Budget Guide

The Budget Documents

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The Budget Documents

Each year, the Management Services Department coordinates the preparation of four key budget documents:

1. Operating Budget - Summary
2. Operating Budget - Detail
3. Seven-Year Capital Improvement Program
4. City-Wide Cost Allocation Plan

The information contained in these documents is the end product of a thorough financial review performed through the combined efforts of City staff. Subsequent pages include a description of the budget documents and a summary of their intended use:

If You Are Looking For: Document to Look Under:

Budget Overview and Policies
Budget Trends and Graphs
Revenue Detail/Departmental Expenditure Summaries
Department Goals and Objectives   **Operating Budget**
Contractual Services/Capital Outlay Detail
Personnel Information by Division
Organizational Charts
Performance Measures

If You Are Looking For: Document to Look Under:

Five-Year Line Item Expenditure Detail
Line Item Justification for all Funds
Fund Summary   **Operating Budget Detail**
General Fund Departmental Summary
Division Summary by Fund
Program Detail by Fund
Project Summary by Fund

If You Are Looking For: Document to Look Under:

Status of Prior-Year Capital Projects   **Capital**
Seven-Year Capital Projects
Current Year Capital Projects   **Improvement**
Future Capital Projects and Anticipated Funding
Capital Project Impacts on Fund Balances   **Program**

If You Are Looking For: Document to Look Under:

Total Cost by Function   **Cost**
City Staff Billing Rates
Overhead Rates   **Allocation**

                                                           Plan

Operating Budget - Summary

This document provides information summarized at the division level. Divisional budgets consolidate program activities into similar service categories within a fund with the intent of reducing the cumbersome nature of a program based budget document. Every effort has been made to present the budget document in a "User Friendly" format. Increased emphasis has been placed on text, trends and written explanations. The summary document is divided into the following sections:

- Introduction
- City Information
- Budget Guide
- Budget Summary
- Fund Balance
- Revenues
- Expenditures

- Transfers
- CIP Overview
- Departmental Summaries
- Fire Protection District
- Housing Authority
- Community Foundation
- Appendices

Introduction

Includes the City Manager's Transmittal Letter, budget awards, the City Council's top priorities, goals and objectives and the budget guidelines by which these budget documents were developed.

City Information

Provides information relative to Fontana including the City-wide organization chart, City Council's Vision Statement, profiles of the elected officials and the City Manager, and community profile.

Budget Guide

Contains an explanation of the organization of the budget documents, the budget development process and the budget calendar.

Budget Summary

Provides an overview of the operating budget for all entities, an overview of the General Fund budget, discusses budget assumptions and financial issues the City faces in the future, and provides a five-year financial forecast for the General Fund.

Fund Balance

Provides a five-year summary of the General Fund's Fund Balance, a summary of beginning and projected year-end fund balances for each fund including all entities, and a summary of changes in fund balance of greater than 10%.

Revenues

Provides a chart and summary of General Fund revenues by category as well as an explanation of each category. It also includes charts identifying revenue for all entities by entity and by category, and revenue summaries and details for all funds.

Expenditures

Provides a chart and summary of General Fund expenditures by department and by category, as well as an explanation of each category. It also includes charts identifying expenditures for all entities by entity and by category, an expenditure summary for all entities, and expenditure summaries for all funds.

Transfers

Provides the schedule of operating transfers between funds for all entities.

CIP Overview

Provides an overview of the Capital Improvement Program (CIP) including proposed new year funding by category and funding source, as well as a summary of all projects included in the program.

Departmental Summaries
Contain budget information by department including an organization chart, overview, goals and performance measures and accomplishments. It also provides a departmental summary of expenditures and division summaries by fund.

Fire Protection District
Provides summary budget information for the Fontana Fire Protection District.

Housing Authority
Provides summary budget information for the Fontana Housing Authority.

Community Foundation
Provides summary budget information for the Fontana Community Foundation.

Appendices
Includes the following:

- Financial Structure
- Financial Policies
- Long-Term Debt
- Constitutional Spending Limit
- Employee Compensation and Benefits
- Ten-Year History of Authorized Positions by Department

- Guide to Funds
- Legislative Summary
- Acronyms
- Glossary
- Resolutions

Operating Budget - Detail
The Operating Budget Detail provides a separate line item, object code detail for the operating budget. The Operating Budget Detail is the City's "Book of Numbers." Expenditures within each divisional category are detailed with descriptions. Budgets are broken down to the program level and are listed in account number order.   Historical information is prepared at a detailed object code level for comparison purposes. Cost data within this document is presented by fund, by department and by division if there are multiple divisions.

Seven-Year Capital Improvement Program

The Seven-Year Capital Improvement Program (CIP) Budget is a separate document that is annually brought to the City Council for consideration. This document matches funding sources with capital expenditures over a seven-year schedule. The relationship between the CIP and the operating budget is described in detail on subsequent pages of this document.

Within the CIP document, projects have been separated into the following project priorities:

Priority 1: The project is **essential** and should be started within the year.
Priority 2: The project is **necessary** and should be started within 1 to 3 years.
Priority 3: The project is **desirable** and should be started within 3 to 5 years.
Priority 4: The project is **deferrable** due to lack of funding or other reasons and is scheduled to start within 5 to 10 years.

All **Priority 1 projects** have a "**Project Description Form**" included in the CIP by category. These forms include detail information on the description, purpose, status and breakdown of these projects.

Each project in the CIP has been assigned a unique identification number that will remain with the project throughout its life. The project identification number allows the City Council to track and monitor project status over multi-year periods and a cross- reference index has been included in the appendix of the CIP document to simplify identification of the status of projects included in prior CIP documents. Prior to City Council's consideration of the CIP, the document has been provided to both the Planning Commission and Parks and Recreation Commission for comments.

City-Wide Cost Allocation Plan

The City-Wide Cost Allocation Plan (CAP) is prepared approximately 90 days following the issuance of the City's Comprehensive Annual Financial Report (CAFR). A Cost Allocation Plan is a widely recognized and well-used method of distributing administrative overhead "support" costs to the benefiting programs within the City. The City Council adopted its first CAP on March 17, 1992. That plan established the method of allocating indirect or support costs. The CAP is updated each year based upon the actual financial and statistical data for the prior year and conforms to the Federal Government's Office of Management and Budget Circular A-87.

Budget Development Process

In preparing the annual budget, several key meetings were held and documents produced that significantly affected its development. The following is a description of each of these along with a calendar of key dates in the preparation process.

Budget "Kick Off"

The Management Services department is responsible for preparing the budget documents. The process begins in January with the budget "kick-off" meeting and opening of the on-line budget system to departments.

Goal Setting Workshop

The City's budget process is driven by the City Council's goal setting. The goal-setting workshop was held on February 21, 2015, where the City Manager reviewed major issues and the current budget outlook. A number of goals were identified and prioritized by the City Council.

Following the goal-setting workshop, staff prepared detailed work plans to achieve the goals which addressed the following:

- **Title**. Title for the project.
- **Description**. What do we want to achieve?
- **Justification**. Why is this important to do?
- **Outcome**. What will be the end result?
- **Lead Sponsor Department**. Which department will take the lead?
- **Project Budget and Funding Sources**. What is the cost and source of funding?
- **Project Manager**. Who is responsible for assuring that the objective is achieved?
- **Target Completion Date**. When will project be completed?
- **Council Priority**. Rating from goal-setting workshop.
- **Goals and Objectives**. Which of City Council's Goals and Objectives will be met?

Mid-Year Budget Review

On February 24, 2015, the City Council was provided with a detailed update and review of the City's financial condition at the mid-point of 2014-15 along with year-end fund balance projections. Additionally, the City Council adopted budget development guidelines for use in preparing the 2015-16 budget. Those guidelines are included in the Introduction section.

Budget Projections and Requests

Departments enter revenue projections and expenditure requests, with the exception of personnel, directly into the budget system in the "Requested Base" column. The Management Services Department calculates and provides to each department personnel costs and General Fund operating target numbers. Departments identify which Budget Units should be charged for the personnel costs by position number. Departments are required to enter operating expenditures equal to or less than their target numbers. Requests for new funding are entered into the budget system in the "Requested New" column with specific documentation provided to Management Services.

Before requests are submitted to the City Manager, the Management Services Department reviews and analyzes all supporting documentation. The City Manager and Management Services staff then holds meetings with each department and/or organization to discuss the budget requests and obtain additional information if necessary. Following these meetings, line item requests are adjusted in accordance with the City Manager's funding decisions. The Proposed Budget is then presented to the City Council for consideration and approval. Changes made by the City Council during the budget deliberation process will be incorporated into the adopted budget.

Budget Policies

Budgetary control is set at the department level by fund to ensure compliance with the budget as approved by the City Council. The City's budget policy requires the following:

- All appropriations lapse at fiscal year end. Outstanding encumbrance balances at fiscal year end require re-approval by the City Council, typically as part of the First Quarter Budget Review.
- City Council approval for all new appropriations and increases to estimated revenues.
- City Council approval for budgetary changes between funds.
- City Manager approval for project changes within the same fund.
- Departments may transfer budget between divisions in the same department and fund.
- Budget Reviews to be prepared on a quarterly basis and submitted to City Council for approval.

CIP Review by Planning and Parks & Community Services Commissions

The Parks and Community Services Commission reviewed the Open Space and Recreation elements of the proposed CIP on April 23, 2015.

The Planning Commission reviewed the proposed CIP on May 5, 2015, for consistency with the General Plan.

Budget Calendar

Key Budget Dates – FY 2014-15

September 1, 2014	■ CIP module open – departments begin project updates
October 28, 2014	■ **City Council Meeting** – **First Quarter Budget Review** to report on the results of the prior year; comment on significant economic trends; recommend budget changes to address known budget deficiencies which will materially impact fund balance; and recommend the reappropriation of prior year project budgets that were not completed as of June 30
January, 2015	■ Budget / CIP Kick-off Meeting – on-line budget system open to departments
February 21, 2015	■ **City Council Goal-Setting Workshop** – discuss and prioritize major issues and receive update on current budget outlook
February, 2015	■ Personnel costs and internal service charges available to departments ■ Revenue projections due for all funds – entered into budget system ■ Departmental target budgets available to departments ■ Major goals, performance measures and accomplishments due from departments
February 24, 2015	■ **City Council Meeting** – **Mid-Year Budget Status Review** to provide an overview of all funds; comment on significant economic trends; provide update of current projects; report on departmental activities for the prior year; recommend budget changes to address known budget deficiencies which will materially impact fund balance; and propose budget development guidelines for the next year
March, 2015	■ Departmental requests due for new or additional funding
April 1, 2015	■ Close on-line budget system to changes by departments
April, 2015	■ Pre-meetings between budget staff and departments on new/additional funding requests ■ Meetings with City Manager and departments on new/additional funding requests ■ Final updates to CIP document by departments ■ City Manager finalizes preliminary budget recommendations

April 23, 2015	■	**Parks and Recreation Commission Meeting** – to review the Open Space and Recreation elements of the proposed CIP
May 5, 2015	■	**Planning Commission Meeting** – to review the proposed CIP for consistency with General Plan
May 12, 2015	■	**City Council Meeting – Third Quarter Budget Review** to provide an overview of all funds and recommend budget changes to address known budget deficiencies which will materially impact fund balance
June 15, 2015	■	**City Council Meeting – Budget/CIP Presentation to City Council for adoption**
June 23, 2015	■	**City Council Meeting – Fourth Quarter Budget Review** to provide an overview of all funds and recommend budget changes to address known budget deficiencies which materially impact fund balance
60 days after adoption	■	***Publish adopted Budget and Capital Improvement Program documents***

Key Budget Dates – FY 2015-16

September 1, 2015	■	CIP module open – departments begin project updates
October 27, 2015	■	**City Council Meeting** – **First Quarter Budget Review** to report on the results of the prior year; comment on significant economic trends; recommend budget changes to address known budget deficiencies which will materially impact fund balance; and recommend the reappropriation of prior year project budgets that were not completed as of June 30
January, 2016	■	Budget / CIP Kick-off Meeting – on-line budget system open to departments
January, 2016	■	**City Council Goal-Setting Workshop** – discuss and prioritize major issues and receive update on current budget outlook
February, 2016	■	Personnel costs and internal service charges available to departments

February, 2016	■ Revenue projections due for all funds – entered into budget system
	■ Departmental target budgets available to departments
	■ Major goals, performance measures and accomplishments due from departments
	■ Internal service charges available to departments

February 23, 2016   ■ **City Council Meeting** – **Mid-Year Budget Status Review** to provide an overview of all funds; comment on significant economic trends; provide update of current projects; report on departmental activities for the prior year; recommend budget changes to address known budget deficiencies which will materially impact fund balance; and propose budget development guidelines for the next year

March, 2016   ■ Departmental requests due for new or additional funding

April 1, 2016   ■ Close on-line budget system to changes by departments

April, 2016   ■ Pre-meetings between budget staff and departments on new/additional funding requests
  ■ Meetings with City Manager and departments on new/additional funding requests
  ■ Final updates to CIP document by departments
  ■ City Manager finalizes preliminary budget recommendations

April 28, 2016   ■ **Parks and Recreation Commission Meeting** – to review the Open Space and Recreation elements of the proposed CIP

May 3, 2016   ■ **Planning Commission Meeting** – to review the proposed CIP for consistency with General Plan

May 10, 2016   ■ **City Council Meeting** – **Third Quarter Budget Review** to provide an overview of all funds and recommend budget changes to address known budget deficiencies which materially impact fund balance

June 20, 2016   ■ **City Council Meeting** – **Budget/CIP Presentation to City Council for adoption**

June 28, 2016   ■ **City Council Meeting** – **Fourth Quarter Budget Review** to provide an overview of all funds and recommend budget changes to address known budget deficiencies which will materially impact fund balance

60 days after adoption   ■ *Publish adopted Budget and Capital Improvement Program documents*