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Municipal Technical Advisory Service

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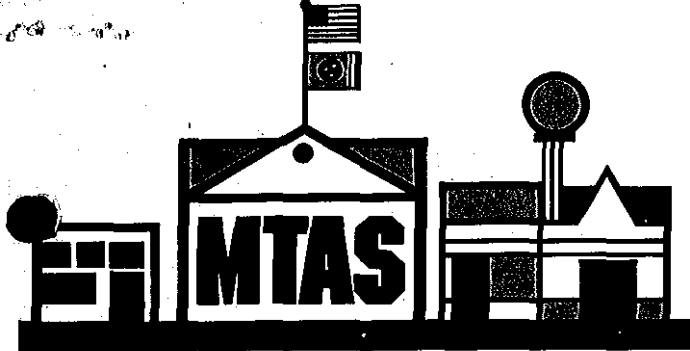
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TECHNICAL BULLETIN

MUNICIPAL TECHNICAL ADVISORY SERVICE
THE UNIVERSITY OF TENNESSEE
IN COOPERATION WITH THE TENNESSEE MUNICIPAL LEAGUE
Authorization Number E14-1050-00-001-83

March 11, 1983

MEETING THE END-OF-FISCAL-YEAR BUDGET CRUNCH

by E. W. Meisenhelder, MTAS Management Consultant

The current economic recession has had a serious effect on many Tennessee municipal budgets. Even cities that have not yet felt this impact may, as the end of the fiscal year approaches, find themselves in a severe budget crunch. What can be done now to lessen or eliminate this problem?

Here are three techniques that are useful without being complex.

1. Estimate Your Monthly Fund Requirements

Every city should have received the Dec. 17, 1982, MTAS Technical Bulletin giving revised estimates of 1982-83 state-shared taxes. The total reduction from earlier estimates is \$3.30 per capita. In addition, local tax revenues, such as the local option sales tax and the business tax, may be falling below earlier expectations.

The attached "Estimate of Monthly Fund Requirements" form is a useful device for showing the expected flow of funds during the months ahead. Even if a city had large fund balances in each municipal fund at the start of the fiscal year, it would be advisable to chart, on this form, the anticipated revenues and expenditures for the remaining months of the fiscal year. For cities with low initial fund balances, an estimate of monthly balances is imperative.

The attached form can be used for any municipal fund, and should be modified, as needed, to reflect each city's particular classification of accounts. Some expenditure items, such as salaries for a certain function or department, vary little from month to month. Where single large expenditures might result in a fund deficit for any particular month, consider whether postponing them to a later month, or to the next fiscal year, might solve the problem. In severe instances, a cut-back of services or personnel may be required.

2. Amend Your Appropriation Ordinance

This year an increased number of municipalities will need to amend their appropriation or budget documents to allow transfer of money from one department or function to another, or to provide additional money from unappropriated cash reserves. As city officials know, the totals shown in an appropriation ordinance legally cannot be exceeded without an amending ordinance to provide the additional funds needed. Attached is a sample ordinance to amend an appropriation and tax levy ordinance.

3. Engage in Short Term Borrowing

Short-term borrowing is the third, and least desirable, method of meeting current expenditures, but it is sometimes necessary. Any such borrowings require advance approval of the Division of Local Finance of the Tennessee Comptroller's Office.

The Division's publications, Guide for the Issuance of Notes: Counties and Municipalities in Tennessee, Revised June 1982, discusses four types that cities can issue, with approval of the Division: capital outlay notes, grant anticipation notes, bond anticipation notes, and tax anticipation notes. Grant and bond anticipation notes would be used only where grants and bond issues already are authorized and confirmed. Where large capital expenditures cannot be completely financed from the present budget and the purchase cannot be delayed, capital outlay notes are a possible solution. Tax anticipation notes cannot be carried over beyond the end of the fiscal year, but could be redeemed by the issuance of funding notes under the Cash Basis Law. However, the issuance of funding notes is a last resort for, by such issuance, a city is admitting it has been unable to provide, through the budget, for normal operational costs. The issuance of funding notes or bonds possibly could have an adverse effect on a city's credit rating.

Any municipality contemplating the issuance of notes should contact the Division of Local Finance before finalizing the action since that Division's approval is required by law.

- Sources:
- Guide for the Issuance of Notes: Counties and Municipalities in Tennessee, Division of Local Finance, Comptroller of the Treasury, revised June 1982, 103 pp.
 - Freeley B. Cook, Director, Division of Local Finance, Office of Comptroller of the Treasury
 - Wm. Ken Joines, MTAS Acting Executive Director; James H. Leuty and Michael T. Pentecost, MTAS Finance & Accounting Consultants; Eugene Puett, MTAS Municipal Law Consultant; and William R. Bailey and Harold R. Yungmeyer, MTAS Management Consultants.

ESTIMATE OF MONTHLY FUND REQUIREMENTS

Acct. Code No.	Account Title	Current FY Budget	Rec'd or Spent thru Feb.	Budget balance for Rest of FY	Estimate for March	Estimate for April	Estimate for May	Estimate for June
	Funds from Previous Periods	\$	\$	\$	\$	\$	\$	\$
	Revenue Receipts							
	Local Taxes							
	Licenses & Permits							
	Intergovernmental Revenue							
	Charges for Services							
	Fines, Forfeits, & Penalties							
	Other Revenues							
	Total Revenue Receipts	\$	\$	\$	\$	\$	\$	\$
	Total Funds Available	\$	\$	\$	\$	\$	\$	\$
	Expenditures							
	General Government							
	Police							
	Fire							
	Streets & Street Lights							
	Solid Waste							
	Parks & Recreation							
	Other Expenditures							
	Transfers							
	Contingencies							
	Total Expenditures	\$	\$	\$	\$	\$	\$	\$
	Excess (or Deficiency) of Funds							
	Short-Term Financing							
	Closing Fund Balance	\$	\$	\$	\$	\$	\$	\$

ORDINANCE NO. _____

AN ORDINANCE AMENDING ORDINANCE
NO. _____, APPROPRIATION AND TAX
LEVY ORDINANCE

Be it ordained by the (governing body) of the Town/City of _____,
Tennessee, that Section 1 of Ordinance No. _____, Appropriation and Tax
Levy Ordinance, be amended so as to read as follows:

Section 1. For the fiscal year ending June 30, 19____, the following
sums of money are hereby appropriated and ordered set apart for the pur-
poses specified:

<u>GENERAL FUND</u>	
General Government	\$
Police	
Fire	
Streets & Street Lights	
Solid Waste	
Parks & Recreation	
Other Expenditures	
Total, General Fund	\$ _____
<u>STATE STREET AID FUND</u>	
Street Maintenance	\$
Street Improvements	
Street Lights	
Total, State Street Aid Fund	\$ _____
<u>FEDERAL REVENUE SHARING FUND</u>	
Street Improvements	\$
Street Equipment	
Public Safety-Police	
	\$ _____
<u>WATER AND SEWER FUND</u>	\$
<u>GAS FUND</u>	\$

To the extent required by the above appropriations, money shall be
drawn from the balance as of June 30, 19____, of each respective fund.

Section 2. This ordinance shall take effect from and after its final
passage.

Passed 1st reading _____

Passed 2nd reading _____

Passed 3rd reading _____

Mayor

City Recorder

Municipal Technical Advisory Service
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