



Administrative Regulations

Number AR15-1
Issue 5

Subject: Budget Preparation and Administration.

I. PURPOSE:

To provide uniform guidelines and assign responsibility for budget preparation and expenditure control, and to establish procedures for making budget adjustments.

II. SCOPE:

This regulation is applicable to all City departments and offices responsible directly to the City Manager. It is also requested that elective offices and other independent offices and departments of the City comply with these procedures in the interest of administrative uniformity.

III. POLICY:

It is the responsibility of the Director of Financial Management to coordinate preparation of the annual budget, monitor budget implementation, and review departmental requests for budget adjustments. It is the responsibility of each department head to administer the department's annual budget and to ensure that sufficient funds are available to meet operating requirements and avoid budgetary deficiencies.

IV. PROCEDURES:

A. Budget Preparation

At the beginning of the budget cycle, the Director of Financial Management shall issue a Budget Preparation Manual in compliance with the requirements of Section 2670.1 of the Municipal Code. All departments shall submit budget requests for the succeeding fiscal year in accordance with the policy, procedures, and schedule set forth in the Budget Preparation Manual.

B. Budget Implementation

The Appropriation Ordinance specifies the maximum expenditures authorized at fund and department levels. In addition, however, department expenditures shall be administratively controlled by department/program, department/character, and department/fund.

Departments shall review monthly expenditure reports distributed by the Department of Financial Management and take necessary steps to ensure that sufficient funds are authorized and available throughout the fiscal year to support required expenditures. Any required accounting or budget adjustment should be immediately submitted to the Department of Financial Management.

On a quarterly basis (at the end of the third, sixth, and ninth months of the fiscal year), each department head shall submit to the Director of Financial Management an analysis of the department's financial condition that details significant deviations from typical or expected performance and the extent that any such deviation may affect the department's year end revenues and expenditures. At the end of each fiscal

year, each department must also submit a similar report which includes an analysis of actual versus estimates-to-close for expenditures and revenues.

Upon entering into a term order contract which will span more than one fiscal year, departments will immediately reduce the encumbrance to equal the estimated amount to be expended in the current fiscal year. Departments will also perform quarterly reviews of encumbrances to eliminate or reduce unnecessary amounts. Encumbrance adjustments must be posted prior to the closing of the quarter so that the reduction is reflected in quarterly Financial Management System (FMS) reports.

C. Budget Adjustments

Periodically, special circumstances may result in changes to departmental spending priorities. Any authorization to exceed a departmental budget appropriation at the program, character, or fund level must be received by the Director of Financial Management prior to the expenditure being made. In seeking such authorization, the department shall report to the Director of Financial Management where the budget will be exceeded (i.e., program, fund, character), the amount, and the method of funding the overexpenditure. In all cases, the need for a budget adjustment or appropriation increase shall be determined by the Director of Financial Management. Generally, budget adjustments not requiring City Council approval shall only be approved in order to comply with policy or legal requirements. Adjustments shall not be authorized for the sole purpose of balancing a department's budget at the program, character, or fund level.

All requests for budget adjustments shall first be submitted to the Director of Financial Management on a

Request for Budget Adjustment form and must be approved in accordance with the following:

- (1) All requests resulting in an increase in the authorized expenditure by program, fund or character of expense must be approved by the City Manager or his designee prior to incurring the expenditure if offsetting adjustments are made within the same fund and department. Such requests will be forwarded to the City Manager's Office by the Director of Financial Management.
- (2) Any budget adjustment that requires a modification to the amounts authorized by the Appropriations Ordinance requires the approval of the City Council. Such requests should be prepared as a regular Council agenda item for approval by the City Manager or his designee and should be accompanied by a Request for Budget Adjustment form. The Department of Financial Management must review all Council agenda items and budget adjustment forms prior to submittal to the City Manager's Office. The City Council letter must include language that the Department of Financial Management has reviewed and approved the request.
- (3) Whenever a department proposes that the City Council approve a project or grant that requires an adjustment to the adopted budget, the appropriation action shall be requested concurrently in accordance with item two above.
- (4) Requests for an increase to the authorized expenditure in one activity through an offsetting decrease in another activity is unnecessary unless the shifting of funds is needed to meet a policy or legal requirement (e.g., grant covenants). Changes that do not affect the amount authorized by the Appropriations Ordinance or the amount authorized at the level of program, fund, or character of expense shall require authorization only from the Director of Financial Management. These adjustments shall be verified by the Accounting Bureau once the necessity for these changes has been established.
- (5) Authority to exceed a budgeted amount in the Prior Year Encumbrance Character must receive City Council approval. Any such request should also be submitted to Financial Management as outlined in item two above.

D. Budget Adjustments - Capital Improvement Program

Due to the nature of the Financial Management System (FMS) as both an accounting and project management tool for the Capital Improvement Program (CIP), the following guidelines apply to budget adjustments for the CIP:

- (1) Any movement of funds between activities (i.e., a 6-digit FMS number) within the same FMS program (4-digit FMS number) and within the same fund which is done to achieve separate accounting and control of various CIP projects shall be considered an accounting adjustment. These adjustments will require approval of the Director of Public Works, or designee, and will be processed after verification of funding availability by Financial Management, Accounting Bureau.
- (2) Any increase in the authorized expenditure of a program (either a 4-digit or 2-digit FMS code) through an offsetting decrease in another program within the same fund must have the prior approval of the City Manager, or designee, following review by the Director of Financial Management. Generally, approval will be granted only if new policy direction on the CIP has been given or if legal requirements exist.
- (3) Unless specifically mentioned in this section, all other regulations explained in section C apply to CIP budget adjustments.