


Spring 2022 T.M. Budget Workshop 1

# FORECASTING MUNICIPAL REVENUE

---

William Michael Rodgers, CPA  
 Director of Finance  
 City of Belton, Texas



1

---

---

---

---

---

---


---

---

Spring 2022 T.M. Budget Workshop 2

## Never Forecast in a Vacuum

- Review your general ledger for trends
- Consider your current fiscal and physical environment
- Speak to others about facts AND rumors



2

---

---

---

---

---

---

---

---

Spring 2022 T.M. Budget Workshop 3

## Major Sources of Municipal Revenue

- Property tax
- Sales tax
- Mixed beverage tax
- Franchise / access tax
- Hotel occupancy tax
- Permit / license fees
- Court fines and fees
- Charges for service
- Grants
- Transfers in
- Use of Reserves

3

---

---

---

---

---

---

---

---

Spring 2022 TML Budget Workshop 4

### Property Tax Revenue

- Reliable and relatively stable source of revenue
- Residential component can constrain revenue growth
  - Increase to residential property value is limited by law
  - Tax exemptions can reduce value considerably
  - Residential taxpayers are also voters!
- Commercial and industrial property values are less predictable

4

---

---

---

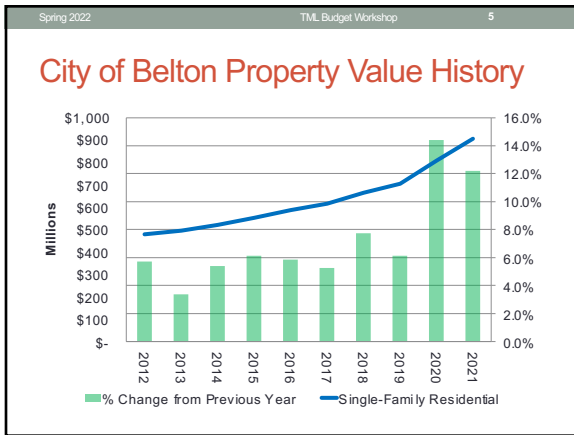
---

---

---

---

---



5

---

---

---

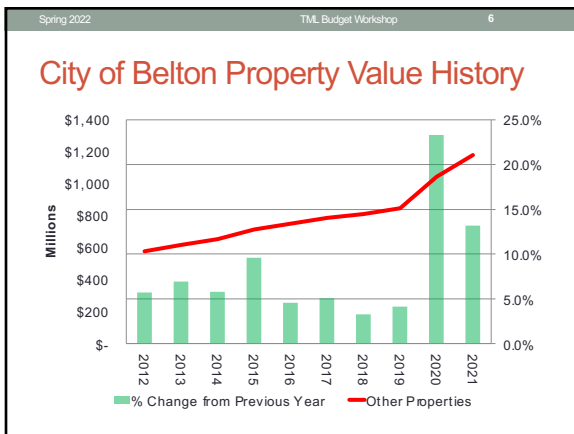
---

---

---

---

---



6

---

---

---

---

---

---

---

---

Spring 2022 TML Budget Workshop 7

### Property Tax Revenue

- Revenue indicators include:
  - Appraisal District preliminary estimates
  - Construction permit values
  - Texas A&M Real Estate Center
  - Local real estate associations
  - General economic news about community

---

---

---

---

---

---

---

---

7

Spring 2022 TML Budget Workshop 8

### Sales Tax Revenue

- Sales tax can contribute a large amount of revenue, but it is much more volatile than other sources
- It is susceptible to changes in the economy, even at national and international levels
- Higher reserve levels are required in funds that rely upon sales tax revenue

---

---

---

---

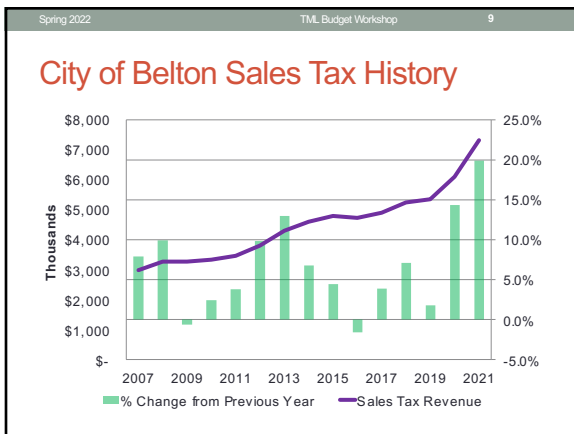
---

---

---

---

8



---

---

---

---

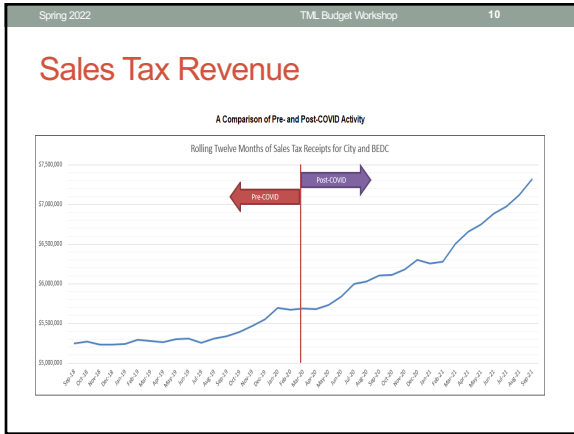
---

---

---

---

9



10

---

---

---

---

---

---

---

---

---

---

- Spring 2022 T.M. Budget Workshop 11
- ### Sales Tax Revenue
- Revenue indicators include:
    - Sales tax and building permits
    - Press releases from public companies
    - Sales figures for comparable businesses
    - Texas Comptroller's confidential report per Tax Code Section 321.3022
    - Federal Reserve Beige Book and other research from the Dallas Fed

11

---

---

---

---

---

---

---

---

---

---

Spring 2022 T.M. Budget Workshop 12

### Sales Tax Revenue

Month	2022	Estimate	Avg Pct.	2021	2021	2020	2020
October	553,944.76	7,714,149	7.2%	473,013.72	6.5%	470,062.50	7.7%
November	681,816.16	8,665,333	7.1%	503,294.79	6.9%	430,278.79	7.0%
December	829,628.46	8,530,874	9.9%	705,234.43	9.6%	583,484.49	9.6%
January	622,801.53	8,531,044	7.3%	493,613.69	6.7%	540,968.96	8.9%
February	-	7,005,944	8.9%	414,384.16	5.7%	305,435.82	6.5%
March	-	5,593,443	9.7%	736,135.51	10.1%	505,234.37	8.3%
April	-	4,819,748	7.7%	586,505.07	8.0%	431,885.25	7.1%
May	-	4,227,787	7.8%	581,672.30	7.9%	496,222.80	8.1%
June	-	3,643,929	10.2%	745,425.52	10.2%	608,736.73	9.9%
July	-	3,297,178	7.8%	614,450.47	8.4%	521,989.62	8.5%
August	-	2,981,013	8.6%	669,121.79	9.1%	523,620.62	8.6%
September	-	2,688,191	9.8%	797,214.12	10.9%	601,758.00	9.9%
<b>Total</b>	<b>2,688,190.91</b>		<b>100.0%</b>	<b>7,320,065.57</b>	<b>100.0%</b>	<b>6,107,557.95</b>	<b>100.0%</b>

Budget	7,336,160	19.85%	14.38%
Estimate	<b>8,531,044</b>		
Nov audit adjust	(116,225)		
Adjusted Estimate	<b>8,414,819</b>		
Estimate of Surplus/(Deficit)	<b>1,078,659</b>		

12

---

---

---

---

---

---

---

---

---

---

Spring 2022 TML Budget Workshop 13												
Sales Tax Revenue												
Month to Month Comparison												
2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to	2019 to
Jun 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020		
1.03%	6.60%	8.71%	9.47%	17.61%	18.13%	8.23%	2.61%	1.89%	-28.33%	-3.39%		
26.56%	8.82%	15.75%	40.62%	-12.53%	-15.48%	-15.51%	-7.06%	-13.91%	-16.75%	5.51%		
5.28%	9.91%	8.51%	7.84%	-7.29%	3.58%	18.01%	28.38%	36.36%	24.12%	19.92%		
-20.38%	-16.73%	-13.20%	-13.30%	-31.87%	-14.54%	36.40%	63.42%	62.25%	24.24%	68.32%		
-5.84%	-1.99%	-1.17%	0.69%	-17.65%	-28.66%	-10.95%	8.27%	11.05%	14.77%	17.44%		
4.04%	0.89%	6.46%	2.86%	-26.17%	-61.66%	-26.17%	-1.46%	-4.92%	-4.59%	-6.10%		
36.95%	20.46%	-3.21%	0.10%	-91.54%	85.11%	4.19%	-8.14%	-8.76%	-24.55%	0.71%		
-4.55%	-2.01%	-3.01%	-1.15%	-11.01%	-17.00%	2.78%	6.21%	0.39%	-5.75%	-4.38%		
-16.70%	-8.31%	-1.22%	-100.00%	-72.52%	-100.00%	-32.69%	-34.47%	-37.95%	-22.00%	-7.33%		
-6.73%	-6.40%	8.72%	-21.50%	-24.37%	-28.72%	-15.52%	-11.29%	-12.24%	-4.37%	2.93%		
13.49%	16.51%	21.52%	14.69%	3.87%	29.34%	40.36%	33.88%	43.80%	21.94%	28.75%		
7.40%	12.91%	9.43%	12.76%	-3.34%	15.06%	36.29%	31.75%	39.47%	30.36%	22.29%		
-1.81%	-0.84%	-1.69%	-1.42%	-20.57%	-15.52%	-0.62%	1.74%	-0.57%	-5.09%	-5.39%		
16.90%	8.82%	6.84%	10.76%	-33.03%	-30.13%	-18.99%	-1.59%	-6.94%	-2.07%	-1.42%		
15.18%	19.82%	6.65%	15.75%	-26.56%	-17.48%	15.86%	33.92%	27.38%	2.87%	15.81%		
-9.50%	27.40%	-3.28%	2.77%	-0.81%	9.77%	-7.75%	-7.19%	9.15%	1.45%	9.67%		
9.03%	13.91%	19.57%	20.60%	-6.28%	8.16%	16.95%	20.63%	26.11%	15.43%	17.20%		
15.58%	19.62%	74.52%	84.45%	13.51%	-107.68%	-65.66%	-75.72%	-65.72%	213.00%	-28.72%		
11.05%	8.61%	3.81%	-83.34%	-100.00%	-100.00%	-74.42%	5.44%	54.69%	1.02%	-25.01%		
6.89%	6.00%	4.35%	5.94%	-10.76%	-100.00%	N/D	-60.50%	-4.16%	10.99%	-7.88%		
81.75%	78.56%	88.68%	84.10%	-2.22%	-52.50%	75.76%	21.18%	1.49%	22.35%	2.08%		

---

---

---

---

---

---

---

---

---

---

---

---

---

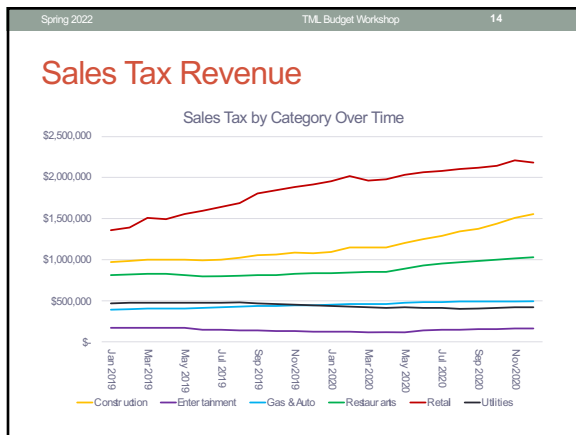
---

---

---

---

13




---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

14

- | Spring 2022 TML Budget Workshop 15  |  |  |  |
|---|--|--|--|
| Mixed Beverage Tax  |  |  |  |
| • A tax of 6.7% is imposed on the gross receipts from the sale of mixed beverages |  |  |  |
| • Cities are allocated 10.7143% of the tax received                               |  |  |  |
| • There is also an 8.25% mixed beverage sales tax                                 |  |  |  |
| • Revenue indicators include:   |  |  |  |
| • Average collection in past years  |  |  |  |
| • Changes to the number of bars and restaurants                                   |  |  |  |
| • Texas Comptroller website   |  |  |  |

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

15

Spring 2022		T.M. Budget Workshop		16	
<b>Mixed Beverage Tax</b>					
Location Name		Total Receipts			
BACKYARD BAR B Q		13,137			
BELL COUNTY EXPOSITION CENTER		34,949			
CORONOS DE ORO MEXICAN RESTAURANT		18,760			
FIRESIDE STREET PIZZA		15,181			
FRANK'S ON THE LAKE / DEAD FISH GRILL		46,988			
HENRY WASKOW POST 4008 VFW		30,716			
JNEELY'S BURRITO BAR		15,842			
MEXICANO GRILL TAQUERIA		63,096			
MI PUEBLO		14,149			
MILLER'S		4,782			
NAMI JAPANESE STEAKHOUSE		11,615			
NOLAN CREEK COTTON GIN		24,543			
PABLO'S ON THE RIVER		0			
SCHOEPF'S OLD TIME PIT BAR B QUE		323			
TAQUERIA EL MEXICANO GRILL		59,515			

---

---

---

---

---

---

---

---

---

---

16

Spring 2022		T.M. Budget Workshop		17	
<b>Franchise / Access Fees</b>					
<ul style="list-style-type: none"> <li>• Cities can charge a franchise or access fee to utilities for the use of the City rights-of-way</li> <li>• Many fees are now governed by the Public Utilities Commission</li> <li>• Revenue indicators include:               <ul style="list-style-type: none"> <li>• Utility company notification</li> <li>• Average collection in past years</li> </ul> </li> </ul>					

---

---

---

---

---

---

---

---

---

---

17

Spring 2022		T.M. Budget Workshop		18	
<b>Hotel Occupancy Tax</b>					
<ul style="list-style-type: none"> <li>• Cities can adopt a tax of 7% on the room rate charged by hoteliers</li> <li>• This special revenue can only be spent on those items identified by State law</li> <li>• Revenue indicators include:               <ul style="list-style-type: none"> <li>• Occupancy rates</li> <li>• Overall economy, both locally and nationally</li> <li>• Special events in the community</li> </ul> </li> </ul>					

---

---

---

---

---

---

---

---

---

---

18

Spring 2022 T.M. Budget Workshop 19

### Permit / License Fees

- Cities can charge fees for the permits and licenses that are issued
- The rates charged are determined by Ordinance
- Revenue indicators include:
  - Anticipated and ongoing construction activities
  - Amount of available space for new development
  - Average collection in past years

---

---

---

---

---

---

---

---

19

Spring 2022 T.M. Budget Workshop 20

### Court Fines & Fees

- The State and Municipal Judge set the various court fines and fees
- City cannot set quotas for number of citations to be issued
- Revenue indicators include:
  - Increased enforcement efforts by Police
  - Changes to traffic patterns or construction
  - Average collection in past years

---

---

---

---

---

---

---

---

20

Spring 2022 T.M. Budget Workshop 21

### Charges for Service

- Utilities, airports, and certain general government functions charge users for services provided
- Rates are typically set by Ordinance
- Revenue indicators include:
  - Rate changes, if any
  - Consumption by comparable users
  - Average revenue for multiple years
  - For utilities, weather makes a difference!

---

---

---

---

---

---

---

---

21

Spring 2022 TML Budget Workshop 22

### Grants

- Federal grant funding is becoming a significant part of some budgets
- Don't forget to include your city-match
- Avoid supplanting of expenditures and debarred vendors
- A compliance audit or "single audit" is required if expenditures exceed \$750,000
- Be aware of burdensome grant terms and conditions

---

---

---

---

---

---

---

---

22

Spring 2022 TML Budget Workshop 23

### Transfers In

- A City may transfer money between funds
- The transfer is typically based upon the value of services provided by the receiving fund
- There should be a written document describing the purpose and amount of each transfer

---

---

---

---

---

---

---

---

23

Spring 2022 TML Budget Workshop 24

### Use of Reserves

- Planned use of accumulated reserves is an acceptable source of revenue
- Best if used for one-time or capital expenditures
- Drawing down reserves for recurring expenditures can be a sign of distress
  - May need to increase property tax rates
  - May need to cut expenditures

---

---

---

---

---

---

---

---

24



Spring 2022 TML Budget Workshop 25

### Long-Term Forecasting

- Rule #1: The numbers are wrong!
- Rule #2: Inaccuracy grows as the term extends
- Forecast only what is known rather than what might occur
- Agree on assumptions and math does the rest

---

---

---

---

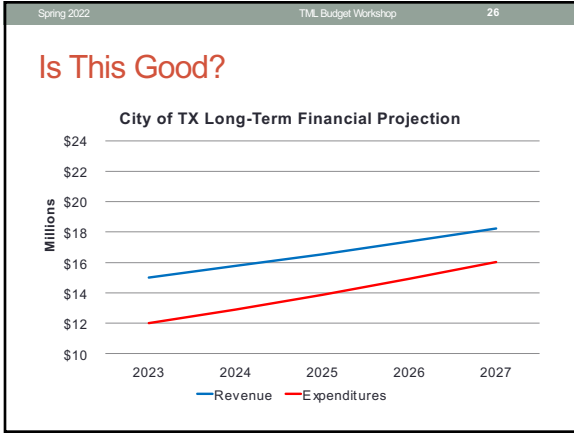
---

---

---

---

25



---

---

---

---

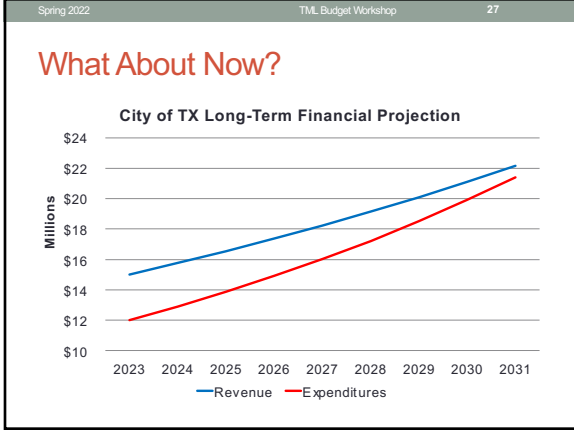
---

---

---

---

26



---

---

---

---

---

---

---

---

27

Spring 2022 T.M. Budget Workshop 28

### Beware of Forecaster Bias

- An optimist may use overly aggressive revenue assumptions over time
  - Can result in budget shortfalls if results don't appear
  - An optimist may rarely hit assumption targets
- A pessimist may budget too conservatively
  - Can result in unnecessary budget cuts
  - Often exceeding assumption targets is indicative of a pessimist

---

---

---

---

---

---

---


---

28

Spring 2022 T.M. Budget Workshop 29

### Any Questions?

William Michael Rodgers, CPA  
 Director of Finance  
 City of Belton, Texas  
 (254) 933-5808  
 mrodgers@beltontexas.gov




---

---

---

---

---

---

---

---

29