Budget Adjustment Policy

City of Santa Cruz I-9
Administrative Procedure Order
Section I, #9 (Revised September, 2011)

TO: Department Heads
SUBJECT: <u>BUDGET ADJUSTMENTS</u>

<u>PURPOSE</u>

To establish policies regarding when a budget adjustment is required and what approval is required, and procedures for processing budget adjustment requests.

<u>POLICY</u>

I.   <u>Definition of Major Expense Categories</u>

   A.   <u>Personnel Services (51000 series)</u>
        Personnel Services objects (51000 series) are controlled by the overall total appropriation for the series within each fund/department, with the following exceptions:
        a.   Overtime (Object 51114)
        b.   Temporary (Object 51122)
        c.   Intra- and interfund labor credits (objects 51910, 51911)

   B.   <u>Services, Supplies, and Other Materials and Services (52000-54000 series)</u>
        Services (52000 series), Supplies (53000 series), and Other Materials and Services (54000   series) are controlled by the overall total appropriation within each fund/department for these three series combined, with the following exceptions:
        a.   Intra- and interfund labor charges (objects 52121, 52122)
        b.   Internal accounts budgeted by Finance (see detail under Procedures)
        c.   Councilmember individual expense accts (object 54001)

   C.   <u>Other Charges (56000 series)</u>
        Other Charges objects (56000 series) are controlled by the overall total appropriation within each fund/department.

   D.   <u>Capital Outlay (57000 series)</u>
        Capital Outlay objects (57000 series) are controlled by the dollar amount allocated for each   object within each fund/department. Capital improvement projects are controlled by project total.

   E.   <u>Debt Service (58000 series)</u>
        Debt Service objects (58000 series) are controlled by the dollar amount allocated for each   object within each fund/department.

F.   Other Financing Uses (59000 series)

Other Financing Uses objects (59000 series) are controlled by the dollar amount allocated for each object within each fund/department.

II. Projects Overview

Projects are set up to track specific costs within a General Ledger account, and to track expenditures associated with particular revenues.

Following is a list of project types and their purposes:

Project Type	Description	Used For
Non-Lapsing projects		
Typically, appropriations for these project types are carried forward into a new fiscal year:		
a	Public Art	Public Art projects.
c	Capital Improvement Projects	Projects that would normally be in the 3-Year CIP.
g	Operating Grants and Donations	Expenses & revenue related to non-capital funding sources.
h	HUD	HUD/CDBG/HOME housing activities. m
	Maintenance Projects	Projects that involve maintenance of assets, rather than capitalizable costs.
o	Other Projects	Special projects Expenses that do not fit into any other category.
r	Redevelopment Projects	Redevelopment Agency projects.
Lapsing projects		
Typically, appropriations for these project types are not carried forward into a new fiscal year:		
d	Debt Issues	Separate accounting for each debt obligation.
e	Emergency Projects	Expenses incurred during an emergency
p	Program Tracking	Expenses of user-defined programs.
v	Social Services Programs	Separate project for each SSP provider.

Any change to appropriations in a project requires a budget adjustment. The level of approval required will be consistent with the provisions of the following sections, i.e., based on whether it is a new appropriation or a transfer; within or between funds, departments, or major expense categories; over or under $50,000; etc.

III. Appropriations for Expenditures - Council Approval Required

A. New Appropriations

Except as noted below, all new appropriations for expenditures must be approved by the City Council.

Under the provisions of Council Policy 12.10 and Council Policy 14.3, the City Manager is authorized to accept and appropriate donations and grants of up to $50,000, to be used for the intended purpose previously approved by Council, without formal appropriation by the City Council.

In all cases, a budget adjustment is required. The budget adjustment will include any new revenue associated with the expenditure.

B. Transfers Between Funds
Transfers of appropriations between funds must be approved by the City Council.

C. Transfers Between Departments
Transfers of appropriations between departments must be approved by the City Council.

D. Transfers Between Major Expense Categories
Transfers of more than $50,000 between major expense categories, including those within the same fund and department, must be approved by the City Council. (Transfers of up to
$50,000 between major expense categories are approved by the City Manager.)

IV. Appropriations for Expenditures - Administrative Budget Adjustments

A. City Manager Approval

1. Transfers Within Same Fund and Department, Same Major Expense Category
Transfers of more than $50,000 between activities within the same department, in the same major expense category, require approval by the City Manager. (Transfers of less than $50,000 in the same fund and department, same major expense category, may be approved by the Finance Director.)

2. Specific Objects Requiring City Manager Approval
Any changes to appropriations involving the following objects of expense require the approval of the City Manager:
   a. Overtime (Object 51114)
   b. Temporary (Object 51122)
   c. Councilmember individual expense accts (Object 54001)
   d. Capital Outlay – all 57000 series objects

3. Transfers of Existing Appropriations Between Major Expense Categories
   Transfers of up to $50,000 between major expense categories within the same fund
   and department are approved by the City Manager. (Transfers of more than $50,000 between major expense categories must be approved by the City Council.)

4. Transfers of Appropriations Between Capital Improvement Projects
   Capital improvement projects are controlled by project total. Transfers of
   appropriations between capital improvement projects require the approval of the City Manager.

B. Finance Director Approval

1. Transfers of Existing Appropriations Within Same Fund and Department, Same Major Expense Category
   Transfers of up to $50,000 between activities within the same fund and department, in the same major expense category, may be approved by the Finance Director. (Transfers of more than $50,000 in the same fund and department, same major expense category, must be approved by the City Manager.)

2. Specific Objects Requiring Finance Director Approval
   Any changes to appropriations involving the following objects of expense require the approval of the Finance Director:
   a. Internal services, supplies, and other charges objects / all objects budgeted by Finance (please call the budget manager at x. 5073 if you have questions about these objects)
   b. Intra- and interfund labor credits and charges (objects 51910, 51911, 52121, 52122)
   c. Other Charges – all 56000 series objects
   d. Debt Service – all 58000 series objects
   e. Other Financing Uses – all 59000 series objects

3. Projects
   Any changes to appropriations involving projects that are not otherwise required to be approved by the City Council or City Manager require the approval of the Finance Director.

V. Adjustments to Budgeted Revenue

Revenue associated with an expenditure appropriation requiring Council approval must be included in the budget adjustment to be approved by the City Council (i.e., Council approval is required in order to spend new, unanticipated revenue).

For changes to revenues that do not require new appropriations for expenditures, a budget

adjustment may be done when there is new information indicating that there will be a significant change in anticipated revenue. Adjustments up to $50,000 will be approved by the Finance Director. Adjustments greater than $50,000 will be approved by the City Manager.

PROCEDURES

The budget adjustment request form is to be processed electronically, with digital

signatures. The form is available on the Intranet, under the Finance Department, on the

Budget page.

There are two forms available: The Standard Budget Adjustment Form has 5 lines for Revenue, 11 lines for expenditures. If more lines are needed, there is also a Long Budget Adjustment Form.

The Budget page also includes instructions for completing the budget adjustment form.

Any questions regarding budget adjustments should be directed to the budget manager -- x.5073.

I. Budget Adjustments That Require Council Approval – Through SIRE

A budget adjustment requiring Council approval is processed as an attachment to the agenda report in SIRE.

The deadline for submitting an agenda report with a budget adjustment is **two days before the deadline for City Manager review**. Typically this will be the **Monday** two weeks before the agenda date. Departments are strongly encouraged to work with Finance early in the process, well before the deadline. Questions should be directed to the budget manager at x.5073.

The recommendation section in the agenda report must include language referring to the resolution to amend the budget. (The resolution itself is not attached to the agenda report; after approval, the Clerk's office adds a boilerplate resolution that refers to the budget adjustment that was approved by Council.)

A. The person initiating the budget adjustment request will:
1. open the Budget Adjustment template from the Intranet;
2. use "File" "Save As…" (*<Alt> F, A*) to save the file to a local drive with a name that is related to the name used for the agenda report (e.g., "*BA New Program.pdf*" if it is an agenda report named "New Program");
3. fill in the required data;
4. digitally sign the "Requested by" line;
5. attach the budget adjustment from the local drive to the agenda report in SIRE.

B. The department head will review and digitally sign the budget adjustment request with the agenda report in SIRE.

C. The budget manager and Finance Director will approve the budget adjustment through SIRE.

D. After Council approval, the City Clerk will add the resolution number to the resolution and the budget adjustment request form, and the Administrative Assistant to the City Manager will obtain the City Manager's signature and forward the signed resolution to the "To Be Entered – Approved" Outlook folder (see further explanation under "Administrative Budget Adjustments" below).

E. Finance staff will post the budget adjustment to EDEN, and will place a copy of the budget adjustment form in the appropriate folder on the M:\ drive, in the *M:\BudgetAdjustments* folder.

II. Administrative Budget Adjustments

The following sections describe how the administrative budget adjustments are processed.

Administrative budget adjustments are sent to the **dl_BA Approval** distribution list, and then are processed electronically using public folders in Outlook.

A. Department Completes the Form

Departments will determine how the budget adjustment is prepared and routed through the department (e.g., whether the person requesting the budget adjustment prepares the form; how it is routed for department head signature and to *dl_BA Approval*; etc.).

The person(s) responsible for preparing & forwarding the budget adjustment request form will:
1. Open the Budget Adjustment template from the Intranet;
2. Use "File" "Save As…" (*<Alt> F, A*) to save the file to a local drive with a name that describes the purpose of the BA (e.g., "*BA Finance Temp Pay.pdf*" if it is moving appropriations to the temporary pay account in the Finance Department activity – add other identifying information, such as the date, if useful;
3. Open the file from the local drive and fill in the required data;
4. Either digitally sign the "Requested by" line, or forward the form to the person making the request for signature;
5. Forward the form for department head signature.

B. Approval Process
1. When the department head has signed the budget adjustment request, the

department will E-mail it to *dl_BA Approval*. The subject line should indicate the purpose of the budget adjustment, e.g., *BA Finance Temp Pay.*

2. The budget manager will review the budget adjustment request, and if the account strings, titles, project numbers and levels, etc. are correct and funds are available, will sign the budget adjustment form and move it to the Finance Director folder.

3. The Finance Director will sign and move the form to the [*Finance Director/*] *Signed - To Be Routed* folder, and will notify the budget manager.

4. If City Manager approval is required, the budget manager will move the form to the *City Manager* folder and will notify the Administrative Assistant to the City Manager.
If City Manager approval is not required, the budget manager will move the form to the *To Be Entered – Approved* folder.

5. If City Manager approval was required, the Administrative Assistant to the City Manager will obtain the City Manager's signature, then will move the fully signed budget adjustment request form to the *To Be Entered – Approved* folder.

C. Posting to EDEN

1. Finance staff will prepare the budget adjustment to post to EDEN, will print a posting list, and will move the budget adjustment to the *[To Be Entered – Approved/] Entered* folder

2. The budget manager will review/approve the posting list.

3. Finance staff will post the budget adjustment, and will move the file to the *[To Be Entered – Approved/] Posted-move pdf to M:* folder, and then from the Outlook/Public Folders to the *Budget Adjustments* folder on the M:\ drive.

D. Tracking Administrative Budget Adjustments

Departments may review the status of budget adjustments by looking in the Outlook public folders *Public Folders/All Public Folders/Budget Adjustments*:
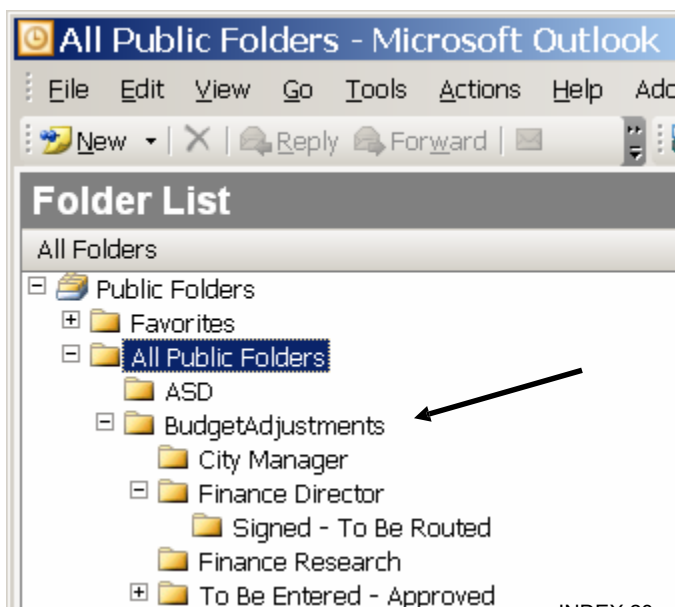
Look in the folders to find the budget adjustment. The folder name indicates where it is in the queue.

III. Year-End/New Fiscal Year Carryover and Carryforward Budget Adjustments

Under the provisions of the City Charter and the budget resolution adopted each year, creating appropriations in the new fiscal year can be done administratively for remaining encumbrances on purchase orders, and for carrying forward project budgets.

A. Non-project Carryovers

Each year, the Purchasing division of the Finance Department will work with departments to determine which encumbrances are to be carried over into the new fiscal year.

For each purchase order that is not part of a project, Purchasing will create a budget adjustment to increase the appropriation by the carryover amount at the time the purchase order is reopened in the new FY, to be used for that purchase order (PO). (These will show up in EDEN with a document source code of *pocaryfwd*.)

When the final payment is made and the PO is closed, any remaining balance will be liquidated and the appropriation will be reduced by that amount. If there are unusual circumstances that require that the balance be used under another PO, please let the Purchasing manager know prior to the final payment/closing the PO.

Please note that any appropriations that are not encumbered will not be carried over, i.e., will lapse and will not be available in the new fiscal year.

B. Project Carryforwards
For projects, appropriations will be created in the new fiscal year through project accounting. Where there are encumbrances, each purchase order will be reopened in the new FY separately from the appropriation, i.e., the PO will be reopened in the new fiscal year through the Purchasing process, and the appropriation will be handled through the project accounting carryforward process. (These will show up in EDEN with a document source code of *pacaryfwd*.)