

THE BUDGET PROCESS

Budget Preparation Process

Each Department is responsible for preparing the program budget and capital projects budget for their area of functional responsibility based on guidelines from the City Manager's Office. These guidelines are based on preliminary revenue and expenditure projections prepared by the Finance Department. Finance provides the departments with projected salary and benefits data, spreadsheet templates for developing revenues and expenses, and performs the initial review of each budget. The department's proposed operating and capital budgets are then reviewed by the City Manager's Office and revisions are incorporated, as appropriate.

A consolidated budget proposal consisting of all fund types for all agencies is prepared next. The City Manager's Office then evaluates and identifies any necessary changes, determines final funding levels for capital projects, and recommends supplemental budget proposals, if any.

Finance prepares a final budget draft, along with updated revenue projections, for submittal to the City Manager to present to the City Council in budget meetings in April and May. Copies of the final draft budget are made available to the public and the press at the public meetings. After the public meetings are concluded, the City Council adopts the budget incorporating such modifications as deemed appropriate. The City Council approves total appropriations on a fund-by-fund basis before the start of each fiscal year.

Budget and Operating Guidelines

- Each department is responsible for preparing and monitoring its budget, both operating and capital.
- The department head shall assign priorities to supplemental budget proposals both within each program and for the department as a whole.
- The budget will be constructed by line item to provide management control.
- The City Manager may establish a budget cap or percentage limit, either increase or decrease, in conjunction with budget preparation by the departments.
- Department heads are responsible for operating within their budget, as recommended by the City Manager and adopted by the City Council.
- Amendments to the adopted budgets must be approved by the City Manager if transferred between budget categories, programs or funds. Overall increases must receive the additional approval of the City Council.
- The City Manager's Office will perform quarterly budget and program performance reviews in conjunction with the departments to monitor budget implementation and performance.

Two-year Budgeting -- Policies and Procedures

A two-year operating budget has a number of advantages. It allows for a longer planning horizon, enabling the City to better allocate resources. It saves time in budget preparation, in that it limits the need to do an in-depth budget process to once every two years. It also helps to better integrate goal setting and budgetary processes. In order for the process to work successfully and retain proper fiscal controls, certain policies and procedures are necessary. Although the City typically adopts a two-year operating budget, the City adopted a one-year budget for FY 2022 due to the COVID-19 pandemic and economic uncertainties. A one-year budget allows for more accurate planning and flexibility given the uncertainties of the pandemic.

Budget Carryovers

Operating budget carryovers of appropriations from one fiscal year to the next, require a formal amendment of the budget. The request must first be approved by the City Manager, then by the City Council.

Mid-Budget Review

A mid-period review shall be performed by the departments near the end of the third quarter. The review includes estimates of any differences between actual revenues and expenditures for the budget, and any necessary adjustments to the current budget with justifications. Budget adjustments with no change in total appropriations will require approval by the City Manager. Budget adjustments with an increase in total appropriations will be brought to City Council for approval.

Budget Basis

Budget Basis refers to when revenues and expenditures or expenses are recognized in the City's accounts. Daly City's Budget is prepared on the same basis as the City's annual financial statements. The modified accrual basis is followed in all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Expenditures are recognized generally when the related liability is incurred. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.