

# BUDGET PROCESS & POLICIES

As the financial plan of action for the City government, the annual budget is an important document, and the process of preparing that plan of action is one of the most significant jobs performed by City personnel during the year.

The budget is more than just the financial plan for raising and spending money to operate the city government. It determines the quality and quantity of governmental services, and the method of distributing costs to the various segments of the community through collection of taxes and fees. It defines the services to be rendered by the departments, the level of these services, proposed program and capital outlays for the fiscal year. This is the “municipal standard of living”.

The City Charter, as adopted by the voters in 1921, requires that the City Manager submit to the Council a proposed budget for the coming year on or before the first of June. The budget is compiled from detailed information furnished by the various departments and includes estimates of revenues and expenditures for the ensuing year. These estimates are required to be as nearly uniform as possible and shall include the following:

- A detailed estimate of the expenses of each department
- Expenditures for corresponding items for the last and for the current fiscal years, including adjustments due to transfers between appropriations plus an estimate of expenditures to complete the current fiscal year
- Such information as may be required by the Council, or as the Manager may deem advisable to submit
- The recommendations of the Manager as to the amounts to be appropriated, with reasons therefore, in such detail as the Council may direct. The council shall have power to revise, correct or modify said proposed budgets in any particular
- Modifications after the City Council adopts the Budget, whether between account and category of expenditure, will require Council Resolution whenever the amount cumulatively exceeds \$25,000 in any single fiscal year.

The Charter also provides that the City Council hold a public hearing to solicit public input and adopt the budget on or before June 30. Once adopted, the budget may only be amended or supplemented by 3/5 vote of the Council.

However, the budget is not a static guideline for city spending: It is a dynamic document subject to almost constant scrutiny, revision, and adjustment. The budgetary process is then a yearlong continuing process. The budget process does have certain phases, each distinct from one another, but never-the-less needing coordination.

Preparation, authorization, and execution make up the entire process. Preparation includes determining the objectives and needs of the organization, evaluating courses of action, and determining the means of attaining these objectives. Authorization consists of the legislative approval of the executive’s budget. Execution includes not only carrying out the plans and programs but seeing that they are carried out in an effective, efficient, and timely manner.

### **BUDGET PREPARATION:**

Budget preparation is concerned with the things to be done and the funds to be made available for the ensuing fiscal year. It includes determining:

- Goals, proposed major projects, services to be provided and proposed program changes
- The volume of work required to render these services
- The methods, facilities, and organization for performing that work
- The resources required for performing the work and the price levels of resources.

The process of developing the budget furnishes division heads and the City Manager with an opportunity to review departmental work programs, to propose changes in services, to recommend revisions in organization structure, to hear and discuss budget requests, and provide feedback regarding City operations.

### **BUDGET AUTHORIZATION:**

Budget authorization is concerned with legislative hearings, public hearings, and final enactment of the budget, including authorization of funds, possible establishment of tax rates, and the adoption of necessary resolutions to effectuate the budget's plan.

Presentation of the budget to the City Council provides the City Manager an opportunity to explain proposed municipal programs to the Council and to focus attention on problems, services and programs that require legislative action or support for their ultimate solution.

In reviewing the budget, the City council has an opportunity to evaluate the adequacy of proposed operating programs, to establish the level of municipal services to be rendered, to determine basic organization and personnel staffing patterns, and to review the efficiency of work methods. The needs of one service can be compared with needs for others, and the desirability of proposed services and programs can be weighed against the taxes or charges required to finance them.

### **BUDGET EXECUTION:**

Budget execution includes more than the traditional concept of assuring that the goals, service levels and program changes are accomplished, but fulfillment of the budget with respect to:

- Realization of the estimated revenues
- Accomplishment of the things planned to be done
- Doing so within budget limits

It includes:

#### **Cost Control**

The reduction of costs, and increase in efficiency and economy through placing the responsibility for cost conscientiousness on the individual manager.

**Cost Accounting**

Keeping records of labor distribution and expenditures to provide full costs in connection with services and programs in which costs are a continuing recurring factor for decision-making.

**Post Audit**

A check on the propriety of handling and expenditure of funds.

**Management Review**

A comparison of actual performance with projected goals and services level and program changes.

**INVESTMENT PORTFOLIO:**

The City follows the "Prudent-Man Rule" of investing; this rule provides that the Treasurer who is responsible for investing the City's money must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. More specifically the City's portfolio is invested with the following objectives: (1) Safety; protect, preserve, and maintain cash and investments; (2) Liquidity; maintain short-term securities which can be converted to cash if necessary and invest all securities with active secondary or resale markets; (3) Yield; yield should become a consideration only after the basic requirements of safety and liquidity have been met.

The City Treasurer anticipates a return of 2.93% for the current fiscal year and approximately 2.79% for the 2004-05 fiscal year.