It’s Budget Time Again!

As the fiscal year starts to draw to a close, cities need to be working on their budget ordinances. To help you with the process, here are the answers to a few frequently asked legal questions the KLC Legal Department receives each year.

**Is a city required by law to have a new budget for each fiscal year?**

Yes. Each city must adopt an annual budget ordinance covering one fiscal year (July 1 to June 30) which controls how revenue is raised and funds are expended.

**Who prepares the budget proposal?**

The executive authority of each city must prepare a budget proposal and message, which must be submitted to the legislative body at least 30 days prior to July 1. The budget message must explain revenue raising and expenditure goals, any significant changes in program goals and appropriations, and any important budget features or major changes in financial policy. In mayor-council cities, this duty falls to the mayor. It is the responsibility of the city commission in commission forms of government and the city manager in cities that have the manager form of government.

**Does the legislative body have to adopt the budget as proposed by the executive authority?**

No. The legislative body determines the final form and detail of the city budget and adopts it by ordinance. While the proposal submitted by the executive authority should be given serious consideration, the legislative body is free to make any changes in the budget as it sees fit.

**Is a budget ordinance adopted differently from other types of ordinances?**

No. It is adopted in the same manner as any other ordinance and becomes effective when published. As soon as the ordinance is adopted, the city clerk must cause a summary or the text of the ordinance to be published in a newspaper.

**What happens if a city fails to adopt its budget by the beginning of the fiscal year?**

The previous year’s budget will remain in force as if readopted until a new budget ordinance is adopted. However, because city financial goals and situations change from year to year, the city should attempt to enact a new budget ordinance as quickly as possible to reflect the city’s current financial status.

**What should a city do if, after the budget is adopted, the city realizes it did not appropriate enough money to a certain fund?**

The budget ordinance should be amended prior to spending funds in excess of money appropriated to a certain fund, or before transferring money between funds. Although many cities wait until the end of the year to reflect that these transfers or expenditures were made, this is technically illegal. The budget ordinance can be amended at any time during the fiscal year, as long as expenditures do not exceed revenues.
For more information on requirements for establishing and administering your city budget, contact KLC’s Legal Department at 1-800-876-4552.