

ARKANSAS MUNICIPAL LEAGUE

# A BUDGET MANUAL FOR SMALL ARKANSAS CITIES AND TOWNS



JANUARY 2020



# TABLE OF CONTENTS

<b>Section 1. Getting Started.</b> . . . . .	<b>4</b>
Introduction . . . . .	4
Chronological Procedure . . . . .	4
Explanation of Forms . . . . .	4
Suggested Budget Calendar. . . . .	5
Expenditure Classifications . . . . .	5
<b>Section 2. Budget Request Forms</b> . . . . .	<b>6</b>
Form BR-1 Personnel Worksheet. . . . .	6
Form BR-2 Personnel Request Schedule . . . . .	7
Form BR-3 Supplies Request . . . . .	8
Form BR-4 Contractual and Maintenance Service Request . . . . .	9
Form BR-5 Capital Outlay . . . . .	10
Form BR-6 Department Request Summary . . . . .	11
<b>Section 3. Revenue Estimating.</b> . . . . .	<b>12</b>
Revenue Estimate Worksheet. . . . .	12
<b>Section 4. Proposed Budget Presentation.</b> . . . . .	<b>14</b>
Transmittal Letter for Proposed Budget. . . . .	14
Form PB-1 Budget Summary . . . . .	15
Form PB-2 General Fund Summary . . . . .	16
Form PB-3 Budget Summary–Street Fund. . . . .	17
Form PB-4 Budget Summary–Water and Sewer Fund . . . . .	18
<b>Section 5. Budget Adoption</b> . . . . .	<b>19</b>
Resolution for the Adoption of the Municipal Budget. . . . .	19
Final Resolution for the Revision of the Municipal Budget . . . . .	21

# Section 1. Getting Started

## INTRODUCTION

The purpose of this manual is to assist municipal officials in Arkansas in the preparation of annual operating budgets. For newcomers to the field of budgeting, this manual should be of the greatest benefit. For those who have been preparing budgets, perhaps it will assist in improving current budgetary practices.

The budget is a financial plan and policy statement which expresses, in dollars and cents terms, the scope, type and cost of city services that will be provided during a particular fiscal year. The budget also shows the total amount of revenue that will be collected and spent on behalf of city services and projects during the fiscal year. The budgeting process is typically accomplished over several months and culminates with policy decisions and public hearings.

This manual was designed as a practical instrument to be followed in the preparation of a budget. It includes the following basic features:

1. A chronological outline and an explanation of the forms;
2. A calendar to provide a guideline for the use of time in budget preparation;
3. An explanation of the expenditure classifications;
4. Forms to be filled out by departments for departmental budget requests;
5. A worksheet for estimating municipal revenues;
6. Budget summary forms to be presented to the governing body, including a budget transmittal letter;
7. A proposed budget resolution or ordinance for official adoption of the budget.

It is our desire that this manual, as presented, be a helpful instrument to those engaged in the budgetary process. The forms and methods presented are merely guidelines to be tailored to the needs of each municipality. As in any such project, there will always be room for changes, and we encourage experimentation with the format of this manual.

While a good budget will not solve all municipal problems, it is our belief that a good budget system will aid in the orderly accomplishment of municipal objectives.

## CHRONOLOGICAL PROCEDURE

A basic chronological procedure for the budget process can be summarized in the following steps: a) Preparation of budget requests (departmental); b) preparation of proposed budget (executive); and c) review and adoption (legislative).

This process will vary from one municipality to another; ideally, a larger municipality would adhere to these steps while a smaller one might assign the greater part of the process to the mayor or any other person assigned the responsibility of budget preparation. The steps presented in this manual were meant to be used as guidelines by each municipality to achieve its own goals and should be used only to the extent that they do so.

## EXPLANATION OF FORMS

The forms presented in this manual were designed on a functional basis. The "Budget Request" forms (BR) were designed for the purpose of allowing a department to state its anticipated needs for the forthcoming fiscal year. The "Revenue Estimating" form (RE) was designed to assist the person responsible for this function to project estimated revenues for the forthcoming fiscal year. This form may be broken down into additional forms if there is a need to do so. The "Proposed Budget" forms (PB) were designed for presentation to the city council for review and adoption.

## SUGGESTED BUDGET CALENDAR

**September**—Prepare revenue estimates.

**October**—Meet with the city council to set spending priorities.

**October**—Pass tax levy ordinance.

**November**—City or town council hold budget hearing.

**December**—Mayor submits budget to Council by Dec. 1, and council revises the prior year's budget by year end.

**January**—Adopt budget by Feb. 1.

## EXPENDITURE CLASSIFICATIONS

Below are five basic categories of expenditures. While these may be sub-categorized in any one of a number of ways, by appropriating on a broad basis, there is opportunity for greater flexibility in administration.

1. **Salaries**—Under this label are the salaries of all full-time permanent employees, part-time permanent employees, and temporary employees as well.
2. **Supplies**—This includes all consumable supplies, whether they be office materials, chemicals for wastewater, or road gravel.
3. **Contractual and Maintenance Services**—This includes all items of a contract nature, such as rent and utilities and for ordinary maintenance costs. Employees' maintenance costs include social security, pensions, insurance, etc.
4. **Capital Outlay**—This includes buildings, permanent facilities, tools, etc.
5. **Debt Service**—This includes all payments on outstanding, long-term indebtedness on both principal and interest.

# Section 2. Budget Request Forms

## FORM BR-1 PERSONNEL WORKSHEET

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund \_\_\_\_\_ (3)

<b>Department:</b> (4)			
Job Title	Present Monthly Salary	Proposed Monthly Salary	Proposed Annual Salary
(5)	(6)	(7)	(8)
(9)			

**INSTRUCTIONS FORM BR-1**

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Complete name and position of individual listed (Ex: John Doe, Chief of Police).
6. Gross monthly salary for that person.
7. Proposed gross monthly for that person.
8. Proposed gross annual salary (item 7 times 12).
9. Why is this expenditure request necessary (explanation/justification)?

# FORM BR-2 PERSONNEL REQUEST SCHEDULE

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund \_\_\_\_\_ (3)

<b>Department:</b> (4)				
Position Title	Number Positions		Monthly Amount	Annual Amount
	Current Actual	Proposed		
(5)	(6)	(7)	(8)	(9)
(10)				

## INSTRUCTIONS FORM BR-2

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Title of position being requested.
6. Number of currently authorized positions.
7. Number of positions requested for next fiscal year.
8. Monthly amount for salary.
9. Annual amount for salary.
10. Why is this additional person needed (explanation/justification)?

# FORM BR-3 SUPPLIES REQUEST

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund \_\_\_\_\_ (3)

<b>Department:</b> (4)		
Description of Items	Estimated Amount Needed and Unit Cost	Total Amount Requested
(5)	(6)	(7)
(8)		

## INSTRUCTIONS FORM BR-3

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Exact description of the item to be purchased.
6. Quantity of (5) needed and the cost per unit.
7. Total dollar amount of that type of purchase.
8. Why are these supplies needed (explanation/justification)?

NOTE: This form is designed to separate the cost of consumable items from regular maintenance costs.



# FORM BR-4 CONTRACTUAL AND MAINTENANCE SERVICE REQUEST

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund \_\_\_\_\_ (3)

<b>Department: (4)</b>		
Description of Items	Estimated Amount Needed and Unit Cost	Total Amount Requested
(5)	(6)	(7)
(8)		

## INSTRUCTIONS FORM BR-4

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Brief description of the contractual or maintenance service sought (Ex: travel allowance).
6. Estimated amount needed and the associated unit cost or rate.
7. Total amount requested for this row.
8. Why is this needed (explanation/justification)?

# FORM BR-5 CAPITAL OUTLAY

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund \_\_\_\_\_ (3)

<b>Department (4)</b>		
<b>Description of Items</b>	<b>Estimated Amount Needed and Unit Cost</b>	<b>Total Amount Requested</b>
(5)	(6)	(7)
(8)		

## INSTRUCTIONS FORM BR-5

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Brief description of the type of capital outlay requested.
6. Cost data for that item.
7. Total amount requested for this row.
8. Why is this capital request needed (explanation/justification)?

NOTE: This form is designed to separate the cost of capital outlays greater than \$100 from regular maintenance expenses.

# FORM BR-6 DEPARTMENT REQUEST SUMMARY

City of \_\_\_\_\_ (1)

For Year \_\_\_\_\_ (2)

Fund (3)		Department (4)				
Expenditure Classification	Actual Last Fiscal Year	Current Year Estimate			Proposed Budget	Work Column
		Actual 9 Months	Estimated 3 Months	Total This Year		
1. Salaries 2. Supplies 3. Contractual and Maintenance Services 4. Capital Outlay 5. Dept Service	(5)	(6)	(7)	(8)	(9)	(10)

## INSTRUCTIONS FORM BR-6

**Item:**

1. Name of municipality.
2. Year for which budget is being prepared.
3. Fund from which service is to be financed.
4. Name of department submitting form.
5. Actual expenditures for the last year for the category listed. This figure may most easily be obtained from the annual report or audit.
6. Actual amount spent for the first nine months of the current fiscal year for this category.
7. Based on (6), estimate the amount that will be spent on this category for the last three months.
8. Sum of (6) and (7).
9. Based on columns (6) and (8), plus up-to-date bookkeeping, a realistic figure can be obtained for (9).
10. Use this space for notes to refresh memory on specific amounts, who has a particular bit of information, etc.

# Section 3. Revenue Estimating

## Instructions Form for Revenue Estimating (Form RE-1)

The following form is a worksheet for estimating municipal revenues. Perhaps the best method is that of estimating the average increase or decrease in revenue within the past two years (or further back if necessary) and projecting the change for the coming year. This form as presented lists the various sources of municipal revenue. It may be used as presented or modified to meet the needs of any municipality.

### REVENUE ESTIMATE WORKSHEET

	Actual Previous Year	Actual 1st 3 Quarters	Estimated 4th Quarter	Estimated Year-to-Date	Estimated Next Year
<b>Taxes &amp; Turnbacks</b>					
Property Tax					
Sales Tax					
State General Fund Turnback					
1 Mill Fireman Pension Fund					
Occupational Taxes					
<b>Franchise Taxes</b>					
Electric					
Phone					
Gas					
Cable T.V.					
Rural Electric					
<b>Fines, Forfeitures &amp; Penalties</b>					
Court Fines					
Traffic Fines					
Others (list)					
<b>Licenses, Permits &amp; Fees</b>					
Building					
Plumbing					
Electrical					
Others (list)					
<b>Water, Wastewater, &amp; Solid Fees</b>					
Water Sales					
Connection Fees					
Wastewater User Fees					
Sanitation Fees					
Others (list)					
<b>Park &amp; Recreation Fees</b>					

	Actual Previous Year	Actual 1st 3 Quarters	Estimated 4th Quarter	Estimated Year-to-Date	Estimated Next Year
Swimming Pool Revenue					
Concession Revenue					
Recreation & Park Rental Fees					
Others (list)					
<b>Use of Property – Interest Earned</b>					
General Fund Revenue					
Rents					
Others (list)					
<b>Other General Fund Revenue (List)</b>					
Current Estimated Receipts					
Balances from Previous Year					
<b>Street Fund Revenue (List)</b>					
Half of 3 Mill Road Tax					
State Highway Turnback					
Street Breaking Permit Fees					
<b>Interest Earned From:</b>					
Other Revenue (list)					
Current Estimated Receipts					
Balances from Previous Year					
<b>Total Estimated Receipts</b>					

# Section 4. Proposed Budget Presentation

## TRANSMITTAL LETTER FOR PROPOSED BUDGET

Members of the City (Town) Council

City (Town) of \_\_\_\_\_, Arkansas

Gentlemen/Ladies:

Submitted herewith for your consideration is the proposed budget for the City (Town) of \_\_\_\_\_ for the budgetary year beginning January 1, 20 \_\_\_\_, and ending December 31, 20 \_\_\_\_.

This budget is the proposed financial plan for providing services to the citizens of \_\_\_\_\_ for the calendar year. It is a balanced budget and reflects a stable operation of the City (Town).

The comparative financial and operating experience of the City (Town) for the year ending and the new year is briefly summarized as follows:

	Year Ending	New Year	Change
<b>Receipts</b>	\$ _____	\$ _____	\$ _____
<b>Disbursements</b>	\$ _____	\$ _____	\$ _____

In order to maintain the present level of service and to meet certain demands for expanded service, it will be necessary to provide \$ \_\_\_\_\_ in new revenue. This additional revenue can be raised as follows:

(explanation) \_\_\_\_\_  
 \_\_\_\_\_

The expanded services to be financed from this additional revenue are explained as follows:

Police Department increase of \$ \_\_\_\_\_.

(sentence explanation) \_\_\_\_\_

Fire Department increase of \$ \_\_\_\_\_.

(sentence explanation) \_\_\_\_\_

The adoption of this proposed budget will not mean that the City (Town) is meeting all the demands for its many needed improvements and services. It does, however, represent a step toward the implementation of the overall objectives of our City (Town).

Your consideration and assistance will be appreciated.

Respectfully Submitted,

Signed: \_\_\_\_\_

Name and Title

# FORM PB-1 BUDGET SUMMARY

All Funds

20\_\_\_\_

<b>Revenues</b>	
General Fund	
Street Fund	
Water & Sewer Fund	
Bond Fund	
Sales Tax Fund	
Others (list)	
Total Revenues	
Available Fund Balances	
<b>Total Estimated Revenues</b>	
<b>Expenses</b>	
General Fund	
Street Fund	
Parking Meter Fund	
Bond Fund	
Sales Tax Fund	
Others (list)	
<b>Subtotal</b>	
Unappropriated Reserves (if any)	
<b>Total Expenses</b>	

## Instructions Form PB-1

This form was designed to present the total budget summary, including all funds, for the forthcoming budgetary year. It is a balance sheet showing the estimated revenues for all funds with any available balances from the current fiscal year and appropriations for all funds including any unappropriated reserves. This form may be used as presented or modified to meet the needs of any municipality.

**Note:** A similar form should be prepared for each individual municipal fund.

# FORM PB-2 GENERAL FUND SUMMARY

20\_\_\_\_

<b>Revenues</b>	
General Property Taxes	
Occupational Taxes	
Fees from Services	
Franchise Taxes	
Permits and Fees	
Interest on Investments	
State General Revenue Turnback	
Others (list)	
Total Revenues	
Available Fund Balances	
<b>Total Estimated Revenues</b>	
<b>Expenses</b>	
General Government	
Police Department	
Fire Department	
Sanitation Department	
Parks and Recreation	
Animal Control	
Code Enforcement	
Others (list)	
<b>Subtotal</b>	
Unappropriated Reserves	
<b>Total Expenses</b>	

## Instructions Form PB-2

This form was designed to present the budget summary for the general fund for the forthcoming fiscal year. It is a balance sheet including all the estimated revenues allocated to the general fund with any available balance from the current fiscal year and appropriations for all general fund activities including any unappropriated reserves. This form may be used as presented or modified to meet the needs of any municipality.



# FORM PB-3 BUDGET SUMMARY—STREET FUND

20\_\_\_\_

<b>Revenues</b>	
Automobile License Tax	
State Highway Turnback	
3 Mill Road Tax	
Transfers – Other Funds	
Others (list)	
Total Revenues	
Available Fund Balances	
<b>Total Estimated Revenues</b>	
<b>Expenses</b>	
Regular Salaries Wages	
Supplies	
Maintenance and Contractual Services	
Debt Service	
<b>Subtotal</b>	
Unappropriated Reserves	
<b>Total Expenses</b>	

## Instructions Form PB-3

This form was designed to present the budget summary for the street fund for the forthcoming fiscal year. It is a balance sheet, including all the estimated revenues allocated to the street fund with any available balance from the current fiscal year and appropriations for all street fund activities including any unappropriated reserves. This form may be used as presented or modified to meet the needs of any municipality.

# FORM PB-4 BUDGET SUMMARY—WATER AND SEWER FUND

20\_\_\_\_

<b>Revenues</b>	
Water Sales	
Sewer Charges	
Special Assessments	
Connection/Cut-off Fees	
Interest on Investments	
Others (list)	
Total Revenues	
Available Fund Balances	
<b>Total Estimated Revenues</b>	
<b>Expenses</b>	
Regular Salaries	
Supplies	
Maintenance and Contractual Services	
Capital Outlay	
Debt Service	
<b>Subtotal</b>	
Unappropriated Reserves	
<b>Total Expenses</b>	

## Instructions Form PB-4

This form was designed to present the budget summary for the water and sewer fund for the forthcoming fiscal year. It is a balance sheet, including all the estimated revenues allocated to the water and sewer fund with any available balance from the current fiscal year and appropriations for all water and sewer fund activities including any unappropriated reserves. This form may be used as presented or modified to meet the needs of any municipality.

# Section 5. Budget Adoption

## SAMPLE

### RESOLUTION FOR THE ADOPTION OF THE MUNICIPAL BUDGET<sup>1</sup>

Resolution No. \_\_\_\_\_

A RESOLUTION PROVIDING FOR THE ADOPTION OF A BUDGET FOR THE CITY (OR TOWN) OF \_\_\_\_\_, ARKANSAS, FOR THE TWELVE (12) MONTHS BEGINNING JANUARY 1, 20\_\_ AND ENDING DECEMBER 31, 20\_\_, APPROPRIATING MONEY FOR EACH ITEM OF EXPENDITURE THEREIN PROVIDED FOR;<sup>2</sup> AND FOR OTHER PURPOSES.

WHEREAS, the City (or Town) Council has made a comprehensive study and review of the proposed budget submitted by the mayor, and;

WHEREAS, it is the finding and conclusion of the City (or Town) Council that the schedules and exhibits of anticipated revenues and expenditures for the calendar year appear to be as accurate as possible for budgetary purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF \_\_\_\_\_, ARKANSAS:

Section 1. This resolution shall be known as the budget resolution for the City (or Town) of \_\_\_\_\_, Arkansas, for the twelve (12) month period beginning January 1, 20\_\_ and ending December 31, 20\_\_.

Section 2. The budget for the period described in Section 1 of this Resolution shall be:

[Insert Budget figures here]

Section 3. The respective funds for each item of expenditure proposed in the budget for 20\_\_ are hereby approved and adopted for the operation of the City (or Town) of \_\_\_\_\_, Arkansas, by the City (or Town) Council on this date and constitute an appropriation of funds which are lawfully applicable to the items contained within the budget. This budget may be altered or revised by action of this governing body and unpledged funds may be subsequently appropriated to another purpose except as prohibited by law. A.C.A. § 14-58-203(a).<sup>3</sup>

Section 4. The Mayor or his duly-authorized representative may approve for payment, out of funds appropriated by this budget or otherwise approved by the city council for those purposes, or may disapprove any bills, debts, or liabilities asserted as claims against the City (or Town).<sup>4</sup> Provided, however, that the execution of all contracts and conveyances and lease contracts shall be performed by the mayor and city clerk or recorder, when authorized by a resolution in writing and approved by a majority vote of the city council present and participating.<sup>5</sup>

Section 5. If any provision of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

**DATED:** \_\_\_\_\_ **APPROVED:** \_\_\_\_\_  
Mayor

**ATTEST:** \_\_\_\_\_  
Recorder or City Clerk

<sup>1</sup> NOTE: If this resolution is used as presented it must include the budget document.

<sup>2</sup> Because the Arkansas Municipal League (“AML”) cannot anticipate when every city (or town) will pass its budget, as an option the following emergency clause is included in this footnote. This Language should be added to the resolution if an emergency is to be declared:

A. After footnote 2 add: DECLARING AN EMERGENCY

B. After Section 4 add: Section 5. WHEREAS, the efficient operation of municipal government requires that a budget be planned and adopted by the governing body, and that without a budget the city (or town) may not pay its bills, debts or liabilities; now, therefore, an emergency is hereby declared to exist and this resolution being necessary for the preservation of the public peace, health and safety shall take effect and be in force from and after its passage and approval.

<sup>3</sup> All of the statutes cited may be found in the *Handbook for Arkansas Municipal Officials*.

<sup>4</sup> Under A.C.A. § 14-58-305, the following language is mandatory for cities of the first class and must be added to this. First class cities add the following: “up to a maximum amount allowed by Arkansas law and the payment or disapproval of any bills, debts or liabilities exceeding that amount shall require the confirmation of this governing body.” For cities of the first class only, all purchases in excess of Twenty- Thousand Dollars (\$20,000.00) must be made via competitive bidding, see A.C.A. § 14-58-303. All cities and towns must bid on public improvements as defined in A.C.A. § 22-9-203 when all estimated costs of the work exceed Thirty-Five Thousand Dollars (\$35,000.00).

<sup>5</sup> See Ark. Code Ann. § 14-54-302(c).



# FINAL RESOLUTION FOR THE REVISION OF THE MUNICIPAL BUDGET

Resolution No. \_\_\_\_\_

A RESOLUTION PROVIDING FOR THE REVISION OF THE BUDGET FOR THE CITY (OR TOWN) OF \_\_\_\_\_, ARKANSAS, FOR THE PREVIOUS BUDGET BEGINNING JANUARY 1, 20\_\_ AND ENDING DECEMBER 31, 20\_\_.

WHEREAS, the City (or Town) Council passed a lawful budget on \_\_\_\_\_, and;

WHEREAS, the City needs to adjust the budget and close it, and;

WHEREAS, the City must approve the adjustment and closing of the budget for the City for the year 20\_\_.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF \_\_\_\_\_, ARKANSAS:

Section 1. This resolution shall be known as the final budget resolution for the City (or Town) of \_\_\_\_\_, Arkansas, for the twelve (12) month period beginning January 1, 20\_\_ and ending December 31, 20\_\_.

Section 2. The final budget described in Section 1 shall be as follows:

[INSERT AMENDED BUDGET HERE]

Section 3. If any provision of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

DATED: \_\_\_\_\_ APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Recorder or City Clerk







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