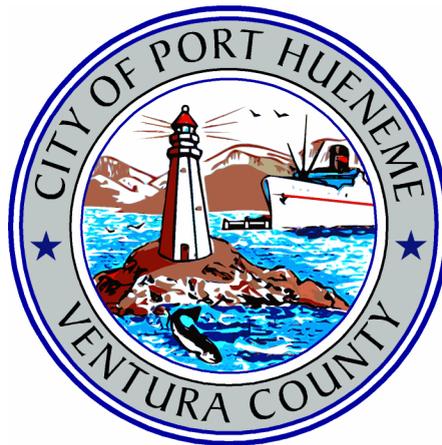


# City of Port Hueneme

**County of Ventura  
California**



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## **Budget Policy**

**Adopted April 2, 2008**

**City of Port Hueneme**

**250 North Ventura Road • Port Hueneme, CA 93041 • (805) 986-6500**

**BUDGET POLICY**  
City of Port Hueneme

PURPOSE

To provide guidelines for all City departments in preparation of budget requests, to assist Council in making informed decisions about the provision of services and capital assets, and to involve and promote effective communication with the community during the process.

A. Budget Objectives

The objectives of this budget policy are:

1. To identify community needs for essential services.
2. To organize the resources required to provide these essential services.
3. To establish policies and goals which define the nature and level of services required.
4. To identify activities performed in delivering services.
5. To propose objectives for improving the delivery of services.
6. To identify and appropriate the resources required to perform activities and accomplish objectives.
7. To set standards to measure and evaluate:
  - a. Revenues.
  - b. Expenditures.
  - c. Fund Balances.

B. The City Council shall adopt an annual budget for the ensuing fiscal year no later than June 30 of each year.

1. City Council will conduct a strategic planning session that will include:
  - a. Identify budget priorities for the ensuing fiscal year (e.g., public safety, safe and affordable housing, etc.)
  - b. Aligning the Strategic Plan with the budget and identifying funding to deliver additional services.
2. The City Council will conduct a budget study session outlining the recommended budget for the ensuing fiscal year.

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3. The City Council will adopt a resolution appropriating and approving the budget for the ensuing fiscal year.

C. Budget Carryovers

In general, all prior year appropriations shall lapse at the end of each fiscal year with any remaining amounts credited against their respective fund balances with the exception of:

1. Any unexpended, but encumbered amounts, for specific orders outstanding at the fiscal year end.
2. Unexpended appropriations for major capital projects recommended for carryover by the City Manager.

With City Council approval, these exceptions may be carried over to a succeeding fiscal year and shall be offset by a change to their respective fund balances.

D. Budget Appropriations/Transfers

Department Directors are expected to control the budget by program level within each fund. Directors also have discretion to exceed the budget of individual accounts within a program as long as the program budget is not exceeded. Flexibility is granted to facilitate management's ability to fulfill a department's operational mission and reduce the number of budget adjustments that would be required to control by individual account number.

Within the framework of the budget policy, there are a number of additional restrictions on certain expenditure classifications and specific accounts. These restrictions are as follows:

1. All budget appropriations must be approved by City Council before expenditures are incurred. The Financial Services Director may authorize budget transfers not exceeding \$1,000 between line items within major categories of department budgets. Transfer requests exceeding \$1,000 must be approved by the City Manager before expenditures are incurred. The only exception is a bonafide emergency, as approved by the City Manager.
2. Salaries and fringe benefits budget savings cannot be used to augment any other type of expenditure classification (e.g. capital outlay).
3. Maintenance and operations savings may not be used to fund capital outlay or capital improvements.

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4. Individual capital improvement projects, which are accounted for by capital project number, must remain within the project budget and cannot be offset by another capital project number.
5. Travel and training budgets may not be over budget in any program regardless of savings in other maintenance and operations accounts.
6. The Financial Services Director may authorize transfer requests between divisions not exceeding \$1,000. Transfer requests between divisions above \$1,000 can be approved by the City Manager. Transfer requests between divisions must contain adequate justification and must be submitted similar to other budget adjustments (except for the need to schedule on a City Council agenda).

D. Goal Status Reports

The status of major objectives will be reported to the City Council on an ongoing, periodic basis, but not limited to the midyear review and the annual budget study session.

E. Mid-Year Budget Reviews

The City Council will formally review the City's financial condition no later than March of each year and amend the budget, as necessary.

F. Balanced Budget

The City will strive to maintain a balanced budget. This means that, generally speaking:

1. Operating revenues must fully cover operating expenditures, including debt service.
2. Under this policy, it is allowable for total expenditures to exceed revenues in a given year; however, under this circumstance, the following will occur to cover the deficit: 1) a transfer will be made from Redevelopment Agency Notes principal owed to the General Fund; or 2) Fund balance will be used.
3. Beginning fund balance can only be used to fund capital improvement plan projects, or other "one-time" nonrecurring expenditures.
4. Ending fund balance (or working capital in the enterprise funds) must meet minimum policy levels as defined in the Reserve Policy.

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**FINANCIAL REPORTING**

A. **Annual Reporting**

The City will prepare annual financial statements as follows:

1. The City will contract for an annual audit by a qualified independent certified public accountant. The City will strive for an auditor's unqualified opinion.
2. The City will use Generally Accepted Accounting Principles (GAAP) in preparing its annual financial statements, and will strive to meet the requirements of the California Society of Municipal Finance Officers Excellence in Operating Budget Award in Financial Reporting program.
3. The City will issue audited financial statements within 180 days after year-end.
  - a. If a management letter is received by the auditors, the Financial Services Director will distribute it to the City Manager within one week of receiving the final management letter along with written responses to the items included in the letter.
  - b. If a management letter is not remitted by the auditors, the auditors will provide a written acknowledgement that no management letter is forthcoming and, within one week, the Financial Services Director will forward a copy of that acknowledgement to the City Manager.

B. **Interim Reporting**

The Financial Services Director will prepare and issue timely interim reports on the City's financial status to the City Council and staff. This includes:

1. Monthly revenue and expenditure report to the City Manager and Department Directors, either electronically or hard copy.
2. Mid-year budget reviews.
3. Status reports during budget review process.

C. **Budget Administration**

The City Council may, by majority vote of the City Council members, amend or supplement the budget at any time after its adoption. The City Manager has the authority to make administrative adjustments to appropriations as long as there is no funding source incompatibility and provided those changes do not increase overall appropriations.

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GENERAL REVENUE MANAGEMENT

A. Diversified and Stable Revenue Base

The City will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any single revenue source.

C. Long-Range Focus

The City Council will emphasize and facilitate long-range financial planning through the development of a one-year budget and a five-year capital improvement plan.