

CITY OF PORTLAND, MAINE

BUDGETARY POLICIES AND PROCEDURES

Basis of Budgeting

As described in the Statement of Significant Accounting Policies, the City follows certain accounting principles for budget reporting purposes that differ from Generally Accepted Accounting Principles (GAAP); the most significant of which are encumbrances treated as expenditures for budgetary purposes, and interfund and interdepartmental transfers under generally accepted accounting principles treated as revenues and/or expenditures for budgetary reporting purposes. In addition, the City's budgetary reporting for insurance claims, compensated absences, and investment income is done in accordance with the cash basis method of accounting, as opposed to the modified accrual method required by GAAP.

Purpose of the Budget

The budget document is the financial plan of the City government. When adopted by the City Council, the Appropriation Resolve reflects the proposed expenditures of the various departments and a plan for providing the financial resources to fund those expenditures.

The annual budget serves three principle purposes:

1. The budget serves as a tool for the City Manager and department heads in planning the work program to be performed and the services to be provided by the departments and divisions of the City government.
2. The budget allows the City Council to estimate the amount of available resources (revenues) and the manner in which they will be allocated to various governmental programs in accordance with the needs of the community.
3. The budget serves as an instrument of control over governmental spending by making available at all times the relative position of actual revenues and expenditures to estimated amounts for departments as program operations are being carried out during the year.

Phases of Budgeting

Municipal budgeting consists of three phases:

1. Budget Preparation
2. Review and Adoption
3. Execution

Budget Preparation

The following Budget Calendar summarizes the two stages (revenue estimation and expenditure budget) of the budget cycle.

Budget Calendar

Nov	Dec	Jan
Budget Manual Development	Revenue Base Budget	Expenditure Base Budget
Mar	Apr	May
City Manager Budget Review	Finance Committee Review	City Council Deliberations, Public Hearings & Adoption

Revenue Estimation

The City's budget process begins with departmental submissions of revenue estimates.

In early November an automated revenue package is made available to the departments. Individual departments must provide the following information for the revenues estimates that are their responsibility:

- A. Projected collection estimates for the current fiscal year with explanations for projections substantially different than estimate.
- B. An estimate for the upcoming fiscal year with the method and/or calculations behind the estimate.

If a department is proposing a fee increase (or a new fee), a memorandum outlining pertinent information including action necessary to establish the fee, administrative mechanism for collections, and reasonableness is included with the revenue estimates being submitted.

In addition to historical data, factors such as inflationary and unemployment trends, interest rates, sales and general economic conditions are to be taken into consideration by the departments in the development of reasonable revenue estimates.

Completed revenue estimate packages are submitted to the Budget Office in mid-December.

Expenditure Budgets

The second phase of the budget process begins in early-January. The departments are to prepare their appropriation requests based on general guidelines given for wage and inflationary cost increases. Departmental requests may also include new initiatives and position requests, if appropriate.

Budget packages are submitted to the Budget Office in late-January.

Review and Adoption

During the month of March, the City Manager reviews the departmental submissions through a series of budget hearings with each department. The City Manager then formulates his budget recommendation and submits it to the City Council prior to April 1st.

The City Council then refers the City Manager's recommended budget to the Finance Committee for review and consideration. During the month of April, the Finance Committee holds budget hearings with all the City departments (including the School Department). Upon completion of these hearings, the Finance Committee formulates its recommendation and presents the budget to the City Council.

A budget workshop is scheduled for the City Council to discuss the recommended budget after an initial public hearing (reading) has been held on the Finance Committee's recommendation. This initial public hearing must take place at least ten days prior to the Council's passage of an Appropriation Resolve. Adoption of the Appropriation Resolve (budget plan) for the ensuing year by the City Council is generally accomplished by June 30th.

Execution

The Appropriation Resolve includes various amounts are appropriated for general City purposes (including enterprise funds) and one amount for school purposes, the totals of which cannot exceed estimated revenues. Special revenue and capital project funds do not have annual appropriated budgets but have adopted project budgets.

Total expenditures for the year may not exceed total appropriations for the period. The City Council may, by resolution, appropriate additional amounts only up to the amount of excess revenues and unencumbered budget surplus remaining after the purpose of the original appropriation has been satisfied. At the end of the fiscal year, all unencumbered appropriations lapse unless specifically continued by resolution of the City Council.

Throughout the fiscal year the budget serves as a tool to help monitor City programs and activities as well as a control over expenditures. The availability of funds is not in and of itself a final justification for the expenditure of money. Constant review and control must be maintained throughout the year. No payment voucher shall be processed until the Budget Office has certified that funds are available under the proper account for the department initiating the payment request. Responsibility for this control is shared by department heads (or their designee) and the City Finance Department's Budget Office. Final responsibility lies with the City Manager.