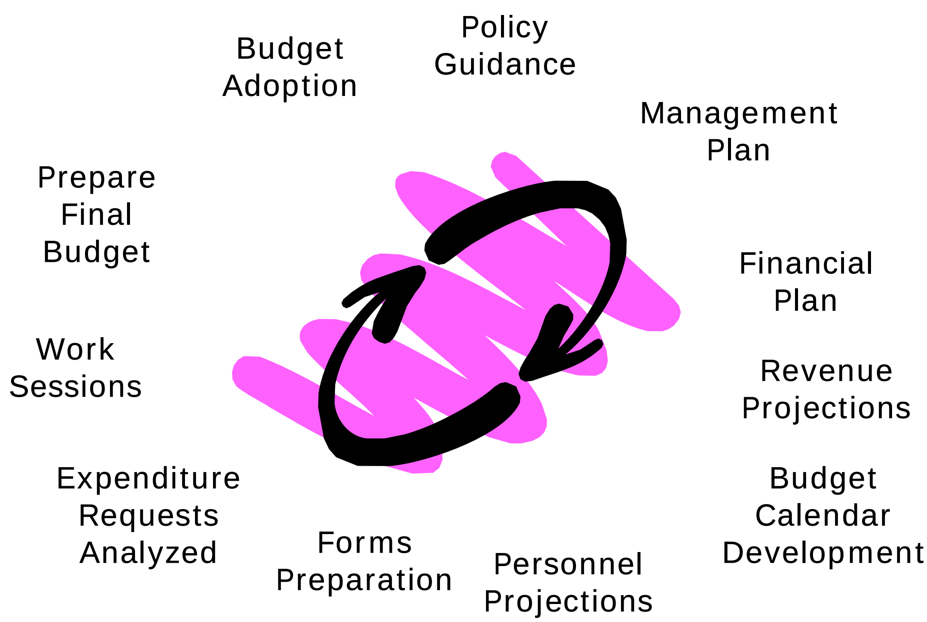
The Budget Development Process

The budget development process is the formal method through which the City establishes its program priorities, goals and service levels for the upcoming fiscal year. Through the budget development process, policy is set, programs are established, service levels are expressed, performance measures are articulated, and resources are identified. The budget development process is summarized in the following chart:



I. Purpose

To establish and recognize the City of Richmond's approach in preparing the annual operating budget.

II. Policy

The City's annual operating budget is an essential component of the City's process for financial planning, management and control. The "budgetary" method of accounting is used for preparing the City's budget. The budget is a plan of revenue and expense activities for the fiscal year and is intended to provide a clear, concise, and coordinated financial program to attain the City's goals and objectives. Revenue estimates are derived using historical and economic data on the state and local levels.

III. Guidelines and Conditions

A. Responsibilities

1. The Director of Finance has the overall administrative responsibility for planning, coordinating, analyzing, preparing and issuing the budget.
2. Each Department Director is responsible for preparing and submitting the budget for the department and its subsidiary divisions in accordance with the budget instructions.
3. The City Manager, in close consultation with the division and department directors, is responsible for making the final determination of the proposed budget to be submitted for approval to the City Council.
4. The City Council is responsible for approving the annual operating budget.

B. Budget Cycle

1. The City's fiscal year begins each July 1.
2. The budget is adopted by the City Council annually.

IV. Procedures

A. Preparing the Budget

1. As a general rule, from October to December, the City Manager, Assistant City Manager, the Director of Finance, and Budget Division hold a series of planning meetings to analyze financial performance and determine preliminary budget guidelines for the upcoming fiscal year.
2. Following the planning meetings, the Director of Finance prepares strategy recommendations for the upcoming budget and presents them to the City Manager.
3. The City Manager, Assistant City Manager, and the Director of Finance make a final determination of the budget strategy and guidelines.
4. In January and February, the Budget Division drafts the budget guidelines, instructions, supporting materials, forms and worksheets, and distributes them to all departments and divisions responsible for budget preparation.

   The budget guidelines are based on financial information that includes:

   a. New budget policies for the upcoming fiscal year.
   b. Department worksheets with historical actual and proposed operating revenue and expenses.
   c. Variance analysis (actual versus budgeted financial activity) and forecast analyses.

5. The Budget Division coordinates a series of workshops to provide technical assistance to staff who are involved in preparing budgets for their departments or divisions.
6. Under the direction of the department director, departments and divisions prepare

their budgets.

   a. Budgets are expected to conform to the standards set forth in the Budget Guidelines and Instructions manual.
   b. Should the budget deviate from those standards, the department or division prepares a justification.
   c. If a department's proposed budget includes new programs, the department includes information and justification on the programs including amounts that will be required to fund their implementation.

7. When the division and department budgets are completed, the department director reviews them and forwards them to the Budget Division.
8. The Budget Division compiles the divisional and departmental budgets into a draft for a single City-wide budget, analyzing all revenue and expenditure projections to ensure that they meet the City's goals and objectives, adhere to the budget guidelines and that no category has been overlooked.
9. The Budget Division presents to the City Manager and the Director of Finance the completed draft budget and a master list of departments' proposed new programs.
10. The City Manager, Director of Finance, and department directors meet between March and the end of April to review the draft budget, make necessary adjustments and determine which of the proposed new programs will be presented to the City Council for adoption. These meetings are an opportunity for each department and division to present their proposed budget and their justifications for new programs, and to enhance senior management's knowledge of operational needs.
11. When the draft budget has been approved by the City Manager, Assistant City Manager, and the Director of Finance, the adjusted divisional and departmental budgets are returned to the department directors for their information and acknowledgement.
12. In early May, the Budget Division compiles a brief summary of the draft budget and sends a copy to the City Council pursuant to the applicable City resolution.
13. The Budget Division distributes the draft budget summary to the City Council. At the May City Council meeting, the department directors hold a work session to inform the City Council about the budget and the strategies and the financial data upon which it is based.
14. Based upon the City Council's comments, the Budget Division may subsequently revise the draft budget.
15. At its June meeting, the City Council formally adopts the budget. Once adopted, the budget is the City Council approved operational plan for the ensuing fiscal year.

B. Monitoring the Budget

1. Once in place, the adopted budget becomes the main internal control document used to monitor and manage the City's financial position.
2. Accounting provides a Monthly Revenue and Expenditures Report to department directors indicating revenue and expenditures for the month and year to date. These data are intended to help department directors control expenditures and maximize revenue.
3. Department directors review the reports and prepare written explanations of

significant variances between actual revenues and expenditures and the budget projections.

4. After receiving the Monthly Revenue and Expenditures Report for the quarter ending month, department directors may submit new appropriation requests and adjustments to the adopted budget. The Budget Division prepares monthly Variance Reports for City Council and with approval of the City Manager, Assistant City Manager, and Finance Director, may include requested appropriation changes and/or adjustments for the approval of the City Council.
5. Throughout the year, department directors assist their divisions and departments in taking any necessary corrective action to control costs.

C. Budget Exception Review

1. When a situation arises that requires an expenditure not authorized in the budget, the appropriate department director must authorize a request for the expenditure in writing to ensure proper fiscal control. This applies to all out-of-budget requests for capital equipment, personnel, renovation projects, contractual services, or program changes that require the expenditure of City resources.
2. The request is submitted to the Budget Division for approval. The Budget Division works with the division or department to review expenditures to date to identify an appropriate source of funds. Approval of the request is contingent on funds being identified within the scope of the department's budget so as not to exceed the total departmental projected expenses for the year.

D. Budget Amendments

1. The budget is a flexible document that provides a comprehensive framework of resource allocations for implementation of the City's goals, priorities and program activities for the fiscal year.
2. Amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in January. Appropriations of new monies or transfers between funds require formal action through City Council resolution. Transfers between division/accounts may be made at the administrative level. These transfers can be authorized by the City Manager, Finance Director, Budget Office or Department Directors, depending on the nature of the transfer.