

# Balancing the Budget

**Iowa League of Cities Annual Conference**

**September 19, 2024**

**Patrick Callahan, Municipal Consultant**

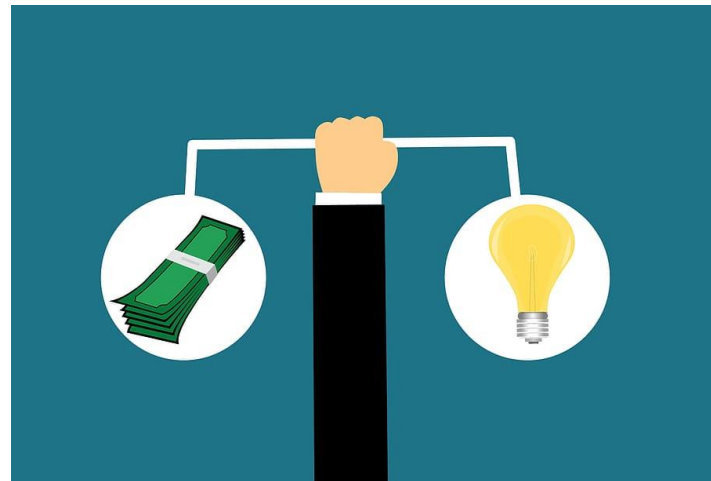
**Callahan Municipal Consultants, LLC**

# Importance of this topic

- ❑ Preparation of the City Budget - Possibly the single most important task
- ❑ Sets the “tone” for all that follows
- ❑ Requires trust, transparency, and compromise
- ❑ Can be a very rewarding or very frustrating process
- ❑ What is your city’s “budget preparation process?”

## A. The Basics of the Budget Process

- ❑ Calculate the revenues - be realistic
- ❑ Estimate the expenditures - 12 months
- ❑ Make “cuts” and balance it
- ❑ How tough could it be?



# Rethinking Budgeting - A Roadmap for Collaboration in Budgeting

- ❑ GFOA White Paper - 2023
- ❑ Government Finance Officers Association (GFOA) in cooperation with
  - Envisio
  - Balancing Act by Polco
  - Questica, an Euna Solutions brand

(Three government technology providers)

“The budget is the most important, consequential document of local government. It determines where revenues get allocated and what gets done. It defines a community’s priorities. A modern government budget should rest on three pillars - public engagement, budgeting, and strategic planning - but the vast majority of these functions are currently managed as disparate, disconnected processes.”

- Rethinking Budgeting page 8

“Government budgeting is also fraught with conflict: scarce resources, political promises, inter-departmental competition, and differing views about the scope of what the government should and shouldn’t do for residents. This too often results in a budget process that favors addressing short-term priorities over long-range planning, reactivity to community fears, and an incremental approach to spending priorities that represents the path of least resistance.”

- Rethinking Budgeting page 8

## B. The problems and the issues

- ❑ Impact of inflation on City costs
- ❑ The citizens' expectations of city services
- ❑ Property tax restrictions
- ❑ The “ugly side” of property taxes
- ❑ Numerous tax exempt properties



## B. The problems and the issues

- ❑ “Competing” public entities - County and School
- ❑ Taxpayers’ reluctance to pay more
- ❑ Previous City Council Commitments - TIF examples
- ❑ “Competing” City Departments - different services



## B. Impact of inflation on the budget

- Fuel for vehicles
- Insurance costs
- Electricity and natural gas
- Vehicles and equipment
- Wages and benefits
- Your city's experience?

## B. What best describes your city's most recent budget preparations process

- 1) Smooth, easy, and enjoyable
  - 2) Somewhat challenging, but the end result was reasonable
  - 3) “Painful” and very difficult - many tough choices - Not fun
- \* Comments and observations - briefly

## B. Your “Homework” before starting the budget preparation process

- ❑ Good understanding of the current budget
- ❑ Strategic Plan - long term vision
- ❑ Goal setting process
- ❑ Capital Improvement Plan (CIP)
- ❑ County Auditor reports
- ❑ TIF Analysis and understanding

## B. Preliminary Steps in the process

- ❑ Clear and well defined process
- ❑ Establish a time table very early
- ❑ Prioritize solutions and goals
- ❑ Use technology and visual aids

## C. The more difficult task - “balancing the budget

- ❑ Reduce the proposed expenditures
- ❑ Increase other revenues - legally
- ❑ Use the City’s cash reserves - maybe?
- ❑ Determine “magic number” - to balance
- ❑ Keep talking and brainstorming?



## D. Ways to “Balance the Budget”

- ❑ Let the City Staff do it
- ❑ List each reduction and vote on it
- ❑ Keep talking and debating
- ❑ Find an efficient and equitable method

## D. Questions to Ponder



- ❑ Does your city have a “process” for balancing the budget?
- ❑ Is it an effective, efficient, fair and transparent process?
- ❑ If your city has a no “process,” here is an option...

## E. Callahan's Ranking System - Overview

- ❑ List every possible reduction or cut
- ❑ List every possible revenue enhancement
- ❑ Include the “painful” options too
- ❑ Allow everyone to submit ideas





## E. Callahan's Ranking System - Overview

- ❑ Calculate the gross savings
- ❑ Calculate the net savings
- ❑ Prepare a ballot with all options
- ❑ Debate and review the options

## E. Callahan's Ranking System - Overview

- ❑ Discuss the “ground rules” on the voting process
- ❑ Determine the voting plan - A, B, C, & D
- ❑ Only the Mayor and City Council Members vote
- ❑ Complete ballots and return to City Clerk



## E. Callahan's Ranking System - Overview

- ❑ Calculate a “composite score” for all suggestions
- ❑ Put suggestions in order - most acceptable to least acceptable
- ❑ Prepare spreadsheet - who voted for what?
- ❑ “Move down” the list until the budget is balanced

## F. Factors & Issues to Consider

- ❑ Failure to explain the budget issues to the citizens
- ❑ Unrealistic calculation of savings
- ❑ Unforeseen consequences of proposed reductions
- ❑ Lack of flexibility with the budget

## F. Factors & Issues to Consider

- ❑ Five Member Council - 3 A's - Done deal?
- ❑ Internal council bickering and issues
- ❑ Disgruntled department heads & citizens
- ❑ Failure to “follow through” on cuts
- ❑ Lack of political will to actually make the cuts



## G. Callahan's Tips and Suggestions

- ❑ Do the ranking process ASAP
- ❑ Need the 100% City Council commitment
- ❑ Share list - State Representative & State Senator
- ❑ Challenge State Reps to rank the list

## G. Callahan's Tips and Suggestions

- ❑ Notify the public early and often
- ❑ Provide phone numbers & emails - State Reps
- ❑ Warn the public - more service reductions in the future
- ❑ Challenge citizens to rank the items



shutterstock.com · 1999141559

## G. Callahan's Tips and Suggestions

- ❑ Consider new sources of revenue
- ❑ Make sure proposed services are sustainable
- ❑ Consider long term budget forecast - 4 to 5 years
- ❑ Require monthly reports to monitor the progress
- ❑ Prepare budget memo or report



# G. Callahan's Tips and Suggestions

- ❑ Place “budget ballot” on the city website
- ❑ Be prepared to make “tough choices”
- ❑ Read the supplemental handouts



[This Photo](#) by Unknown Author is licensed under [CC BY-NC](#)

## G. Access Available Resources

- ❑ Financial advisor reports and recommendations
- ❑ Iowa League of Cities (ILC) website
- ❑ ILC Publications and training programs
- ❑ ILC Handbooks - City Clerks and Elected Officials
- ❑ Department of Management (DOM) website

## H. Final comments

- Any questions or comments
- Thank you for your efforts!
- Council role - Not any easy job - thankless task
- Keep working at it
- It may get worse in 2025 & 2026
- Run for the State Legislature yourself???

For copies of publications of the Iowa League of Cities that were referenced,  
Go to [www.iowaleague.org](http://www.iowaleague.org)

- ❑ Go to Page marked - Resources
- ❑ Go to the category - Administration
- ❑ Summary of additional handouts

For copies of other publications or models referenced during this presentation - contact:

Patrick Callahan, Municipal Consultant

Callahan Municipal Consultants, LLC

[callahan.cmc@gmail.com](mailto:callahan.cmc@gmail.com)

563-599-3708