



International
Association
of Fire Chiefs



National
Fire Protection
Association

Fire Officer

Principles and Practice
THIRD EDITION



Chapter 14 Budgeting

Fire Officer I Objectives

- Describe the budget cycle.
- Identify revenue sources.
- Discuss the impact of lower revenue on resources.
- Describe the purchasing process.

Introduction

- A budget is an itemized summary of estimated revenues and expenditures.
 - Revenues: income from all sources
 - Expenditures: money spent for goods or services
- Every fire department has a budget.

Introduction

- The budget process is a cycle:
 - Identification of needs and resources
 - Preparation of a budget request
 - Local government and public review
 - Adoption of an approved budget
 - Administration of the approved budget, with periodic review and revision
 - Close-out of the budget year

Introduction

- Budget preparation is technical and political.
 - Technical: calculation of funds required to achieve different objectives
 - Political: elected officials making decisions about which programs should be funded

Budget Cycle

- The budget describes where the revenue comes from and where it goes.
- Annual budgets usually apply to a fiscal year.

Base Budget and Supplemental Budgets

- Base budget: level of funding required to maintain all services at current levels
- Supplemental budget: increases beyond the base level

Base Budget and Supplemental Budgets

- Increases in the budget require early notification and the support of elected officials.
- Elected officials are both advocates and gatekeepers in developing the budget.

Revenue Sources

- Each type of organization has a different process for obtaining revenue and authorizing expenditures.

Local Government Revenue Sources

- Some funds are restricted and can be used only for certain purposes.
 - Funding sources that are not restricted may be taken from one part of the budget to cover another part of the budget.

Local Government Revenue Sources

- Revenue sources include:
 - General sales and gross receipts taxes
 - Property taxes
 - Individual income taxes
 - Direct fire department fees for service

Volunteer Fire Department Revenue Sources

- Volunteer departments can be funded in many different ways.
 - Bingo and other gaming activities
 - Real estate and portfolio management

Lower Revenue Means Fewer Resources

- Planned expenditures have to be balanced against anticipated revenues a year or more in advance.
 - Changes in the economy can reduce the amount of revenue collected by the local government.

Lower Revenue Options

- Defer scheduled expenditures.
- Prioritize or contract out some services.
- Regionalize or consolidate services.
- Reduce the workforce.
- Reduce the size of the fire department.

Purchasing Process

- Most agencies have a standardized purchasing method.
 - The fire officer must understand the policies and procedures of the organization.
 - Purchasing violations may be found during the auditing process.

Petty Cash

- Typically used to purchase items that cost less than \$100
- Allows a member of the department to be the custodian of cash
- The petty cash account is not an endless fund.

Purchase Orders

- Ensure that there are sufficient funds to cover a purchase
- Fire officer's role: acquire the item at the most reasonable cost
- Typically requires a signature by an official

Requisitions

- Used instead of purchase orders for large purchases that exceed a predetermined amount, such as \$2000
- An exact price is not known at the time of requisition.
 - Requires a bidding process

The Bidding Process

- For smaller items, the fire department may develop specifications for bids.
 - The fire department writes up exactly what it wants in the product.
 - Every requirement must be met.

The Bidding Process

- For larger or complex purchases, a request for proposal (RFP) is developed.
 - The fire department gives general information about what is desired.
 - The vendor determines how it will meet the need.

The Bidding Process

- All bids or proposals are opened in public view.
 - With a bid, the contract is awarded to the lowest bidder.
 - With an RFP, each proposal is evaluated and the RFP is awarded to the vendor with the highest score.

Summary

- Every fire department has a budget.
- The budget describes where revenue comes from and where it goes.
- Most municipal governments use a base budget in the planning process.
- The revenue stream depends on the type of organization.

Summary

- Expenditures must be balanced against anticipated revenues a year in advance.
- Departments have to make choices when faced with declining revenues.
- The petty cash system allows for a custodian of cash provided by the organization.

Summary

- A purchase order typically requires an authorizing signature by an official.
- A requisition is required for purchases exceeding a predetermined amount.
- In an RFP, the fire department gives general information and allows vendors to determine how to meet the need.