

# Citizens' Guide to the Budget Document

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The City of Modesto is a charter city and employs the Council-Manager form of government. The City Council is comprised of six Council members and the Mayor, who presides over the City Council. City Council members are elected for four-year terms on a citywide basis. The Council acts as the legislature and policy-making body. The Council appoints the City Manager, City Attorney and City Clerk. The City Manager is the chief administrator and is responsible for implementing the policies and programs of the City Council. The City contains 12 departments:

- City Manager
- Personnel
- City Attorney
- City Clerk
- Information and Technology
- Finance
- Community Development
- Fire
- Police
- Parks, Recreation and Neighborhood
- Engineering and Transportation
- Operations and Maintenance

## **Accountability Budgeting System**

The City of Modesto has adopted a budget policy called the "Accountability Budgeting System" (ABS). Under ABS, Council sets long-term appropriations target for operating departments. It encourages departments to restructure service delivery over time to provide more cost effective services. General Fund departments are allowed to carry forward 50% of their under-expenditures compared to appropriations and are required to report performance measures.

## **Budget Summary**

The Budget Summary provides the reader with a condensed and highlighted version of the Proposed Budget for Fiscal Year 2002-2003. This document contains the City Manager's Budget Message, Council's adopted financial policies, and a variety of tables and charts, which summarize budget information. This document is a summary of detailed information contained in the Operating Budget and Capital Improvement Program. The City Manager's Budget Message highlights important aspects of the budget, including current and long-range financial issues, budget outlook, department budget highlights, major capital improvements, and financial trends. The new Policy Issues and Reports section includes current budget policy issues and special reports. This document also includes long-range forecasts for each major City fund.

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## **Operating Budget**

This section of the budget contains the City's operating budget and is divided into City departments. It includes historical information on expenditures, revenue and staffing for each department. It also includes each department's mission, objectives and performance measure information.

## **Capital Improvement Program**

This document contains the Capital Improvement Program and provides a ten-year capital program for all major City funds. It includes the Capital Improvement Program by category and fund. It also includes the details on each adopted capital project as well as the project area maps for some projects.

## **Funds**

The City's budget is divided into "funds". Funds are fiscal and accounting entities with a self-balancing set of accounts in which resources are segregated to carry on specific activities in accordance with policy, regulations or restrictions.

## **General Fund**

The General Fund is the primary operating fund for basic services such as police, fire, maintenance, and community services. These activities are financed through general tax dollars from sales taxes, utility users taxes, and property taxes, and by revenues generated from permits, fees, and investment earnings.

## **Special Revenue Funds**

These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. For example, a government may levy a tax on gasoline with the express purpose of using the proceeds of the tax to finance road maintenance and repair.

## **Debt Service Funds**

Governments often set aside monies to meet current and future debt service requirements on general government debt. The Debt Service Fund is used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest.

## **Capital Projects Funds**

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities, i.e. the development of a new neighborhood park.

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## **Enterprise Funds**

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The Enterprise Funds include operations such as Water, Wastewater, Storm Drain, Golf, Community Center, Transit Center, and Parking.

## **Internal Service Funds**

Governments often wish to allocate the cost (expenses, including the exhaustion of fixed assets and depreciation expenses) of providing certain centralized services (e.g., fleet pools, mail services, automated data processing services) among their different funds. Likewise, governments sometimes wish to recover the cost of services they provide to other governments. The Internal Service Funds are used to account for the financing of goods or services between inter-departmental agencies.

## **Accounting Basis of Budgeting**

All city budgets are adopted on a modified accrual basis. Revenues are recognized when they become both measurable and available, and expenditures are recognized when the fund liability is incurred except for inventories and prepaid insurance and similar items.

The City prepares a financial statement annually in conformity with GAAP for governmental entities, which are audited by an independent certified public accounting firm. The annual financial report is generally available six months following the fiscal year end on June 30th.

## **Annual Budget Process**

The Finance Department has a variety of continuous practices which ultimately complete the yearly budget adoption process. Four of the main elements are described below:

### Quarterly Status Reports

These reports identify revenue and expenditure projections as well as current issues that may affect budgets. It describes recommended adjustments due to changing circumstances and requires Council review and approval.

### Budget Kick-off and Training

At the beginning of each calendar year, the budget staff creates the upcoming year's procedures in a Budget Manual. They meet with department budget coordinators, schedule training for the budget software system and data input. A Budget Kick-off meeting reviews all the changes for the upcoming budget, with all budget informational materials distributed at this time.

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## Budget Review/Data Completion

Current midyear budget data is available in mid-February. Analyst work along side department coordinators in completing their budgets by mid-March. Review meetings with the Department Heads and City Manager are held in March, with final decisions made by the end of March.

## Budget Document/Approvals

Finance analysts review department budget reports for accuracy in April, with a draft going to print by the end of the month. Proposed budget documents are typically presented to the Council at the 2<sup>nd</sup> Tuesday meeting in May, with public hearings scheduled before the end of the month. Committee meetings are scheduled during the month of May to review all aspects of the budget document. Committee recommendations are sent to the full Council, with budget adoption normally scheduled for the third week of June.