THE 2007-2008 BUDGET PROCESS

Preliminary Budget Process

- Budget Parameter Discussion with Department Heads & City Manager - Budget Policies and Procedures
  - This year the focus was planning for the future and alignment with the Balanced Scorecard Strategy Map.
  - At this meeting policies, priorities, and parameters were established or confirmed:
    - The primary objective is to provide the highest possible level of service to the citizens without adversely affecting the City's financial condition, and without raising taxes.
    - The budget must be balanced for each fund.
    - The five major priorities must be met:
      - to provide a safe community for our citizens;
      - to maintain the infrastructure of the community;
      - to provide a family-oriented community with recreational opportunities for the whole family;
      - to enhance the economic viability of the community by assisting in the diversification of the job base, the housing stock, and the educational facilities; and
      - to maintain a prudent General Fund reserve of 10% minimum which provides cash flow during the year, a safety net for handling the unexpected, and flexibility in day-to-day operations.
    - Recommendations as to program changes and improvements are given.

- Finance Distributes Budget Guide to Departments
  - The Budget Guide includes budget preparation calendar, instructions, and sample worksheets to be used in budget development.
  - Finance prepares budget worksheets that include base budget amounts and year to date actuals for current year. Departments use these worksheets to submit small dollar budget requests and for submitting the current year-end estimates.
  - Finance prepares cost estimates to assist departments in projecting changes in the costs of materials, supplies, and maintenance contracts.
• Solicit Capital Projects From City Council and City Manager
  o Throughout the year, the Public Works Department receives requests for projects from many sources including Council, City Management, staff and citizens. A Capital Improvement Prioritization worksheet is completed and review by the Public Works Review Committee. Once the Committee agrees upon the final prioritization, a draft Capital Improvement Program (CIP) is developed.

• Departments Match Goals, Dollars, and Programs with Budget Parameters
  o Now that the above preliminaries have been handled, this part is the real number crunching, program defining tasks for each individual department.

• Meetings with the City Manager, Finance Director and Department heads were held to review Capital Outlay, Capital Replacement and Information Technology needs.
  o The purpose of the meetings was to ensure consistency and accuracy for equipment needs, and to develop funding strategies to meet these needs.

Compilation Process

• Operating Budgets Submitted to Finance with Justifications
  o Individual worksheets are returned to Finance for input into the financial model. From this, a picture starts to develop as to the resources needed for the departments to meet their individual priorities and goals. Once all of the departmental budgets are compiled, the City Manager, Finance Director and Department Heads review the revenue and expenditure projections and determine whether the initial budget policies and parameters have been met.

• Capital Improvement Projects Submitted to Finance
  o The projects are incorporated into the budget model, and fund balances are projected for the capital project funds. Since capital projects tend to span more than one fiscal year, the practice is to appropriate the total amount needed to fund the project, (or one 'self-contained' phase of the project). This ensures there is sufficient funding to complete the project the following year. Any unexpended funds at the end of the current fiscal year automatically roll over to the next fiscal year.
• Review of Department Budget with City Manager, Finance Director and Department Head
  o This review gives the Department Head the opportunity to explain the department budget. Adjustments may be made at this time to bring the departmental budget into harmony with the budget policies and parameters. This allows the City Manager and Finance Director to get the broad picture of how all the pieces fit together.

• Finance Department Prepares Initial Revenue Estimates
  o These estimates are prepared in conjunction with trend analysis, review of new construction and assessment appeals, and other factors as stated in the "Revenue Sources" section.

• Budget Process Continues Until Balanced
  o It is at this point that rewrites of the departmental budget take place as the program expenditures are brought into alignment with the available resources. During periods of abundant resources, additional improvements may be made or additional reserves created; during periods of economic downturns, this can be a very hard, frustrating time as budget requests may be reduced substantially, depending on how they align with the Balanced Scorecard Strategy Map to meet the overall goals, mission, and vision of the City.

• Final Preparation of Draft Budget for Release to Council/Public
  o Once the budget has been balanced, the Finance Department pulls the various pieces, numbers, and narrative, together for presentation to the City Council, the Press, and the general public.

The Approval Process

• City Manager Presents Budget to Council with Brief Overview
  o The City Manager formally presents the budget to the City Council at a regular Council Meeting.

• Individual Council Assistance with Budget Process and Document
  o Individual meetings are scheduled, as needed, with the Council Members to brief them on how to read the document, and explain the policies and goals of the budget as perceived by staff.
• Budget Workshops Held with City Council and Public
  o Special meetings are scheduled for the Council to ask questions and make modifications to the budget. Based on the questions and concerns of the City Council, these meetings may be as few as one or as many as necessary for the Council to understand the budget and gain a level of confidence in it. These meetings are open to the Press and the general public. Council may take public input at these meetings.

• Public Hearing Held for Budget
  o This is a noticed, formal hearing for the budget that allows input from the citizens in favor, opposed, or just concerned about the budget. Modifications may be made to the budget at this time.

• Formal Adoption of the Budget
  o The Council formally adopts the budget with a roll call vote by minute action. The budget then becomes effective the beginning of the fiscal year, which starts July 1. It is the policy in Lancaster to adopt the budget before the beginning of the Fiscal Year.

**Amending the Budget**

The budget is a flexible document, in that once it is adopted, it can be modified to fit the changes necessary to run the City smoothly. The City Council adopts the budget by program (by Division within each Department). The Department Heads and City Manager have the authority to modify line items within each program as long as the total appropriation for that program stays the same. To increase the total budget appropriation of a program requires Council approval at the regularly scheduled mid-year review in January, or at any regular Council meeting.