

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 2008-09 Operating and Capital Budgets.

<u>Date</u>	<u>Activity</u>	<u>Responsible Party</u>
<u>2007</u>		
October 9	Five-Year Forecast to Council (Work Session)	City Manager, Budget Office
Oct 1 to Oct 5	Citizen meetings on Budget input	City Manager, Budget Office, Public Communications
Oct 5	Budget framework completed. Update to software completed	Budget Office
Oct 12	Capital Improvement Budget framework to Departments	Budget Office
Oct 12	Operating Budget framework to Departments	Budget Office
Oct 25	Public Budget Meeting at the Conference Center	City Council, City Manager, Public Communications
Oct 30	Council retreat on Budget and Fiscal Policy	City Council, City Manager
Nov 16	Capital Improvement Budget due to Budget Office	Departments
Nov 21	Capital Improvement Budget requests back from Departments	Budget Office, Departments
Dec 3 and Dec 7	Department submission of Operating Budget requests and Revenue Estimates	Departments, Budget Office
<u>2008</u> Dec 12 to Feb 8	Audit, summarize and review Operating Budget requests and Revenue Estimates	City Manager, Budget Office
Dec 17 to Feb 1	Departmental hearings (Starting with Budgets due Dec 3 rd) (Dec 17 th to Dec 21 st and Jan 2 nd to Feb 1 st)	Budget Office, City Manager, Departments
Jan 7 to Feb 15	Hearing review, analysis, decisions	City Manager, Budget Office

Feb 18 to Mar 7	Preparation of the Budget Document	Budget Office
Feb 21	Second Quarter Expenditure/Revenue Report to City Council	Budget Office / Anna D'Antonio
Feb 22	Final Decisions on the Budget	Budget Team
Feb 26	Revenue meeting with Commissioner, Treasurer and Real Estate Assessor	Budget Team
Mar 5	Budget messages to City Manager for review/signature	Budget Office
Mar 3 to Mar 7	Final review and edit of Operating and Capital Budgets	Budget Office
Mar 10	Manager's budget message to Budget Office	City Manager
Mar 12	Operating and Capital Improvement Budgets to Printer	Budget Office
Mar 14	Meet with all departments / agencies impacted by the General Fund	City Manager, Departments
Mar 17	Ordinance to City Attorney	Budget Office
Mar 25	Operating and Capital Budgets presented to City Council	City Manager
Mar 30	Advertise Operating and Capital Budgets	City Clerk & City Attorney
Apr 22	Public Hearing of Real Estate	City Real Estate Assessor
Apr 8 to May 6	Proposed Council Work Sessions	City Manager, City Council
April 24	Proposed Public Hearing on Operating and Capital Budgets	City Council, City Council
May 13	Public Hearing and City Council adoption of Operating and Capital Improvement Budgets (May 15 th 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.