



## **City Budget Process**

### **Synopsis**

The City budget is proposed by the Mayor (Executive), checked for compliance by the City Attorney, and amended and passed by the City Council (Legislative) before returning it to the Mayor for his approval and signature. The budget itself is composed of two main documents: a budget ordinance that provides departments with the authority to spend City funds and a Capital Improvement Program (CIP) that authorizes the use of funds in the construction and maintenance of infrastructure and systems, such as utility lines, roads, public buildings, and major software projects.

### **The Executive and Legislative Process**

#### **Submittal of Proposed Operating/General Fund and Capital Improvement Program (CIP) Budgets**

The budgeting process begins early each year as departments assess needs and budget forecasters work to estimate revenues and costs. Operating budget preparation is based on the establishment of a current services or "baseline" budget. Current services consist of continuing programs and services the City provided in the previous year, in addition to previous commitments that will affect costs in the next year, such as a voter-approved levy for new park facilities, as well as labor agreements and changes in health care, insurance, and cost-of-living- adjustments for City employees.

During the budget preparation period, the Department of Finance, working in conjunction with the City Office of Budget and Strategic Planning, makes General Fund revenue forecasts. This is used to determine whether the City's projected revenues are sufficient to meet the projected costs of the current services budget. If revenues are not sufficient to cover the cost of current services, the City must identify changes to close the gap - either through reductions or increased revenues or a combination of both. If the revenue forecast shows that additional resources are available, then the budget process identifies new or expanded programs to meet the evolving demands for City services. Regardless, the City is required by state law to prepare a balanced budget.

Departments prepare and submit Budget Memos to the city's Budget Office for analysis and mayoral consideration. The Mayor's Office reviews and provides direction to departments on the Budget Memos, giving direction on items they should include in their formal budget submittal. The Budget Office receives departmental operating

budget/general fund and CIP submittals, including all position (employee) changes. Mayoral review and evaluation of department submittals then take place. The Budget Office, in conjunction with individual departments, then finalizes the operating/general fund and CIP budgets.

### **Submittal of Proposed Budget and CIP**

The Mayor is required under state law to submit a proposed budget before the start of the fiscal year.

Each year, the Mayor and the City Budget Director prepare a proposal for an operating budget and a CIP budget. Along with the proposed budgets, the Budget Office prepares and transmits to council supporting legislation and other documents related to the passage of operating/general fund and CIP budgets.

The operating/general fund budget is primarily composed of expenditures required to deliver services to the residents of Richmond. The CIP provides for large, often multi-year expenditures on infrastructure and other capital projects, such as fixing, improving, or adding new City facilities.

After the proposed budget and CIP are submitted, the City Council holds a series of Budget Committee meetings in open session to hear feedback from the public, discuss budget requests, and receive policy analysis from the Council Central Staff. Councilmembers then propose specific budget actions for consideration by their colleagues. During the budget review process, the City Council documents its budget proposals.

### **Adoption of a Budget and CIP**

Under state law, the Council must consider and adopt a budget before the fiscal year.

After completing the public hearing and deliberative budget meeting processes, proposed changes to the Mayor's proposed budget will be rendered. Other Councilmembers may propose further adjustments to be included.

### **Why is a Budget Important?**

A budget is more than just the funding of certain programs and departments by a municipality. Because the budget for the City of Richmond involves the spending of public money, a budget reflects a community's values and priorities. The money allocated to various programs, initiatives, and departments should align with what the citizens want and seek for their city.

In Richmond, the city uses the Balanced Scorecard Strategic Management System (Balanced Scorecard) to link the city's mission and vision to develop strategies to achieve specific goals and performance objectives. As part of this system, the city developed seven focus areas to direct its efforts, which include:

- Unique, Healthy and inclusive Communities and Neighborhoods
- Economic Growth

- Safety and Well-Being
- Transportation
- Education and Workplace Development
- Sustainability and the Natural Environment
- Well-Managed Government

These focus areas are also known as the “Pillars of Excellence” that guide the city's planning and operations.

### **What Makes Up a Budget?**

The city's budget is based on a system of different funds, or groups of related accounts, to help control and maintain the resources meant for specific objectives and activities. There are three categories of funds: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental Funds:**

- The General Fund, Debt Service Fund, Capital Projects Fund, and the Special Revenue Funds; fund the majority of governmental functions in the city
  - General Fund: primary operating fund; accounts for all revenue and expenditures that are not required to be accounted in other funds; revenues include real estate and personal property taxes, as well as other local taxes, distributions, etc.
  - Debt Service Fund: accumulation of financial resources for payment of interest and principal on all governmental fund long-term debt, costs, and related costs on bonds and notes
  - Capital Projects Fund- all financial resources to be used for the acquisition, construction, or renovation of capital facilities or other equipment, that ultimately become city fixed assets
  - Special Revenue Fund- accounts the proceeds of specific revenue sources that are legally restricted to expenditures on specific purposes; include federal reimbursements grants, and donations designated for specific uses
- Proprietary Funds: account for city activities that operate almost like private sector businesses; must measure net income, financial position, and changes in financial position;
  - Enterprise Funds: account for operations such as public utilities, where goods or services are provided to the general public and are financed through user charges, and where sometimes determination of revenue, expenses, and net income is deemed appropriated for capital maintenance, public policy, management control, accountability or other purposes.
  - Internal Service Funds: used to finance goods or services provided by a city department or agency to other departments or agencies on a cost-reimbursement basis, such as fleet management
- Fiduciary Funds: used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments, or even other funds; the fiduciary funds in Richmond include the City's Retirement System Trust Fund, among many others