



City of Decatur®

# Appendix A **Budget Guide**

**Budget FY 2016-2017**



# Budget Guide

**T**he city's charter requires the City Manager to prepare an annual budget on the basis of estimates submitted by the directors of departments and approved by the City Commission. The budget document is the result of months of planning. The budget allocates the city's limited financial resources to provide services based on organizational and community priorities. The resulting document becomes the plan that guides departments' operations throughout the fiscal year.

The budget period is the city's fiscal year which begins on July 1 and ends on June 30. While budgeting is an ongoing process, departments officially submit budget requests to the City Manager, or her designee, in February. The budget is scheduled for adoption by the City Commission on the third Monday in June. A detailed budget schedule is attached.

Georgia state law requires that the operating budget be balanced with current revenues and other financing sources, including unreserved fund balance. Any unencumbered appropriations lapse at year-end and do not carry forward into the next fiscal year.

Throughout the year, the City Manager and department heads are provided with periodic financial reports of revenues, expenditures and encumbrances compared with the adopted budget. These reports allow staff to monitor and manage the budget as authorized by the City Commission.

## **Process**

In January, departments are notified in writing of the budget schedule including budget due dates and departmental budget hearings. Any necessary forms related to the budget, performance measures and capital improvements planning are provided at this time.

Departments use prior and current year expenditure information to determine the resources necessary to maintain the current level of service. Based on City Commission and community priorities, estimates may be developed for a change in service level. While departments use past expenditures to develop their budgets, the budget process is a form of zero based budgeting because departments must justify each account request annually (i.e. a budget allocation in one year does not guarantee a continued allocation in the following year.)

Department budget requests are submitted to the City Manager, Assistant City Manager and Budget Manager for review in late February. All department heads meet as a group with budget staff to present their work plans and discuss their budget requests for the next year. This meeting is held in March. In April, department heads present their final budget requests to the City Manager. During this time, vision-based budgeting teams are convened to prepare the narratives and document the resources being allocated towards each strategic plan principle.

Proposed and revised budget documents are presented to the City Commission at the second commission meeting in May. Work sessions are held with the City Commission and public hearings are held prior to the final adoption of the budget in June. Additional public forums occur during March, April and May to provide opportunities for the public to participate in the budgeting process.



## Budgetary Funds

The City's accounts are organized by fund groups, each of which is treated as a separate accounting entity. Annual operating budgets are approved for the following **funds**:

**General Fund:** The general operating fund of the city. It accounts for resources traditionally associated with government that are not required to be accounted for in another fund.

**Capital Improvement Fund:** Established to account for the receipt and expenditures of money from major capital projects. This fund is general in nature and may be used to finance any capital project that the City Commission designates.

**General Obligation Bond Fund:** Established to account for the receipt and expenditures of money from the general obligation bond issued in 2007.

**Urban Redevelopment Agency Funds:** Established to account for the receipt and expenditures of money from the bonds issued by the Urban Redevelopment Agency of the City of Decatur in 2010 and 2013.

**URACallaway Fund:** Established to account for the debt service on the October 2013 bonds issued to purchase the Callaway Building property in downtown Decatur for redevelopment purposes.

**Cemetery Capital Improvement Fund:** Established to account for the financing and expenditure activity of a capital nature occurring within the cemetery. Financing is provided by one-half of the proceeds from cemetery lot sales. This fund is intended to provide for the capital needs of the cemetery into perpetuity.

**Tree Bank Fund:** Established for the purpose of collecting fees in lieu of planting replacement trees required for compliance with the tree ordinance. Fees are used to purchase and plant trees on public parks, rights of way and other public properties, the purchase of green space, and similar activities associated with maintaining and improving the city's public tree canopy.

**Conference/Parking Deck Fund:** Established to account for the activity of the conference center and parking deck.

**Stormwater Utility Fund:** Established to account for the collection of fees for repairs, maintenance and construction of stormwater drains and other related expenses.

**Solid Waste Enterprise Fund:** Established to account for the collection of fees for residential and commercial sanitation service.

**Debt Service Fund:** Established to account for the accumulation of resources and payment of long-term obligations.

**Grant Fund:** Established to account for grants received from the U.S. Department of Education.

**Confiscated Drug Fund:** Established to account for the use of confiscated drug money and/or assets by the city's Police Department.

**Emergency Telephone System (E911) Fund:** Established to account for funds received for all emergency 911 charges and wireless enhanced charges.

**Hotel/Motel Tax Fund:** Established to account for the hotel/motel taxes collected as required by general law.

**Children & Youth Services Fund:** Established to account for the collection of participation fees and grants and expenditures related to the city's after-school and summer programs.

## Basis of Budgeting

All fund budgets described above, with the exception of the stormwater, solid waste and conference/parking deck funds, are prepared on a modified accrual basis meaning that expenditures are budgeted if the obligation will be incurred that fiscal year and revenues are budgeted if they are measurable and available. For example, an outstanding purchase order is an example of an incurred expenditure. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the budgeted fiscal period or soon enough thereafter to pay liabilities of that fiscal period. For example, real property tax bills that are billed in April and due in June are budgeted as revenue in the billing year.

The remaining funds are enterprise funds which are budgeted on a full accrual basis. Expenditures are recognized when a commitment is made and revenues are recognized when they are obligated to the city (i.e. stormwater fee bill is generated).

The basis of accounting refers to the time at which revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. In the city, the basis of budgeting and the basis of accounting are the same with the exception that the budget does not reflect depreciation expenses or compensated absences. The city's comprehensive annual financial report (CAFR), which is prepared in conformity with generally accepted accounting principles (GAAP), provides the specific information for depreciation and compensated absences.

## Fund Balance

The accounting definition of fund balance is the difference between assets and liabilities on the balance sheet. If revenues exceed expenditures at the end of the fiscal year, the remainder is identified as 'fund balance'. The practice of conservative revenue estimates and carefully monitored expenditures may result in a fund balance. The city's financial policies recommend an unassigned, formerly 'unreserved', fund balance between twenty and thirty percent of the operating budget. The city does not budget for contingencies and therefore, must rely on the fund balance for emergency expenditures. In some years, the city may budget to use fund balance for one-time, non-recurring expenditures while remaining within the acceptable level for fund balance.

In June 2011, the City Commission amended the city's financial policies to reflect new fund balance requirements under the Governmental Accounting Standards Board (GASB) Statement 54. The five classifications of fund balance can be found in the financial policies in Appendix C.

In the fiscal year ending June 30, 2015, the general fund balance totaled \$7,209,285 or 32% of the 2015-2016 revised operating budget. This was an increase of \$1,707,681 from the previous year's fund balance. In the Revised 2015-2016 budget estimates, the city has budgeted to add \$268,210 to fund balance. In the FY 2016-2017 budget estimates, the city has budgeted to use \$1,224,340 of fund balance. The city has identified expenditures totaling just over \$1,000,000 that are one-time non-recurring expenditures, which is the proper use of fund balance and consistent with the city's fund balance policy. Fund balance is estimated to be \$6,253,155 at the end of FY 16-17 or 26% of the adopted operating budget.



## **Budget Revisions**

Since the legal level of budgetary control is at the departmental level, each department head has the authority to recommend budget transfers within the department budget to the City Manager for approval. State law prohibits transfers within the 'salaries' line-items without approval of the governing body.

Concurrent with the budget process for the next fiscal year, revisions to the current year's budget are developed. The current year revised budget is adopted with the next year's proposed budget. In the case that unanticipated budget revisions are necessary before the end of the fiscal year, the budget may be amended with the approval of the City Commission.

## **Performance Measures**

The city incorporates performance measures and objectives into the budget document. For each department, there are at least three years of actual performance data. The city will continue to improve upon the performance measurement program and make it a substantive part of the budget development process.

## **Strategic Planning**

In the fall of 1998 the city sponsored a community forum known as the Decatur Roundtables which involved 500 community members. A report of key concerns and action teams developed from this process. This report and recommendations from the action teams guided many of the City's activities. Over 200 stakeholders helped develop a ten-year strategic plan based on the work of the Roundtables project. The strategic plan was completed in the summer of 2000. Three core principles emerged from the plan:

- A. Manage Growth While Retaining Character
- B. Encourage Community Interaction
- C. Provide Quality Services Within Fiscal Limits

In the spring and summer of 2010, the process was repeated with 1,500 stakeholders and the 2010 Strategic Plan was adopted in March 2011. The three core principles from the 2000 plan were updated and a fourth was added. For internal purposes, city staff developed a fifth principle that recognizes the need for a city organization to support and achieve the other strategic plan principles.

- A. Manage Growth While Retaining Character
- B. Encourage a Diverse and Engaged Community
- C. Serve as Good Stewards of the Environment and Community Resources
- D. Support a Safe, Healthy, Lifelong Community
- E. Provide the Necessary Support within City Government to Achieve the Vision and Goals of the Community

The plan identifies goals and specific tasks for each principle. The plan is reviewed annually in conjunction with the budget to ensure the budget supports the plan's principles and tasks and incorporates community input into the budget process.

## **Community Engagement**

Each budget season, the city invites interested citizens to participate in discussions of the budget process. These community budget gatherings were first held in 2002. Because of the success and contribution of these meetings to the budget process, the city continues to invite active citizen participation in the budget process through these community gatherings.

The goal of the community budget gatherings is to provide relevant budget and financial information in an informal environment so that participants can better understand the city's budget process including how revenue and expenditure recommendations are made.

Starting in 2013, the city has held an annual Budget Expo or ‘Touch a Budget’ event. At this event, structured much like a science fair or vendor expo, city staff set up stations representing each strategic plan principle and display equipment, documents and other materials that are in the proposed budget and support each strategic plan principle. The public is invited to attend and visit each principle area to learn more about the budget requests and how they support the city’s overall strategic vision. This offers an informal setting for citizens to meet employees from all departments and engage in a dialogue about City services and programs.

## Budget Reporting

State law requires that the budget be posted on the Tax and Expenditure Data (TED) website maintained by the Carl Vinson Institute of Government. In addition to complying with that State law, the city also posts the budget on the city website and makes hard copies available at multiple locations within the city.

## Budget Schedule Fiscal Year 2016-2017

January 22	Budget Memo and Schedule to Departments
February 11	Performance Measurement Meeting
February 17	Monthly Staff Meeting
February 26	Department Proposed Budget Requests And BVE Worksheets Due by 5 pm
March 4	CIP Requests and VBB-Strategic Plan Principles Due
March 9	Performance Measurement Meeting
March 11	Budget Review Meeting-Department Heads
March 14	Strategic Plan Principles Narrative Teams begin working
March 16	Monthly Staff Meeting
March 21	City Commission Adopts Billing Ordinance
March 22	Budget Request Follow-up and 10 Year Capital Plan Drafting
March 25	Personnel Estimates Due
March 29	Budget Expo
April 1	Revised Budget Requests And Bve Worksheets Due By 5 p.m.
April 1	Tax Bill Mailing Deadline
April 1	Revenue Projections Due
April 1	Prepare Notice for Decatur FOCUS
April 8	Draft Proposal to City Manager (tentative)
April 12	Strategic Plan Principles Narratives Due
April 20	Monthly Staff Meeting
April 22	Preliminary Budget Complete
May 12	Public Hearing Announcements to Legal Organ
May 13	Budget delivered in City Commission packet
May 16	Presentation of Budget to Commission and Adoption of Tentative 2016 Millage Rate
May 17	Community Budget Gathering – City Hall
May 18	Monthly Staff Meeting
May 19, 26, June 2	Public Hearing Ads Published in Legal Organ
June 6	Work Session and Public Hearing on Budget and Millage Rate
June 13	Public Hearing on Budget and Millage Rate (if necessary)
June 20	Public Hearing on Budget and Millage Rate, Adoption of FY 2016-2017 Budget and Revised 2015-2016 Budget, and Adoption of Final 2016 Millage Rate