
BUDGET PROCESS

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BUDGET DEVELOPMENT

The budget process is a planning effort directly related to the delivery of City services. The process of developing the budget uses traditional planning concepts of understanding the mission, developing goals consistent with the mission, updating policies which guide the process, proposing specific plans to accomplish the goals, and balancing those plans against available resources. The budget is a year-round effort with the preparation of the next year's budget starting in April of the current year. The steps and timing involved in preparing the operating budget are described below.

Preparing the Budget

The budget process begins in April with the development of the budget calendar for the year. Budget goals and policies, established by the Mayor and City Council, are also reviewed and developed at this time.

In May, the Finance Department and City Administration together create a list of parameters for departments to follow when preparing base budgets. These parameters include items such as permitted growth in M & O and growth of the labor base unrelated to contract increases and benefit costs. A budget instruction packet is created with these guidelines and distributed to the budget contacts in each department.

Departments present individual budget requests for each new function or service request in June. Currently, existing services compete directly with new program requests during the budget evaluation process. The General Government departments also submit revenue estimates specific to their activities in June.

The Finance Department begins preparing revenue projections at the end of June for each revenue source based on the information provided by the departments, an analysis of past revenue trends and current economic conditions, as well as information about changing demographic, industrial, and commercial activities in the community.

Expenditure analysis includes adjustments for inflation, workload increases/decreases, and other factors that cause changes in expenditures. The Finance Department budgets for all non-departmental expenditures separately based on the unique requirements of each program, and updates general government revenue and expenditure projections annually for a five-year planning time frame.

Beginning in July and through mid-August, the Finance Department organizes the revenue, expenditure, and new budget request information into summaries for Administration's review. Discussions are held with department staff regarding services provided and resources needed. Throughout this time, budget briefings are also held at City Council meetings to keep the Council informed of the status of the budget and provide the Council opportunities for input.

In mid-August, once the budget is balanced, Finance and Administration develop target budgets for the departments. Departments use the targets to develop their line item budgets. The proposed budget document is completed by mid-October.

The Mayor delivers her budget message to City Council at the first of three public budget hearings, with the first hearing typically held at the end of October. The public hearings are advertised for two consecutive weeks prior to the first hearing. The public is encouraged to attend and provide input on the budget plan.

Adopting the Budget

The City of Everett budget is adopted by ordinance in accordance with the requirements and time limitations as mandated in state law Revised Code of Washington (RCW) 35.33. The budget must be adopted as a balanced budget and must be in place prior to the expenditure of any City funds.

Monitoring the Budget

The Finance Department prepares monthly reports comparing actual to budgeted revenues and expenditures. These reports are provided to the Mayor and Council.

Amending the Budget

The City of Everett budget is program-based, but is adopted by fund. The Mayor has authority to transfer budgeted amounts between programs within any fund; however, City Council must approve any revisions that alter the total expenditures of a fund. When Council determines that it is in the City's best interest to increase or decrease the appropriation for a particular fund, they may do so by ordinance, after presentation of a budget advisory, which explains the reasons and discloses the impact of the amendment.

BUDGET CALENDAR

OPERATING BUDGET CYCLE	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Plan and develop budget calendar for budget year													
Review and develop policies and budget goals													
Create and distribute Budget Instruction Packet													
Departments submit requests for new programs and return first round of budget documents													
Update current and budget year revenue projections													
Update current and budget year expenditure forecasts													
Budget office notifies each department of 2018 budget target and detail labor information													
Departments submit second round of budget documents - finalized line items, narratives													
Council Budget Briefings - status updates, revenue forecasts, assumptions, etc.													
Budget balanced													
Council Revenue Workshop/Public Hearing													
Prepare proposed budget document													
Mayor's message and proposed budget presented to Council													
Adopt Annual Property Tax Ordinance (three readings are required to adopt an ordinance)													
Conduct three public hearings on budget plan (appropriate public notice is provided)													
Adopt Budget													
Implement budget plan													
Prepare and publish final adopted budget													

The Budget Calendar conforms to the scheduling requirements in Revised Code of Washington 35.33.

MAJOR BUDGET DOCUMENTS

The City of Everett budget process includes the production of four key documents.

1. **The Budget Instruction Package** - May
The Budget Instruction Package is updated and completed in May and made available online to fund managers and staff with budgetary responsibility. This document serves as an overall guide. It includes sections on annual budget highlights, specific budget development instructions, appendices with format examples, and supplemental forms.
2. **The Proposed Budget** - October
The Proposed Budget represents a coordination of Administration's management direction and City Council's policy direction in the form of a comprehensive financial plan for funding city services. Pursuant to state law, the Proposed Budget must be submitted to City Council at least sixty (60) days before the end of the year.
3. **The Original Adopted Budget** - Late February/March
The Original Adopted Budget represents a modified version of the Proposed Budget after public hearings and City Council review in October and November. The Original Adopted Budget reflects any changes to funding levels or revenue projections that City Council deems necessary. Revisions may also be made to reflect new budget information. (This budget is also commonly referred to as the ***Adopted Budget*** or the ***Original Budget***.)
4. **The Five-Year Outlook** - Year-round effort
The Five-Year Outlook is a summary document that projects the probable trends in resources and expenditures for five years into the future. The City tests and evaluates all major budget decisions regarding new or modified program and service levels in this environment prior to implementation so that the decision to move forward can be accompanied by foresight of the long-term financial implications.

DEPARTMENT BUDGET NARRATIVES

Fund/departmental section narratives describe the operation of each fund. Fund narratives may include:

Organizational Chart: Organizational charts depict the fund operation by function.

Mission Statement: A broad, brief description of the overall purpose of the department/fund.

Summary: The fund's total expenditure budget and FTE count.

Revenue Description: The revenue description outlines the sources of revenue for the fund. It may also include a description of revenue trends for the current budget year and significant changes that are expected to occur within the next few years.

Inventory of Services: Each fund is divided into its separate activities (services). This is to enable the reader to better understand the activities of each department, the cost of each activity and the expected results from each activity. Each inventory of service form may include the following components:

- **Summary Box:** The box on the top right lists the labor and M&O cost of the activity, any offsetting-revenues that are dependent on that activity's existence, the net cost, and the FTEs related to that activity. The revenue offsets exclude non-voted, unrestricted taxes.
- **Description:** Outlines the service the activity provides, and describes what the department does. Activity descriptions may or may not match the department's accounting structure—categorizing by program, function, or activity.
- **Expected Results:** Describes what the activity accomplishes, or the desired end result.
- **Accomplishments:** Describes the major accomplishments during the last year related to the activity.
- **Goals:** Goals are statements of activity impacts or desirable conditions. Examples are the development or improvement of a program, the implementation of a policy or procedure, or the completion of a project or task. They may be specific, measurable, planned achievements and may relate to efficiency, service quality, or program effectiveness.
- **Future Trends:** Outlines emerging issues anticipated to affect the activity over the next several years.
- **Performance Measures:** The following types of performance measures may be incorporated in the activity form:
 - **Workload measures** – Input indicators measure resources that the organization consumes. Output indicators measure activities the organization undertakes or accomplishes.
 - **Effectiveness measures** - Measure performance of service in terms of efficiency, service quality and outcomes (results). Effectiveness measures show how a department meets its goals.

Three-year Personnel Comparison: This section includes budgeted positions listed by job classification and title for the past year, the current year, and the proposed budget year.

Budget Changes: This section identifies significant changes in funding levels and organizational alignment, and details new programs and items proposed for funding.

Budgeted Expenditures: A numerical table detailing the actual expenditures for the previous year, the original and amended budget for the current year, and the budget for the coming year.

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