



CITY OF CENTER LINE CITY POLICY

Subject- Budget Policy

Number- 101-2015-003

Effective Date- July 6, 2015

1.0 Purpose

The purpose of this budget policy is to define the city's budget process and best practices in a way that allows the city to continue to perform all core city services while also building a solid, resilient financial framework for future years.

2.0 Scope

This policy shall apply to the city as a whole.

3.0 Policy

3.1 BUDGETARY PRINCIPLES

- 3.1.1 Long-Term Focus – The city recognizes the importance of long-term strategic planning in the budget process, as evidenced by the city's Five Year Financial Forecast as well as the multi-year budget. The city can more easily determine the impact of a decision over multiple fiscal periods as a result of creating the forecast and budget documents.
- 3.1.2 Conservatism – The city recognizes that revenues and expenditures must be projected realistically, but in a way that errs on the side of conservative. Revenues are projected based upon (a) past experience, (b) the volatility of the revenue source, and (c) inflation and other economic conditions. Conversely, expenditures are projected based upon (a) a conservative, but likely, scenario of events, (b) the specific identified needs of the program or service, (c) historical consumption and trends, and (d) inflation and other economic trends.
- 3.1.3 Matching Funding Sources – The city recognizes that one-time revenues must not be used to fund recurring expenditures.
- 3.1.4 Paying for the True Cost of the City – Each budget will be developed with the goal of funding the true cost of operating the city. This means that the city will seek to fund 100% of annual required contributions to all pension and other retiree benefit plans. This also means that the city will carefully review potential grant agreements for potential long-term recurring costs in order to fully analyze the true benefit of the grant.

CONTINUED

3.2 BUDGET TYPES

3.2.1 The following types of budgets shall be completed and contained within the city's multi-year budget each year:

3.2.1.1 The Operating Budget – the core budget of the city, which outlines by fund and function all revenues and expenditures. This budget not only reports the figures, but also seeks to explain to the reader the reasons for significant changes in revenues and expenditures.

3.2.1.2 The Position (Labor) Budget – this budget breaks out from the operating budget the city's labor costs and full time equivalent employees by function. This budget explains to the reader the reasons for new or deleted positions while explaining forecasted benefit and wage changes.

3.2.1.3 The Capital Budget – this budget contains the Capital Improvement Plan, which outlines planned capital purchases for the next five years. This budget describes each planned project, the cost of the project, and the reason why the project is necessary.

4.0 Definition

4.1 BALANCED BUDGET – a balanced budget shall be defined as a budget that contains recurring operating revenues that are equal to or greater than budgeted recurring operating expenditures.

5.0 Responsibilities

5.1 The department heads have the responsibility of committing adequate time to the budget process as outlined in part 6.0, "Procedures" in order to competently complete a budget request that is both accurate to the needs of the department as well as submitted in a timely manner.

5.2 The city finance director and treasurer has the responsibility of monitoring the overall budget process and ensuring that the tasks as outlined in part 6.0, "Procedures" are completed accurately and within the time frames outlined.

5.3 The city council has the responsibility of performing an appropriate due diligence review of the management proposed budget during the budget meetings held each year.

6.0 Procedures

6.1 THE BUDGET PROCESS

6.1.1 Each July, the finance director shall review the most recently completed five year financial forecast and modify it to take into account known events and changes in projections as a result of updated internal and / or external economic reports. Additionally, the five year forecast shall be rolled forward and a new fiscal year shall be evaluated for the first time.

CONTINUED

- 6.1.2 Each August, the finance director shall evaluate projected city revenues (excluding tax revenues) to determine if actual revenue collections are projecting to meet budgeted expectations. Significant differences between projected actual and budgeted revenues shall be reviewed. Revenues shall be adjusted through budget amendments if needed and future fiscal year projections will be modified as determined based on the cause (i.e., a one-time event or projected recurring event).
- 6.1.3 Each September, the finance director shall review summer tax collections received through the summer tax bill due date. Budgeted personal property taxes, which are budgeted net of projected delinquencies, shall be adjusted based on the percentage of personal property taxes collected year-to-date versus previous year collections. Additionally, real property tax collections through the summer tax bill due date shall be reviewed as they provide a key economic indicator within the community. Large variances in collections (i.e., +/- 2 percent) shall be reviewed and a general cause shall be determined. If the cause is determined to impact other city fees and permits, those revenues shall also be re-evaluated and adjusted as needed.
- 6.1.4 Each December, the finance director shall receive from the city assessor the preliminary estimates in changes to taxable values from the Macomb County Equalization Director. These preliminary projections are then reviewed by the finance director and if any significant deviations from the city's five year financial forecast exist, those differences shall be evaluated and adjustments shall be made as needed.
- 6.1.5 Each January, operating budget instructions shall be written by the finance director after performing a final review of the five year forecast and meeting with the city manager. The instructions shall indicate the maximum operating account increase expressed as a percentage. Further, a dollar maximum for operating expenses per department shall also be defined in the memo.
- 6.1.6 At the February regular city council meeting, the finance director shall present the new Five Year Financial Forecast.
- 6.1.7 During the month of February, the city manager and the finance director shall meet with each department head. Department operating budgets and capital improvement expenditures as requested by department heads shall be discussed and modified as necessary.
- 6.1.8 By the end of March, the finance director shall produce a management recommended budget to the city manager. The report will be within the BS&A general ledger program and shall contain all figures on a line-item level for the next three fiscal years along with all budget footnotes for significant changes in revenues and expenditures. The finance director will also make available all related budget workpapers contained outside of the BS&A general ledger program.

CONTINUED

- 6.1.9 During the month of April, the city will hold its annual budget meetings in order to meet with the city manager, finance director, and each department head for the purpose of discussing the management recommended budget. Council will make modifications to the budget as they deem necessary at these meetings.
- 6.1.10 At the May regular city council meeting, the city council shall hold the public hearing on the proposed budget as well as the proposed tax millages, utility rates, and city fee schedule.
- 6.1.11 At the June regular city council meeting, the city council shall adopt by resolution the following, (a) the budget resolution, which shall include the maximum tax millages to be levied and the city fee schedule, and (b) the utility rates resolution.
- 6.1.12 Throughout the fiscal year, budget amendments shall be completed as needed by a request of a department head through a "Budget Change Form" submitted to the finance director and approved by both the finance director and the city manager before being submitted to city council for final approval. In compliance with the Michigan Uniform Accounting and Budgeting Act, budget amendments will not be completed for a previous fiscal year.

7.0 Authority

- 7.1 This policy was adopted by city council at a regular meeting on July 6, 2015. Certification of said adoption is documented at the bottom of the policy.

-----**Employees are not responsible for information below this line.**-----

8.0 References

- 8.1 The following references were utilized in preparation of this policy.
- 8.1.1 Michigan Public Act 2 of 1968.
- 8.1.2 Budget policy for the City of Sidney, Ohio.
- 8.1.3 Fiscal policy for the City of Redmond, Washington.
- 8.1.4 Recommended Budget Practices. Published by the National Advisory Council on State and Local Budgeting through the Government Finance Officers Association (GFOA), June 1998.

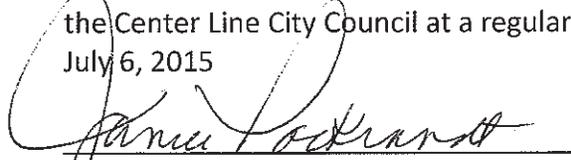
9.0 Revisions

- 9.1 This policy shall be reviewed every three years.
- 9.2 Revision history:
- 9.2.1 First issued July 6, 2015.

Motion by: Councilperson Chakur
Supported by: Councilperson Lapham
Ayes: 5 Nays: 0

POLICY DECLARED ADOPTED

I, Janice Pockrandt, Deputy Clerk for the City of Center Line,
County of Macomb, State of Michigan, do hereby certify that the
attached is an exact copy of the city policy governing the
establishment of city-wide and department policies adopted by
the Center Line City Council at a regular meeting thereof held on
July 6, 2015

A handwritten signature in cursive script, reading "Janice Pockrandt", is written over a horizontal line.

Janice Pockrandt
Deputy Clerk
City of Center Line