

Harold F. Holtz Municipal Training Institute

Finance I

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Discussion Topics

- The Cycle of Finance
- Budgeting
 - Law
 - Process
 - Structure
- Revenues
- Property Taxes
- Communicating the Budget
- Budget Simulation Exercise and Closing Points

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Financial policies & The Cycle of Financial Management

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Learning Objectives

At the end of this lesson, you should be able to –

- Recite definition of financial policies
- Recall why financial policies are important
- Recognize different types of policies
- Discuss components of the Cycle of Financial Management

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Financial Policies Defined -

Guidelines or a plan of action for decisions as they relate to financial matters

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Why Create Policy?

- Improves Awareness of Financial Condition
- Improves Government's Financial Stability
- Contributes to Continuity
- Improves Credibility
- Improves Public Confidence
- Helps to Prepare for a Financial Emergency

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Types of Policies

Philosophical

Actionable

Performance measurement

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Philosophical Policy

“Unassigned fund balance will be kept at an adequate level to maintain service continuity”

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Performance Measurement Policy

“Unassigned fund balance will be maintained at 15% of annual general revenues in order to maintain service continuity”

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Actionable Policy

"Unassigned fund balance will be maintained at 15% of annual general revenues in order to maintain service continuity. If fund balance is less than 15%, the city will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount."

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Role of Elected Officials

Establish Policy with Concentration on Long-Term Financial Sustainability

- Financial Policies May Already Exist
 - Enabling Legislation/Ordinances
 - Resolutions
 - Budget Documents
 - Capital Improvement Plans
 - Administrative Handbooks




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Note 1- Summary of Significant Accounting Policies

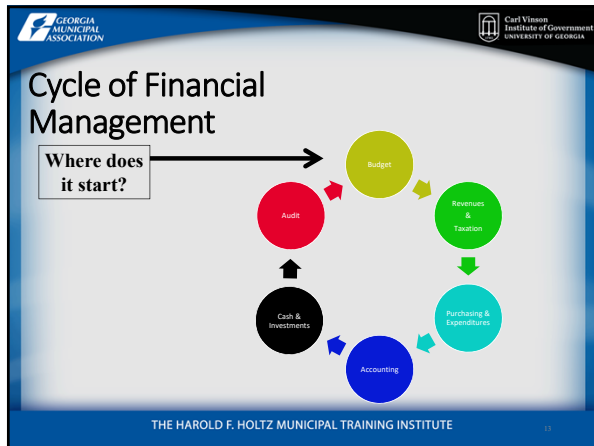
- The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The following is a summary of the City's more significant policies...



Can also be found in the Notes to Financial Statements section of your audited financial statements

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Budget

The process of preparing, reviewing, and following a budget can be described as a roadmap to **fiscal responsibility**

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Budget

- A **plan** for spending money
- A document which translates **financial resources** into **human resources**
- A **series of goals** with the price tags attached
- An activity involving **analysis** and **judgment** about the worth of things

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Fundamental Rule of Budgeting

"Accuracy Above Balance"

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Budget

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Revenue Sources

- Taxes
- Licenses and Permits
- Intergovernmental Revenue
- Charges for services
- Fines and Forfeitures
- Investment Income
- Contributions and Donations

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Purchasing/Procurement

- Authorization
- Methods (quotes, bids)
 - Bids or proposals for goods and services valued at \$10,000 or more required to be posted to the Georgia Procurement Registry (GPR)
- Ethics
- Public Works –
 - O.C.G.A. 36-91-1 thru 36-91-102
 - Public Works contracts over \$100,000 required to be posted to the Georgia Procurement Registry (GPR)

<http://doas.ga.gov/state-purchasing/georgia-procurement-registry-for-local-governments>

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GEORGIA PROCUREMENT REGISTRY FOR LOCAL GOVERNMENTS

During the 2018 Legislative Session, House Bill 489 was passed by the General Assembly and becomes effective on July 1, 2018. HB 489 requires that any bid or proposal extended by a county, municipal corporation or local board of education for goods and services valued at \$10,000 or more and any bid or proposal opportunity extended for public works subject to Chapter 91 of Title 36 of the O.C.G.A. be posted on the Georgia Procurement Registry (GPR).

The GPR is the state's central bid registry established by the Department of Administrative Services (DOAS) and managed by the State Purchasing Division (SPD) of DOAS. The GPR is also the public policy tool for notification to suppliers for bid opportunities with state entities and local governments.

The information and training resources below are specifically tailored to local governments and boards of education. Active events can be viewed directly on the links below, and suppliers can be notified of bid opportunities by registering on the Team Georgia Supplier/Bidder portal.

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Expenditure Policy

- Expenditures controlled by annual budget process
- Expenditures will be monitored (at least monthly) and action taken prior to potential shortfalls
- Purchases will be made in accordance with purchasing policy
- City will maintain a purchasing system sufficient to meet departments' needs in delivering services

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Accounting

- Occurs after the fact
- Internal reporting
 - Monthly or Quarterly
- External reporting
 - Annual Audit

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Cash and Investments

- Policy should address the following:
 - Risk that your government is willing to take with your idle cash
 - Who is charged the making investment decisions for your government
 - Is your policy in conformance with Georgia Law

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Authorized Investments

- Georgia State law (§36-83-4) outlines allowable types of investment
- Policy should outline what investments the government is authorized to make

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Authorized Investment Policy Example

Authorized Investments- In accordance with the laws of the State of Georgia O.C.G.A. § 36-83-4, the city shall be permitted to invest in any of the following securities:

- U.S. Treasury Obligations
- U.S. Federal Agency Obligations
- Repurchase Agreements
- Prime Bankers' Acceptances
- Municipal Obligations
- Local government investment pool (Georgia Fund 1)
- Georgia Extended Asset Pool (GEAP)

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Safekeeping and Custody

- Collateralization requirements
 - O.C.G.A. §45-8-12
 - O.C.G.A. §45-8-13
 - Dedicated Method
 - Single Bank Pledging Pool (Georgia State Pledging Pool)
 - Multibank Pledging Pool (Georgia Secure Deposit Program)
- Exercise care in selecting financial institutions
- Outline action to be taken if safekeeping is jeopardized
- Establish strong internal controls and segregation of duties over the investment process

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Debt

- What types of expenditures should be financed by **debt**
- What types of expenditures should be **pay-as-you go**

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Debt – General Obligation

- Limits
 - Constitution, Article IX, Section V – **not more than 10% of assessed value** of all taxable property
- O.C.G.A. § 36-82-1
 - Issuance of general obligation bonds **require approval by the voters**
- Ga. Const. Art. IX, § V, Para. VI
 - Limits repayment of general obligation bonds to **30 years**

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Debt – Revenue Bonds

- Repaid with revenue from **user fees** not taxes
- O.C.G.A. § 36-82-64
 - Limits revenue bonds to **40 years** maturity
 - Limits interest rate on revenue bonds to **9%**
- O.C.G.A. §36-82-7
 - Authorized investments for bond proceeds

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Temporary Loans

- Article 9, Section V of State of Georgia Constitution
 - Limited to 75% of total gross income from taxes collected in prior year
 - Must be repaid by December 31 of the calendar year in which loan was made
 - Issued only if no other temporary loan is outstanding from prior year

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Audit

- Annual, audited financial statements will be prepared as required by O.C.G.A. 36-81-7
 - Exception for cities with population < 1,500 or expenditures ≤ \$300,000
 - Audit every two years for both fiscal years
 - Agreed upon procedures allowed instead of audit
- Audit will be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS)
- Auditor will be independent

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Audit

- O.C.G.A. §36-81-7
- Audit must be completed and sent to the state auditor within 180 days after fiscal year-end
- Must submit corrective action plan in response to findings within 30 days of the six-month due date
 - Audit findings should be addressed

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Audit

- Auditor should have experience auditing governments and meet continuing education requirements established by the Government Accountability Office in their Government Auditing Standards

<http://www.gao.gov/yellowbook>


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Audit

- O.C.G.A. §36-81-7(f) states
- Audits not received within 180 days, audits not conducted, or failure to correct noted auditing deficiencies requires State Auditor to notify local government and each member of the General Assembly which represents districts within the local government's jurisdiction

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Audit

- O.C.G.A. §36-81-7(d)(5) states
 - Loss of state grant funds
- O.C.G.A. §36-81-7(f) states
 - Notification in local newspaper of failure to submit audit


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Auditor Policy Example

The City will solicit proposals from qualified auditors every **five years**. Auditors will be **evaluated** using criteria established by the **Government Accountability Office in the Government Auditing Standards publication**. Award will be based on most qualified auditor with **price being a secondary criterion**.

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Let's Review

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Financial policies ...


- A. Are not necessary for small governments
- B. Provide framework for financial decisions
- C. Are the same as procedures
- D. Are too rigid

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Reasons why financial policies should be created include...

- A. Improves awareness of financial condition
- B. Contributes to continuity
- C. Improves Public Confidence
- D. All of the above

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"Unassigned fund balance will be kept at an adequate level to maintain service continuity" is an example of a(n):

- A. Actionable policy
- B. Performance measurement policy
- C. Philosophical policy
- D. None of the above


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The Cycle of Financial Management includes ...

- A. Budgeting
- B. Revenues & Taxation
- C. Purchasing
- D. Accounting
- E. Cash and Investments
- F. All of the above


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What is the maximum maturity for general obligation bonds?

- A. 25 years
- B. 30 years
- C. 40 years
- D. No limit

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- A. 25 years
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What kind of debt requires voter approval?

- A. Revenue bonds
- B. Leases
- C. General obligation
- D. All debt


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What kind of debt requires voter approval?

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The Georgia Constitution limits the amount of general obligation debt to 10% of the assessed value of taxable property.

- True or False


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The Georgia Constitution limits the amount of general obligation debt to 10% of the assessed value of taxable property.

- True or False

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How often should an auditor be selected?

- A. Every year
- B. Every ten years
- C. Every 3-5 years
- D. It doesn't matter

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How often should an auditor be selected?

- A. Every year
- B. Every ten years
- C. Every 3-5 years
- D. It doesn't matter


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Budget Law, Process and Structure



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Learning Objectives

At the end of this lesson, you should be able to –

- Recall Georgia Law related to budgeting
- Explain an overview of the budget process
- Recognize different types of budgets

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<http://www.audits.ga.gov/NALGAD/resource.html>

Georgia Department of
DOAA
Audits and Accounts

Home / Information/Resources / Local Government Resources
Audit and Accounting Resource Library
Georgia Audit Related Resources:
Local Government Audit Report Collection/ Systems Instructions
Local governments are strongly encouraged to submit audited financial statements electronically using our Local Government Audit Report Collection/ Systems Instructions

Information on the Georgia Law's
Related to Budgeting

The Official Code of Georgia Annotated, Section 36-81-1, contains requirements relating to audits of local governments.
Georgia Law on Local Government Budgets
The Official Code of Georgia Annotated, Section 36-81-2 through 36-81-6 contains requirements relating to budgets of local governments.
Georgia Law on Audit of Special Purpose Local Option Sales Tax (SPLOST)
The Official Code of Georgia Annotated, Section 48-8-121, contains requirements relating to audits of Special Purpose Local Option Sales Tax proceeds received by local governments.

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What Governs the Budget?

- Georgia Budget Law and Policy
 - Official Code of Georgia Annotated (O.C.G.A) Sections 36-81-2 to 36-81-6
 - Local Charters
 - Financial Policies

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O.C.G.A. §36-81-2 to §36-81-6

- **Balanced Budget**
 - Revenues + Appropriated Fund Balance = Appropriations
 - General Fund
 - Special Revenue Fund
 - Debt Service Fund
- **Capital Projects**
 - Project-length balanced budget
- Option to adopt budgets for any remaining funds
- Adopt by ordinance or resolution

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Budget Amendments

- Changes to original budget—require ordinance or resolution
- Increase in appropriation—legal level of control
 - Change in revenues
 - Transfer of appropriations **between** departments

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Budget Amendments

- Legal level of control for local government
 - O.C.G.A. §36-81-2
 - Lowest level of budgetary detail at which management may not reassign resources without the approval of the governing authority
 - Minimum required—**department level** within fund
 - Government may assign a **lower level of control**

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Legal Level of Budgetary Control

- O.C.G.A. Section 36-81-5(b)
- When has a government “overspent” its budget creating a legal violation?
 - Total Budget for the Fund
 - Budget for the Department
 - Budget for Each Line Item

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Legal Level of Budgetary Control

General Fund:		<ul style="list-style-type: none"> • Fund Level is \$750,000 <ul style="list-style-type: none"> – Expenditures > \$750,000 = Overspent
Manager’s Office	100,000	<ul style="list-style-type: none"> • Department Level for Manager’s Office is \$100,000 <ul style="list-style-type: none"> – Expenditures > \$100,000 = Overspent, Budgetary Noncompliance
Parks and Recreation	150,000	
Public Works	350,000	
Fire Services	<u>150,000</u>	
Total Budget	\$750,000	<ul style="list-style-type: none"> • Line Item Level for Manager’s Office can’t be determined from information provided

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Budget Process Overview

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Budget Process—Overview

- Process centers around start of fiscal year
- Budget calendar sets a timeline to ensure budget is adopted before beginning of fiscal year
 - Deadlines for departments to submit information
 - Dates for advertising and hearings
 - Governing Authority Review and Adoption

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Budget Calendar

	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Strategic Planning:												
Board of Commissioner's Strategic Planning Workshop		→										
Departmental Strategic Planning Meetings			→									
Millage rate adoption for current year					→							
2009 Budget Reduction Resolution					→							
2010-2014 Budget Reduction Resolution						→						
Mid-Year Budget Reconciliation for current year					→							
Budget Development:												
Budget prep material prepared and sent out to departments						→						
Departments prepared draft budgets							→					
Budget staff compiled draft budget.								→				

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Budget Process—Overview

- The Budget Officer
 - Develops and distributes forms and instructions for departments to know how and when to submit forms and instructions
 - Compiles all information submitted into a single document
 - Estimates revenues and combines with expenditures to create a document to be reviewed by the government's chief executive
 - Meets with government's chief executive regarding changes

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Budget Process—Overview

- The governing body
 - Sets priorities for the upcoming year
 - Reviews proposed budget
 - Asks questions about increases and decreases and the recommended allocation of resources

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Budget Structure

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Line Item

- Traditional budgeting
- Most frequently used by local governments
- Most simple
- Primary emphasis – **CONTROL**
 - Focus is on inputs (what is to be spent)

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Line Item Example Superior Court Clerk

Account	Budget X1
Salaries	\$55,000
Overtime	\$ 5,000
Part-time	\$10,000
Supplies	\$ 4,000
Travel	\$ 1,000
Total	\$75,000

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Line Item Example Superior Court Clerk

Account	FY X1 Budget	FY X2 Proposed	% Increase/Decrease
Salaries	\$55,000	\$57,200	4%
Overtime	\$ 5,000	\$ 5,500	10%
Part-time	\$10,000	\$12,000	20%
Supplies	\$ 4,000	\$ 4,500	12.5%
Travel	\$ 1,000	\$ 1,500	50%
Total	\$75,000	\$80,700	7.6%

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Line Item

Account	FY X1 Budget	FY X2 Proposed	% Increase/Decrease
Salaries	\$55,000	\$57,200	4%
Overtime	\$ 5,000	\$ 5,500	10%
Part-time	\$10,000	\$12,000	20%
Supplies	\$ 4,000	\$ 4,500	12.5%
Travel	\$ 1,000	\$ 1,500	50%
Total	\$75,000	\$80,700	7.6%

Line Item Budgeting Encourages incrementalism
 Base initial budget request on the amount of budgeted resources in the prior year's budget

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Line Item

Other **disadvantages**

- Does not require departments to consider alternative methods to spending or delivering services
- Does not consider if the service should even be offered

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Activity

Next step up from line-item budgeting

- Various activities within the same department are recognized

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Activity

Account	Accounting	Treasury	Budget
Salaries	\$100,000	\$75,000	\$175,000
Overtime	\$ 10,000	\$ 7,500	\$ 17,500
Part-time	\$ 50,000	\$35,000	\$ 85,000
Supplies	\$ 10,000	\$ 5,000	\$ 15,000
Travel	\$ 3,000	\$ 2,000	\$ 5,000
Total	\$173,000	\$124,500	\$297,500

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Program Budget

- Organizes proposed expenditures according to broader overall functions
- Focus is no longer on what we are buying
- Focus is on what services are being provided
- Goals are defined and expenses are allocated based on the defined goal

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Program Budget

Example: Enhance accessibility of official records for public use by expanding services available via the Internet

- Provide on-line access of recorded court and real estate documents by September 20X1

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Program Budget Example Superior Court Clerk Program – Record Accessibility

Expenditure	Prior Fiscal Year	Current Fiscal Year	Next Fiscal Year
Salaries			
Contractual Services			
Supplies			
Capital Outlay			
Total			

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Program Budget

- Drawbacks
 - Reorganization of the budget
 - Many activities contribute to more than one objective
 - Not all resources can be assigned to a single program

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Let's Review

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By law, governments are required to adopt and operate under an annual balanced budget for the...


- General fund, each special revenue fund and each debt service fund
- All funds
- Only the general fund
- None of the above

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Georgia law states that governments are required to adopt and operate under a project-length balanced budget for...

- A. All funds
- B. The general fund
- C. Each capital project fund
- D. The general fund, special revenue fund and each debt service fund


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A budget ordinance or resolution is balanced when...

- A. Assets minus liabilities equal fund balance
- B. Credits equal debits
- C. The sum of estimated revenues and appropriated fund balances is equal to appropriations
- D. Expenses/expenditures equal appropriations


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The budget that offers the most control is...

- A. Line-item
- B. Zero-base
- C. Performance
- D. Activity


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The budget that offers the most control is...

- A. Line-item
- B. Zero-base
- C. Performance
- D. Activity


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As specified by state law, the legal level of control is at the...

- A. Department Level within Fund
- B. Fund Level
- C. Organization Level
- D. Budget Level


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As specified by state law, the legal level of control is at the...

- A. Department Level within Fund
- B. Fund Level
- C. Organization Level
- D. Budget Level

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Revenues

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Learning Objectives

At the end of this lesson, you should be able to -

- Recite reasons for creating policy
- Recognize recommended budget practices by the National Advisory Council on State and Local Budgeting (NACLSB)
- Discuss major Georgia revenues
- Recognize the Tax and Expenditure Data Center (TED) as a resource and tool

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Policy

- Reasons for creating policy
 - States expectations in writing
 - Provides continuity
 - Saves time for elected officials

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National Advisory Council on State Local Budgeting – Recommended Budget Practices

Recommended Practice Revenue Policy

Understanding the revenue stream is essential to prudent planning. Most of these policies seek stability to avoid potential service disruptions caused by revenue shortfalls. At a minimum, jurisdictions should have policies that address:

1. Revenue Diversification - A jurisdiction should adopt a policy(s) that encourages a diversity of revenue sources in order to improve the ability to handle fluctuations in individual sources. (NACSLB Practice 4.6)
2. Fees and Charges - A jurisdiction should adopt policy(s) that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. (NACSLB Practice 4.2)
3. Use of One-time Revenues - A jurisdiction should adopt a policy(s) discouraging the use of one-time revenues for ongoing expenditures. (NACSLB Practice 4.4)
4. Use of Unpredictable Revenues - A jurisdiction should adopt a policy(s) on the collection and use of major revenue sources it considers unpredictable. (NACSLB Practice 4.4a)

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Sample Policy

REVENUE ADMINISTRATION POLICIES

1. The Unified Government will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.
2. The Unified Government will estimate its revenues by an objective analytical process in a prudent manner.
3. The Unified Government will follow a policy of paying for services with user charges when possible to reduce the reliance on taxes and other general revenue sources.
4. The Unified Government will aggressively seek public and private grants, contracts, and other outside sources of revenues for funding projects where appropriate.
5. The Unified Government will establish the levels of all user charges based on an analysis of the cost of providing the services. User charges will be evaluated annually.
6. The Unified Government will set fees for each Enterprise and Internal Service Fund, at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and requirements for future capital costs.

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After Policy...

Compare major revenue sources with the Uniform Chart of Accounts to determine if all potential revenue sources are being utilized

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Community Affairs

Helping to build strong, vibrant communities.

In 1997, the Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting Act (HB491). This Act called for the Georgia Department of Community Affairs (DCA) to develop a uniform chart of accounts to be used by local governments in the state. All of Georgia's county and municipal governments, and organizations controlled by them, are required to comply with the provisions set forth in the uniform chart of accounts. While independent authorities are not required to use the uniform chart of accounts, DCA encourages them to do so to better facilitate comparability of financial information provided to DCA and other users.

<https://www.dca.ga.gov/local-government-assistance/research-surveys/uniform-chart-accounts-ucoa>

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REVENUES AND OTHER FINANCING SOURCES

CLASSIFICATIONS DESCRIPTIONS

Code

Description

31. TAXES

31.1000 General property taxes

General property taxes are ad valorem taxes levied on an assessed valuation of real and/or personal property. The distinguishing characteristics of general property taxes are that the revenues are (1) derived from taxes, (2) levied by the government reporting entity, and (3) assessed on the general property. From this group are eliminated (1) all non-tax revenues, (2) all taxes levied by another level of government, such as a county or state or the federal government, even when they are distributed to another government, and (3) all taxes levied by the government reporting entity upon subjects or bases other than general property. (Ga Const, Art VII, §1, para 3, Art IX, § 4, Art VII, § 2; O.C.G.A. §§ 48-5-2, 48-5-7.1-48-5-7.5, 48-5-40-48-5-56, 48-5-273, 48-5-359.1; Title 48, ch. 6, arts. 1 and 3.)

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Revenues


Property Taxes	Excise and special use taxes
Sales Taxes	Intergovernmental Revenues
Licenses, permits and fees	Charges for services
Fines and forfeitures	Contributions and donations
Miscellaneous	Investment Income

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Charges for Services


- Review annually
- Adjust rates to reflect changes in the cost of service delivery (consider option to set resolution for rates to a formula instead of a hard fee)



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Sales Taxes-Cities

Special Local Option Sales Tax, OCGA 48-8-110.1

- Voter approved for **capital projects** or **retirement of debt**



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The screenshot shows the Georgia Municipal Association (GMA) website. At the top, there is a navigation bar with links for LOGIN, CONTACT GMA, and NEW TO GMA?, along with social media icons for Twitter and Facebook. Below this is a dark blue header with the GMA logo and the text "ADVOCACY SERVICE INNOVATION". A search bar is located on the right side of the header, with a red arrow pointing to it. Below the header, there is a main content area with a sidebar on the left and a main content area on the right. The sidebar contains a link to "SPLOST: Building for the Future" and a link to "GMA Publications". The main content area displays the "SPLOST: Building for the Future" article, which is dated June 2012 - Third Edition. The article text discusses the preparation of a special purpose local option sales tax (SPLOST) and the role of municipal officials in identifying issues. The URL <https://www.gmanet.com/Advice-Knowledge/GMA-Publications.aspx> is highlighted in blue.

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Sales Taxes-Cities

LOGIN CONTACT GMA NEW TO GMA? Twitter Facebook

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ADVOCACY SERVICE INNOVATION

HOME MEMBER CITIES SERVICES ADVOCACY TRAINING + EVENTS NEWS + GRANTS ADVICE + KNOWLEDGE

Articles & Resources

Experts Speak

GMA Publications

SPLOST: Building for the Future
June 2012 - Third Edition

This publication has been prepared to provide municipal officials a discussion of legal and policy considerations relevant to the Special Purpose Local Option Sales Tax (SPLOST). This publication is intended to assist municipal officials in identifying issues so that they can discuss them and appropriately consult with their city attorney.

<https://www.gmanet.com/Advice-Knowledge/GMA-Publications.aspx>

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Page 10

Sales Taxes-Cities

- Local Option Sales Tax, OCGA 48-8-91
 - Rolls back local property taxes by amount of previous year's collection

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Sales Taxes-Cities

Renegotiating Local Option Sales Tax (LOST)

August 2011

State law requires periodic renegotiation of the LOST distribution certificate. This publication has been prepared to inform city officials who will be involved in the LOST renegotiation process about the requirements, processes, and timelines that are set forth in state law.

Disclaimer
This publication is for general informational purposes only. While some of the information contained in this publication is advice legal issues, it is not and should not be treated as legal advice. You should consult with your legal counsel before taking action based on the information contained in this publication. Material posted in this publication may be subject to copyright owned by GMA or others, and any reproduction, transmission or redistribution of such material, except for personal use or with the prior written consent of GMA or other copyright owner, is prohibited. The names, trademarks, service marks, logos and other emblems of GMA in this publication may not be used without GMA's prior written express permission.

[https://www.gmanet.com/Advice-Knowledge/GMA-Publications/Renegotiating-Local-Option-Sales-Tax-\(LOST\).aspx](https://www.gmanet.com/Advice-Knowledge/GMA-Publications/Renegotiating-Local-Option-Sales-Tax-(LOST).aspx)

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Sales Taxes - Cities

- Homestead Option Sales Tax, OCGA 48-8-102,
 - Provides for a homestead exemption equal to amount of sales tax collected under this article

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TSPLOST

Transportation Special Purpose Local Option Sales Tax (TSPLOST)

12 regional commissions can vote independently to levy 1 cent sales tax

10 years to fund specific transportation improvements as determined by each region

Examples:

- Roads
- Bridges
- Freight and passenger rail
- Ports
- Airports
- Bicycle/pedestrian Facilities

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TSPLOST

Effective July 2017, any county not currently in a **Transportation Investment Act** region may impose a single county TSPLOST for transportation purposes

Effective date of **July 2016** for Atlanta metro counties

County must have a regular SPLOST or MARTA tax

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Revenues - Critical to Success

- Diversify Revenues
- Diversify Tax Base
 - Policy Issue - Business/Residential - Balance
- Audit Revenues
- Control Collections
- Utilize User Fees and Update Fees Regularly
- Differentiate Recurring and Nonrecurring Revenue Sources
- Estimate Revenues Conservatively

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Examine Other Jurisdictions

- Within the state and in other states
 - Helpful in gauging the feasibility of imposing new taxes or other revenues in a jurisdiction
 - A vehicle for this comparison is **T.E.D.** found at: <https://ted.cviog.uga.edu/>

TED | The Tax and Expenditure Data Center for Georgia Local Governments

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TED | The Tax and Expenditure Data Center for Georgia Local Governments

HOME ENTITY PROFILE COMPARISON TRENDS FILE EXPORT REPORTS MAPS PARTNERS CONTACTS

Reports: Local Government Category Details

Report Criteria Search

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City of Alpharetta – 2016 Expenditures

Report Criteria Search

For years prior to 2016? ☐ Yes ☒ No

Local Government Type:

City:


Fiscal Year:

Revenue or Expenditure? ☒ Revenue ☐ Expenditure

Export Report? ☐ Yes ☒ No


View Report

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Reasons for creating a revenue policy include...

- A. States expectations in writing
- B. Provides continuity
- C. Saves time for elected officials
- D. All of the above


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A recommended practice of the NACSLB is that a government should have a policy that encourages the use of One-time Revenues.

- True or False

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A recommended practice of the NACSLB is that a government should have a policy that encourages the use of One-time Revenues.

- True or False

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Governments should compare major revenue sources with the Uniform Chart of Accounts to determine if all potential revenue sources are being utilized.

- True or False

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Revenues should be estimated on an objective and conservative basis.

- True or False


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A tool that governments can use to compare their respective governments to other jurisdictions is...

- A. T.E.D.
- B. F.M.P
- C. G.F.O.A
- D. None of the above


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Property Taxes

An Investment in your community




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Learning Objectives

At the end of this lesson, you should be able to –

- Discuss the millage setting process
- Recite the public notice and meeting requirements related to property taxes in Georgia
- Discuss the Taxpayer Bill of Rights
- Know how to calculate the value of one mill of tax in your city

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Property Taxes

- Oldest form of taxes levied in U.S.
- Counties depend on Property Taxes more than cities
- School districts depend more heavily on property taxes than either counties or cities
- Once considered a stable revenue source

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Property Taxes

- Real and personal property
 - Real – real estate, land and buildings
 - Personal – inventory, equipment of businesses, boats and motors, airplanes and financial system assets
- Public utilities
- Motor vehicles
- For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of 40%

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The millage setting process

- Millage rate – applied to the taxable value of property and determines the tax due.
- [Setting the Millage Rate Tutorial](#)

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Demonstration

Appraisal value	\$100,000
Assessed at 40% (state law)	\$40,000
Less exemptions	-\$10,000
Taxable value	\$30,000
(\$30,000/\$1,000) x 12.5 mills (county)	\$375
(\$30,000/\$1,000) 18.2 (schools)	\$546
(\$30,000/\$1,000) 2.83 (cities)	\$84
Total	\$1,005

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Determining the Correct Millage

Property tax revenues cover the gap between the planned expenditures and forecasted revenues after expenditure reductions have been made

Tax Rate = Amount Required/Assessed Value

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Example

- Estimated expenditures = \$1,560,000
- Estimated revenues = \$1,420,000
- Total assessed value = \$10,000,000

Calculate the millage necessary to balance the budget

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Example

- Estimated expenditures = \$1,560,000
- Estimated revenues = \$1,420,000

Amount needed to
balance the budget = \$140,000

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Determining the Correct Millage

Tax Rate = $\frac{\text{Amount Required}}{\text{Assessed Value}}$



\$140,000
\$10,000,000
\$14 per \$1,000

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Millage Rate

- Mill = \$1 per \$1,000 of assessed property value
- Expressed in terms of 1/1000 of a dollar
-or-
0.001 x assessed value



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Property Tax in Georgia

- Georgia Legal Requirements OCGA 48-5-32
 - One week before setting millage rate, advertise
 - Advertisement includes
 - Assessed taxable value of all property by class and in total
 - Proposed millage rate for current year and preceding five years
 - Date, time, and place where governing board will set millage rate



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Current Tax Digest and 5 Year History of Levy

CURRENT 2016 TAX DIGEST AND 5 YEAR HISTORY OF LEVY						
	2011	2012	2013	2014	2015	2016
INCORPORATED						
Real & Personal	2,145,358,480	2,097,958,427	2,419,523,017	2,877,382,480	3,121,407,904	3,293,898,379
Motor Vehicles	\$5,031,590	105,545,490	114,145,010	\$7,644,690	69,555,460	60,826,160
Mobile Homes						
Timber - 100%						
Heavy Duty Equipment						
Gross Digest	2,843,380,050	2,703,103,917	2,733,668,027	2,875,027,169	3,090,963,364	3,344,696,539
Less 18-C Exemptions	689,317,027	637,312,860	599,879,120	617,188,259	683,433,440	745,568,946
Net W & O Digest	\$2,153,173,013	\$2,065,791,057	\$2,143,788,906	\$2,357,838,909	\$2,427,159,924	\$2,609,686,615
State Forest Land						
Assistance Grant Value						
Adjusted Net W&O Digest	2,153,173,013	2,065,791,057	2,143,788,906	2,357,838,909	2,427,159,924	2,609,686,615
Gross M&O Millage	2.740	2.740	2.740	2.740	2.740	2.740
Less Rebates (L.O.S.T.)						
Net M&O Millage	2.740	2.740	2.740	2.740	2.740	2.740
Net Taxes Levied	\$5,981,894	\$5,680,267	\$5,871,243	\$6,460,478	\$6,650,410	\$7,122,867
Net Taxes Levied	\$5,981,894	\$5,680,267	\$5,871,243	\$6,460,478	\$6,650,410	\$7,122,867
Net Taxes & Increase		-5.01%	3.70%	10.54%	2.94%	7.99%

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Property Tax Math 101-The Total Digest View

	Fair Market Value(FMV) 100%	Assessed Value(AV) 40%
Total Property	\$3,750,000,000	\$1,500,000,000
Less Exempt Property	(\$500,000,000)	(\$200,000,000)
Taxable Property	\$3,250,000,000	\$1,300,000,000
Less Exemptions	(\$250,000,000)	(\$100,000,000)
Net Taxable Property	\$3,000,000,000	\$1,200,000,000
Millage Rate	-	0.0085 or 8.50 mills
Tax Levy	-	\$10,200,000
Property Tax Collection Rate	-	0.95 or 95%
Net Property Tax Collections	-	\$9,690,000
Equivalent Units:		
1 Mill (\$1 per thousand)		\$1,140,000 (Net Taxable Property/1000)*Collection Rate (\$1,200,000,000/1000)*.95
0.50 of a Mill (\$.50 per thousand)		\$570,000
0.1 of a Mill (\$.10 per thousand)		\$114,000

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Taxpayer Bill of Rights

- OCGA 48-5-32.1
- Rollback Calculation
 - Millage rate will be reduced by a millage rate that would produce the same revenue if digest reassessment had not occurred
- Millage increase requires
 - 3 public hearings required
 - Public Notice - newspaper, website
 - 1 week prior to each hearing

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Advertisement

NOTICE OF PROPERTY TAX INCREASE

The Dunwoody City Council has tentatively adopted a millage rate which will require an increase in property taxes by 11.43 percent due solely to the revaluation of real property tax assessments.

All concerned citizens are invited to the public hearing on this tax increase which are to be held at 41 Perimeter Center East on June 6, 2016 at 9 a.m. and 6 p.m.

Time and place of an additional public hearing on this tax increase are at 41 Perimeter Center East on June 13, 2016 at 6:00 p.m.

This tentative increase will result in a millage rate of 2.74 mills. Without this tentative tax increase, the millage rate will be no more than 2.459 mills. The proposed tax increase for a home with a fair market value of \$350,000 is approximately \$98.35 and the proposed tax increase for nonhomestead property with a fair market value of \$1,475,000 is approximately \$414.48.


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Let's Review


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For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of...

- A. 30%
- B. 35%
- C. 40%
- D. 45%


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For the majority of governments, Georgia law requires that property be valued at the fair market value then taxed at an assessed value of...

- A. 30%
- B. 35%
- C. 40%
- D. 45%


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Review

One mill of tax is equivalent to \$1 per thousand dollars of taxable assessed value.

- True or False


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Review

One mill of tax is equivalent to \$1 per thousand dollars of taxable assessed value.

- True or False


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For a government that has a net taxable digest of \$2,093,130,182, the value of one mill of tax would be equivalent to...

- A. \$209,313,000
- B. \$2,093,130
- C. \$209,313
- D. None of the above are correct


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For a government that has a net taxable digest of \$2,093,130,182, the value of one mill of tax would be equivalent to...

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If a governing authority levies a millage rate that is greater than the roll back rate they must hold _____ hearings to comply with the Tax Payer Bill of Rights.

- A. One
- B. Two
- C. Three
- D. Four


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If a governing authority levies a millage rate that is greater than the roll back rate they must hold _____ hearings to comply with the Tax Payer Bill of Rights.

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_____ weeks prior to setting the millage rate, Georgia governments are required to advertise, in the legal organ of their jurisdiction, the current year tax levy and five year history of the tax levy.

- A. One
- B. Two
- C. Three
- D. Four

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_____ weeks prior to setting the millage rate, Georgia governments are required to advertise, in the legal organ of their jurisdiction, the current year tax levy and five year history of the tax levy.

- A. One
- B. Two
- C. Three
- D. Four

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Communicating the Budget

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Maximize Use of Web

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Public Involvement Tools

- Web Site
 - Financial Transparency Center – City of Dunwoody
- Citizen Surveys
- Government Access TV Channel
- News Media

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Group Activity Balancing the Budget

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The Budget Challenge

- Budgeting is a process
 - Often the process is more important than the product
- Budgeting requires meeting legal requirements
 - Legal compliance dictates much
- Budgeting is a political process
 - Information not always complete
 - Time constraints exist
 - Choices and compromises are made
 - Public involvement is vitally important


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Sample Policies

- <http://www.gfoa.org/financialpolicies>
- Professional judgment required
- Policies must be followed once adopted


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Suggested Resources

- Georgia Municipal Association
 - www.gmanet.com, Resources, GMA Publications
- Government Finance Officers Association
 - www.gfoa.org, Best Practices & Advisories
- Audit Request for Proposal
 - www.audits.ga.gov, Resources

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Suggested Resources

- Carl Vinson Institute of Government
 - www.cviog.uga.edu, Public Resources
 - *Compliance Auditing in Georgia Counties and Municipalities*
 - *Setting the Millage Rate*
- Georgia Department of Community Affairs
 - www.dca.ga.gov, Uniform Chart of Accounts

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Free Resource

- Compliance Auditing is available as a download
- <https://cviog.uga.edu/publications/public-resources.html>

Compliance Auditing in Georgia Counties and Municipalities

Updated annually, Compliance Auditing is designed to help guide those responsible for conducting local government audits.

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