# Spreadsheet Case 4

# The Village of Peconic

Problem:                         Prepare a budget for a small municipality

Management skills:               Planning
                                 Deciding

PC skills:                       Formulas
                                 Spreadsheet control
                                 Reporting

File:   PECON_Q.XLS

The Village of Peconic has a population of 8700 and is located in Suffolk County, New York. Each October, Harvey Williams, the village manager, works with the village Mayor and Board of Trustees to develop the village's budget for the forthcoming year.  The Village's main source of revenue is the local property tax, but it also receives some aid from the state government and some revenue from miscellaneous licenses and fees.

The village leaders want to hold to their campaign promises of not raising taxes.  Their community has become very environmentally-conscious and they do not want to encourage new businesses that would add to the traffic congestion or pollute the air.  They fear revenues may be going down because New York State is facing severe financial problems and wants to cut the state aid it provides to local governments.

Harvey Williams wants to develop a budget that can be supported by anticipated revenues. Anticipating continued cutbacks in state aid, Edward would like to develop preliminary budgets for the next two years.  That way he can plan ahead if major changes are required.  If planned expenditures exceed revenues, Harvey, the Mayor, and the Trustees must develop an alternative budget that does balance.  Can they develop a balanced budget without raising local property taxes?

From your data diskette load the file PECON_Q.XLS, showing the actual receipts and disbursements for the Village of Peconic in 2002.  Edward wants to use this budget as the basis for projecting the Village budget for the next two years.

One way to analyze a budget is to estimate the amount of each category of cash receipts and disbursements.  The projected outflow of funds is subtracted from the projected inflow.  If the amount of outflow is greater than the amount of inflow, the village must secure additional funds to pay for its expenditures or reduce its expenditures.  For instance, the village could raise taxes or borrow money to meet its costs or it could reduce some of its expenses.

In projecting the next two years' budgets, the village manager wants to use the following assumptions.  He expects the state will reduce its aid to the village by 20% each year.  Historically, expenditures for employee benefits have been rising 10% annually.  He expects all other expenditures to rise at a rate of 3% annually and miscellaneous receipts to rise 5% annually. The village's

expenditure for debt service to pay off previous loans will remain constant.  Can the village balance its budget if it keeps its promise not to raise taxes or go further into debt?

**Tasks**

There are 5 tasks in this case:

1.  Print out and review PECON_Q.XLS.

2.  Create an assumptions section of the worksheet to identify factors in your calculations of receipts and disbursements.   Make sure formulas reference cells in the assumptions section wherever possible.

3.  Calculate the receipts and disbursements for each of the categories on the worksheet for 2003 and 2004.  Calculate total receipts and total disbursements.  The case has been simplified so that all revenue is collected in the year it is due.

4.  Complete the worksheet by subtracting total receipts from total disbursements in 2002 and 2003.  Print the results.

5.  Write a brief analysis of the projected 2002 and 2003 budgets for the village of Peconic.  If these budgets don't balance, what steps would you recommend that the village take?  Revise your worksheet to incorporate your recommendations, save it under another name, and print it out again.  Keep revising the worksheet until you have developed a balanced budget.  Is there some way for the village to come up with a balanced budget without raising taxes?

**Additional Problem**

1. What if state aid is not reduced but remains constant for the next two years?  What impact would this have on the budget?  Revise your worksheet and save it under a different name.  Print out and analyze the results.

**Time Estimates**

Expert: 30 minutes
Intermediate: 1 hour
Novice: 1.5 hours

There is no tutorial for this case because it uses skills introduced in earlier chapters.