



City of Huntington Beach Budget Process and Calendar Proposed Budget – FY 2012/13

Date	Budget Procedure	Action By
04/04/12	A kickoff meeting is held to review the directive for preparation of the FY 2012/13 budget.	Director of Finance
04/05/12 Through 04/28/12	Departments begin preparing their respective budgets including entering proposed budgets into the accounting system.	Departments
04/28/12	Individual Capital Improvement Project (CIP) requests are completed and submitted to the Public Works Department.	Departments
05/04/12	Budgets are submitted to Budget & Research.	Departments
05/04/12	Revenue projections are completed and submitted to the City Manager.	Director of Finance Budget & Research
05/29/12 Through 06/15/12	The City Manager's office conducts meetings with all departments to review budget requests.	City Manager Departments Director of Finance Budget & Research
06/20/12	Capital Improvement Program is submitted to Planning and Public Works Commissions.	Public Works
07/06/12	Departments and Budget & Research are advised regarding final budget adjustments prior to preparation of the Proposed FY2012/13 Budget Document. Budget & Research prepares the document for submission to the City Council.	City Manager
TBD	The Proposed Budget for FY 2012/13 is submitted to the City Council per the City Charter.	City Manager
TBD	Accounting and Purchasing staff begin working with departments regarding encumbrance carry-overs and the pending closure of "Open Purchase Orders" prior to the new fiscal year.	Accounting Staff Purchasing Staff Departments
TBD	The City Manager conducts a budget study session and presentation of the Proposed FY 2012/13 Budget/CIP for the public and City Council at their regular meeting. Direction is requested from the City Council regarding preparation of the Budget/CIP Resolution.	City Manager City Council



City of Huntington Beach Budget Process and Calendar Proposed Budget – FY 2012/13

Date	Budget Procedure	Action By
09/04/12	A public hearing is conducted by the City Council of the City Manager's Proposed Budget/CIP for FY 2012/13. Following completion of the public hearing, the City Council may adopt the budget by resolution, or shall either close or continue the hearing to a future date for budget adoption.	City Council City Manager Departments
09/04/12	The Proposed Budget/CIP for FY 2012/13 is adopted by resolution of the City Council.	City Council
10/01/12	Fiscal Year 2012/13 is activated and departments begin operating within the new budget.	Accounting Staff Departments
12/06/12	The completed Adopted Budget document is submitted to the Government Finance Officers Association (GFOA) for participation in the Budget Awards Program.	Budget & Research



City of Huntington Beach Financial Policies Proposed Budget – FY 2012/13

FINANCIAL REPORTING AND ACCOUNTING STANDARDS

- ❑ The City's accounting system will be maintained in accordance with generally accepted accounting practices and the standards of the Government Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).
- ❑ The annual financial report will be prepared within six months of the close of the previous fiscal year. The City will use generally accepted accounting principles in preparing the annual financial statements and will attempt to qualify for the Government Finance Officers Association's Excellence in Financial Reporting Program.
- ❑ The City will strive for an unqualified audit opinion. An unqualified opinion is rendered without reservation by the independent auditor that financial statements are fairly presented.
- ❑ The City will contract for an annual audit by a qualified independent certified public accounting firm. The independent audit firm will be selected through a competitive process at least once every five years. The contract period will be for an initial period of three years, with two one-year options.

BUDGETING

- ❑ The budget will be prepared consistent with the standards developed by the Government Finance Officers Association and California Society of Municipal Finance Officers (CSMFO). In addition, a summary version will be provided to the public in a user-friendly format.
- ❑ The City will maintain a balanced operating budget for all funds with estimated revenues being equal to, or greater than, estimated expenditures, and with periodic City Council reviews and necessary adjustments to maintain balance.
- ❑ On-going revenues will support on-going expenditures. Revenues from one-time or limited duration sources will not be used to balance the annual operating budget.
- ❑ Support function appropriations will be placed in the department in which they are managed.

GENERAL FUND BALANCE

- ❑ There is an established Economic Uncertainties Reserve commitment in the General Fund. The monetary goal of this commitment is equal to the value of two months of the General Fund expenditure adopted budget amount.
- ❑ Appropriations from the Economic Uncertainties Reserve commitment can only be made by formal City Council action. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to:
 - An unplanned, major event such as a catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget
 - Budgeted revenue taken by another government entity
 - Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget
- ❑ Should the Economic Uncertainties Reserve commitment be used and its level falls below the minimum amount of two months of General Fund expenditures adopted budget, the goal is to replenish the fund within three fiscal years.
- ❑ In addition to the Economic Uncertainties Reserve, there are three permanent reserves established for the purpose of smoothing annual operating budgets, providing flexibility and the ability to take advantage of favorable financial/business conditions, and providing a



City of Huntington Beach Financial Policies Proposed Budget – FY 2012/13

source to fund unforeseen expenditures. Appropriations from these reserves can only be made by formal City Council action. These permanent reserves are:

- Equipment Replacement Reserve for the acquisition of rolling stock, other movable assets, pumps, engines, and any equipment needed to sustain city infrastructure. Planned appropriations from this fund are identified during the annual budget process. The replenishment of this Reserve is outlined below.
 - Capital Projects Reserve for the construction of city infrastructure. Planned appropriations from this fund are identified during the annual budget process in concert with the Capital Improvement Plan. The replenishment of this Reserve is outlined below.
 - Litigation Reserve for unforeseen litigation losses exceeding the amount budgeted in the current year. The monetary goal for this Reserve is generally set at the city's self insured limit. This fund will be replenished each year through the annual budget process.
- Allocation of the audited General Fund unassigned fund balance (or increases in the Economic Uncertainties Reserve) will be done as follows if, and until, the Economic Uncertainties Reserve commitment is fully funded (i.e., two months of General Fund expenditures):
- 50% to Economic Uncertainties Reserve commitment
 - 25% for Infrastructure Fund
 - 25% to Capital Improvement Reserve (CIR) commitment
- Once the Economic Uncertainties Reserve commitment attains full funding, unassigned fund balance will be divided as follows:
- 50% for Infrastructure Fund
 - 25% to Capital Improvement Reserve (CIR) commitment
 - 25% to Equipment Replacement commitment
- Any unassigned revenues received during the fiscal year will be added to the fund balance of the General Fund.

FUND BALANCE CLASSIFICATION

- The City's fund balance is made up of the following components:
- Nonspendable fund balance typically includes inventories, prepaid items, and other items that, by definition cannot be appropriated.
 - The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
 - The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment.
 - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Administrator or designee has the authority to establish, modify, or rescind a fund balance assignment.



City of Huntington Beach Financial Policies Proposed Budget – FY 2012/13

- Unassigned fund balance is the residual classification for the City's funds and includes all spendable amounts not contained in the other classifications.
- ❑ The City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- ❑ The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

APPROPRIATION AUTHORITY

- ❑ The City Council is the appropriation authority for the City Budget. As required by state law, appropriations expire at the end of each fiscal year.

NON-DEPARTMENTAL BUDGET

- ❑ The City shall maintain a non-departmental budget that is used for expenditures that do not apply to a specific department, are Citywide in nature, or shared by several departments. The Director of Finance and City Manager shall be responsible for administration of this budget.

OPERATION OF THE CAPITAL IMPROVEMENT RESERVE (CIR) COMMITMENT

- ❑ The Capital Improvement Reserve (CIR) will only be used to budget for, and construct, capital improvement projects identified in the City's five-year Capital Improvement Plan (CIP).
- ❑ Savings from completed capital improvement projects will be retained for use on other infrastructure projects.

ENTERPRISE FUNDS

- ❑ An Enterprise Fund is a type of proprietary fund used to report an activity for which a fee is charged to external users for goods or services. The City will set users fees for each enterprise fund at a rate that fully recovers the direct and indirect costs of providing service.
- ❑ The City will adjust user fees as necessary to ensure that enterprise funds do not collect revenues at a rate in excess of the fund's operating, capital, and reserve requirements.
- ❑ Enterprise funds will be supported by their own rates and not subsidized by the General Fund.
- ❑ Enterprise funds will pay their share of overhead services provided by the General Fund.

SPECIAL REVENUE FUNDS

- ❑ A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.
- ❑ The City Council will establish which revenues require placement into a special revenue fund.
- ❑ The City Council will establish which expenditures will be expensed to each special revenue fund.

DEBT ISSUANCE & MANAGEMENT

- ❑ The City will not use long-term debt to pay for current operations.



City of Huntington Beach Financial Policies Proposed Budget – FY 2012/13

- The City will strive to construct capital and infrastructure improvements without incurring debt. Debt financing will be considered for capital and infrastructure improvements when one or more of the following circumstances exist:
 - When the term of the debt does not extend beyond the useful life of the improvements
 - When project revenues or specific resources will be sufficient to service the long-term debt
 - When the cost of debt is less than the impact of the cost caused by delaying the project

CHARGES & USER FEES

- “User Fees” are fees for services that are exclusively provided by the City and cannot legally exceed the cost of the service provided nor the statutory limit (if lower). User Fees will be reviewed and/or revised periodically by the City Council. User Fees that do not recover all direct and indirect costs of service will be clearly identified and must be approved by the City Council.
- “Charges” are fees that have no statutory limit and typically are set at “market rates” since the public can choose to obtain these services from other sources. Charges will be reviewed and/or revised periodically by the City Council. Charges that do not recover all direct and indirect costs of service will be clearly identified and must be approved by the City Council.
- The City Council will be presented annually with a list of all User Fees and Charges indicating when they were last changed.
- Fees for infrastructure improvements required by new development will be reviewed annually to ensure that the fees recover development related expenditures.

CAPITAL MANAGEMENT

- The City will prepare a five-year Capital Improvement Plan (CIP). The plan will be developed biannually and updated annually. The Capital Improvement Plan will include current operating maintenance expenditures, funding to support repair and rehabilitation of deteriorating infrastructure, and the construction of new infrastructure projects.
- Prior to planning the construction of new infrastructure, the improvement’s future operating, maintenance, and replacement costs will be forecast and matched to available revenue sources in the operating budget.

BASIS OF BUDGETING

- Governmental, agency and expendable trust fund types, and pension trust funds use a modified accrual basis of accounting. These funds recognize revenue when it is susceptible to accrual. It must be measurable and available to finance current period expenditures. Examples include property taxes, sales tax, governmental grants and subventions, interest and charges for current service. Revenues not susceptible to accrual include certain licenses, permits, fines and forfeitures, and miscellaneous revenue. The City of Huntington Beach recognizes expenditures when it incurs a measurable liability, with the exception of interest on long-term debt, which is recognized when it is due.
- The City accounts for proprietary fund types and pension trust funds on the accrual basis, similar to private businesses, recognizing revenue when earned, regardless of the date of receipt, and recognizing expenses when they are incurred. The City selected under GASB



City of Huntington Beach Financial Policies Proposed Budget – FY 2012/13

Statement 20, to apply all GASB pronouncements as well as an official statement of opinions of the Financial Accounting Board.

- ❑ The budget includes estimates for revenue that, along with the appropriations, comprise the budgetary fund balance. The appropriated budget covers substantially all fund type expenditures. The City Council adopts governmental fund budgets consistent with generally accepted accounting principles as legally required. There are no significant unbudgeted financial activities. Revenues for special revenue funds are budgeted by entitlements, grants, and estimates of future development and growth. Expenditures and transfers are budgeted based upon available financial resources. The City uses an encumbrance system as an aid in controlling expenditures. When the City issues a purchase order for goods or services, it records an encumbrance until the vendor delivers the goods or performs the service. At year-end, the City reports all outstanding encumbrances as reservations of fund balance in governmental fund types. The City then re-appropriates these encumbrances into the new fiscal year.

FUND BALANCE DEFINITIONS AND PROJECTIONS

- ❑ The City is reporting estimated changes in fund balances for all funds with adopted budgets for the current fiscal year. The City has chosen to report certain major funds individually and the others combined within the annual audit. Major funds used in the City's Comprehensive Annual Financial Report (CAFR), plus selected other funds are described. Within the budget document, all funds operated by the City are individually presented.
- ❑ For governmental funds, the fund balances represent the estimated effort of the adopted budget on the unassigned fund balance that will be reported in the CAFR for prior fiscal year completed. This amount represents the amount available for appropriation by the City Council.
- ❑ For fiduciary and enterprise funds, the fund balances reported represent the net working capital (current assets minus current liabilities) shown in these funds. This amount closely parallels the unrestricted net assets shown on the CAFR.
- ❑ The estimated capitalized proprietary fund expenditures represent the estimated amount of expenditures that will be used for fixed assets. In enterprise funds, fixed assets are not recorded as expenditure in the year incurred, but are depreciated over their useful lives.



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Council
Proposed Budget – FY 2012/13

The following are activities on which the Mayor and City Council Members could expend city funds:

- League of California Cities, Orange County Division monthly general membership meetings
- Quarterly League of California Cities Policy Committee meetings
- League of California Cities, Orange County Division Board of Directors or Executive Committee meetings
- League of California Cities Annual Conference
- Various League of California Cities training workshops and/or subcommittee meetings
- Meetings of the Orange County City Selection Committee
- Meetings of the Orange County Mayors' Round Table
- Orange County Council of Governments Board meetings and General Assembly
- Southern California Association of Governments meetings and General Assembly
- Various Huntington Beach Chamber of Commerce functions
- Various community organizations' events and fundraising activities
- Various state organizations' events and fundraising activities
- Various national organizations' (such as the National League of Cities, the United States Conference of Mayors, and others) events and workshops
- Various educational workshops put on by the above organizations and others
- Possible trip to one of our two sister cities, Anjo, Japan and Waitekere, New Zealand
- Trips to Washington, D. C. to meet with federal legislators or federal agencies on issues of interest to the City
- Trips to Sacramento, California to meet with state legislators and/or state agencies on issues of interest to the City
- Hosted meetings with representatives from other governmental agencies such as our state or federal legislators, agency representatives, or City Council Members from other cities



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Council Continued
Proposed Budget – FY 2012/13

- Association of California Cities –Orange County Monthly Meetings
- Association of California Cities – Orange County Board of Directors or Executive Committee Meetings
- Association of California Cities – Orange County training workshops and/or subcommittee meetings
- Orange County LAFCO
- Meetings and events for Appointed Committees of various organizations



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Attorney
Proposed Budget – FY 2012/13

The following are activities on which the City Attorney could expend city funds:

- Various business meetings/events with business leaders, owners, consultants, or vendors
- Community meetings or events on general or city-specific issues
- Attendance at annual professional conferences, board meetings, and other meetings such as the League of California Cities, including specialized conferences for work-specific topics; reimbursement may include parking, transit, airfare, mileage, hotel, meals, and other incidental expenses
- Books, training, certifications, and publications relevant to the work environment
- City events and city-supported functions such as 4th of July, Association of Volleyball Professionals (AVP), Art Center features, activities, and expenses related to the events
- Litigation expenses



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Clerk
Proposed Budget – FY 2012/13

The following are activities on which the City Clerk could expend city funds:

- Various business meetings/events with business leaders, consultants, vendors, and media
- Community meetings or events on general, city, and/or department-specific issues
- Attendance at professional conferences, board meetings and other meetings and events such as the Southern California City Clerks Association (SCCCA), the Orange County City Clerks Association (OCCCA), the Beach Cities Clerks Association, the City Clerks Association of California (CCAC), the International Institute of Municipal Clerks (IIMC), the League of California Cities (LOCC), the Association of California Cities Orange County (ACCOC), the California Association of Clerks and Election Officials (CACEO), the Orange County Association of Records Managers and Administrators (ARMA), the Huntington Beach Chamber of Commerce membership meetings, the Huntington Beach Chamber of Commerce Planning Conference, the Huntington Beach Chamber of Commerce Economic Conference, California City Clerks Association New Law and Election Seminar, SIRE Conference, SIRE Roundtable meetings, the Granicus Annual Conference, Nuts & Bolts for Clerks, Senior Saturday, Surf City Nights, Technical Track for Clerks (TTC), Orange County Registrar of Voters (OCROV), National Notary Association (NNA), Easter Hunt, ICMA Conference Meetings, Women Leading Government (WLG), Leadership Committee, Youth in Government Day, Fair Political Practices Commission Seminars (FPPC), including specialized conferences for work-specific topics and economic conferences; reimbursement may include parking, transit, airfare, mileage, hotel, meals, and other incidental expenses
- City Clerk related books, training, certifications, and publications relevant to the work environment
- City events and city-supported functions such as 4th of July, Art Center features, public safety awards, and activities and expenses related to public outreach events



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Treasurer
Proposed Budget – FY 2012/13

The following are activities on which the City Treasurer could expend city funds:

- Various business meetings/events with business leaders, owners, consultants, or vendors
- Community meetings or events on general or city-specific issues
- Attendance at annual professional conferences, board meetings, and other meetings such as the California Municipal Treasurers Association, the Association of Public Treasurers of the United States and Canada, the League of California Cities, the Government Finance Officers Association, the California Society of Municipal Finance Officers, including specialized conferences for work-specific topics; reimbursement may include parking, transit, airfare, mileage, hotel, meals, and other incidental expenses
- Occasional trips to testify/lobby on specific city issues to Sacramento or to Board of Equalization meetings
- Books, training, certifications, and publications relevant to the work environment
- City events and city-supported functions such as 4th of July, Association of Volleyball Professionals (AVP), Art Center events, and other similar activities



City of Huntington Beach
AB1234 Disclosure
Reimbursement Expenses
for the City Manager
Proposed Budget – FY 2012/13

The following are activities on which the City Manager could expend city funds:

- Various business meetings with Chamber President and Board Members
- Various business meetings with Conference and Visitors Bureau President and Board Members
- Various business meetings with business leaders and owners
- Occasional meetings with developers regarding project issues or status
- Community meetings on general or city-specific issues
- Consultant meetings on specific city projects
- Attendance at annual professional conferences and meetings such as International City Management Association, American Society of Public Administrators, League of California Cities, Municipal Management Assistants of Southern California, Alliance for Innovation, Government, including specialized conferences for work-specific topics; reimbursement may include parking, transit, airfare, mileage, and other incidental expenses
- Occasional trips for lobbying on specific city issues to Sacramento, California or Washington, D.C.
- Books and publications relevant to the work environment
- City events and city-supported functions such as 4th of July, Association of Volleyball Professionals (AVP), Art Center features, activities, and expenses related to the events

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