

Resolution Number 2032

A Resolution Establishing Budget Development Policies for the City of Warrenton

The City Commission of the City of Warrenton hereby resolves the following:

BUDGET DEVELOPMENT POLICIES

1. **General Fund Budget**

- A. Balanced Operating Budget. The City shall adopt a balanced budget where operating revenues are equal to, or exceed operating expenditures. Any increase in expenses, decreases in revenues, or combination of the two that would result in a budget imbalance will require budget revisions, rather than spending unappropriated surpluses or designated reserves to support ongoing operations. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels.
- B. Budget Document. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy documents of the City Commission for implementing goals and objectives. The budget shall provide the staff the resources necessary to accomplish City Commission determined service levels.
- C. General Fund Emphasis. In light of the passage of recent property tax limitations, and the potential need for expenditure reductions, the emphasis should be on conserving General Fund discretionary resources to fund high priority programs. Given this, it is the City's goal to prepare a budget that, to the greatest extent possible, maintains existing high-priority programs supported by the General Fund while at the same time seeking savings wherever possible. If necessary, funding for lower priority programs will be reduced or eliminated to insure that expenditures remain in balance with resources.
- D. Cost Efficiency. The Budget Officer will prepare a fiscally conservative budget and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.
- E. Base Budget – New Expenditures. As part of the Budget Officer's budget preparations, all City departments will prepare base budgets with no new regular positions, or other expenditures, unless specifically authorized by the Budget Officer.
- F. Base Budget – Budget Reductions. If anticipated costs exceed anticipated revenues, the Budget Officer will consider reductions in staffing levels, public services and related expenses in accordance to the City's Budget Reduction Strategy (City Resolution 2033). In addition, the Budget Officer will also consider the reorganization of departments, changes in staffing or positions if needed.

- G. Base Budget – Materials & Services. For activities or programs funded primarily from General Fund or other discretionary resources, City departments will prepare base budgets with a goal of holding materials and services expenditures to no more than the previous fiscal year's budget level. The Budget Committee must approve proposed increases in General Fund expenditures.
- H. Accurate Representation of Service Costs. The Citizens of Warrenton have a right to understand the full and undistorted actual costs associated with City services. Consequently, it'll be the policy of the City of Warrenton that all departmental, service and program costs will reside in the fund and department in which the activity occurs and pursuant to Generally Accepted Accounting Principles.
- I. Revenue Estimates. City departments should budget for revenues based on the best information available during the budget process. If additional information becomes available during the budget process, it should be provided to the City Manager. Accuracy in revenue/expenditure estimates is critical. New revenues should be estimated based on available information the first year. Subsequent annual estimates should also take into consideration actual receipts from the previous year.
- J. Pursuit of New Departmental Revenues. The City will pursue revenue sources to the fullest extent possible for all services as well as total cost identification, including indirect costs, for fee setting purposes. To the extent possible any new revenue sources should be used to offset the cost of existing staff and programs, rather than funding new services.
- K. Expenditure Reductions. Reductions in revenues may require expenditure reductions from a base budget level. Should such reductions be required, the City Manager will be guided by the City's adopted Resource Reduction Policy.
- L. Full Cost Recovery. The City will make every effort to assign costs where they occur through the use of interdepartmental/interfund charges and indirect cost assignments. The intent is to clearly define the true cost of City services provided both internally and externally. Recognizing the scale of this effort, the first priority is the recovery of overhead costs from all funds and grant programs.
- M. User Rates. It will be the policy of the City of Warrenton to set utility fees at levels that provide for the actual costs of services, including operating, maintenance and future capital and improvement expenses. When considering user rate structures, the City should always strive to demonstrate the real and actual costs of City services to the public. The City Enterprise Funds shall be supported by their own rates and not subsidized by the general Fund.
- N. Budget Savings During the Year. To the extent General Fund supported departments experience savings during the year (due to position vacancies, etc) that money should not be spent. Instead it should be saved to augment the beginning fund balance for the next fiscal year.

2. **Non-General Fund Budgets**

- A. Bottom – Line Emphasis. For activities or programs funded primarily from non-General Fund sources, City departments will prepare base budgets with a goal of holding any General Fund contribution to no more than the amount provided in the previous fiscal year, subject to the availability of funds. Whenever possible, reductions in General Fund contributions should be sought.
- B. No Backfilling. With possible exceptions for high priority programs, General Fund discretionary dollars will not be used to back-fill any loss in State-shared or federal revenues.
- C. Revenue Estimates. Departments should budget for revenues based on the best information available at the time the budgets are prepared. If additional information becomes available during the budget process, it should be provided to the City Manager. New revenues should be estimated based on available information the first year. Subsequent annual estimates should also take into consideration actual receipts from the previous year.
- D. Accurate Representation of Service Costs. As with General Fund services, the Citizens of Warrenton have a right to understand the full and undistorted actual costs associated with City services. Consequently, it'll be the policy of the City of Warrenton that all departmental, service and program costs will reside in the fund and department in which the activity occurs and where the service and cost has been historically linked.
- E. Overhead/Indirect Cost Allocations. All departments should budget the amount allocated to that department as determined by the Budget Officer and/or any future Indirect Cost Allocation Plan.
- F. Cost Efficiency. As with the General Fund, staff responsible for non-General Fund budgets will prepare fiscally conservative budgets and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.

3. **Matching Funds**

- A. City Share. If State funding is reduced for a specific service or project, there should be no increased contribution from non-General Fund sources unless increased City share is mandated or the increase is approved by the City Commission.
- B. In-kind Contribution. Where matching funds are required for grant purposes, the City will provide as much in-kind (resources already allocated by the City that will be expended in any case) contribution as allowed, instead of hard-dollar matches.
- C. General Fund Matching Funds. No General Fund grant cash-match will be included in any grant applications without the prior review and approval of the City Commission.

4. **New Positions Generally**

- A. Considerations of New Positions. Unless otherwise determined by the Budget Committee, the Budget Officer will consider new permanent positions only if the cost of the position is offset by non-General Fund sources or a General Fund operating levy, or if the cost of the position is offset by a new external revenue source. Cost estimates for new positions will include office facility space, benefits, equipment, rent, utilities, supplies, etc. The Budget Committee may add new positions if determined essential for a high priority service and funding can be obtained.

5. **Mid-Year Budget Reductions**

- A. Revised Revenue Estimates. If additional information concerning revenue reductions becomes available after the start of the fiscal year, it may be necessary to make budget adjustments. These adjustments will be made in accordance with the City Commission's adopted Resource Reduction Strategy.

6. **Mid-Year Request, General Fund Contingency**

- A. Non-Emergency Requests. In those cases where a department is required to absorb an unanticipated cost beyond its control of a non-emergency nature, departmental resources must first be exhausted prior to a transfer from General Fund contingencies. Upon conducting a final financial review of departmental budgets towards the end of the year, a transfer from contingency will be made to cover unanticipated costs that could not be absorbed through the year.
- B. Emergency Requests. Emergency requests during the fiscal year will be submitted to the City Manager's office for recommendation and forwarded to the City Commission for consideration.

7. **Employee Salary Adjustments**

- A. Cost of Living Adjustment. Budgeting for personnel service expenditures will include an amount for a cost of living adjustment. The amount budgeted for this purpose will take into account the most recent consumer price index information available at the time the budget is prepared, existing collective bargaining agreements, and other relevant information. Employees may not receive a cost of living adjustment if it's determined that insufficient resources exist to do so.
- B. Step Adjustments. Budgeted personnel services expenditures will include an amount to account for annual step adjustments for all employees who are not currently at the top of their range. Annual employee step adjustments will not exceed 5%.

8. **Budget Controls**

- A. Legal Compliance. The City Manager's Office will continue to review and control

departmental budgets at the expenditure category level (such as personnel services, materials and supplies). As such, the City Manager's approval is necessary before actual or projected year-end expenditures are allowed to exceed total expenditure appropriations for each expenditure category.

9. **Discretionary Resources**

- A. Maximize the City Commission's Discretion. Wherever legally possible, revenues are to be treated as discretionary resources, rather than as dedicated to a particular program or service. The goal is to give the City Commission as much flexibility as possible in allocating resources to local priorities.
- B. Transient Room Tax Revenues. Room tax monies are not legally dedicated to fund particular programs or services and shall be considered purely discretionary resources.
- C. Use of Dedicated Funding Sources. Whenever legally possible, the City will transfer funding responsibility for existing services or activities to the appropriate dedicated funding sources, freeing up scarce discretionary resources as much as possible.

10. **Unappropriated Ending Fund Balances & Contingencies**

- A. Contingencies. Generally, the City should limit the use of contingencies to circumstances where they are required by law or needed for emergencies allow.


Passed and adopted November 20, 2002.

This resolution is effective December 1, 2002.



Mayor Jeff Hazen

Attest:



City Manager