

CITY GOVERNANCE: Budget, Finance, & Purchasing

Importance of the Budget

- Foundation for any government action.
- Policy priorities need funding.
- Sets stage for taxation.
- Affects personnel.

*Funds can only be spent pursuant to budget.
If not in budget, cannot spend or must adopt
budget amendment*

City Players-Budget

- Mayor as budget officer
- City Secretary to create calendar, notices, and agendas
- City Treasurer to assist Mayor
- City Management
- Department Heads
- Accountant or Auditor

Who Prepares the Budget?

- Officially, the Mayor or City Manager
- Mayor and City Council commonly delegates preparation and monitoring of the budget to staff.
 - City Administrator or Manager
 - Departmental Requests
 - Council Priorities
 - Debt

What should it look like?

- **State law requires that it show:**
 - (A) proposed vs. actual expenditures
 - (B) what project each city's appropriation is for—as definitely as possible
 - (C) City's complete financial statement
 - (D) What part of budget is to pay for debt

WARNING:
**Will your budget increase revenue from
property taxes?**

Additional requirements apply.

The Budget Process

Budget officer prepares →

Files with clerk →

Sets proposed tax rate →

Notice and Public Hearings →

Adoption by City Council →

Final Budget filed with municipal and county clerks + posted on website

Important Budget and Taxation Dates-2018

- Last Day to File Proposed Budget-Aug. 29
- Last Day to Provide Notice of Proposed Tax Rate-September 1st
- Continuous internet notice of tax rate public hearings-September 15
- Last day to publish notice of budget hearing-September 18
- Tax Rate Hearings-September 21 and 26
- Budget Hearing-September 28
- Budget Hearing-September 29
- Adopt Tax Rate-September 29

Property Taxes

- Also referred to as Ad Valorem Taxes
- Maximums set by state law for each size city
- Set pursuant to city budget
- Requires hearings and notices
- Divided between Maintenance and Operations and Interest and Sinking Fund (debt)
- Increase of property taxes require special procedures

Additional Sources of Revenue

- Sales Tax
- Fees used to pay for specific services
- Utility payments
- Franchise fees
- Impact fees and assessments

All revenue expenditures have to be in the budget.

Important Notes:

- Notice requirements are in addition to the usual public hearing notice.
- When on file with clerk, must be accessible to anyone to inspect.
- The budget must pass ***before*** the tax levy ordinance for the year

Financial Controls

- Council establishes policies or procedures to monitor official expenditures.
- Annual Audit. Required by law.
- All expenditures must accomplish a valid public purpose.
- Federal Law: “Reasonable Measures” to protect disposed consumer report information

More Finance...

- Choice of bank (depository) governed by Local Government Code Chapter 105
 - Requires a published request for applications, followed by a selection by ordinance.
- Investment of funds governed by Public Funds Investment Act – requires training and annual review of investment policy

Purchasing

- Purpose of procurement laws: preventing patronage and corruption
- For purchases of goods and construction services more than \$50,000, city must:
 - Accept competitive sealed bids or proposals;
 - Use a reverse auction procedure; or
 - Comply with another purchasing method laid out by statute.

Exceptions to Requirements

- Real property – lease or purchase
- Purchase of land or right-of-way
- Procurement necessary because of a public calamity or public health or safety
- Procurement of professional services
- Others laid out in § 252.022 of Local Government Code

Purchasing Tools

- Bids
- RFPs
- RFQs
- Cooperative Purchasing
- Interlocal Agreements
- Construction Contracts
- Professional Services Agreements

City Finance in the News

Jonas sentenced to 35 years for public corruption in Crystal City

“Crystal City agreed to place the \$2.25 million generated by the sale of the certificates of obligation into separate accounts and to use those funds only for specified purposes. Instead, Jonas caused those monies to be deposited into the City’s General Fund in December 2018, where the funds were used to pay for Jonas’ salary and other unauthorized expenditures.”

Conclusion



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