

# Turning costs and revenues into a budget



# Budgeting: Little bit **art**, little bit **science**



# What is a Budget?

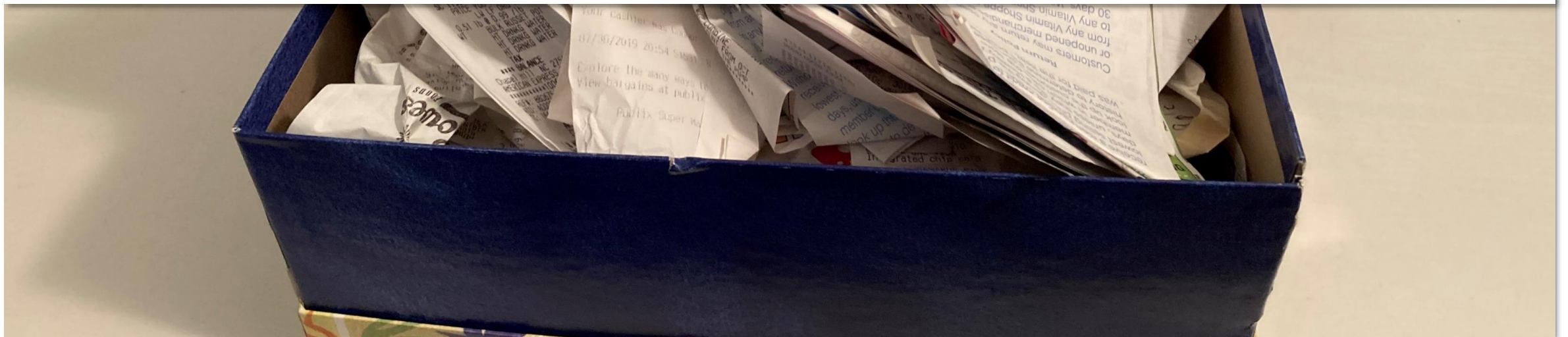
- Permission to spend money
- A best guess

**NOT ALL BUDGETS ARE  
CREATED EQUAL!**

This is a “Budget” ...



We Can Do **Better!**



# Budget Best Practices

- Annual budget every fiscal year



# Budget Best Practices

- Annual budget every **fiscal year**

“fiscal year”—a 12-month period for accounting purposes that typically starts on July 1



# Budget Best Practices

- Separate out water & wastewater (enterprise funds) **from general functions** of government

# Budget Best Practices

- Separate out your utility services for both revenues and expenses:
  - Water
  - Wastewater





# Separating Out Expenses

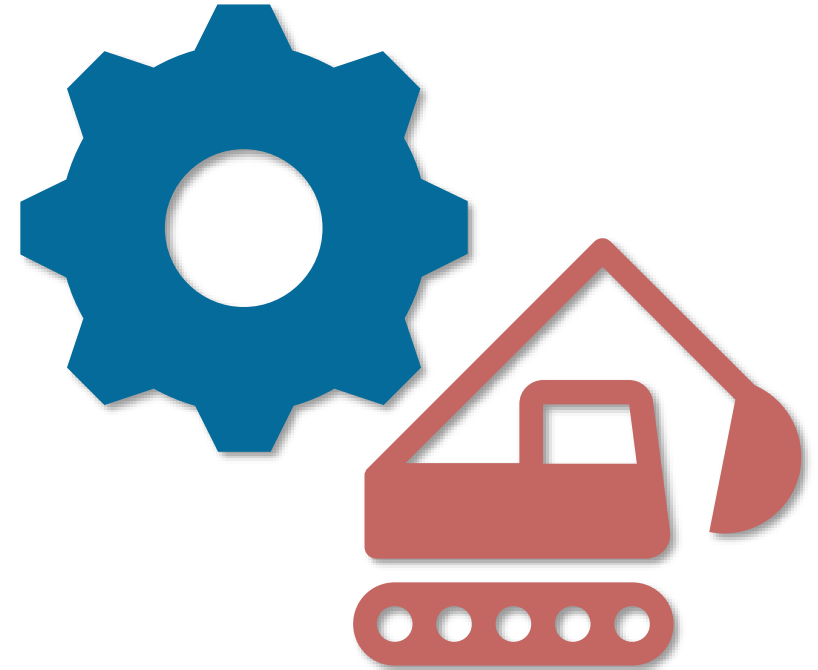
- Some expenses are clearly entirely for drinking water or entirely for wastewater
- Some expenses need to be split between drinking water, wastewater and possibly other utilities
- Some expenses need to be split between the utility and general activities/general government

# Why is This Separation Important?

- Rate setting
- Applying for infrastructure funding

# Budget Best Practices

- Separate out your **day-to-day operating expenses** from your **capital expenses**



# Budget Best Practices

- Call the line items something that makes sense to you **and to others**
- Be **consistent!**

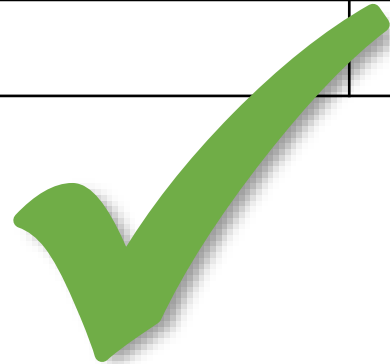
# How Specific Should We Be?

- It depends on the type of expense

# Consider Options A and B

A

|                 |          |
|-----------------|----------|
| Office Supplies | \$142.00 |
|                 |          |
|                 |          |
|                 |          |
|                 |          |



B

|             |         |
|-------------|---------|
| Pens        | \$33.00 |
| Notebooks   | \$82.00 |
| Paper Clips | \$ 6.00 |
| Pencils     | \$13.00 |
| Staples     | \$ 8.00 |

# Consider Options A and B

A

|             |             |
|-------------|-------------|
| Maintenance | \$16,000.00 |
|             |             |
|             |             |
|             |             |
|             |             |

B

|                 |            |
|-----------------|------------|
| Maint–Equipment | \$3,500.00 |
| Maint–Building  | \$1,000.00 |
| Maint–Lines     | \$8,000.00 |
| Maint–Wells     | \$3,000.00 |
| Maint–Vehicles  | \$500.00   |



# Budget Best Practices

- Be specific enough that you can use past revenues and expenses to **predict future revenues and expenses** with some degree of accuracy
- Separate lines if the items within a single line-item change dollar amounts at different rates



# Budget Best Practice Checklist

|   | Yes | No |
|---|-----|----|
| Is the budget for one year only?                        |     |    |
| Are water & wastewater separated from the general fund? |     |    |
| Are water & wastewater revenues separated out?          |     |    |
| Are water & wastewater expenses separated out?          |     |    |
| Are operations and capital projects separated out?      |     |    |
| Are budget line items clear and consistent?             |     |    |
| Is a sufficient level of detail provided in the budget? |     |    |

# Thank You!



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