

OPERATING BUDGET PROCESS

Operating Budget Development:

The City Charter requires the City Manager to submit a balanced operating budget to City Council by April 1st for the next ensuing fiscal year. The fiscal year begins on July 1st and ends June 30th of the following year. The proposed budget which may be modified by the City Council, is required to be adopted by a majority vote of the City Council 47 days prior to the end of the current fiscal year. Otherwise, the budget as submitted by the City Manager, becomes the budget for the ensuing fiscal year.

Operating and Capital Budget Calendar:

The following table illustrates the schedule used to develop the FY 2007-08 Operating and Capital Budgets.

<u>Date</u>	<u>Activity</u>	<u>Responsible Party</u>
September 27	Five Year Forecast to Council	City Manager & Budget Director
October 1	Operating Budget framework completed	Budget Office
October 23	Capital Improvement Budget Guidelines to Departments	Budget Office
October 23	Operating Budget Manual and targets to departments	Budget Office
November 22	Capital Improvement Budget requests back from departments	Departments & Budget Office
December 1 to December 8	Dept submission of Operating Budget request & revenue estimates	Departments & Budget Office
December 4 to February 9	Audit, summarize, and review Operating Budget requests and revenue estimates	City Manager & Budget Office
December 15 to January 31	Departmental hearings	Budget Office, Departments & City Manager
January 8 to February 16	Hearing review, analysis, decisions	City Manager & Budget Office

February 19 to March 9	Preparation of the Budget Document	Budget Office
March 9	Manager's budget message to Budget Office	City Manager
March 5 to March 9	Final review and edit of Operating and Capital Budgets	Budget Office
March 12	Operating and Capital Improvement Budgets to Printer	Budget Office
March 27	Operating and Capital Budgets presented to Council (April 1 is 90 th Day Prior to July 1)	City Manager & Budget Director
April 1	Advertise Operating and Capital Budgets	City Clerk and City Attorney
April 10 to May 8	Council Work Sessions	City Manager & City Council
April 10	Public Hearing of Real Estate Assessments	City Real Estate Assessor
April 24 & May 3	Public Hearings on Operating and Capital Budgets	City Clerk and City Council
May 8	City Council adopts Operating and Capital Improvement Budgets (May 15 is 47 th Day Prior to July 1)	City Council

Operating Budget Development Process:

- **Five - Year Forecast** - In the fall of each year, the Budget Office prepares a Five -Year Forecast of revenues and expenditures. The expenditure projection identifies the future costs of debt service and the operating cost of completed capital projects. The Five - Year Forecast also identifies the cost of absorbing of grant funded programs, increased costs for employee compensation, as well as other known upcoming cost increases. The first year of the forecast is used in creating framework and target funding levels for departments in preparing the Operating Budget.
- **Department Operating Budget Submissions** - The Department and Agency Heads submit Operating Budget requests in the format prescribed by the Budget Office and the City Manager. Departments are asked to submit a base level of funding at a targeted dollar to the Budget Office. The Budget Office reviews, summarizes, and makes recommendations pertaining to the requests for the City Manager. The City Manager conducts hearings with departments as needed to discuss the department's requests for funding.

- **School Board** - The proposed budget of the School Board is submitted to the City Manager for the presentation to the City Council. The City Manager may also make recommendations in his proposed budget regarding the total appropriation for the School System. City Council makes an annual appropriation to the School Board but is prohibited from exercising any control regarding the specific expenditure of School Board operating funds.
- **Proposed Budget Presented to Council** - The City Manager prepares a proposed Operating Budget for submission to the City Council. The proposed Operating Budget includes tax rates sufficient to produce revenues needed to meet City and School expenditures contemplated in the combined initial budget. After City Council work sessions and public hearings, the proposed budget may be revised or amended by Council and an appropriations ordinance is adopted. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared.

Operating Budget Execution:

On July 1 of each year, the adopted budget is implemented. Concurrently, the Budget Office reviews the amount of revenues collected in the fiscal year ending in June. The actual level of revenues realized are compared to the projections and assumptions used in preparing the Operating Budget for the budget year beginning in July. The Budget Office and the City Manager work together to identify potential concerns and advise Council. If necessary, the City Manager will recommend adjustments to the Operating and Capital Budgets to address problems that are identified. The Budget Office conducts a monthly revenue analysis to ensure that revenues continue to be in accordance with the estimated revenues used to support the Operating and Capital Budgets.

Operating Budget Amendments:

After Council adopts the original appropriation ordinance, the Operating Budget may be amended in two ways. First, Council may adopt an ordinance to increase or decrease the total level of estimated revenue and appropriations. As stated in the City Charter, if during the year the manager certifies that there are funds available in excess of those estimated in the budget, the Council by ordinance may make supplemental appropriations for the year up to the amount of such excess. Second, the City Manager may transfer appropriations between departments (functions) and funds throughout the year without additional approval from City Council.

Operating Budget Controls:

The Operating Budget Ordinance sets the legal level of appropriation controls at the fund level. The City Manager implements the following additional budgetary controls to ensure that expenditures are within appropriation approved by Council and the level of realized revenues.

- The City Manager requires that each department's expenditure remain within the appropriations for that department by fund unless another specific level of control has been specified for a department.

- The City Manager approves all transfers between funds and between functions.
- The City Manager approves all transfers from Personnel related and other controlled accounts.
- The City maintains an encumbrance account system. The estimated purchase amount is encumbered prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of balances, are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance on June 30, 200x.

Capital Budget Process:

- **Capital Improvement Budget** - The Capital Improvement Budget (CIB) is prepared concurrently with the Operating Budget and spans the same fiscal cycle - July 1st through June 30th. As with the Operating Budget, the process for the CIB preparation begins with the City's Five -Year Forecast in the fall of each year. Through the Five - Year Forecast, the City estimates the resources available and the anticipated expenditures for the Operating Budget and the funding available for additional debt service to support new Capital Improvement Budget requirements. The Operating Budget document includes a Capital Budget Summary, which highlights specific debt management policies, the level of debt service, and the specific capital projects. However, the Capital Improvement Budget is prepared as a separate budget document, which provides greater detail on the CIB development and process.
- **Relationship to the Operating Budget** - Developing and adopting the Operating and CIB during the same time frame, promotes sound fiscal policy and cohesiveness by allowing Council and management to review both requests simultaneously. Further, the Operating and the Capital Improvement Budget development are specifically integrated by:
 - Incorporating projected operating costs for each capital project in the City's Five - Year Forecast.
 - Incorporating the anticipated level of debt service in the City's Five - Year Forecast.
 - Appropriating the required level of debt service as part of the Operating Budget.
 - Appropriating the required operating costs associated with completed capital projects in the Operating Budget.