



GUIDE TO THE BUDGET

WHAT IS THE BUDGET?

The Budget sets forth a strategic resource allocation plan that is distinctly aligned with community goals, preferences, and needs. The Budget is a policy document, financial plan, operations guide, and communication device all in one.

The Budget also:

- determines the quality and quantity of City programs and services.
- states expenditure requirements for the allocation plan and the estimated available revenues to finance it.
- sets targets and provides a means of measuring accomplishments against goals, actual versus planned outcomes.
- serves as a communication device—for elected officials, the public, and the City organization—that promotes the City's vision and direction, fiscal health and vitality, and what the public is getting for its tax dollars.

Through the Budget document, the City demonstrates its accountability to its residents, customers, and community-at-large.

THE RELATIONSHIP BETWEEN THE OPERATING BUDGET AND THE CAPITAL IMPROVEMENT PROGRAM

The Budget Document comprises both the *Annual Operating Budget* and the *Capital Budget*. The development of the two budgets, however, takes place on two separate, albeit interrelated, tracks (see the Budget Development Process Timeline).

The Operating Budget is the complete budget used to finance all day-to-day operations and obligations of the City. The budget includes general government administration and operations, debt service, capital expenditures, and transfer payments for a particular fiscal year. The funding for this budget is derived from taxes, fees, licenses, fines, and inter-governmental revenues (state and federal).

The Capital Improvement Program (CIP) is a multi-year planning instrument that drives the identification, evaluation, and financing of capital infrastructure projects that are in need of renovation, repair and/or construction. Capital projects range from street maintenance to building improvements. The CIP relates these capital projects needs to the financial sources that will support their realization and the timeframe in which both the financing and work will take place. Capital improvement projects typically carry considerable future impact, meaning, they have a life span of at least five years or more.



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BACKGROUND

The City of Visalia's fiscal year begins each July 1 and concludes on June 30. In accordance with fundamental democratic principles, the City embraces the notion and practice of citizen participation. Therefore, the development of the budget process begins early in the prior fiscal year to ensure we have adequate planning and community input. Community input is obtained through the City of Visalia's Budget Survey, public hearings, and other forms of written and oral communication.

The development of the Biennial Budget FY 2022/23 and FY 2023/24 is comprised of three distinct phases.

- Phase One: Strategic Planning and Program Assessment
- Phase Two: Budget Directive and Departmental Submittal
- Phase Three: Budget Preparation and Adoption

Phase One represents the planning and assessment phase. Departments focus on the what, why, and how well they deliver individual services. This phase includes both strategic plan development and data gathering, such as performance information. This phase can begin as early as the start of the fiscal year. Phase Two consists of the City Manager's Budget Policy Directive and Departmental Budget Submittal and runs from December through early March. Phase Three covers the period when the Preliminary Budget is prepared and presented to the City Council through Budget Adoption.

STRATEGIC PLANNING AND PROGRAM ASSESSMENT

The City Council Strategic Plan is a process that brings into alignment the community's priorities and needs, City Council goals, and City operations. The City Council Strategic Plan sets forth goals designed to realize the community vision. The Strategic Plan is then used to build the budget, ensuring effective utilization of City resources.

Program Assessment

Program Assessment is a crucial component of the Budget Development process. It engages City staff in linking past assumptions and decisions with current issues—before focusing on dollars. Program Assessment is also designed to elicit evaluation of current service delivery efforts, as well as provide baseline and performance information on the services (activities) a department currently provides. Program Assessment is conducted around 5 main themes: the What, Why, How, How Well, and Impact of the program in question.



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Performance Measurement

Of particular significance in the program assessment phase is the evaluation of *how well* the City is performing its services. The budget incorporates performance measures into the development of the budget and into the document itself. Departments set targets that are tied to action plans for improvement. A select group of performance measures used in the budget development process are featured in the Budget Document.

CITY MANAGER AND FINANCE DIRECTOR BUDGET DIRECTIVE AND BUDGET SUBMITTAL

The City Manager and Finance Director establishes a budget directive based on short- and long-term financial and organizational goals.

Budget Kickoff and Preparation

Budget kickoff begins in October at a meeting to which the City Manager, Finance Director, all department heads and budget preparation staff attend. The Finance Director briefs the participants on policy directives, general budgeting guidelines and a discussion on the technical and procedural aspects of preparing the budget. The Budget Preparation Manual, distributed to each departmental representative in both hard copy and electronic format, provides the information, forms and instructions necessary to prepare the Budget Submittal in an accurate and timely manner.

The strategic guidelines for this two-year budget are to:

- Budget revenues conservatively
- Seek cost saving measures that produce the same service delivery at a lower cost
- Find ways to address deferred maintenance
- Produce a balanced budget

BUDGET PREPARATION AND ADOPTION

This phase consists of the preparation of the Preliminary Budget through Budget Adoption and includes the publication of a "Budget-in-Brief" for wider distribution to the general public.

The Preliminary Budget considers any changes agreed upon at the City Manager Reviews and any other City Manager-directed changes.

Budget Presentation to City Council and Adoption

The Finance Director presents the Preliminary Budget to the City Council in a series of workshop sessions from February to June. Although public comment is welcome throughout the workshop sessions. In late June, the Finance Director will ask City Council to adopt the Budget with any necessary revisions made between the time of the publication of the Preliminary Budget and the date of adoption. The Annual Budget is effective July 1 and the printed document is available as soon as the fiscal year begins.



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How to Read the Budget

INTRODUCTION

Budgets play a crucial role in communicating to elected officials, city employees, and the public on the City's plans for the use of its resources. Yet budgets are complex documents that can be difficult to grasp at first hand. Although the City has made every effort to make the document as easy to navigate as possible, some discussion as to how the book is organized is deemed warranted. This section provides the reader with some basic understanding of the constituent components of a budget document.

ORGANIZATION OF THE BUDGET DOCUMENT

The Budget Document is comprised of the following 12 main sections:

- Budget Message (also known as the Transmittal Letter)
- Financial Summaries
- Administration Department
- Administrative Services Department
- Community Development Department
- Community Services Department
- Finance & Technology Department
- Fire Department
- Police Department
- Public Works Department
- Capital Improvement Program
- Appendix

Budget Message

The Budget Message is a transmittal letter addressed to the Mayor and City Council that introduces the FY 2022/23 and FY 2023/24 Biennial Budget. The Budget Message outlines the organizing principles of the budget and the assumptions on which the budget was developed (e.g., economy, strategic plan requirements, revenues, and expenditure needs) to accomplish the City's objectives for the year.

The Budget Message aims to provide the reader with highlights of the operating and capital budgets and a sufficient context to understand how and why budgetary changes occurred between fiscal years. In achieving these aims, the Budget Message includes the following components:

- Introduction
- FY 2022/23 and FY 2023/24 Biennial Budget Directive
- Citywide Budget Overview



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City Profile

The City Profile provides a snapshot of the City for which the Budget has been developed. The purpose of this section is to give the reader an at-a-glance look at the heritage and how it is now.

Guide to the Budget

The Guide to the Budget allows the reader to understand the purpose of the budget, how the budget is developed, how to read the budget, and the financial and operational policies that undergird the budget development and planning processes on a whole.

Strategic Budget Priorities

The City's Budget is expressly shaped by the Community Visioning Process and the Citywide Strategic Plan. In this way, City leadership can be assured it is allocating resources wisely and effectively toward meeting its goals and objectives.

Financial Summaries

The Financial Summaries section is the nuts and bolts of the Budget and perhaps the most difficult to navigate. It provides the following information:

- City Fund and Revenue Summary
- Basis of Accounting
- Proposed Revenues and Expenditures by Fund and Source
- Fund Descriptions
- Fund Summaries
- Interfund Transfers

Department Summaries

The Department Summaries contain detailed budget information for the basic organizational units of the City, its departments. The departments are presented in alphabetical order. Each departmental summary presents the following information:

- Mission Statement - Each department has formulated a mission statement that presents "the what, for whom, and why" the department exists.
- Organizational Chart - The organizational chart diagrams the relationships of the divisions, programs, and services comprising a department. As well as the allocated number of full-time employees.
- Expenditure Summary - This table displays expenditure information by departmental division.
- Division Summary - Each division contains the following information:
 - Division Description
 - Accomplishments and Goals - Accomplishments over the last two years and goals set forth for the upcoming two years.
 - Performance Measures - Each department has delineated



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performance measures—input, output, efficiency, service quality and outcome—for assessing progress made toward achieving program goals. These measures are used during the budget process to program performance, workload and future targets. Departments collect data on selected performance measures for the prior year, make estimations for the current fiscal year, and set targets for the upcoming budget fiscal years.

Capital Improvement Program Summary

This section looks at the City's Six-Year Capital Improvement Program, funding sources, project highlights, and the specific projects for which funds are allocated for the fiscal year in question.

Appendix

The Appendix Section contains a lot of important information regarding the City. This section includes the following;

- Personnel Summaries section includes the titles and divisions of the full-time positions allocated for each department.
- Salary Schedule section includes the most recent salary schedule for every position title in the City.
- Community Profile section includes history about the City, miscellaneous statistics that include sales tax, property taxes, changes in fund balance.
- Debt Summary section provides a summary of all City outstanding debt and the legal debt margin.
- Budget and Fiscal Policies section.
- Investment Policy
- Glossary of Terms used throughout the budget
- Reserve section includes the reserve policy and current reserve fund balance
- Measure N Plan Certification (included after adoption, with final approved agenda)
- Measure T Plan Certification (included after adoption, with final approved agenda)
- Legal documents supporting the budget (included after adoption, with final approved agendas for the budget adoption and GANN limit)



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ACCOUNTING AND BUDGETARY BASIS

Reading a budget entails an understanding of the fundamental basis upon which the accounting and budgeting is conducted. *Basis for budgeting* is consistent with accounting principles generally accepted in the United States of America, with the exception of the enterprise funds, which also budget for their capital costs each year. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital projects funds. In the City of Visalia, the *modified accrual basis of accounting* is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The availability period varies depending on the revenue source. Revenues susceptible to accrual are property taxes and taxpayer-assessed taxes, such as the sales tax, gas tax, transient occupancy tax, franchise taxes, special assessments, licenses, investment income, and charges for services. Expenditures are recorded when the liabilities are incurred except that principal and interest payments on general long-term debt are recognized as expenditures when due.

The *accrual basis of accounting* is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For proprietary type activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds (General, Special Revenue, Debt Service and Capital Projects) are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds (Enterprise and Internal Services) are accounted for with a focus on economic resources measurement. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.



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Financial and Operational Policies

INTRODUCTION

The organizing principles of a city's budget development process are its planning documents, financial and operational policies, and fiscal management tools. These promote and ensure organizational continuity, consistency, transparency, and responsibility across the City's individual units (e.g., departments) and time (e.g., fiscal years).

This section identifies some of the major short- and long-term planning documents, financial and operational policies, and fiscal management tools the City of Riverside employs in order to guarantee fiscal and programmatic integrity, and guide the development of the City's Budget.

THE OPERATING AND CAPITAL BUDGETS

One of the most significant financial management tools of a City is the annual budget process. The Annual Budget provides a legal basis for expenditures and a basis for control over municipal operations throughout the fiscal year. The City Charter mandates a budget be adopted prior to the beginning of the fiscal year.

The budget process furnishes department heads with an opportunity to justify departmental work programs, to propose changes in services, and to recommend revisions in organizational structure and work methods. It also enables the City Manager to review these aspects and make appropriate recommendations to the City Council.

Presentation of the budget to the City Council provides an opportunity to explain municipal programs and organizational structures. It also allows the Council to judge the adequacy of the proposed operating programs, to determine basic organizational and personnel staffing patterns and to establish the level of municipal services to be rendered with the available resources.

In order to accomplish these objectives, the annual budget must combine a detailed explanation of anticipated financial resources for the ensuing fiscal year with the proposed expenditures, supported by sufficient information on the proposed programs and activities to assess the appropriateness of the recommended levels of services.

The six-year Capital Improvement Program (CIP) enables the development of the Capital Budget. The CIP document brings together sufficiently detailed information to assess the future capital improvement needs of the community in the context of anticipated resources for both construction and operation of a facility or basic infrastructure. Its preparation permits the planning of capital improvements for various municipal operations for a six-year period, the continuing evaluation and implementation of the requirements of appropriate long-range master plans and special studies, and the improvement of timing and coordination of interrelated capital projects among various public and private agencies. It also provides most of the necessary capital improvement information for the next fiscal year's operating budget.



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Midyear Review

Per the City Fiscal and Budgetary Policies, the Council will formally review the City's fiscal condition, and amend appropriations if necessary, based on an analysis of the first six months of each fiscal year.

Amending the Budget

At any regular meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by majority of the Council members so as to authorize the transfer of unused balances appropriated for one purpose to another purpose or to appropriate available funds not included in the budget.

Budget Transfers

The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same fund over the course of a fiscal year. Transfer of appropriations between funds and increased appropriations must be authorized by the City Council.

Budgetary Control

The annual budget, as adopted by the City Council, establishes the total appropriation provided for each City department's operations. To ensure that the expenditures of each City department do not exceed the departmental appropriation, expenditures for each department are legally limited to the amounts authorized by the City Council in the budget document, plus subsequent changes individually approved by the City Council.

With approval from the Finance Director and the City Manager, department heads may transfer available funds between accounts under their jurisdiction. City Council approval is required for all transfers between funds, and from Unappropriated Fund Balance or Contingency Reserves.

Continued Appropriations, or the Carryover Review Process

Operating program appropriations not spent during a fiscal year may be carried over for specific purposes into the following fiscal year with the approval of the City Manager or designee.

Proposition 4 (Gann Limit) Appropriation

Article XIII B of the California Constitution was added by the November 1979 passage of the Gann Initiative. This legislation mandated that the City must compute an annual appropriation limit that places a ceiling on the total amount of tax revenues the City can appropriate annually. The legislation also provides that the governing body shall annually establish its appropriations limit by resolution.

The appropriations limit is calculated by determining appropriations financed by proceeds of taxes in the 1978/79 base year and adjusting the limit each subsequent year for changes in the cost of living and population. This Appropriation Limit is the maximum limit of proceeds from taxes the City may collect or spend each year. Budgeted appropriations are limited to actual revenues if they are lower than the limit. The Appropriations Limit may be amended at any time during the fiscal year to reflect new data.