions of the budget being discussed that day with a separate public hearing for the entire proposed budget. The Chief Administrative Officer, Chief Financial Officer, and other Department Directors work with the council as it accepts some of the President's proposals, rejects others, and changes still others. The budget will be finally adopted no later than the second-to-last regular meeting of the fiscal year. Copies of the final adopted budget are available for public use

in the main branch of the public library, in the office of the clerk of the council, and on the LCG website (www.lafayettegov.net). Additional copies may be purchased at cost.

Monitoring the Budget

It's difficult to accurately estimate what the revenues and expenditures will be in the future. Therefore amendments can be made to the adopted budget if the President or Council deems it necessary and it's in accordance with the Home Rule Charter. Copies of the charter can be found in the Council office or on the LCG website.

Supplemental Appropriations—If during the fiscal year the President certifies that there are more funds available for appropriation than were estimated in the budget, a supplement to the budget is presented to the Council. By ordinance, the Council may make supplemental appropriations up to the amount of the excess.



Emergency Appropriations—To meet a public emergency affecting life, health, property, or the public peace, the Council may make emergency appropriations by ordinance. If there are no available funds to meet the emergency appropriations, the Council may borrow money, which must be repaid with revenues of the next fiscal year.

Reduction of Appropriations—If it appears to the President that the funds available will be insufficient to meet the amount appropriated, the President shall report to the Council indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps to be taken.

Transfer of Appropriations—The President may transfer part or all of any appropriation within programs. Any transfers made to or from the salary account, or from one department, office, agency, or program to another must be approved by the Council.

Limitations—No appropriation for debt service may be reduced or transferred and no appropriation may be reduced below any amount required by law.

Source: LCG Home Rule Charter

The Fund Balance

The fund balance is equal to financial assets less financial liabilities. It is similar to your personal net worth. Cash and investments are like assets and the bills you need to pay are like liabilities. What is left over is generally considered your available balance, or what is left for spending. As the old saying goes, you should always “save for a rainy day.”

Why is it important to maintain a healthy fund balance?

- A critical factor in financial planning and budgeting.
- Provides funds for unforeseen expenditures or emergencies.
- Reduces the need for short-term borrowing for operations.
- Demonstrates financial stability, which enhances bond ratings, thereby lowering debt issuance costs (interest rates).

Can the government spend these fund balances on anything they want?

Generally, no. It is important to recognize that there is often a portion of the fund balance that is reserved and can only be used for specific purposes because of legal or accounting commitments. The unreserved portion of the fund balance can be used for any future spending. Sound financial practices suggest that governments maintain an adequate unreserved fund balance to cover emergencies or other contingencies.



The Budget Document

What do those numbers mean?

ELECTED OFFICIALS-LEGISLATIVE-COUNCIL OFFICE

11-0

Department/Division Number

OBJECT CODE	EXPENDITURE NBR CLASSIFICATION	-----PERSONNEL-----					CUR BUDGET FY 05-06	PROJECTED FY 05-06	REQUESTED FY 06-07	RECOMMENDED FY 06-07	ADOPTED FY 06-07
		CUR	PRJ	REQ	REC	ADP					
	Civil Service Class Code										
U 1005	RECEPTIONIST	1	1	1	1	1	18,886	18,886	18,886	18,886	19,635
U 1035	ADMINISTRATIVE SECRETARY	2	2	2	2	2	62,566	62,566	62,566	62,566	65,062
U 1041	SENIOR ADMIN ASSISTANT	1	1	1	1	1	43,076	43,076	43,076	43,076	44,803
U 1042	ADMINISTRATIVE ASSISTANT	1	1	1	1	1	37,273	37,273	37,273	37,273	38,771
E 9001	COUNCIL MEMBER	9	9	9	9	9	197,231	197,231	197,231	197,231	205,121
U 9008	CLERK OF COUNCIL	1	1	1	1	1	71,281	71,281	71,281	71,281	74,131
U 9009	ASST CITY-PARISH CLERK	1	1	1	1	1	52,811	52,811	52,811	52,811	54,932
U 9846	COUNCIL RECORDS MANAGER	1	1	1	1	0	31,886	31,886	31,886	31,886	0
	TOTAL PERSONNEL	17	17	17	17	16	515,014	515,014	515,014	515,014	502,457

41 101 GENERAL FUND-CITY

Expenditure Function & Fund Number

OBJECT CODE	EXPENDITURE NBR CLASSIFICATION	ACTUAL FY 04-05	CUR BUDGET FY 05-06	PROJECTED FY 05-06	REQUESTED FY 06-07	RECOMMENDED FY 06-07	ADOPTED FY 06-07
000 05	RETIREMENT/MEDICARE TAX	64,699	63,983	63,983	64,758	64,758	62,474
000 07	TRAINING OF PERSONNEL	3,551	5,000	5,000	5,000	5,000	5,000
000 08	GROUP HEALTH INSURANCE	36,840	66,689	66,689	75,895	75,895	48,164
000 10	UNIFORMS	0	525	525	525	525	525
000 17	GROUP LIFE INSURANCE	3,265	3,323	3,323	3,323	3,323	3,212
	SUBTOTAL - PERSONNEL COST	609,693	655,283	655,283	664,515	664,515	621,832
000 12	TRANSPORTATION	3,399	12,800	12,900	12,900	12,900	12,900
000 13	SUPPLIES & MATERIALS	13,483	9,575	9,575	10,875	10,875	10,875
000 18	JANITORIAL SUPPLIES & SERVICES	0	100	100	100	100	100
000 19	TELECOMMUNICATIONS	11,182	20,750	20,750	20,750	20,750	20,750
000 23	POSTAGE/SHIPPING CHARGES	3,502	11,250	11,250	11,250	11,250	11,250
000 29	VEHICLE SUBSIDY LEASES	6,405	7,000	7,000	7,000	7,000	7,000
000 38	EQUIPMENT MAINTENANCE	1,966	4,175	4,175	4,175	4,175	4,175

Work Order Number & Object Code (type of expenditure)

Current year budget and projections and actual expenditures from the previous year are included for comparative analysis.

Example: The full budget account number for Council Transportation would be

41 - 101 - 11-0 - 000 - 12

Exp Function - Fund - Dept/Division - Work Order - Obj Code

(Gen Govt - Gen Funds - Council Office - None - Transportation)

Budget account numbers for LUS are structured the same way with only a few minor differences:

Example: The budget account number for Meter Service's Equipment Maintenance would be:

48 - 706 - 502 - 0000 - 030

Exp Function - Dept/Division - Fund - Work Order - Obj Code

(Utilities - Meter Services - Oper & Maint - None - Equipment Maint)

Revenue account numbers have the same format but with a slightly different meaning.

Example: The revenue account number for Building Permits would be:

30 - 299 - 32 - 1 - 004 - 00

Rev Code - Fund - Rev Function - Rev Sub Account

(Revenue - Codes & Permits - Business Licenses & Permits - Building Permits)

Which department does that?

- *Office of Finance & Management* – Provides for the development and oversight of programs and procedures for overall financial management, financial reporting, accounting, budgeting and budget management, purchasing, and property/inventory management and compliance.
- *Elected Officials & Legal* – Includes the legislative (Council), executive (President & CAO’s office), and judicial branches (both city and district court officials) of the government as well as the City Prosecutor, Registrar of Voters, and Coroner.
- *Administrative Services* – While this department does not provide services directly to the public, the performance and productivity of its employees directly influence the capability of those departments whose mission is to perform a tangible service and/or product to the citizens of the community. The following divisions represent this department: Records Management, Human Resources, Communications, Printing, and Risk Management.
- *Information Services & Technology* – Manages the coordinated development of an integrated Information Technology system for Lafayette Consolidated Government and external organizations that contract with LCG for computer services. It is comprised of four sections: Director’s Office, Software Services, Technical Services, and Geographic Information Systems (GIS).
- *Police Department* – Provides for the preservation of public peace and order, the prevention of crime, apprehension of criminals, and the enforcement of the laws of the United States, the state of Louisiana, and the City/Parish of Lafayette.
- *Fire Department* – Safeguards and reduces the dangers to life, property and the environment through innovative training, code enforcement and prompt dispatch of a qualified fire suppression force.
- *Public Works* – Provides for the engineering, construction and maintenance of buildings, streets, bridges and drainage systems and fleet maintenance for vehicles and equipment, as well as providing for a quality infrastructure and environment in an efficient and cost-effective manner.
- *Traffic & Transportation* – Responsible for planning and proposals of roads, public transit, and other traffic issues consistent with the Lafayette In A Century (LINC) Comprehensive Plan.
- *Parks & Recreation* – Provides the citizens of Lafayette Parish the opportunity to participate in a wholesome environment in which they can experience a leisure time that is diversionary in character, and to assist in promoting entertainment, pleasure, relaxation and other physical and mental development. Facilities include 36 parks, 10 recreation centers, 4 swimming pools, 3 golf courses, 2 tennis centers and numerous additional activity and program fields.
- *Utilities* – Lafayette Utilities System offers its customers quality electric, water, wastewater, and telecommunications service.
- *Community Development* – Promotes services geared toward enhancing the physical, social, economic, educational, and cultural conditions of the jurisdiction of the Lafayette Consolidated Government.
- *Planning, Zoning, & Codes (PZC)* – A “one-stop-shop” for businesses and individuals involved in a variety of activities, including purchasing or developing property (platting, subdivisions, plan review), undertaking construction projects (permitting, inspections), and opening or relocating businesses (certificates of occupancy, land use regulations). The Department is also responsible for assisting citizens with requests for zoning variances or reclassification, abandonment of easements or rights-of-way, annexation of land into the City of Lafayette, and including a property on the Lafayette Parish Register of Historic Properties.
- *Others* – Includes the Municipal and Police & Fire Civil Service, Library, Health Unit, Juvenile Detention, and Animal Control Departments.

Glossary

Ad Valorem Tax - A tax based on the value of real estate or personal property.

Appropriation - Money set aside by formal action for a specific use

Balanced Budget - A balanced budget occurs when total revenues equal total expenditures for a fiscal year.

Bond - A written promise to pay a specific sum of money at a specified date or dates in the future, together with periodic interest at a specified date.

Bond Parity - Two or more bond issues with equal rights to payment.

Budget Amendment - A formal action approved by the Council to adjust the fiscal year adopted budget. These amendments take two forms: Transfer of an appropriation from one departmental budget to another; or, the appropriation of new sources of revenue.

Capital Improvement Program (CIP) - Annual appropriations in the budget for capital purposes such as street improvements, building construction, and drainage improvements. This plan details fund sources and expenditure amounts that these large projects will require beyond the one-year period of the annual budget.

Estimated Revenue - The amount of projected income to be collected during the fiscal year.

Expenditure - A payment or the promise of a future payment.

Expenditure Function - An account code which identifies the type of expense category (i.e. general government, public safety, culture-recreation, enterprise, etc).

Debt Service - The series of payments of interest and principal required on a debt over a given period of time.

Fiscal Year - The fiscal year is the Government's accounting period. It begins November 1 and ends on October 31. For example, the fiscal year 2007 ends October 31, 2007.

Fund - A sum of money or other resources whose principal or interest is set apart for a specific objective.

Fund Balance - The difference between assets and liabilities (assets less liabilities).

General Fund - The general operating fund used to account for most of the City's financial activities.

General Obligation Bonds - Voter approved bonds used to finance a variety of capital improvement projects. These bonds are backed by the full faith and credit of the issuing government. The repayment of these bonds is usually made from an ad valorem tax based on an approved debt millage rate.

Grant - Funding for a non-profit organization, usually for a specific project.

Home Rule Charter - A document granting certain specific rights, powers, privileges, or functions to the administration and council of a city.

In-Lieu-Of-Tax (ILOT) - A payment by a municipally owned utility to its local government. A publicly owned utility is not subject to the taxes normally paid to the local government by a private utility. Such taxes could include sales taxes, property taxes, and franchise taxes. Instead, the public utility makes a payment in lieu of tax revenues based upon a specified formula.

Interfund Transfers - Contributions made from one fund to another fund within an organization.

Line-item Budget - A budget that lists each object code separately, along with the dollar amount budgeted for each.

Millage Rate - One mill equals \$1.00 of tax for each \$1,000 of property value. The millage rate is the total number of mills of tax assessed against this value.

Object Code - An account code which identifies a specific type of asset, liability, revenue, or expense (i.e. taxes, licenses & permits, salary, supplies & materials, transportation, etc).

Operating Budget - A balanced financial plan for providing governmental programs and services for a one year period.

Ordinance - A local law.

“Pay-As-You-Go” - The system or practice of paying debts as they are incurred.

Property Taxes - Taxes paid on the assessed value of land, buildings, business inventory or equipment.

Proprietary Agency - Commonly called “self-supporting” or “enterprise”, these agencies pay for all or most of their cost of operations from user fees. These agencies receive little or no general tax support.

Reserve - Something reserved or set aside for a particular purpose, use, or reason.

Resolution - An expression of intent to do something.

Revenue - For the government, the increase in assets of governmental funds that do not increase liability or recovery of expenditure.

Sinking Fund - A fund into which the government sets aside money over time in order to retire its bonds. Incremental payments into the sinking fund can soften the financial impact at maturity. Investors prefer bonds backed by sinking funds because there is less risk of a default.

Work Order - A document authorizing the completion of a specific task.