

CITY OF MENIFEE Finance Policy	Policy Number: FN-13CC-15
Subject <u>Long-Term Financial Planning & Budget Procedures Policy</u>	Effective Date: Last Modified: 8-21-13 <u>Draft 6-21-23</u>
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1.0 PURPOSE

To establish procedures to ensure the fiscal stability of the City of Menifee, and to guide the development and administration of the annual operating and capital budgets through wise and prudent management of municipal finances while providing for the adequate funding of the services desired by the public and the maintenance of public facilities. The objectives of the City's budget are:

1. Identifying community needs for essential services.
2. Organizing the programs required to provide these essential services.
3. Establishing program policies and goals, which define the nature and level of program services required.
4. Identifying activities performed in delivering program services.
5. Proposing objectives for improving the delivering of program services.
6. Identifying and appropriating the resources required to provide program activities and accomplish program objectives.
7. Setting standards to measure and evaluate the:
 - a. Program goals
 - b. Accomplishment of program objectives
 - c. Program efficiency and effectiveness.

2.0 SCOPE / BACKGROUND

This policy ~~and procedure~~ applies to all funds of the City of Menifee.

3.0 POLICY

Long-Term Financial Planning

The City of Menifee is committed to long-term comprehensive financial planning.

- The City prepares and publicly presents, during the budget development process, a detailed five-year forecast that includes an analysis of key revenues and expenditures, and proposed measures to address any projected gaps.
- The forecast is prepared for the General Fund and Quality of Life Fund, and other key revenue sources, as deemed necessary. The first two years of the forecast form the foundation for the City's biennial budget.

Biennial Budget

The City adopts a biennial budget, developed in the context of the five-year financial plan. The following are key elements of the City's biennial budget:

- The City's Fiscal Year starts on July 1 and ends on June 30.

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- Budgetary appropriations are made by the City Council, through budget adoption, for two full fiscal years, broken out into one-year increments.
- The City Manager presents the Proposed Budget to the City Council in a public workshop setting at least 30 days prior to the beginning of each biennial budget cycle, i.e. by June 1 or earlier.
- The biennial budget is adopted by the City Council on or before June 30 following a public meeting where constituents are given an opportunity to comment on the Proposed Budget.
- During the budget review at the end of the first fiscal year (the Mid-Cycle) following City Council adoption of the biennial budget, staff presents to the City Council any necessary adjustments based on any major changes in revenues or expenditures.
- During the fiscal year, any necessary budget adjustments that cannot wait for the Mid-Cycle review or the subsequent budget process, may be presented at any City Council meeting, at the request of staff. The City Council must approve any revisions that increase the total budgeted expenditures or revenues of any department and fund.

Capital Improvement Program (CIP) Budget

In conjunction with the biennial budget process, the City develops a five-year CIP Plan. CIP projects are generally valued at over \$50,000 and have an estimated useful life in excess of five years.

CIP includes the following categories:

- Transportation
- Traffic Signals
- Street Improvements
- Pavement Management (PMP)
- Drainage
- Streetlights
- Public Facilities
- Parks, Trails, and Recreation
- Technology Infrastructure
- The CIP budget is driven by the City's goal to appropriately maintain and care for the City's infrastructure, in order to protect the City's capital investment and to minimize future maintenance and replacement costs.
- The CIP budget includes sources of funds previously appropriated as well as future five-year funding needs, and estimated future operating costs or savings associated with each capital project.
- Similar to the operating budget, funding for the first two years of the CIP budget is approved during the biennial budget process.

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Balanced Budget: The City will maintain a balanced budget for each fiscal year, which means that:

- Operating revenues must fully cover operating expenditures, including debt service.
- The budget is balanced at the individual fund level. The estimated revenue sources must be sufficient to cover proposed uses.
- Non-recurring revenues shall not be used to fund recurring expenditures without explicit City Council approval.
- Non-recurring revenues or one-time funding may be used to balance the budget during economic downturns, or as a result of unforeseen events.
- Ending fund balance (or working capital in enterprise funds) must meet minimum policy levels as outlined in the City's Policy # FN-01-2, Fund Balance Policy. Under this policy, if fund balance levels exceed thirty-four percent (3040%), or as is updated per FN-01-2, of operating expenditures, it is allowable for expenditures to exceed revenues within the fiscal year through a use of beginning fund balance. However, in this situation, beginning fund balance can only be used to fund capital improvement plan projects, or other "one-time," non-recurring expenditures.

Operating and Capital Carryover:

- Operating program appropriations not spent during the first fiscal year may be carried over for specific purposes into the second fiscal year with the approval of the City Council.
- Grant funded program/project appropriations not spent during the first fiscal year may be carried over for specific purposes may be carried into the subsequent fiscal year with the approval of the City Manager, and provided the grant performance period of the grant carries into the following year.
- Capital program appropriations with activity underway, but not spent during the first preceding fiscal year may be carried over for the continuation of the same capital project into the second-following fiscal year with the approval of the City Manager.
- Unexpended budget appropriations, for authorized projects approved by City Council and not yet started, will be transferred to an assigned fund balance reserve account and held there until such time as the project is ready to move forward or the City Council takes action to reallocate the funds to another project or unassigned fund balance.

Budget Process:

The budget process will begin in the fall with baseline expenditures and revenue projection efforts initiated in the fall by the Finance Department. The A citywide budget kickoff begins in will take place in January. In this meeting, the City Manager briefs department managers on the policy

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directives and general budget guidelines for the upcoming fiscal year. This meeting includes a general discussion of the state's economic outlook, potential economic development, and anticipated major capital projects. A specific timeline for budget workshops, the budget public hearing, and the actual preparation of the budget are also discussed.

- **Mid-year Review**

In February of each year, the City Manager and the ~~Finance Director~~Chief Financial Officer provide the City Council and the citizens a mid-year presentation on current year revenues and expenditures. Budget adjustments, if required, are presented for review and approval by the City Council.

- **Department Preliminary Submittals**

By early April, each department must submit their preliminary budget to the City Manager. These budgets include requests for reclassification and/or reorganization, program changes, services level adjustments, and anticipated revenues and expenditures. In addition, the ~~Finance Director~~Chief Financial Officer provides data regarding any changes in fixed labor costs and estimated fund revenues.

- **City Manager Review**

The City Manager reviews each department budget and compares it to the policy objectives set by the City Council, available resources and desired service levels. The aim of the City Manager review is to finalize decisions regarding departmental budget submittals.

- **Mid-Cycle Review**

In April of the first year of the biennial budget cycle, Departments will review any budget adjustment requests for the next fiscal year. The Finance Department will review any adjustments to the revenues for the upcoming year, and present to the City Manager for review. As part of the Mid-Cycle process, staff presents to the City Council any necessary adjustments to the second-year budget.

- **Budget Document Preparation and Approval**

The balance of May is spent preparing the preliminary budget document. The document is presented to the City Council in a workshop held in early ~~June~~May. Citizens are encouraged to provide input and voice their opinions during this open session. The budget and any suggested changes are reviewed and approved by the Council no later than June 30th.

- **Citizen Participation**

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Menifee residents are encouraged to participate in the budget planning process by attending budget work sessions. Citizens also have an opportunity to address issues at any City Council meeting during the year. Council meetings are generally held on the 1st and 3rd Wednesdays of each month at 7-6 p.m. in the Council Chambers located at 29714 29844 Haun Road. Special Meetings are noticed at least 72 hours in advance.

- **Goals & Objectives, and Key Performance Measures Indicators**

The budget incorporates Goals, Objectives and Key Performance measures Indicators into the development of the budget and into the document itself these are included within the adopted Budget Book document. Each department submits its target objectives for the upcoming year to the City Manager along with an action plan for implementing and achieving the objectives. These target objectives tie directly into the City's overall mission and goals, Strategic Plan and other key master plans. These department objectives are included in the budget section for the respective department.

Budget Execution and 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 limited to the amounts authorized by the City Council in the budget document plus subsequent changes approved by either the City Manager or City Council. The City Manager may reallocate items in the operating budget provided there is no change in the total appropriation within any fund as authorized by the City Council.

Within each department or division, expenditures are limited to those budgeted within the major functional areas of personnel, services and supplies (operating and maintenance) and capital outlays, and capital projects. All expenditures must comply with established purchasing policies and procedures.

Once each month is closed, the Finance Department will send an email to all department directors notifying them that the financial records are complete for the applicable month. The departments have access to the financial system, and system and at that time are expected to review the budget status of their departments. Finance Department staff will schedule meetings with each department director at the end of each fiscal quarter to review the status of each department's budget and will prepare a report to the City Manager on the outcome of the meetings.

With approval from the Finance Director City Manager and/or the Assistant City Manager, or if designated by the City Manager/Assistant City Manager, by the Chief Financial Officer or the Deputy Finance Director, department directors may transfer available funds between accounts under their jurisdiction. With approval from the Chief Financial Officer Finance Director or the Deputy Finance Director only, department directors may transfer available funds between accounts with the same functional area (for example, personnel to personnel) under their jurisdiction. With City Manager or Assistant City Manager, Chief Financial Officer or Deputy

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Finance Director approval, funds may be transferred between functional areas, and also between departments. All transfer requests must be adequately justified, explaining the conditions creating the need for additional funds in the specified account and impact of the transfer on the program. The following conditions may also apply:

Personnel Services - Transfers from personnel services to any other account group must be approved by the ~~Finance Director~~Chief Financial Officer or Deputy Finance Director and will generally be limited to items of a non-recurring nature.

Capital Assets/Equipment - A budget transfer to purchase capital assets (such as equipment/furniture equipment) -not identified in the adopted budget required the approval of the City Manager if it exceeds \$15,000.

Capital Improvements: - Transfer to or from Capital Improvements budgets must be approved by the ~~City Manager~~Department Director and Chief Financial Officer or Deputy Finance Director. Transfer to or from CIP budget resulting from cancelled projects must be approved by the City Manager.

4.0 ROLES AND RESPONSIBILITIES/PROCEDURE

- Finance Department
 - Notifies departments via email each month as soon as financial records are closed.
 - Assists with any questions from departments regarding budget status.
 - Upon receipt of a request for a budget transfer:
 - verifies availability of funds to be transferred;
 - determines if Council action is necessary
 - reviews justification for transfer,
 - approves transfer request and if necessary, forwards the transfer request to the City Manager's office for approval.
 - After appropriate approval is received, Finance will input the budget transfer into the financial system.
- Department Head
 - Approves Budget Transfers for all accounts, except as specified in this policy:
 - Submits request to Finance containing account numbers, titles, and amounts for all accounts from or to which transfers are to be made, as well as adequate justification for transfer.
- City ~~Manager's Office~~Executive Office

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- Reviews transfer requests as outlined in this policy to determine if the request is appropriate.

Revision History

Revision No.	Date Approved	Approved By:	Comments
0			Original Policy
1	8-21-13	City Council	FN-13
<u>2</u>	<u>6/21/2023</u>	<u>City Council</u>	<u>CC-15</u>