

# [Judicious capital budgeting](https://assignbuster.com/judicious-capital-budgeting/)

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Brief Introduction

The framework for a judicious capital budgeting of a local government unit responds to the specific needs of people in a community. It also manifests the vital role of the Mayor, or the local chief executive, who executes sound policies and fosters strong partnerships with thee Council Members, members of the local legislative body. Thus, good governance emanates from the synergy of a local government unit that focuses on fiscal and public management.

The conscious effort for judicious capital budgeting is said to have an efficient work and financial plan. Qualitative and objective budgeting policies shall make effective the efficient performance of a local government unit responding to varied needs of local governance in a community.

This paper will discuss and examine the formulation and framework of budget policies which are key executor guidelines to the devolution of power in local governments. The monographs from the local governments of Peachtree City in Georgia, Village of Hanover Park in Illinois and Mecklenburg County of North Carolina will be used as literature review in budgeting policies.

What is budget policy?

In layman’s term, ‘ budget policy’ is an implementing guideline that shall regulate and control the utilization of government resources. The technical term “ to enact fiscal management of the State” refers to the same purpose of budgetary controlling. Thus, to cite the purpose of budget policy is to allocate the resources in the aspect of spending in accordance to prioritization, transparentaccountabilityand orderliness (US Office of Management and Budget, 2008).

The City of Peachtree, Georgia

Inclusion of funds in the operating budget

As cited from the document, ‘ Annual Budget for Fiscal Year Ending September 30 th 2008 of Peachtree City of Georgia ’, the local government has enacted the budget policies as  basis for the City’s routine financial practices associated with preparation, adoption, and the execution of operating capital budgets in which  the primary objective is to provide a standard of budgetary performance which both staff and council have endorsed and to provide budgetary decision making with greater continuity, reinforcing the City’s core financial values and preserving them for successive staff and Council (McMullen, B. J., Salvatore, P. J. and Camburn, J. I., 2007).

Further to cite, the operating and capital budget policies have included [under “ Policy 1 ”] the scope of budget, such as (1) General Fund, (2) Special Revenue Funds, (3) Capital Projects Funds, and (4) Debt Service Funds. Moreover, the Public Improvement Program (PIP) budget has been organized parallel with the annual operating budget and funding of PIP projects (together with on-going operating expenses), an integral part of the operating budget, which is covered under “ Policy 2 ”.

The baseline funding level: how is it used in the budget process?

According to the Peachtree Annual Budget of FY 2008 , the “ Policy 3 ” states that: baseline and service level funding refers to a condition or situation wherein the City’s top program priority is in the maintenance of existing service levels in all divisions and departments in the absence of a fiscal crisis. The procedures on the budget should consist of the computation of “ baseline funding levels” for all section of the local government unit; representing the present manpower and cost of supplies. The “ baseline funding level” shall be the “ terms of reference” in providing additional manpower or facilities in effect of agreements to budget allocation or appropriation.

Entities for annual budget preparation and submission

To cite, the responsible entity in the budget preparation and submittal is stipulated under “ Policy 9 ” by virtue and in compliance with the Peachtree City Ordinance that refers to the City Manager being responsible for the preparation and submission of the City’s annual budget. Moreover, based on the provision, the City’s Manager shall have the authority to standardize budget documentation, such as (1) to prepare the budget calendar, (2) review departmental budget requests for accuracy and conformity to budget guidelines, and (3) also review all revenue forecasts prepared during the budget process.  In view of the function of the City’s Manager, the Financial Services Division shall assist in the preparation and drafting of the budget proposal.

The Village of Hanover Park in Illinois

Established in 1958, the Village of Hanover Park is under a “ Manager Form of Government” with presently populated communities situated at the North-Western tip of Chicago business district.

Percentage of budget requirement to the General Fund

Generally, the Village of Hanover Park’s financial policies has been created to enable a sustainable financial security. The primary objectives embark on financial policies that will support the management’s budgetary resolution essential to uphold or maintain the Village’s financial capacity.  Thus, to cite, the “ Exhibit B ” of the Financial Policy stipulates that the General Fund ( unreserved fund balance ) should be sustained at a “ minimum of 25% “ of the General Fund total budgeted annual spending to provide financing for unexpected spending and revenue deficit.

Conditions required for amending the Village’s budget

The conditions for amending the Village budget may be cited from the provisions of the “ Village of Hanover Park Municipal Code section 24-6 ”, which states that: “ the budget may be amended after its adoption by virtue of the authority vested upon the Village Manager to revise the budget within any separate fund as may be required by a vote of 2/3 of the incumbent membership who has likewise vested with the authority to amend the budget by transferring monies from one fund to another or adding to any fund, however, no revision of the annual budget shall be made increasing the budget in the event monies are not available” (Exhibit D: Budget Process, p. 32; in Hanover Annual Budget, 2008).

The Mecklenburg County of North Carolina

The ‘ Mecklenburg County of North Carolina’s Fiscal Year 2008-2010 Strategic Business Plan and Adopted Budget for Fiscal Year 2007-2008 ’ focuses on the characteristics and values of people and partnership in the community.  In effect, it envisions to achieving the “ short-term” and “ long-term” objectives wherein the strategic business plan has been aligned in the corporate-community partnership.

Procedures in reviewing and selecting capital projects

Based on Mecklenburg County’s financial management policies, the budget is being earmarked for “ capital projects” consistent by virtue of ordinances of the Local Government Budget and Fiscal Control Act (NCGS159-13. 2). To cite, the procedures in reviewing and selecting capital projects would be, such as: (1) participation in joint capital planning process to ensure that coordinated planning and exploration of joint use of sites and facilities will occur, (2) Any capital project financed through the issuance of bonds will be financed for a period not to exceed the expected life of the project, (3) pursue a process for building linkages between the City and County capital programs to ensure that both governing boards have a perspective on communitywide needs and priorities and the community’s overall financial capacity, (4) All capital projects will be reviewed by the Citizen’s Capital Budget Advisory Committee to prioritize projects within the total dollar amount the community can afford.

Policy on the lapse of budget authority for year-end encumbrance

The adoption of a “ budgetary control” is being envisioned and outlined in the financial management systems, specifically on capital project outlays.  The designing of such budgetary control will provide monitoring in expense which meant to regulate the spending of the budget appropriations of the Board of County Commissioners.

To cite, a project duration or time-frame in the financial plan shall be adopted for the capital projects outlay that form part of the leveling of budgetary control in which expenditures minimizes to go the appropriated amount as earmarked from the General Fund. On the other hand, an “ encumbrance recording system ” shall also be established as a method or technique in achieving budgetary control. Moreover, to cite, encumbered amounts lapse, at year-end in the General Fund but not in the “ Capital Projects Fund ” and “ Special Revenue Funds ”.

Conclusion

It appears that the budget policies herein discussed are consistent with the safety net procedures of capital budgeting. The local governments have realized the decentralized function of fiscal and public management in a way that the resources judiciously focus on the divestment and sustainable cycle processes of spending.

From the review and discussion of the literatures, the sensibility in capital budgeting is characterized by a strongleadershipin community which essentially reflects the political will in community governance; that the politico-persona of the local chief executive has transformed into the role of an area manager.

It may also be perceived that the characteristic of the local executives [depicted in this paper] could be an encouraging factor for other local government units to supplant their function as area manager from the politicalpersonality. What has been reflective of a dynamic and consistent budget policy depicts the essence of good governance wherein the devolution of power in the local government may achieve sustainable democracies.

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