



Budget Policy

PURPOSE

The following policies outline the City of La Vernia's (the "City") guidelines for budgetary decision-making and set standards for sound budgetary practices and fiscal performance. Adhering to these budget policies will assist the City in achieving its current and future goals in a fiscally responsible and sustainable manner.

SCOPE

This policy encompasses budgeting for operating and capital projects, revenue management, forecasting, internal controls, and reporting.

OBJECTIVES

These policies serve to guide the development of the City's budget and establish standards for revenue generation and the execution of operating expenditures, as recommended by the Government Finance Officers Association (GFOA). The budget policies are designed to manage financial pressures in response to growing demands on City resources while ensuring long-term fiscal stability.

BUDGET PROCESS

The purpose of the budget process is to help decision-makers make prudent choices regarding the provision of services and capital assets and to encourage stakeholder participation. The following summarizes the policies that will guide this process:

1. At the beginning of each budget cycle, the City Administrator and City Council will set parameters and priorities.
2. The City Administrator and Finance Administrator will annually publish a Budget Preparation Manual to guide departments in developing their budgets.
3. The budget process will include a five-year financial forecast to assess the long-term financial implications of current and proposed policies, programs, and assumptions and develop appropriate strategies to achieve the City Council's goals.

4. After departmental requests are submitted, the City Administrator will review and evaluate all baseline budget requests to ensure they meet City Council goals and objectives, improve management effectiveness, and enhance service delivery.
5. The City Administrator will submit a Proposed Budget to the City Council for approval. This submission will include the City Administrator's Budget Message, a concise summary of the budget, which shall include:
 - o A summary of significant changes in priorities or service levels from the current year and the factors leading to those changes.
 - o The priorities and critical issues for the new budget period.
 - o Identification and summary of major financial factors and trends affecting the budget, such as economic factors, long-range outlook, significant changes in revenue collections, tax rates, current and future debt obligations, and significant use or increase in unreserved fund balance.
 - o Financial summary data on revenues, other resources, and expenditures for at least a five-year period, including prior year actuals, current year budget and/or estimated current year actuals, and the proposed budget.

BALANCED BUDGET

The general fund, which is the primary operating fund of the City, is required to have a balanced budget annually. The City's goal is to balance the operating budget with current revenues, meaning that current revenues should match and fund ongoing expenditures and expenses. The budget is considered balanced when total spending and costs are equal to total revenues. Additionally, the budget is considered balanced when total spending and costs are less than total revenues, resulting in a surplus. There may be instances where the City plans to use excess fund balances accumulated from previous years (while maintaining established reserves) for one-time or non-routine expenditures. The budget is deemed balanced in this case as long as the funding from previous years is available and a plan is in place to ensure that ongoing expenditures are not funded from this type of funding. This type of balanced budget is especially relevant when capital projects are funded through bond issuance.

BUDGET ADOPTION

The budget shall be adopted by resolution no later than the day before the first day of the City's fiscal and budget year. If the budget is not adopted by this deadline, the appropriation for personnel and essential operating supplies made in the previous year shall be extended until the new budget is adopted.

BUDGET CONTROLS AND ACCOUNTABILITY

Each department director, appointed by the City Administrator, will be responsible for the strategic plan and goals adopted by the City Council as part of the budget and for monitoring their individual departmental budget to ensure compliance with spending limitations.

The Finance Administrator, at the direction of the City Administrator, may transfer funds within the line items of a departmental budget category. All other transfers of appropriation or budget amendments that alter the originally adopted budgets at the fund level require approval from the City Administrator and City Council, as outlined in the following section.

AMENDMENTS TO THE BUDGET

Before Adoption:

After the public hearing, the City Council may adopt the budget with or without amendments. In amending the proposed budget, the City Council may add or increase programs or amounts and may delete or decrease any programs or amounts, except for expenditures required by law or for debt service. However, no amendment to the proposed budget shall increase spending to an amount greater than the estimated income (including the use of available Fund Balance).

After Adoption:

- a. Department Heads are authorized to request budget transfers.
- b. A budget transfer of personal services appropriations or affecting revenue accounts requires the approval of the City Administrator or his/her designee.
- c. A budget transfer must be approved prior to the occurrence of the expenditure, except for emergency expenditures, which must be approved by the City Administrator or his/her designee and ratified by the City Council.
- d. The City Administrator shall have the authority to establish the budget for any capital projects that the City Council approves.
- e. Budget amendments submitted to the City Council shall be accompanied by an explanation from the department and a recommendation from the City Administrator or his/her designee. The department's reason must be sufficiently clear and detailed to allow City Council members to determine the necessity of the amendments.
- f. The City Administrator or his/her designee is authorized to establish budgets and staffing changes for grants and similar awards when the City Council and City Administrator have previously approved the applications for such grants and awards.

[Approved September 05, 2024, by the La Vernia City Council, Resolution #_____]