

Council Agenda Report

Date: September 30, 2016
Prepared by: Ginger Heatwole, Finance Director
Submitted by: Sandra Tripp-Jones, City Manager
SUBJECT: Budget Policy

Recommendations: That Council:
A. Conceptually approve the City Budget Policy and
B. Direct the City Attorney to draft policy resolutions for Council adoption.

Discussion:

The City budget is a key document for any municipality. As a policy document, it establishes service priorities and, in the case of the City of Cambridge, it incorporates and prioritizes Council goals. Organizationally, it outlines the divisions that are responsible for achieving the goals and services. And as a communication tool, it makes the above transparent to the readers whether public officials, citizens, other government agencies, grantors or staff.

A budget policy provides the guidelines to help the Council and staff to consider the implications of the budget and to prepare a budget that is consistent with public finance best practices. A budget policy has to be flexible to allow for the give and take of politics. Yet guidance is critical. The attached budget policy does this.

Fiscal Impact: Impact would be in the guidelines laid out for the budget

Approved by:



**DRAFT
BUDGET POLICY
(November 14, 2016)**

BUDGET DEVELOPMENT

A. Budget

The City will prepare a one-year financial plan using the encumbrance basis. Benefits will be:

1. Concentrating on developing and budgeting for the accomplishment of significant Council Goals and provision of quality public services.
2. Establishing realistic timeframes for achieving Council and departmental goals.
3. Creating a pro-active budget that provides for stable operations and assures the City's long-term fiscal health.
4. Promoting orderly spending patterns.

B. Budget Development (per City Charter)

The City Manager will prepare the proposed city budget and capital program annually as a plan of services and a plan of funding those services, and submit them to the Mayor and City Commissioners as a body with a message describing the important features. Through the project development process, the City Manager will present specific policy issues to the Finance Committee for recommendations and to Council for decisions to be incorporated into the budget.

C. Council Goals

The City Council will develop priority goals and implementation projects which will be incorporated into the proposed operating budget for funding consideration.

D. Capital Program

The City Manager will present a Five-Year Capital Program to the City Council for acceptance and will incorporate the first year of the capital program into the proposed budget depending on funding availability.

E. Balanced Budget

The City will maintain a balanced budget over the period of the Financial Plan. This means that:

1. Operating revenues must fully cover operating expenditures, including debt service.
2. Ending fund balance (or working capital in the enterprise funds) must conform to the Reserves Policy. For the General and Enterprise funds, this level has been established at 16% of operating expenditures, funded per the Reserves Policy.

F. One-Time Revenues for One-Time Costs

In order to not create ongoing funding dependency on non-ongoing funding sources, one time-revenues will be budgeted for one-time costs.

G. Funding Capital Programs

Ongoing revenues, dedicated new revenues, prior year fund balances in excess of reserve policy requirements, grants, and public private partnership agreements will be the sources of funding capital projects.

G. Debt

Bond covenants concerning restrictions on incurring debt will be adhered to. Short term and long term debt will for financing capital projects or equipment acquisition will be avoided. If needed, debt financing of capital projects or equipment will require a supermajority approval of City Council. Such capital projects could include major infrastructure projects. The City's ability to pay annual debt service will be considered before such approvals.

H. Resources Linked to Results

Through the Financial Plan, the City will link resources with results by:

- a. Identifying community needs for essential services.
- b. Organizing the programs required to provide these essential services.
- c. Establishing program policies and goals, which define the nature and level of program services required.
- d. Identifying activities performed in delivering program services.
- e. Proposing Council Goals for improving the delivery of program services.
- f. Identifying and appropriating the resources required to perform program activities and accomplish program Council Goals.
- g. Setting standards to measure and evaluate the:
 - i. Output of program activities.
 - ii. Accomplishment of program Council Goals.
 - iii. Expenditure of program appropriations.

I. Budget Adoption

1. The City Manager shall file with the Mayor and City Council the annual proposed budget including a capital program no later than May 1 for the following fiscal year.
2. The Mayor and City Council will hold at least one (1) noticed public hearing on the budget prior to adoption.
3. The City Council will adopt the budget by supermajority no later than June 30, 2016 for the following fiscal year.
4. The Council may amend or supplement the budget at any time after its adoption by supermajority vote of the Council members.
5. The City Manager has the authority to make administrative adjustments to department budgets as long as those changes will not have a significant policy impact negatively on budgeted year-end fund balances.

FINANCIAL REPORTING AND BUDGET ADMINISTRATION

A. Annual Reporting.

The City will prepare annual financial statements as follows:

1. In accordance with Charter requirements, the City will contract for an annual audit by a qualified

independent certified public accountant. The City will strive for an unmodified auditors' opinion.

2. The City will use generally accepted accounting principles in preparing its annual financial statements, and will work towards meeting the requirements of the GFOA's Award for Excellence in Financial Reporting program.
3. The City will issue audited financial statements within 180 days after year-end.
4. The City Manager will issue an annual progress report on budgeted activities by June 30.

B. Interim Reporting

1. The City will prepare and issue timely interim reports on the City's fiscal status to the Council and staff.
2. Mid-Year Budget Reviews:
The Council will formally review the City's fiscal condition, and amend appropriations if necessary, six months after the beginning of each fiscal year.
3. The status of implementation of Council Goals will be formally reported to the Council on an ongoing, periodic basis.

C. Budget Administration

1. After the budget is adopted, the City Manager shall be responsible for the administration and implementation of the final budget including a capital program and any amendments to them to achieve the goals of the City and act as steward of the City's financial health.
2. Operating program appropriations not spent during the fiscal year may be carried over for specific purposes into the fiscal year with the approval of the City Manager.