

Before the Basics

AWC Budget Workshop

August 6, 2025



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Presenters



Cheryl Grant
Finance Consultant
MRSC



Eric Lowell
Finance Consultant
MRSC

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Agenda

- What is a budget?
- Why do we budget?
- Who is the audience of the budget?
- How is the budget created? – Putting it all together
- When is the budget produced? – Important deadlines



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What is a Budget?

- **A budget is a formal financial plan that outlines expected revenues and expenditures for the year**
- **An allocation of resources reflective of the local government's priorities**
 - Programs
 - Services
 - Infrastructure

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Why Do We Budget?

- Financial planning
- Accountability
- Legal or policy compliance
- Policy implementation
- Performance management
- Resource allocation

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Why Do We Budget?

LEGAL OR POLICY COMPLIANCE

- State law
 - [Chapter 35.33 RCW](#) & [Chapter 35A.33 RCW](#) (code cities)

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Who is the Audience of the Budget?



- Management and staff
- The governing body
- The public

Budget presentation will vary depending on the audience

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Who is the Audience of the Budget?



MANAGEMENT AND STAFF

- Line-item detailed budget
- BARS codes
- Prior-years data
- Worksheets and templates, including capital and additional staff requests

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Who is the Audience of the Budget?



THE GOVERNING BODY

- Use narratives that connect funding with policy goals
- Present brief, focused reports with key performance indicators
- Include charts, graphs, and infographics

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Who is the Audience of the Budget?

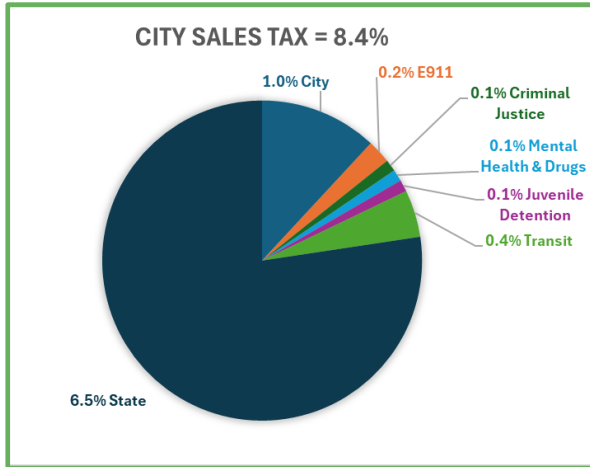


THE PUBLIC

- Simple language (avoid finance lingo, spell out acronyms)
- Charts and visuals
- Definitions and FAQs
- Highlights of interest to the community

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Who is the Audience of the Budget?

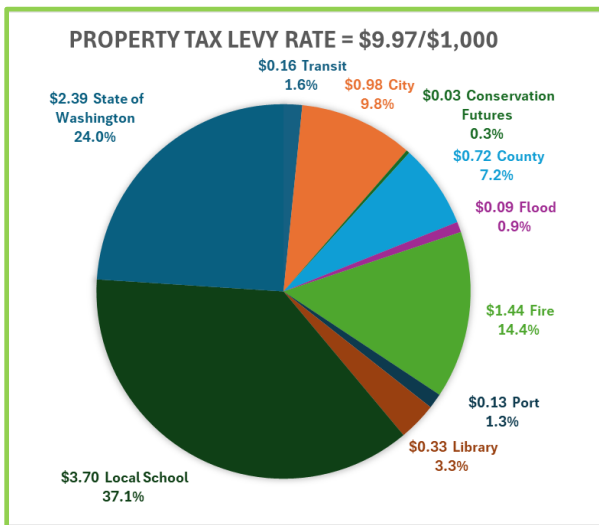


EXAMPLES OF INFOGRAPHICS

- Could differentiate between voted and non-voted
- Could break out into city, county, state

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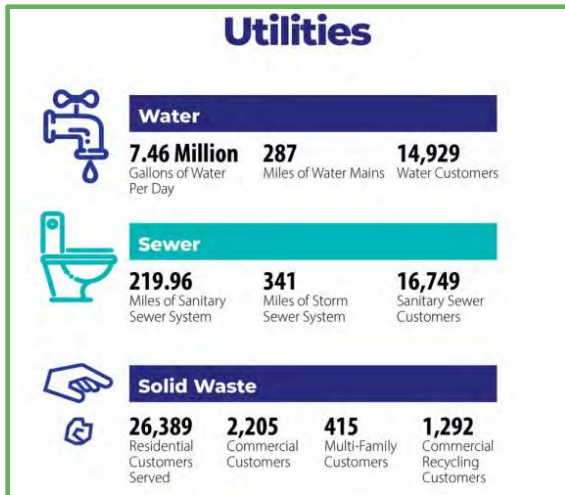
Who is the Audience of the Budget?



EXAMPLES OF INFOGRAPHICS

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Who is the Audience of the Budget?

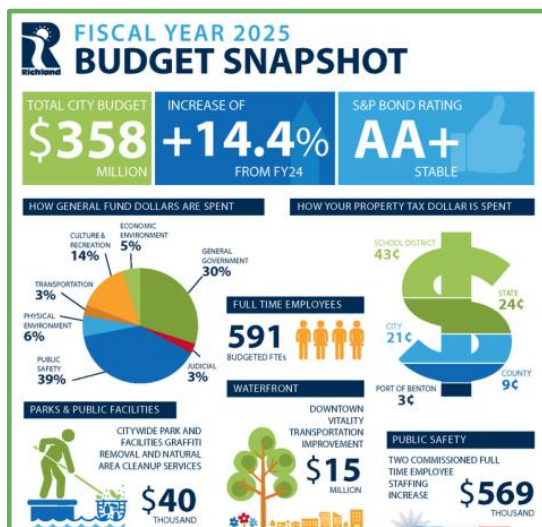


EXAMPLES OF INFOGRAPHICS

- Have departments assist in getting data

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Who is the Audience of the Budget?



EXAMPLES OF INFOGRAPHICS

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How is the Budget Created?

Resources to assist you with budgeting:

- MRSC
- AWC



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MRSC Budget Resources

BUDGET SUGGESTIONS

Published annually at the end of July and includes:

- Economic conditions
- New legislative impacts
- Core revenues (property taxes and sales taxes)
- State shared revenues

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MRSC Budget Resources



BUDGET SUGGESTIONS

REVENUE ESTIMATOR

State shared revenues for Cities/Towns & Counties

- Includes only per capita revenues
- Based off state agency forecasts

2025 State Shared Revenue Estimator		
Select Jurisdiction	2025 Per Capita Estimates for	
(select city or county)	Liquor Profits	\$0.00
	Liquor Excise	\$0.00
	Criminal Justice - Population	\$0.00
	Criminal Justice - Special Programs	\$0.00
2024 Population:	0	
	Gas Tax (MVFT)	\$0.00
	Increased MVFT	\$0.00
	Multi-Modal Distribution	\$0.00
Estimated Distributions (per capita revenues only)		
Liquor Profits		\$0
Liquor Excise		\$0
Criminal Justice - Population		\$0
Criminal Justice - Special Programs		\$0
Gas Tax (MVFT)		\$0
Increased MVFT		\$0
Multi-Modal Distribution		\$0

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MRSC Budget Resources



BUDGET SUGGESTIONS

STATE SHARED REVENUES

- Cannabis
- City – County Assistance
- Criminal Justice Revenues
- Fire Insurance Premium Tax
- Liquor Revenues
- Motor Vehicle Fuel Tax and Distributions

See [OST website](#) for revenue descriptions and agency contact info

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MRSC Budget Resources



SALES TAX RATES & COMPONENTS

MRSC city and county local sales tax rates

Updated January 1, April 1, and July 1 (effective date of new taxes/rates)

Tax and Population Trends (10 Year history)

- City/town tax and population trends
- County tax and population trends

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AWC Budget Resources



- Tax & Use Fee Survey – utility rates, utility tax rates, B&O, building & planning, animal licensing, etc.
- Salary Survey – salaries and benefits of staff and elected officials.
- Medical premium forecast

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How is the Budget Created?



Building a budget requires you to know and understand the following:

- **What are the priorities of the governing body?**
- **What are funds?**
- **How are beginning fund balances estimated?**
- **What are the types of revenues and how are they used?**
- **What are the types of expenditures?**

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How is the Budget Created?



DETERMINE THE GOALS OF THE GOVERNING BODY

- **Have a budget retreat or workshops (determine if a consultant or facilitator is needed)**
- **Develop goals of the of the governing body**
- **Review relevant financial policies**
- **Review adopted strategic plans and comprehensive plans**
- **Review past budget decisions**

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How is the Budget Created?



DETERMINE THE GOALS OF THE GOVERNING BODY

Have a budget retreat which includes:

- **Elected Officials**
- **Department Directors and Staff**
- **Members of the Public (subject to OPMA)**

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How is the Budget Created?



DEVELOP GOALS THROUGH A BUDGET RETREAT AND/OR WORKSHOPS

Items to discuss:

- **Continued O & M (Operations and Maintenance)**
- **Adding or decreasing departmental staff**
- **Potential rate increases, new taxes, new fees**
- **Capital projects (Parks, Streets, Utilities)**
 - (Are they on your CFP/CIP/TIP?)
- **Capital purchases**
 - (Replacement or new?)

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How is the Budget Created?



REVIEW RELEVANT FINANCIAL POLICIES

Items that may require adjustments to financial policies:

- An increase/decrease in capital projects
- Changes in economic conditions
- Changes in priorities

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How is the Budget Created?



REVIEW RELEVANT FINANCIAL POLICIES

Core Financial Policies (see [MRSC Financial Policies Toolkit](#)):

- Fund balance and reserves
- Investment
- Debt management

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How is the Budget Created?



REVIEW RELEVANT FINANCIAL POLICIES

Fund Balance & Reserve Policies

Appropriate Fund Balance Level

- General fund no less than 60 days (16.5%)
- Enterprise funds no less than 45 days (12.3%)
- Consider debt payments

See [BARS Manual Section 3.1.8](#) for discussion of emergency and reserve funds

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How is the Budget Created?



Building a budget requires you to know and understand the following:

- What are the goals of elected officials and departments?
- **WHAT ARE FUNDS?**
- What are the categories of fund balances?
- What are the types of revenues and how are they used?
- What are the types of expenditures?

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How is the Budget Created?



FUNDS

- Funds separate cash, revenues, and expenditures in your financial software instead of having separate bank accounts

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How is the Budget Created?



FUNDS

How many funds should a local government have?

“Governments should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using numerous funds results in inflexibility, undue complexity, and inefficient financial administration.” – [Section 3.1.7.60 BARS Manual](#)

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How is the Budget Created?



FUNDS

Types of funds:

- Governmental Funds
- Enterprise/Proprietary Funds
- Fiduciary Funds

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How is the Budget Created?



General Fund (000-099)

- Administration
- HR
- Finance
- Police & Fire
- Auditor
- Parks & Recreation
- Legislative (city/county)
- Community Development (Building & Planning)
- Do you provide these services or contract for them?

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How is the Budget Created?



SPECIAL REVENUE FUNDS (100-199)

- Revenues required by law to be in special revenue fund
- Revenues committed internally for a specific purpose
 - Substantial portion of revenue in fund (20%) must be restricted or committed

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How is the Budget Created?



SPECIAL REVENUE FUNDS (100-199)

Separate fund required for:

- Lodging Tax Revenues (Hotel/Motel) – [RCW 67.28.1815](#)

Not required, but allowable:

- Criminal Justice Distributions – [RCW 82.14.320](#), [RCW 82.14.330](#)
- Motor Vehicle Fuel Tax – [RCW 46.68.090](#), [RCW 46.68.110](#)

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How is the Budget Created?



CAPITAL PROJECTS FUNDS (300-399)

- Used to account for capital projects (except enterprise funds)
 - Buildings
 - Other facilities
 - Capital assets
- REET 1 – [RCW 82.46.030\(2\)](#)
- REET 2 – [RCW 82.46.035\(4\)](#)
- Record enterprise capital in 400 funds

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How is the Budget Created?



ENTERPRISE FUNDS (400-499)

Must be used when revenue sources meet any of the following criteria:

- Debt backed solely by a pledge of the net revenues from fees and charges
- Legal requirement to recover cost
- Policy decision to recover cost

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How is the Budget Created?



ENTERPRISE FUNDS (400-499)

Types

- Water
- Sewer
- Stormwater
- Electricity
- Natural Gas

- Broadband
- Permitting?

Managerial Funds in Enterprise

- Operations & Maintenance (O&M)
- Capital
- Debt Service

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How is the Budget Created?



OTHER POSSIBLE FUNDS:

DEBT SERVICE FUNDS (200-299)

FIDUCIARY FUNDS (600-699)

PERMANENT FUNDS (700-799)

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How is the Budget Created?



OTHER POSSIBLE FUNDS

INTERNAL SERVICE FUNDS (500-599)

- Goods and services provided to internal customers of the local government
- IT and building maintenance
- Equipment Rental & Replacement (ER&R) Fund
 - [RCW 36.33A.010](#) (all counties)
 - [RCW 35.21.088](#) (required in cities over 8k in population)
- Cash basis special purpose districts should not use ISF

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How is the Budget Created?



Building a budget requires you to know and understand the following:

- What are the goals of elected officials and departments?
- What are funds?
- **WHAT ARE THE CATEGORIES OF FUND BALANCES?**
- What are the types of revenues and how are they used?
- What are the types of expenditures?

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How is the Budget Created?



Estimated vs. Actual – What's the difference?

Estimated beginning fund balance – An estimate of how much cash your entity will end the current year with is the amount you will estimate for the next year's beginning fund balance.

Actual beginning fund balance – The actual amount of cash your entity has at the end of the current year is both your actual *ending* cash (fund) balance for the current year and your actual *beginning* cash (fund) balance for next year.

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How is the Budget Created?



FUND BALANCE

2025				
Fund	Actual Beginning Fund Balance	Estimated Revenues	Estimated Expenditures	Estimated Ending Fund Balance
General Fund	\$ 8,640,485	\$ 51,687,631	\$ 52,014,895	\$ 8,313,221
Lodging Tax Fund	3,857,464	1,351,250	1,271,250	3,937,464
Public Art Fund	26,448	15,000	37,000	4,448
Capital Fund	392,000	307,900	85,000	614,900
Water Fund	9,558,628	5,739,735	7,241,574	8,056,789
Total	\$ 22,475,025	\$ 59,101,516	\$ 60,649,719	\$ 20,926,822

Should reconcile with bank statements as of Dec 31 previous year/Jan 1 current year

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How is the Budget Created?



FUND BALANCE CLASSIFICATIONS

Nonspendable

- Cannot be spent due to restriction by law or contract (permanent endowment where only investment earnings may be spent)
- Can only be used in permanent funds (700s) and private-purpose trust funds (600s)

Restricted

- Legally restricted by law or an enforceable agreement with an external party
 - Unspent taxes or collections (lodging tax, affordable housing sales tax, retainage)
 - Unspent contributions in accordance with an interlocal agreement

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How is the Budget Created?



FUND BALANCE CLASSIFICATIONS

Committed

- Cannot be spent due to internal restriction by governing body
- Must be committed through highest level of formal action (resolution/ordinance) for a specific project or purpose
- Will remain committed unless governing body removes commitment through the same formal action

Assigned

- Reflects the government's intended use of the funds
 - Stated informally through a motion or other directive
 - Any fund outside of the general fund is considered at least assigned

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How is the Budget Created?



FUND BALANCE CLASSIFICATIONS

Unassigned

- Cash and investments that do not fall under the categories nonspendable, restricted, committed, or assigned
- Available for any purpose
- General fund is the only fund that can have unassigned funds (exception – another fund that has a negative fund balance)

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How is the Budget Created?



Building a budget requires you to know and understand the following:

- What are the goals of elected officials and departments?
- What are funds?
- What are the categories of fund balances?
- **WHAT ARE THE TYPES OF REVENUES AND HOW ARE THEY USED?**
- What are the types of expenditures?

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How is the Budget Created?



REVENUES

Unrestricted

Includes:

- Regular property taxes
- 1st Half and 2nd Half sales tax
- B & O taxes
- Utility taxes

Restricted

Includes:

- Lodging Tax
- REET
- Transportation Benefit District (TBD) revenues
- Affordable housing sales tax
- Public safety sales tax

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How is the Budget Created?



REVENUES

- **Review historical data**
 - Run system reports
 - Use MRSC's sales tax and levy historical information
- **Talk with departments**
 - New developments or businesses
 - Adding or eliminating services

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How is the Budget Created?



Building a budget requires you to know and understand the following:

- What are the goals of elected officials and departments?
- What are funds?
- What are the categories of fund balances?
- What are the types of revenues and how are they used?
- **WHAT ARE THE TYPES OF EXPENDITURES?**

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How is the Budget Created?



EXPENDITURES

- Salaries & benefits
- Supplies & minor equipment
- Services
- Capital (typically > \$5k)
- Interfund transfers & loans

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How is the Budget Created?



EXPENDITURES

Salaries & Benefits

- Wages
- Overtime
- Specialty/incentive pay
- Federal payroll taxes
- Retirement
- Unemployment
- L&I
- Paid Family & Medical Leave
- Long-term Care Tax
- Medical
- Dental
- Vision

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How is the Budget Created?



EXPENDITURES

Supplies & minor equipment

- Office and operating supplies
- Small tools
- Fuel
- Clothing

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How is the Budget Created?



EXPENDITURES

Services

- Advertising
- Engineering & architectural
- Travel
- Insurance
- Utilities
- Repairs & maintenance
- Permit fees to state
- Registration fees

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How is the Budget Created?



EXPENDITURES

Capital

- **Capital projects**
 - Parks
 - Buildings
 - Streets
 - Sidewalks
 - Other infrastructure
- Land
- Easements
- Rights of way

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How is the Budget Created?



EXPENDITURES

Capital

- **Capital assets**
 - Vehicles
 - Specialty equipment
 - Technology equipment
 - Police dogs & horses



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How is the Budget Created?



EXPENDITURES

Interfund transfers and loans

- Transfers
 - Transfers in and out must balance
- Loans (See BARS Manual [Section 3.9.1.20](#))

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How is the Budget Created?



REVENUES & EXPENDITURES

Parks & Recreation					
Revenues	2022 Actual	2023 Actual	2024 Actual	2025 Estimated	2026 Budget
Sales Tax	\$ 858,957	\$ 840,608	\$ 865,802	\$ 900,600	\$ 936,800
Program Revenue	207,624	224,581	294,047	247,000	258,000
Grants/Donations	205,658	215,221	183,178	64,000	75,000
Total Revenues	\$ 1,272,239	\$ 1,280,410	\$ 1,343,027	\$ 1,211,600	\$ 1,269,800
Expenditures	2022 Actual	2023 Actual	2024 Actual	2025 Estimated	2026 Budget
Salaries	\$ 1,313,542	\$ 145,501	\$ 159,148	\$ 1,629,175	\$ 1,718,394
Overtime	25,185	19,390	20,276	20,000	20,000
Benefits	631,784	673,769	793,030	856,465	861,799
Supplies	185,039	203,804	211,890	208,742	209,000
Services	788,188	944,842	818,980	888,980	902,980
Capital	-	9,859	-	-	27,500
Total Expenditures	\$ 2,943,738	\$ 1,997,165	\$ 2,003,324	\$ 3,603,362	\$ 3,739,673

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How is the Budget Created?



Begin with the low-hanging fruit

- **Start with less complicated funds**
 - Debt service
 - Capital fund
 - Certain special revenue funds
 - Enterprise funds

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How is the Budget Created?



Look at historical data

- Run multi-year reports from your system
- Analyze changes in revenues and expenditures
 - Big projects – impact sales tax
 - New revenues
 - Annexations
 - Increased user fees

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How is the Budget Created?



Use information from retreat and CIP

- Council priorities
- Capital projects that are planned for the coming year
- Include any grants that have been awarded
- Are there current projects that will extend into the next year?

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How is the Budget Created?



Distribute budget information to departments

- May or may not include revenue projections
- May or may not include beginning fund balance
- Departments enter expenditure items
- Provide forms for capital requests and additional staffing
- Departments provide discussion of accomplishments for current year and goals for the next year
- Review budget information with admin and staff

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How is the Budget Created?



Preliminary budget to governing body

- Set up workshops
- Each department discusses budget proposal with governing body
- Governing body may propose adjustments or additional capital items (ensure consensus before including)

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How is the Budget Created?



Adopt the budget!

- Make sure it balances
- Make sure no negative ending fund balances



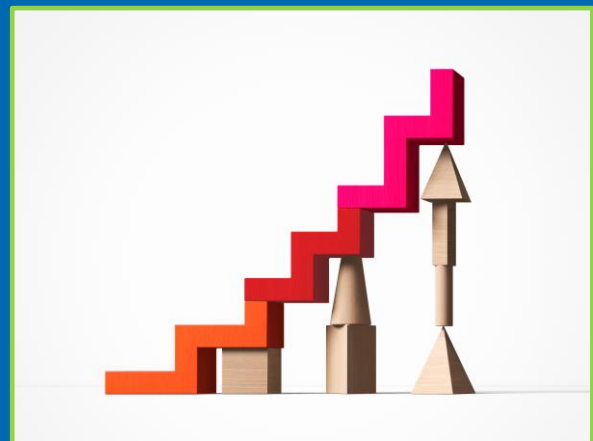
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When is the Budget Produced?



BASIC STEPS

- Pre-budget items
- Budgeting Salaries
- Budget requests
- Preliminary budget
- Budget workshops/hearings
- Levy certification
- Budget adoption



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When is the Budget Produced?



PRE-BUDGET ITEMS

When: Spring/Summer

- Budget retreat
- Adopt/update financial policies
- Hearings for capital facility plan updates
- Community forums/outreach
- Budget objectives communicated to staff

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When is the Budget Produced?



BUDGETING SALARIES (POSITION BUDGETING)

When: Summer

- Ensure all positions are included
- Follow salary schedule and include payroll taxes, medical, retirement, and incentive pay
- If in union negotiations, use status quo until contract is settled
- Is it time for a salary survey?

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When is the Budget Produced?



BUDGETING SALARIES

RCW 35.33.051 and **RCW 35A.33.050** require city budgets to list salary or salary range for each office, position, or job classification. This can either be a separate salary schedule or set out in total amounts under each department.

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When is the Budget Produced?



BUDGET REQUESTS

Cities September 8

- **Send request for budget to officials/department managers**
- **Include any forms for requests of equipment, capital, and positions**

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When is the Budget Produced?



PRELIMINARY BUDGET

Cities Nov 2

Statute may say county auditor, mayor/manager prepares the budget, often this is delegated to finance staff

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When is the Budget Produced?



PRELIMINARY BUDGET

Budget Message

Required for cities - [RCW 35.33.057 / RCW 35A.33.055](#) (annual budgets) [RCW 35.34.090 / RCW 35A.34.090](#) (biennial budgets)

- Must contain:
 - An explanation of the budget document.
 - An outline of the recommended financial policies and programs of the city for the ensuing fiscal year.
 - A statement of the relation of the recommended appropriation to such policies and programs.
 - A statement of the reason for salient changes from the previous year in appropriation and revenue items.
 - An explanation for any recommended major changes in financial policy.

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When is the Budget Produced?



BUDGET WORKSHOPS/HEARINGS

Cities (3 hearings)

- Revenue/property tax hearing prior to Nov 30 ([RCW 84.55.120](#))
- Preliminary budget hearing prior to the final budget hearing [RCW 35.33.057](#) [RCW 35A.33.055](#)
- Final budget hearing Dec 1 [RCW 35.33.071](#) [RCW 35A.33.070](#)

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When is the Budget Produced?



LEVY CERTIFICATION

- Cities must certify their property tax levy to the county assessor by November 30. ([RCW 84.52.070](#)) If deadline is missed, levy may not be increased over the prior year's levy

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When is the Budget Produced?



LEVY CERTIFICATION

- Look for information from county assessor
- City maximum levy rate \$3.60
 - Maximum reduced by regular levy of fire district (up to \$1.50) and/or library district (up to \$0.50)
 - Maximum increased by \$0.225 for firefighters' pension fund

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When is the Budget Produced?



LEVY CERTIFICATION

Be aware of \$5.90 levy limit and \$10.00 constitutional limit

- Prorationing occurs to keep levies from exceeding \$5.90 limit
- Be aware of formation of new taxing districts and taxing districts seeking levy lid lifts

MRSC [Property Tax Basics](#) webpage

MRSC levy history for [cities and towns](#) and [counties](#)

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When is the Budget Produced?



LEVY CERTIFICATION

Ordinance/Resolution of Substantial Need

Required for taxing districts with a population greater than or equal to 10k when IPD is less than 1% and the district wants to increase their levy by the full 1%.

Implicit price deflator (IPD) is published **Sept 25**

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When is the Budget Produced?



BUDGET ADOPTION

MRSC sample

- Ordinance should include a chart of the budget

Sample Budget Ordinance

ORDINANCE NO. _____

AN ORDINANCE ADOPTING THE BUDGET FOR THE CITY OF _____, WASHINGTON, FOR THE FISCAL YEAR ENDING DECEMBER 31, 20____

WHEREAS, the City of _____, Washington completed and placed on file with the City Clerk a proposed budget and estimate of the amount of moneys required to meet the public expenses, bond retirement and interest, reserve funds, and expenses of government of the City for the fiscal year ending December 31, 20____; and

WHEREAS, a notice was published that the City Council would meet on December ____, 20__ at ____ p.m., in the council chambers of city hall for the purpose of making and adopting a budget for said fiscal year and giving taxpayers within the limits of the City an opportunity to be heard in a public hearing upon said budget; and

WHEREAS, the City Council did hold a public hearing at that time and place and did then consider the matter of the proposed budget for the fiscal year 20____; and

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When is the Budget Produced?



Fund	Estimated Beginning Fund Balance	Estimated Revenues	Transfers In	Appropriations/ Expenditures	Transfers Out	Estimated Ending Fund Balance
General Fund	300,000	2,600,500		1,800,000	500,000	600,500
Street Fund	200,000	700,000	500,000	950,000		450,000
Library Fund	25,000	575,000		500,000		100,000
Emergency Rescue	25,000	750,000		725,000		50,000
Capital Projects	30,000	258,000		258,000		30,000
Water Utility Fund	50,000	500,500		475,000		75,500
Sewer Utility Fund	100,000	1,275,000		1,175,000		200,000
Water Redemption Fund	-	78,807		78,807		-
Water Construction	-	2,500,000		2,500,000		-
Water Loan Reserve	-	78,807		-		78,807
Equipment Rental	25,000	125,000		75,000		75,000
Internal Service	-	350,000		310,000		40,000
Total All Funds	755,000	9,791,614	500,000	8,846,807	500,000	1,699,807

\$11,046,614
\$11,046,614

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When is the Budget Produced?



BUDGET ADOPTION

Budget must be adopted by December 31

-and-

Reminder that all budget amendments must be done by December 31 of that budget year!

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When is the Budget Produced?



BUDGET ADOPTION

Cities

[RCW 35.33.151](#) [RCW 35A.33.150](#)

Appropriations in any current operating fund shall lapse at the end of each fiscal year.

[RCW 35.33.170](#) [RCW 35A.33.160](#)

Anyone “knowingly making expenditures in excess of budget appropriations...shall be guilty of a misdemeanor and shall be fined not more than five hundred dollars for each separate violation.”

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Contact Us!

Cheryl Grant

cgrant@mrsc.org

Eric Lowell

elowell@mrsc.org



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