

# A CITIZEN'S GUIDE TO THE BUDGET



Lafayette  
CONSOLIDATED GOVERNMENT

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# What is the Budget?

The budget is a policy document, a financial plan, an operations guide, and a communications device. The operating budget is a plan of current (annual) spending and the means to pay for it. The capital budget is a long-term spending plan for the acquisition of capital assets and the means to pay for them, including borrowing.



# How is the Budget Created?

The Mayor-President and his administration present the budget to the City and Parish Councils for approval at a joint council meeting.

## Budget Calendar

The Chief Financial Officer (CFO) is responsible for recommending to the Chief Administrative Officer (CAO) a timeline and plan to facilitate the budget process for the next fiscal year.

The budget calendar can be found within the introduction of the budget book.

## Mayor-President's Proposed Budget

In addition to the Home Rule Charter budgetary submission requirements and administrative responsibilities discussed below, Lafayette Consolidated Government adheres to the Louisiana Revised Statutes Title 39 Chapter(s) 1301-1315 – Louisiana Local Government Budget Act. Of specific note is R.S. 39:1305 that requires the submission of a budget where “...proposed expenditures shall not exceed the total estimated funds available for the ensuing fiscal year.” LCG uses this definition as the meaning of a balanced budget and all adopted budgets follow these statutes.

The fiscal year for LCG is November 1 through October 31. The Home Rule Charter requires that at least ninety days prior to the beginning of each fiscal year, an operating budget and a capital improvement budget be submitted to the City Council and the Parish Council. The Clerk of the Council then publishes a joint public hearing notice at least ten days prior

to the date the budget is presented to the public for a formal public hearing. The notice is required to include a general summary of the proposed budget, the times and places where copies of the budget are available for public inspection, and the location, date, and time of the joint public hearing.

The charter also requires that the operating budget presents a complete financial plan for the ensuing year and that the following be included in the operating budget document:

- A budget message prepared by the Mayor-President.
- A general budget summary with proposed budgeted amounts, actual amounts for the last completed fiscal year, and estimated amounts for the year in progress.
- Detailed estimates of all proposed expenditures showing the corresponding estimated expenditures for each item for the current fiscal year and actual amounts for the last preceding fiscal year.
- Manning or organizational tables for each of the departments, agencies, or programs.
- Detailed estimates of all anticipated revenues and other income showing the corresponding estimated revenue or income for each item for the current fiscal year and actual figures of the last preceding fiscal year.

- Statement of the indebtedness of the city-parish government showing debt redemption and interest requirements, debt authorized and unissued, and conditions of the sinking funds.
- A proposed complete draft of the appropriation ordinance.
- A clear general summary of the capital improvement budget.
- A list of all capital improvements and acquisitions for at least five fiscal years.
- Cost estimates, recommended method of financing, and the estimated annual cost of operating and maintaining the capital improvements.

### **Action of the Council(s)**

The City Council and/or the Parish Council begin by examining the budget in detail at the departmental review meetings. A separate joint public hearing will be held during which the public can comment on the entire proposed budget. The CAO, CFO, and other department directors work with the council(s) as it accepts some of the Mayor-President's proposals, rejects others, and changes others.

The budget will be finally adopted at a special joint council meeting, no later than thirty days prior to the commencement of the new fiscal year. If the City Council and the Parish Council fail to adopt a budget before the end of the current fiscal year, the budget for the current fiscal year continues for a maximum of six months into the next fiscal year and is limited to fifty percent of the amount appropriated for the current fiscal year.

### **Monitoring the Budget**

It is difficult to accurately estimate what the revenues and expenditures will be in the future. Therefore, amendments can be made to the adopted budget if the Mayor-President or the appropriate Council(s) deem

it necessary and its in accordance with the Home Rule Charter. The charter can be found on the LCG website.

*Supplemental Appropriations* – If during the fiscal year the Mayor-President certifies that there are more funds available for appropriation than were estimated in the budget, a supplement to the budget is presented to the appropriate Council(s). By ordinance(s), the appropriate Council(s) may make supplemental appropriations for the year up to the amount of the excess.

*Emergency Appropriations* – To meet a public emergency affecting life, health, property, or the public peace, the appropriate Council(s) may make emergency appropriations by emergency ordinance. If there are no available funds to meet the emergency appropriations, the appropriate Council(s) may borrow money, which must be repaid with revenues of the next fiscal year.

*Reduction of Appropriations* – If it appears to the Mayor-President that the funds available will be insufficient to meet the amount appropriated, the Mayor-President shall report to the appropriate Council(s) without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps to be taken. The appropriate Council(s) shall then take further action as it deems necessary to prevent a deficit.

*Transfer of Appropriations* – The Mayor-President may transfer part or all of any unencumbered appropriation within programs, except that no transfer shall be made to or from the salary account unless approved by the appropriate Council(s). Any transfers made from one department, office, agency, or program to another must be approved by the appropriate Council(s).

*Limitations* – No appropriation for debt service may be reduced or transferred and no appropriation may be reduced below any amount required by law to be appropriated.

# Where Does the Money Come From? Revenues



The Mayor-President and the appropriate Council(s) determine how much money they expect to receive in each of the next several years, where it comes from, and how much to spend to reach their goals. The government must keep in mind that it gets its revenue from you, the taxpayer. When the budget is in surplus, the government determines how much of the surplus should be used to invest in new spending, to pay down past debt, or to reduce taxes and fees.

## Taxes

The **property tax** rate is expressed as a *millage rate* or a *mill levy* (a mill is also one-thousandth of a dollar).

For example, a residential property that qualifies for homestead exemption (up to \$75,000 – does not apply to city taxes) with a market value of \$200,000, assessed at 10%:

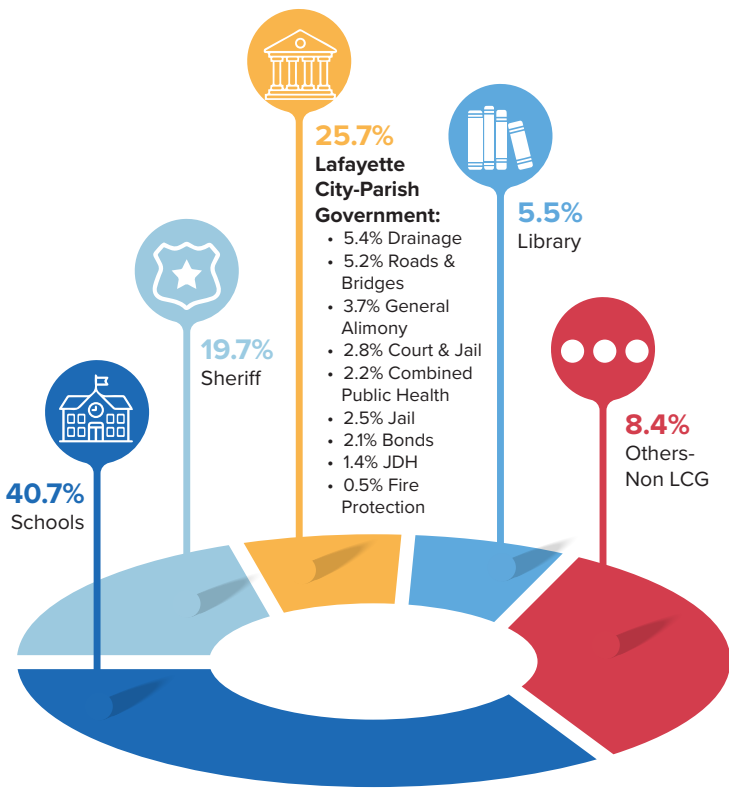
*If you live outside the City of Lafayette – Parish tax of 88.42 mills*

$$(\$200,000 - 75,000) \times 10\% \times .08842 = \$1,105.25 \text{ tax due}$$

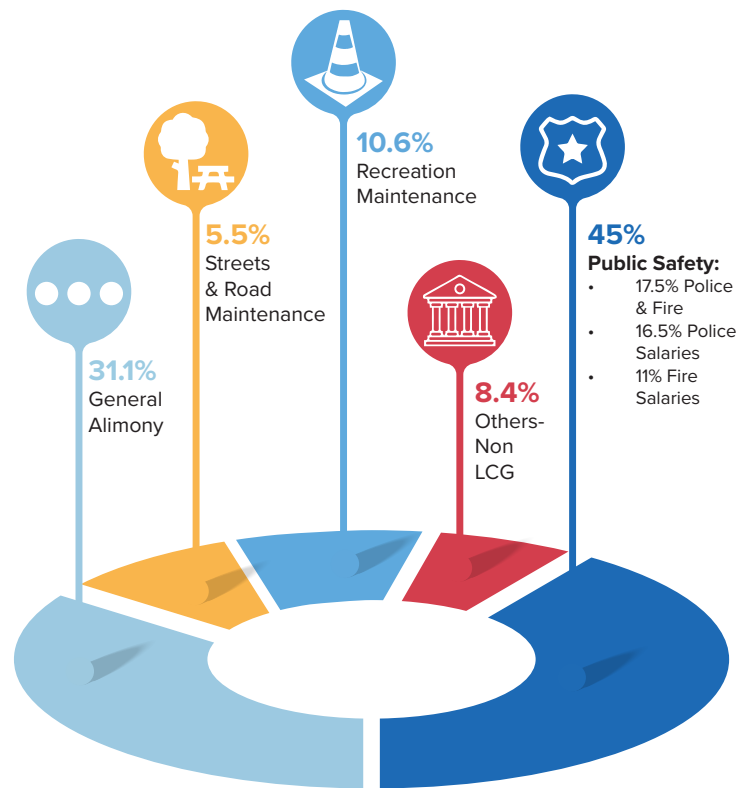
*If you live inside the City of Lafayette – City tax of 18.19 mills and a Parish tax of 86.795 mills*

City tax:	$\$200,000 \times 10\% \times .01819 =$	\$ 363.80
Parish tax:	$(\$200,000 - 75,000) \times 10\% \times .086795 =$	<u>1,084.94</u>
	Total taxes due =	\$1,448.74

A **sales tax** is a consumption tax charged at the point of purchase for certain goods and services. LCG currently has a 2% sales and use tax for the City of Lafayette and a 1% sales and use tax for the Parish of Lafayette (unincorporated area).



**Parishwide Property Taxes**  
Includes all of Lafayette Parish



**City of Lafayette Property Taxes**  
Includes the City of Lafayette Only

# Where Do My Taxes Go?

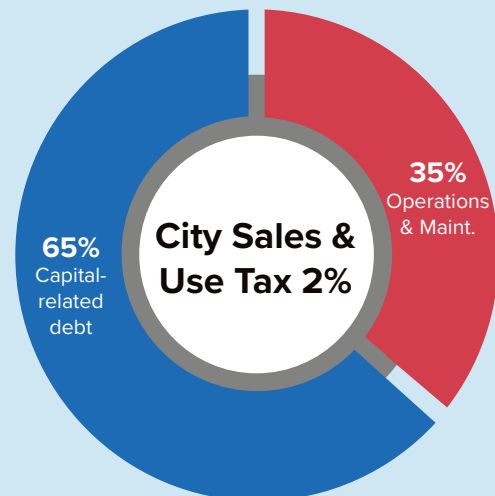
## Parish Sales & Use Tax 1%

Lafayette Parish is authorized by the voters to levy and collect one percent (1%) general sales and use tax on a parish-wide basis except for territory located within the boundaries of any incorporated municipality situated within the Parish. The net proceeds of the sales tax are deposited in the Parish General Fund for general governmental expenditures.

## City Sales & Use Tax 2%

Proceeds from the 1961 one percent (1%) general sales and use tax levied by the City of Lafayette are dedicated to capital improvements such as street improvements, building construction, drainage, and any other work of permanent public improvement. Proceeds from the 1985 one percent (1%) general sales and use tax levied by the City of Lafayette are dedicated to capital improvements for streets and drainage. Both the 1961 and 1985 general sales

and use taxes are dedicated to supplementing the revenues of the City's general fund after providing the debt service on outstanding bonds, provided that such an amount cannot exceed 35% of the annual sales tax revenues.



# The Fund Balance

The fund balance is equal to financial assets less financial liabilities. It is similar to your personal net worth. Cash and investments are assets and the bills you need to pay are liabilities. What is left over is generally considered your available balance.

Why is it important to maintain a healthy fund balance?

- A critical factor in financial planning and budgeting.
- Provides funds for unforeseen expenditures or emergencies.
- Reduces the need for short-term borrowing for operations.
- Demonstrates financial stability, which enhances bond ratings, thereby lowering debt issuance costs (interest rates).







# Understanding the Budget Document

## What do those numbers mean?

The budget code in the budget document consists of an Accounting Unit (AU), Account, and Sub-Account. The Accounting Unit is seven characters and is made up of the fund and section. The Account is five characters. Revenue accounts begin with four (4xxxx). Expense accounts range from 5xxxx to 8xxxx. The Sub-Account can be up to four characters. Sub-Accounts are commonly used for contribution from other funds, internal appropriation, and risk management accounts.

Example: Accounting Unit – 1011100

Fund – 101

Section – 1100

<u>CODE</u>		<u>EXPENDITURE</u>
<b>EO-COUNCIL OFFICE</b>		
<b>1100 EO-COUNCIL OFFICE ADMIN</b>		
1011100	50000-0	PERSONNEL SALARIES
1011100	50400-0	GROUP HEALTH INSURANCE
1011100	50415-0	GROUP LIFE INSURANCE
1011100	50430-0	WORKERS COMP INSURANCE
1011100	50500-0	RETIREMENT/MEDICARE TAX
<b>TOTAL PERSONNEL COSTS</b>		

# Glossary

**Appropriations** – Authorization granted by the City Council and/or Parish Council to make expenditures or to incur obligations for specific purposes.

**Balanced Budget** – As defined by the LCG Home Rule Charter, this is the financial operational plan whereby proposed expenditures shall not exceed the total estimated funds available for the ensuing fiscal year.

**Bond (BDS)** – A written promise to pay a designated amount (called the principal) at a specific date in the future, together with periodic interest at a specified rate. In the budget, the payments due for the budget year are identified as debt service. Bonds are usually used to obtain long-term financing for capital improvements.

**Budget** – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

**Capital Improvement Program (CIP)** – A five-year fiscal plan detailing the amount and timing of anticipated capital expenditures. The Councils adopt the first year of the CIP and approves the entire five-year plan in concept. It is updated annually with the adoption of the budget.

**Debt Service** – The periodic repayment of principal and/or interest on borrowed funds.

**Expenditure** – The payment of cash for the transfer of property or services for the purpose of acquiring an asset or service or settling a loss.

**Fiscal Year (FY)** – Any yearly accounting period regardless of its relationship to a calendar year. The fiscal year for LCG begins on November 1 of each year and ends on October 31 of the following year. For example, FY 2021-2022 begins November 1, 2021 and ends on October 31, 2022.

**Fund (FD)** – An independent fiscal and accounting entity with a self-balancing set of accounts, segregated to carry on specific activities or obtain certain objectives.

**Fund Balance** – The difference between the assets and liabilities of a fund. Fund balance is terminology that is applicable to “fund level” reporting of individual governmental funds and is based on the modified accrual basis of accounting. It is used as a measure of the amount available to budget or spend in the future.

**General Alimony** – This is a property tax levied on both real and personal property according to the property’s assessed valuation and the tax rate. This property tax is used for general maintenance needs of the Parish.

**General Fund** – This fund is one of the five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund. As required by the Home Rule Charter, LCG maintains two separate and distinct general funds: one for the City of Lafayette and one for the Parish of Lafayette.

**Home Rule Charter** – Home rule is the power of a local city or parish to set up its own system of self-government without receiving a charter from the state. The Home Rule Charter is, in essence, a local constitution which lays down the basic structure and laws of the locality.

**Internal Appropriation (INT APP)** – An authorization for expenditure in one fund to aid in the services provided by another fund.

**Millage Rate** – A tax rate that is applied to the assessed value of real estate.

**PAYG Capital** – Also described as Pay-As-You-Go-Capital. Capital expenditures paid for through funds that are currently available and are not borrowed. In the case of LCG PAYG capital expenditures, these are funded through dedicated sales tax collections. Sixty-five cents of every dollar collected in sales tax by LCG is dedicated for capital and may not be used for operations.

**Reserve Fund (RES)** – A fund in which a specified amount or balance is required to be kept in case any pledged revenues are insufficient to pay debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds at the time bonds are issued, may be funded over time through the accumulation of pledged revenues, may be funded with a surety or other type of guaranty policy, or may be funded only upon the occurrence of a specified event.

**Revenue (REV)** – Sources of income financing the operations of government.

**Sinking Fund (SK)** – A fund established for the purpose of accumulating the government's periodic debt service payments. Typically, regular deposits are made to this fund for a percentage of the next regularly scheduled principal and interest payment due.

*\*The complete glossary can be found within the adopted budget.\**

## Accessing the Budget

Copies of the final adopted budget are available for public use in the public libraries, the Council Office, the Mayor-President's Office and Lafayette City-Parish Consolidated Government Building's Information Desk.

Online versions of the adopted budget are posted on LCG's websites at:

[www.lafayettela.gov](http://www.lafayettela.gov)

[www.lafayettebonds.com](http://www.lafayettebonds.com)

