



Financial Policy – Budget Authorization vs. Expenditure Authorization

Purpose

The purpose of this policy is to clarify the distinction between the City Council's adoption of the annual budget and the authorization of specific expenditures.

Budget Authorization

Adoption of the City's annual budget authorizes departments to operate within the appropriations approved by the City Council for the fiscal year.

The budget establishes spending limits and financial planning for City operations but does not constitute approval for individual purchases, contracts, or expenditures unless specifically stated.

Expenditure Authorization

Individual expenditures may require additional authorization depending on:

- The amount of the expenditure
- The nature of the purchase
- Applicable City purchasing policies
- Applicable provisions of Montana law

Purchases, contracts, or capital asset acquisitions requiring Council approval under City policy must receive such approval prior to the expenditure being made, even if the expenditure was included in the adopted budget.

Policy Relationship

This policy operates in conjunction with the City's adopted:

- Purchasing Policy
- Contract Approval Authority Policy
- Capital Asset and Equipment Purchase Policy

These policies establish the circumstances under which City Council approval is required for expenditures.

Policy Review

This policy shall be reviewed yearly, prior to the budget process, by the City Council and City administration to ensure continued compliance with Montana law and best practices in municipal financial management.