



CITY OF
MANDAN

WHERE THE WEST BEGINS

**BUDGET
POLICIES & PROCEDURES**

Table of Contents

Definitions	4
Municipal Budget Law	4
Home Rule Charter	4
Government Finance Officers Association “Best Practices”	4
Budget and Finance Committee	4
Fiscal Year	5
Budget Calendar	5
Budget Working Session	7
Budget Instructions and Worksheets	8
Preliminary Budget	9
General Fund	11
Cemetery Fund	13
City Sales Tax Fund	13
Mandan Growth Fund	14
Refunding Improvement Bonds Fund	14
City Visitors’ Promotion/Capital Construction Fund	14
Water and Sewer Utility Fund	15
Solid Waste Utility Fund	16
Street Light Utility Fund	17
City Shop Fund	17
Taxable Valuation, Mill Levy and Property Taxes	17
Special Assessments	18

Salaries and Benefits	19
Capital Outlay	20
Infrastructure Projects	20
Debt Service	21
Annual Cost for City Services	22
Final Budget	22
Budget to Actual Expenditure Reports	23
Budget Amendments	23
Year-end Expenditure Budget Transfers	23

Definitions

- North Dakota Century Code (NDCC)
- Mandan Code of Ordinances (MCO)
- Government Finance Officers Association (GFOA)

Municipal Budget Law (NDCC 40-40)

The Budget and Finance Committee will prepare the budget according to the Municipal Budget Law.

Home Rule Charter (Article 3b)

The Board of City Commissioners shall have the power to control its finances and fiscal affairs; to appropriate money for its purposes, and make payment of its debts and expenses; to levy and collect taxes, excises, fees, charges, and special assessments for benefits conferred, for its public and proprietary functions, activities, operations, undertakings, and improvements; to contract debts, borrow money, issue bonds, warrants, and other evidences of indebtedness; to establish charges for any city or other services, and to establish debt and mill levy limitations, provided that all real and personal property in order to be subject to the assessment provisions of this subsection shall be assessed in a uniform manner as prescribed by the state board of equalization and the state supervisor of assessments, in addition, the mill levies ordered imposed by the Board on property subject to taxation shall not exceed in total the sum of levies authorized by state statutes, constitution or by the city electorate by a previous election. The Board shall be permitted to promulgate the city budget without regard to specific dedications of mill levies to specific purposes.

Government Finance Officers Association “Best Practices”

The GFOA “Best Practices” identify specific policies and procedures that contribute to improved government management. They aim to promote and facilitate positive change or recognize excellence rather than merely to codify current accepted practice. The GFOA has emphasized that these “Best Practices” be proactive steps that a government should be taking. They are applicable to all governments (both large and small). The “Best Practices” are approved by the GFOA executive board and represent the official position of the organization.

The Budget and Finance Committee shall consider the GFOA “Best Practices” when preparing the budget.

Budget and Finance Committee

The Budget and Finance Committee shall consist of the following members:

- Mayor or City Commissioner (Finance Portfolio)
- City Administrator
- Finance Director
- Assistant Finance Director

Fiscal Year (NDCC 40-40-03)

The fiscal year for the budget shall begin on the first day of January and end on the last day of December.

Budget Calendar

The budget calendar shall include the following timeline and objectives:

- March (first week)
 - The Finance department provides the budget request forms (personnel, capital outlay, and construction/maintenance projects) to the department managers.
- March (last week)
 - The budget request forms (personnel, capital outlay, and construction/maintenance projects) are due from the department managers to the Finance department.
- April (mid-month)
 - The department managers present the budget requests (personnel, capital outlay, and construction/maintenance projects) to the City Administrator and management team.
- April (last week)
 - The Board of City Commissioners conduct a budget working session with the department managers.
- May (first week)
 - The Finance department provides the budget instructions and worksheets (operations and maintenance) to the department managers.
- May (last week)
 - The budget worksheets (operations and maintenance) are due from the department managers to the Finance department.
- June/July
 - The Budget and Finance Committee conducts internal budget hearings with the department managers and portfolio commissioners.
- July
 - The Budget and Finance Committee reviews and recommends the preliminary budget to the Board of City Commissioners.

- August (first Tuesday)
 - The Board of City Commissioners approve the introduction and first consideration, and call for a public hearing of the Ordinance adopting the preliminary budget.
 - The governing body of each municipality, annually on or before August tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. (NDCC 40-40-04)

- August (on or before August 10)
 - The Finance department provides a copy of the preliminary budget and notice of the public budget hearing date to the Morton County Auditor.
 - On or before August tenth of each year, after the governing body has prepared the preliminary budget statement, the auditor of the municipality shall: a) provide the county auditor with a copy of the preliminary budget statement; b) set a public budget hearing date no earlier than September seventh and no later than October seventh for the purpose of adopting the final budget and making the annual tax levy; c) provide notice of the public budget hearing date to the county auditor. (NDCC 40-40-06)

- September (third Tuesday)
 - The Board of City Commissioners conduct a public budget hearing. The Board approves the second and final consideration of the Ordinance adopting the final budget and annual tax levy. The Board also approves the Resolution(s) establishing the rates and charges for services.
 - The governing body shall meet at the time and place set pursuant to NDCC 40-40-06 and shall hear any and all protests or objections to the items or amounts set forth in the preliminary budget statement. At the hearing, the governing body shall make any changes in the items or amounts shown on the preliminary budget statement as it may deem advisable except as limited in this chapter, and shall prepare the final budget,... The final appropriation of any fund total may not exceed the total amount requested in the preliminary budget. (NDCC 40-40-08)

- September (no later than October 10)
 - The Finance department submits a certified copy of the levy and a certified copy of the final budget to the Morton County Auditor.
 - Immediately after the completion of the final budget and the adoption of the annual tax levy by the governing body of a municipality in accordance with the provisions of this chapter, and in no case later than October tenth, the auditor of the municipality shall send to the county auditor a certified copy of the levy as adopted and a certified copy of the final budget. (NDCC 40-40-10)

- The Finance department submits a statement of fund activity for the prior fiscal year to the Morton County Auditor.
 - The governing body of any county, city, township, school district, park district, recreation service district, rural fire protection district, rural ambulance service district, soil conservation district, conservancy district, water authority, or any other taxing entity authorized to levy property taxes or have property taxes levied on its behalf, in the year for which the levy will apply, must file with the county auditor of each county in which the taxing entity is located, at a time and in a format prescribed by the county auditor, a financial report for the preceding calendar year showing the ending balances of each fund or account held by the taxing entity during that year. (NDCC 57-15-30.2)

Budget Working Session

The budget working session shall consist of the following procedures:

- The Finance department provides the budget request forms (personnel, capital outlay, and construction/maintenance projects) for the next three fiscal years to the department managers during the first week in March.
- The budget request forms (personnel, capital outlay, and construction/maintenance projects) for the next three fiscal years are due from the department managers to the Finance department no later than the last week in March.
- The department managers present the budget requests (personnel, capital outlay, and construction/maintenance projects) for the next three fiscal years to the City Administrator and management team during the middle of April.
- The Finance department provides the following supplemental information for the budget working session:
 - Budget Calendar
 - Historical Trend Analysis
 - Debt Outstanding
 - Budget Outlook
 - Salaries and Benefits
 - Operations and Maintenance Expenditures
 - Taxable Valuation, Mill Levy and Property Taxes
 - Utility Bill
 - Department Requests (for the next three fiscal years)
 - Personnel
 - Capital Outlay
 - Construction/Maintenance Projects

- The Board of City Commissioners conduct a budget working session with the department managers during the last week in April.
 - The department managers present the budget requests (personnel, capital outlay, and construction/maintenance projects) for next the three fiscal years to the City Commissioners.

Budget Instructions and Worksheets

The Finance department shall provide the following budget instructions and worksheets to the department managers during the first week in May:

- Budget Calendar
- Operations and Maintenance (O&M) Expenditure Budget Worksheets
 - The department managers enter the amounts for the O&M expenditures, excluding salaries and benefits, capital outlay and debt payments.
 - The Finance department allocates a base-spending cap for the O&M section of each department budget. The increase in the O&M expenditures is based on the BLS Consumer Price Index-U (CPI-U) Midwest region and the total increase in the department O&M expenditures for the past two fiscal years (prior year actual versus following year budget) cannot exceed the CPI-U for the prior two fiscal years.
 - The Finance department enters the amounts for the following O&M expenditures:
 - Insurance
 - Utilities
 - Fuel
 - Garbage Collection/Disposal Fees
 - Recycling Fees
 - If a department manager is unable to budget within the O&M base-spending cap, a written explanation is required from the department manager to the Budget and Finance Committee to justify the need for the additional appropriations.
- Disbursement Element Listing
- Fees and Charges for Services
 - The department managers compare the department fees and charges for services to the City of Bismarck and other cities, and make recommendations to the Board of City Commissioners for rate adjustments.
- Budget Checklist
 - The department managers complete and sign the budget checklist before submitting the budget worksheets to the Finance department.

The budget worksheets are due from the department managers to the Finance department no later than the last week in May.

Preliminary Budget (NDCC 40-40-05)

The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports.

- The Finance department shall consider the following funds as major funds:
 - General Fund
 - Cemetery Fund
 - City Sales Tax Fund
 - Mandan Growth Fund
 - Refunding Improvement Bonds Fund
 - City Visitors' Promotion/Capital Construction Fund
 - Water and Sewer Utility Fund
 - Solid Waste Utility Fund
 - Street Light Utility Fund
 - City Shop Fund

- The budget shall consist of the following revenues:
 - Taxes
 - Licenses and Permits
 - Intergovernmental
 - Charges for Services
 - Fines and Forfeits
 - Special Assessments
 - Miscellaneous

- The budget shall consist of the following expenditures:
 - Salaries and Benefits
 - Operations and Maintenance
 - Professional Fees and Services
 - Insurance
 - Rentals
 - Travel and Training
 - Utilities
 - Publishing and Printing
 - Dues and Memberships
 - Supplies
 - Repairs
 - City Share of Special Assessments
 - Miscellaneous
 - Subsidies

- Debt Service
- Capital Outlay
- The Finance department shall review the budget for the current fiscal year and revise the estimates for revenues, expenditures, and transfers as of June 30.
- The beginning fund balance for the current fiscal year, for each fund, shall be computed as follows:

- Cash and Investments
- + Accounts Receivable (net)
- + Taxes Receivable
- + Special Assessments Receivable
- – Salaries and Benefits Payable
- – Accounts Payable
- – Retainage Payable
- – Deferred Revenue
- = Beginning Fund Balance (current fiscal year)

- The estimated ending fund balance for the current and following fiscal year, for each fund, shall be computed as follows:

- Beginning Fund Balance (current fiscal year)
- + Revised Revenues (current fiscal year)
- + Revised Transfers in (current fiscal year)
- – Revised Expenditures (current fiscal year)
- – Revised Transfers out (current fiscal year)
- = Estimated Ending Fund Balance (current fiscal year)
- + Estimated Revenues (following fiscal year)
- + Estimated Transfers in (following fiscal year)
- – Estimated Expenditures (following fiscal year)
- – Estimated Transfers out (following fiscal year)
- = Estimated Ending Fund Balance (following fiscal year)

The amount paid for salaries may be shown as a single line item expenditure in each fund. There must be on file with the governing body and open to public inspection a detailed statement showing the names of all persons receiving salaries, the annual amount paid to each person, and the fund charged.

While preparing the budget, municipal officials may include an expenditure item for equipment replacement, the amount of which may not exceed the total of the anticipated reasonable costs of depreciation for the ensuing year, based on current costs, of all equipment owned by the municipality. The expenditure for equipment replacement must be placed in a separate special revenue fund. No expenditure may be paid from the equipment replacement fund except for equipment purchases to replace equipment that is worn out, damaged, or obsolete. The term "equipment" does not include structures or building fixtures.

While preparing the budget, municipal officials may include an expenditure item for a building reserve fund, the amount of which may not exceed the total of the anticipated reasonable costs of depreciation for the ensuing year, based on the original costs of all buildings and structures owned by the city. The expenditure for building reserve must be placed in a separate capital projects fund. No expenditures may be paid from the building reserve fund except for the purchase, construction, or remodeling of buildings or structures that are obsolete, substandard, or generally unfit for public use.

General Fund

The General Fund is the principal operating fund of the City. The purpose of the General Fund is to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as general government, public safety, and public works.

The budget shall consist of the following departments:

- General Government
 - Commission
 - Municipal Court
 - Auditor (non-departmental)
 - Finance
 - Attorney
 - Assessing
 - Human Resources
 - Administration
 - Planning and Zoning
 - Engineering
 - Memorial Building Maintenance
 - Information Technology
- Public Safety
 - Police
 - Fire
 - Building Inspection
 - Health Inspection
- Public Works
 - Street
 - Forestry
 - Grounds Maintenance

The Finance department shall monitor the following demographics and revenue trends:

- Property Taxes
- Building Permits/Permit Value

- State Aid Distribution
 - The City shall include in the budget a distribution of state aid to the following entities:
 - Mandan Park District = 30% of state aid collections
 - Mandan Airport Authority = \$5,600
 - Morton Mandan Public Library = \$10,650
 - A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution. (NDCC 57-39.2-26.1)
- Highway Tax Distribution
 - Transferred from the Highway Distribution Fund.
 - Street department.
 - The moneys allocated to the incorporated cities must be distributed to them monthly by the state treasurer and must be deposited by the cities in a separate fund and may only be used in accordance with section 11 of article X of the Constitution of North Dakota and an incorporated city may use the fund for the construction, reconstruction, repair, and maintenance of public highways within or outside the city pursuant to an agreement entered into between the city and any other political subdivision as authorized by NDCC 54-40-08. (NDCC 54-27-19(5))
- 1% City Sales Taxes
 - 50% transferred from the 1% City Sales Tax Fund. (MCO 22-2-7)
- Fire Insurance Taxes
 - Transferred from the Fire Equipment Reserve Fund.
 - Fire department employee pension (City) contribution.
 - In a city having a paid fire department, the money must be placed in a fund to be disbursed by the governing body of the municipality in maintaining the fire department. If the municipality has a duly organized and incorporated firefighters relief association, the money must be disbursed in accordance with NDCC 18-05-04. (NDCC 18-04-07(1))
 - The amount received by the treasurer of a firefighters relief association from the state may be disbursed for pensions to and the relief of sick, injured, and disabled members of any fire department in the municipality, rural fire department, or the rural fire protection district and the members' surviving spouses and children. (NDCC18-05-05(2))

The operating expenditures shall not exceed the operating revenues for the budget unless approved by the Board of City Commissioners. The non-operating expenditures (non-operating transfers, debt service and capital outlay) shall only be paid from the non-operating revenues and/or the unreserved fund balance.

The minimum fund balance operating reserve for the budget shall be as follows:
(GFOA "Best Practices")

- 17% of expenditures, excluding debt service and capital outlay.
 - Not to exceed 75% of the appropriation. (NDCC 57-15-27)

Cemetery Fund

The purpose of the Cemetery Fund is to account for a specific annual property tax levy, charges for services, sale of lots, and donations to be used for the payment of all improvement, care and maintenance of the Mandan Union Cemetery. (MCO 103-2-6)

The Finance department shall monitor the following demographics:

- Grave Opening & Closing
- Grave Rights

The operating expenditures shall not exceed the operating revenues for the budget unless approved by the Board of City Commissioners. The non-operating expenditures (debt service and capital outlay) shall only be paid from the non-operating revenues and/or the unreserved fund balance.

The minimum fund balance operating reserve for the budget shall be as follows:
(GFOA "Best Practices")

- 17% of expenditures, excluding debt service and capital outlay.
 - Not to exceed 75% of the appropriation. (NDCC 57-15-27)

City Sales Tax Fund

The purposes of the City Sales Tax Fund are: 1) to account for the 1% City sales tax for reducing property taxes and municipal debt, street, water and sewer system improvements, and for job and economic development (MCO 22-2-7), and 2) to account for the 0.75% City sales tax for the Park Facilities Sales Tax Revenue Bonds.

The Finance department shall monitor the following revenue trends:

- Taxable Sales and Purchases
- 1% City Sales Taxes
- 0.75% City Sales Taxes

The 1% City Sales Tax Fund shall dedicate the 1% tax proceeds in the budget as follows:

- 50% of the sales tax revenue to be transferred to the General Fund for property tax reduction.
- The Budget and Finance Committee may transfer sales tax revenue to the General Fund for revenue stabilization.
- \$300,000 of the sales tax revenue to be transferred to the Mandan Growth Fund for business and economic development.
- \$50,000 to \$75,000 of the sales tax revenue to be transferred to the Street Light Utility Fund for the LED lights replacement project.
- \$20,000 of the sales tax revenue to be expended to the Mandan Progress Organization Funding Committee.

- \$100,000 of the sales tax revenue to be expended to the Bismarck-Mandan Chamber EDC.
- \$75,000 of the sales tax revenue to be expended to the Mandan Progress Organization.

The 1% City Sales Tax Fund shall maintain a \$500,000 cash reserve.

The Escrow Agreement with the Bank of North Dakota requires the City to deposit the 0.75% City sales tax received from the North Dakota State Tax Department to the Escrow Fund monthly for the purpose of paying debt service principal and interest payments on the Park Facilities Sales Tax Revenue Bonds.

Mandan Growth Fund

The purpose of the Mandan Growth Fund is to account for the activities of the business development and communications department, and the City's job and economic development financial assistance and incentives provided to businesses that desire to expand or locate in the Mandan area.

The Mandan Growth Fund shall receive \$300,000 from the 1% City Sales Tax Fund for budget purposes.

- Any unexpended or uncommitted funds at the end of the current fiscal year shall be carried forward to the following fiscal year.

The Mandan Growth Fund Committee shall recommend funding for economic development projects to the Board of City Commissioners.

Refunding Improvement Bonds Fund

The purpose of the Refunding Improvement Bonds Fund is to account for, by district, the financing of the City's special assessment bonds for the construction of infrastructure improvements such as for sidewalk, curb and gutter, street, and water and sewer utility projects.

The Finance department shall monitor the special assessment collections and cash balances by district.

City Visitors' Promotion/Capital Construction Fund

The purposes of the City Visitors' Promotion/Capital Construction Fund are: 1) to account for the 2% City occupancy tax to promote, encourage, and attract visitors to come to the City and use the travel and tourism facilities within the City and its extraterritorial jurisdiction, and 2) to account for the 1% City restaurant and lodging tax for the purchase, equipping, improving, construction, maintenance, repair and acquisition of buildings or property consistent with visitor attraction or promotion. (MCO 22-1-3)

The Finance department shall monitor the following revenue trends:

- 2% City Occupancy Taxes
- 1% City Restaurant and Lodging Taxes

The City Visitors' Promotion Fund shall dedicate the 2% tax proceeds in the budget as follows:

- 90% of the occupancy tax revenue to be expended to the Bismarck-Mandan Convention and Visitors Bureau.

The Visitors' Committee shall recommend funding for projects from the City Visitors' Promotion Capital Construction Fund (1% tax) to the Board of City Commissioners. (MCO 22-1-4)

The minimum fund balance operating reserve for the budget shall be as follows: (GFOA "Best Practices")

- 17% of 1% City restaurant and lodging taxes.

Water and Sewer Utility Fund

The purpose of the Water and Sewer Utility Fund is to account for the activities of the City's water, sanitary sewer, and storm water operations. (MCO 117-3-6)

The budget shall consist of the following departments:

- Water Utility
 - Auditor (non-departmental)
 - Utility Billing
 - Water Treatment
 - Waterline Maintenance
 - Meter Reading
- Sewer Utility
 - Auditor (non-departmental)
 - Utility Billing
 - Wastewater Treatment
 - Sewerline Maintenance
 - Meter Reading

The Finance department shall monitor the following demographics:

- Water Meter Accounts
- Water/Wastewater Gallons

The provision for financing capital improvements in the Water and Sewer Utility Fund is set forth in the MCO 117-3-7.

- The Finance department shall review the net operating revenue and debt service coverage ratio. (MCO 117-3-7(2))

The Budget and Finance Committee may include in the budget a transfer from the Water and Sewer Utility Fund to the General Fund for revenue stabilization.

- When the governing body of the municipality determines that there is a cash surplus in the municipal utilities fund over and above any amount necessary to provide adequately for the operation, maintenance, repair, enlargement, alteration, improvement, and extension of the plant or plants, it may invest the surplus or transfer it or a portion thereof as follows:

The governing body may transfer from the surplus in the fund to the general fund of the municipality or to any other fund of the municipality a total sum of not more than twenty percent of the gross receipts of the municipal utilities for the fiscal year of the municipality during which the transfer or transfers are made. In addition the governing body, upon adoption of a resolution declaring it necessary and upon approval of a majority of the votes cast on the question at a regular city election, may transfer to the general fund of the municipality or to any other fund of the municipality from the surplus in the municipal utilities fund at the end of any fiscal year. The resolution and ballot shall state the specific amount or percentage to be transferred as hereinbefore provided.

(NDCC 40-33-12(2))

The net operating revenue % for the budget shall be at least 25%. The non-operating expenses (non-operating transfers, debt service and capital outlay) shall only be paid from the non-operating revenues and/or the unreserved fund balance.

The minimum fund balance operating reserve for the budget shall be as follows:
(GFOA "Best Practices")

- 25% of expenses, excluding debt service and capital outlay

Solid Waste Utility Fund

The purpose of the Solid Waste Utility Fund is to account for the activities of the City's garbage, recycling, and landfill operations. (MCO 119)

The budget shall consist of the following departments:

- Residential
 - Garbage
 - Recycling
- Landfill

The Finance department shall monitor the following demographics:

- Garbage/Recycling Tons
- Inert Landfill Tons

The operating expenses shall not exceed the operating revenues for the budget unless approved by the Board of City Commissioners. The non-operating expenses (debt service and capital outlay) shall only be paid from the non-operating revenues and/or the unreserved fund balance.

The minimum fund balance operating reserve for the budget shall be as follows:
(GFOA "Best Practices")

- 25% of expenses, excluding debt service and capital outlay

The Solid Waste Utility Fund shall maintain a \$1,000,000 cash reserve for land acquisition and transfer station improvements at the landfill.

Street Light Utility Fund

The purpose of the Street Light Utility Fund is to account for the activities of the City's street lighting system operations. (MCO 115-2-6)

The Finance department shall monitor the following cost trend:

- Electricity

The Street Light Utility Fund shall receive \$50,000 to \$75,000 from the 1% City Sales Tax Fund for the LED lights replacement project.

The operating expenses shall not exceed the operating revenues for the budget unless approved by the Board of City Commissioners. The non-operating expenses (debt service and capital outlay) shall only be paid from the non-operating revenues and/or the unreserved fund balance.

The minimum fund balance operating reserve for the budget shall be as follows:
(GFOA "Best Practices")

- 25% of expenses, excluding debt service and capital outlay

City Shop Fund

The purpose of the City Shop Fund is to account for the purchase of fuel and the repairs and maintenance of the City's fuel dispensing system.

The City Shop Fund shall charge the departments on a cost reimbursement basis.

The Finance department shall monitor the following cost trend:

- Fuel

Taxable Valuation, Mill Levy and Property Taxes

The taxable valuation for the budget shall be determined as follows:

- The City Board of Equalization approves the true and full valuation for the agricultural, residential and commercial property. The Assessing department submits the true and full valuation of property to the Morton County Tax Equalization office.

- The Morton County Board of Equalization approves the true and full valuation for the agricultural, residential and commercial property.
 - The Finance department selects this valuation for budget purposes.
 - The taxable valuation for the residential property excludes the homestead and disabled veteran property tax credit.
- The taxable valuation for the utilities (centrally assessed property) is based on the valuation from the prior fiscal year.
- The taxable valuation for the current fiscal year is computed as follows:

Agricultural
+ Residential
– Homestead Property Tax Credit
– Disabled Veteran Property Tax Credit
+ Commercial
+ Utilities (prior fiscal year)
= Taxable Valuation

The mill levy and property taxes for the budget shall be based on the following guidelines:

- The total City mill levy should not exceed the city mill levy average of the other 11 largest cities in the State of ND for the prior fiscal year.
- The increase in the property taxes should be limited to the increase in the taxable valuation resulting from new construction and expired tax exemptions.
- The Mayor or City Commissioner (Finance Portfolio) may recommend an increase in the City mill levy to the Board of City Commissioners to pay for specific expenditures or certain budget requests from the departments.

Special Assessments

The special assessments shall be based on the following guidelines:

- Removal of Ice and Snow (MCO 16-2-3)
 - Administration fee = 10%
 - Years = 1
 - Interest rate = 0%
- Noxious Weeds and Tall Grasses (MCO 16-5-5)
 - Administration fee = 10%
 - Years = 1
 - Interest rate = 0%

- Alarm Systems (MCO 8-2-4)
 - Administration fee = 10%
 - Years = 1
 - Interest rate = 0%

- Health and Safety (NDCC 40-05-01.1)
 - Service connections (MCO 2-5-1)
 - Lot clearing (MCO 16-3-10)
 - Diseased trees (MCO 16-4-7)
 - Administration fee = 10%
 - Years = 1 to 5
 - Interest rate = 0%

- Sidewalks (MCO 115-7-3)
 - Administration fee = 10%
 - Years = 1 to 10
 - Interest rate = 0%

- Streets (NDCC 40-22)
 - Construction contingency = 10%
 - Administration fee = 25% (NDCC 40-23.1-04)
 - Years
 - Asphalt = 0 to 15, not to exceed 30 (NDCC 40-24)
 - Concrete = 0 to 20, not to exceed 30 (NDCC 40-24)
 - Interest rate = average net annual interest rate of the warrant or bond + 0% to 1.5% (NDCC 40-24-02)

- Water and Sewer (NDCC 40-22)
 - Construction contingency = 10%
 - Administration fee = 25% (NDCC 40-23.1-04)
 - Years = 0 to 15, not to exceed 30 (NDCC 40-24)
 - Interest rate = average net annual interest rate of the warrant or bond + 0% to 1.5% (NDCC 40-24-02)

- Utility Bills (MCO 2-5-3, 117-7-2)
 - Administration fee = 10%
 - Years = 1
 - Interest rate = 0%

Salaries and Benefits

The salaries and benefits for the budget shall be based on the following procedures:

- The Finance department enters the amounts for salaries and benefits for the current employees and authorized positions.

- The cost of living adjustment is based on the increase in the BLS Employment Cost Index for wages and salaries, for state and local government workers, from March of the prior fiscal year to March of the current fiscal year.
 - The cost of living adjustment is effective for first the pay date in January.
 - The salary range table is adjusted by the increase above.
- The Budget and Finance Committee may consider a salary adjustment for employees based on performance as determined by the City Administrator and/or department managers.
 - The hourly rate or annual salary for an employee cannot exceed the maximum amount for the employee's pay grade.
- The department managers are to prepare a long-term plan for new personnel for the next three fiscal years.

Capital Outlay

The capital outlay for the budget shall be based on the following procedures:

- Capital outlay (machinery and equipment) may only consist of items with a cost of \$5,000 and greater.
- The department managers may only purchase capital outlay that was budgeted or authorized and may not expend the remaining capital outlay funds for other purposes unless approved by the Board of City Commissioners.
- Department managers are to prepare a long-term equipment replacement plan for capital outlay for the next three fiscal years.

Infrastructure Projects

The infrastructure projects for the budget shall be based on the following procedures:

- The Engineering and Public Works departments are to prepare a long-term capital improvement plan for infrastructure projects and recommend projects to the Board of City Commissioners.
- Funding for infrastructure projects under \$10 million, based on the following formulas, require the approval by the Board of City Commissioners for each project:
 - NDDOT (90/10)
 - Federal/State = 90%
 - Local = 10%
 - City's Share of Special Assessments Fund = 2.5%
 - 1% City Sales Tax Fund = 2.5%
 - Special Assessment District = 5%
 - Municipal Infrastructure Fund = 0% since the Federal/State share is above 80%.

- NDDOT (80/20)
 - Federal/State = 80%
 - If less than 80% is available, the Municipal Infrastructure Fund will pay for the remaining Federal/State share.
 - Local = 20%
 - City's Share of Special Assessments Fund = 5%
 - 1% City Sales Tax Fund = 5%
 - Special Assessment District = 10%
 - ✓ If a District is not created, the City's Share of Special Assessments Fund and/or the 1% City Sales Tax Fund will pay for the remaining local share.
- Street Maintenance District
 - Local = 100%
 - Municipal Infrastructure Fund = 20%
 - ✓ If less than 20% is available, the City's Share of Special Assessments Fund and/or the 1% City Sales Tax Fund will pay for the remaining 20% share.
 - ✓ "20% guideline" (refer to NDCC 40-24-10).
 - Special Assessments = 80%
- Water and Sewer Maintenance District
 - Local = 100%
 - Water and Sewer Utility Fund = 100%
 - ✓ If less than 100% is available, the Municipal Infrastructure Fund and/or the City's Share of Special Assessments Fund and/or the 1% City Sales Tax Fund and/or special assessments will pay for the remaining balance.
- The provision for financing capital improvements in the Water and Sewer Utility is set forth in MCO 117-3-7.
- The funding formula for infrastructure projects \$10 million or more shall be determined by the Board of City Commissioners for each project.

Debt Service

The debt service for the budget shall be based on the following procedures:

- The bonded indebtedness cannot exceed the limitations set forth in NDCC 21-03.
 - Refer also to "Public Finance in North Dakota" prepared by Arntson Stewart Wegner.
- The Budget and Finance Committee are to review the debt ratios and compare the ratios to the other cities in the State of ND.

Annual Cost for City Services

The annual cost for City services for the budget shall be measured as follows:

Existing Residential Property (approximate average sale price)
Property Taxes (excluding special assessments)
+ Utility Bill (using 8 units of water per month)
= Annual Cost for City Services

The Budget and Finance Committee shall compare the annual cost for City services to the City of Bismarck.

Final Budget (NDCC 40-40-08)

The final budget must consist of the preliminary budget with the addition of columns showing:

1. The final appropriations for the various expenditure items specified in the preliminary budget statement. The final appropriation of any fund total may not exceed the total amount requested in the preliminary budget.
2. The estimated amount of unencumbered cash on hand at the end of the current year may not include cash or investments of the equipment replacement fund as provided in NDCC 40-40-05.
3. The levy amount determined by subtracting the total resources from the total appropriations and cash reserve for each fund. The governing body may increase the levy an additional five percent for delinquent tax collections.
4. The certificate of levy which includes a summary of the amount levied for each fund and the total amount levied.

After completing the final budget on or before October seventh, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting. In determining the amount required to be levied, the governing body first shall ascertain its net current resources by adding the estimated revenue for the ensuing year other than property taxes, any transfers in, and the estimated fund balance at the end of the current year. Then the governing body shall ascertain its appropriation and reserve by adding the final appropriation for the ensuing year, any transfers out, and the cash reserve. The net current resources must be deducted from the appropriation and reserve and the balance shall be considered the amount that is required to be raised by taxation during the ensuing year. The determination of the amount of the levy that can be collected within the ensuing year must be made by the governing body based upon the past experience of the district. The levy as finally adopted must be approved by a majority vote of the members of the governing body and noted in the proceedings of the governing body. The amount levied is subject to the limitations as prescribed by the laws of this state (NDCC 57-15) and is subject to the further limitation that the amount may not exceed the levy requested by the municipality. The levy adopted must appropriate in specific amounts the money necessary to meet the expenses and liabilities of the municipality. (NDCC 40-40-09)

The Finance department shall submit a certified copy of the levy and a certified copy of the final budget to the Morton County Auditor no later than October 10.

- Immediately after the completion of the final budget and the adoption of the annual tax levy by the governing body of a municipality in accordance with the provisions of this chapter, and in no case later than October tenth, the auditor of the municipality shall send to the county auditor a certified copy of the levy as adopted and a certified copy of the final budget. (NDCC 40-40-10)

Budget to Actual Expenditure Reports

The Finance department shall submit budget to actual expenditure reports to the department managers each month and the department managers shall review the reports to monitor spending and budget balances.

Budget Amendments (NDCC 57-15-31.1)

No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

The budget amendments shall consist of the following procedures:

- Department managers requesting an increase in appropriations requires a budget amendment to be approved by the Board of City Commissioners.
- Department managers requesting a transfer of appropriations within the department requires a budget amendment to be approved by the Finance department.
- Department managers requesting funding from the contingency budget line item requires approval from the Budget and Finance Committee.

Year-end Expenditure Budget Transfers (NDCC 40-40-21)

At the end of the fiscal year, the balance to the credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, except that the unused balance to the credit of the equipment replacement fund provided for in NDCC 40-40-05 does not become a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years.

The transfer of year-end expenditure budget balances from the current fiscal year to the following fiscal year may be allowed for specific department operations or commitments not completed for the current fiscal year and the transfer must be approved by the Board of City Commissioners no later than March of the following fiscal year.

Note: The Budget Policies and Procedures provide direction and guidance to the budget development process. The Budget and Finance Committee reserves the right to use discretion in implementing these Policies and Procedures if funding constraints result.