

# **The Budget Process**



# The Budget Process

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The Fiscal Year 2011 (FY 11) Budget covers the period October 1, 2010 through September 30, 2011. The following is a description of the City's multi-dimensional Budget Process, which is designed to promote transparent communication with community stakeholders and provide multiple opportunities for direct community input.

## THE BUDGET PROCESS

The Budget is the most important policy document the City produces on an annual basis. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. This can only be achieved through a development process that encourages communication and transparency, seeking input from a diverse cross-section of the community, while offering opportunities for review and revision. The following describes the general budget preparation process.

Beginning in January, the City Council's Budget Oversight Committee (BOC) initiates monthly meetings. Additionally, the City Manager, through the Department of Financial Management, provides clear budget development instructions to departments, requesting they begin updating their department's Plan strategies and making initial estimates for their proposed capital and operating budgets.

From February through May, departments complete their proposed budgets including updated revenue and expenditure recommendations contained in the Plan. In June, the City Manager assembles department proposals into a coherent Proposed Budget that reflects the economic environment, fiscal condition and priority needs of the City.

A series of community events, including Special Meetings of the City Council, designed to encourage active public dialogue regarding the Budget is initiated in March, culminating in the Budget's adoption by the City Council in September. Activities include BOC meetings, requested neighborhood, board, committee and commission briefings, and City Council budget hearings.

The City Charter, as modified on May 1, 2007, requires that the City Manager submit the Proposed Budget to the Mayor "not later than ninety (90) days prior to the beginning of each fiscal year," or July 3.

The City Charter requires that the Mayor transmit the proposed budget to the City Council "not later than sixty (60) days prior to the beginning of the fiscal year," or August 2. The City Council must adopt the budget "not later than fifteen (15) days prior to the end of the current fiscal year," or September 15, at which time the Mayor will have an additional five (5) days to review the Adopted Budget. The Mayor may at that time concur or exercise a line-item veto of any expenditure. The City Council has until the end of the fiscal year to concur with the Mayor's changes, or override the veto.

<b>FY 11 BUDGET PREPARATION CALENDAR</b>	
Jan	Budget Oversight Committee (BOC) meetings initiated  City Manager issues budget preparation policies and instructions to departments
Feb - May	Departments complete their operating and capital budget proposals
March	Special Meetings of the City Council on the Budget are initiated
Jul 3*	City Manager submits Proposed Budget and CIP budget to Mayor
Aug 2*	Mayor submits Proposed Budget with recommendations to City Council and community
Aug	Weekly budget hearings are held. Recommendations are submitted to the City Council by the BOC
Sept 15	Deadline for City Council to adopt the Budget  Mayor has five days to concur with adopted budget or exercise line-item veto of any expenditure
Sept 30*	Budget Adopted

\* On or before

# The Budget Document

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The Budget document is divided into eight sections: Understanding the Budget, Performance Management, Financial Strategic Plan, Government Reform, Budget Summaries, Program Budgets by Department, Fund Summaries and the Capital Improvement Program.

## **Understanding The Budget**

This section provides demographic and other information on the City's government, educational sector, economy and other information to provide a context for the City's service environment and priorities. The budget process, the budget document and the fundamentals of the City's financial management are also discussed.

## **Performance Management**

This section describes the City's performance management efforts designed to align the City's major business processes around City Council and community priorities, assess service performance and provide a framework for identifying needed resource reallocations.

## **Financial Strategic Plan**

The City's Financial Strategic Plan (Plan) is updated annually to capture and reflect the City's changing fiscal and service delivery environment. The Plan allows the City to maintain a multi-year perspective in maintaining a structurally-balanced General Fund budget.

## **Government Reform**

The FY 11 budget contains several proposals to streamline or reinvent the way we provide services to the community to become a more cost-effective, modern organization and generate future savings once fully implemented.

## **Budget Summaries**

Several summaries of department and fund budgets are provided, with multi-year comparisons of expenditures and revenue. Also included is a three-year schedule of Full-Time Equivalent staffing for each department, as well as the City's Top 40 General Fund revenue sources.

## **Department Budgets**

A major component of the City's performance management effort is the use of a Performance-based Program Budget. This Performance-based Program Budget is clearer than a traditional line-item budget in effectively demonstrating and communicating the actual services and tangible outputs and outcomes delivered to the community, and serves as the basis for reporting and evaluating the results the community will receive for the budget departments are allocated. Rather than focusing budgetary information on the inputs required to deliver services, the Performance-based Program Budget focuses on the outcomes and results of key performance measures produced through each Program with the service levels supported through the budget.

## **Fund Summaries**

The Budget includes spending from 38 different "funds" that are required to be reported by State or federal law, the City Charter and/or proper accounting practice. A fund consists of a separate set of accounts used to monitor the accomplishment of specified purposes, or uses, of restricted revenue. Depending on the type of service provided, department expenditures may be authorized from a number of funds. Most traditional City services are funded through the General Fund.

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## The Capital Improvement Program

The Capital Improvement Program (CIP) represents expenditures for major construction and infrastructure projects or for repair of City facilities and buildings. During the year, the Department of Public Works solicits and the City Manager approves projects to be funded and administered in the next fiscal year. The CIP, as presented in this section of the budget book, is adopted annually by the City Council as part of the budget process. A separate CIP document, the FY 11 Proposed CIP, provides greater detail about ongoing and approved CIP projects.

## FINANCIAL INFORMATION

### Adjustments to the Budget

During a fiscal year, special circumstances may result in changes to department spending priorities. At the beginning of each fiscal year, appropriations are made at the fund and department level and are authorized by City Council's adoption of an Appropriations Ordinance. Budget adjustments that require a modification to the amounts authorized by the Appropriations Ordinance require the approval of the City Council, in accordance with the City Council's Financial Policy on Budget Requests During the Fiscal Year. Transfers between programs or "characters of expense", but not affecting any funds or a department's total appropriation, only require City Manager approval.

### Basis of Accounting\*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

*\*This information is taken from the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach, California – September 30, 2009. For further information regarding the City's accounting and debt management practices, please consult the CAFR.*

### Accounting Basis of Budgeting

The generally accepted accounting principles used as the basis to prepare this Budget are the same as those used to prepare the annual financial report with the following exceptions: (1) encumbrances are considered to be expenditures for budget purposes but are not included in financial reporting; and (2) land held for resale is recorded as an expenditure when purchased and a revenue when sold for budget purposes. For financial reporting purposes, land is held as an asset and a gain or loss is recognized at the time of sale.

### Investment Management

This function's primary goal is safeguarding principal and ensuring liquidity levels necessary to pay for budgeted expenses while optimizing return on investment. The City maintains general bank accounts for daily business requirements, but the majority of the City's funds are held in an investment pool administered by the City Treasurer. As of September 30, 2009, the Treasurer's investment pool was approximately \$1.7 billion divided into short-term and long-term portfolios. To measure performance, the City uses two benchmarks: the 91-Treasury Bill benchmark for the short-term component and the Merrill Lynch 1-3 year Treasury/Agency Index for long-term component.

