

How the City Two Year Rolling Budget Cycle Works

The Two Year Rolling Budget cycle provides for a longer look into the future, to deliver city services and plan for improvements. The budget resolution is annually adopted by the City Council, and formally authorizes collecting of revenues and spending for the services and projects in the budget document for the next two years. Planning, developing, and managing city services and improvement projects are a continuous year round activity. **The “budget cycle” can be said to start each spring with a City Council Goal setting.** This public meeting is an opportunity for the Citizens, City Council, and staff to review the previous year, and discuss future goals and projects.

The results of the City Council Goal setting is used in the public annual budget review in May and June by the City Council. This review allows for additional adjustments to the current year budget, updates to the next year budget, and adds a “third year” budget. This addition of the “third year” provides for a continuous rolling two-year budget cycle that will always have a two-year budget projection for city services and projects. During the public budget hearings, the City Council will review the staff recommended operating budgets and improvement projects and adopts the spending plans as needed. During this time, The City Council also reviews annual agreements for services, requests for funding from community groups and other budget issues as needed.

The fiscal year for the City starts on July 1st and ends the following June 30th. During the year, periodic reports are provided to the City Council and public on the status of various projects. **Around January of each year, there is a mid-year review of the current year budget** to report on how the actual revenues and expenditures of the previous year and adjustments needed to the current year.

How the City Budget is Organized

The budget document is in several sections that provide the reader with summary information and then more detailed information on each of the City operating services by department and program and capital improvement projects.

The **‘Two Year Rolling Budget’** generally shows historic and projected financial information over five years.

- Prior Year Actuals – FY 05-06 and FY 06-07
- Last Year Adopted and Final Budget – FY 07-08
- Current Year Adopted and Revised Budget – FY 08-09
- Following Year Preliminary Budget – FY 09-10

The budget document is organized by the major types of funds, as described below. The **Summary section** combines all of the funds to show the overall City budget. The **Revenues section** provides summary and detail by each fund of the revenue estimates for prior and projected years. The **General Fund section** shows the summaries and detail of the major municipal expenditures of the City. The **Enterprise Funds section** has the summaries and detail to the Water and Wastewater funds. The **Special Revenue Funds section** contains the summaries and detail to all of the restricted funds. The **Capital Improvement Projects section** lists all of the capital improvement projects for the next two years. And the **Appendix section** contains other information about the budget and the City.

At the beginning of each section or fund will be a two page summary chart called “Where the Money Comes From” and “Where the Money Goes”. These charts also have graphics to provide a better understanding of the budget. There is also a more detailed schedule called “Sources and Uses Summary” which will give the reader a comprehensive summary of each fund. The schedule summarizes the operating revenues and expenditures, the non-operating sources or uses, the transfers from or to other funds and the net annual surplus or deficit for

each year. The schedule also includes available balances in the fund and the changes to the balances and reserves for each year.

Budget & Accounting System and Types of Funds

All of the City's revenues and expenditures are recorded in separate funds and detail accounts. This is done to insure that the money is being properly collected and spent according to the direction of the City Council and various Federal or State laws. Municipal budgeting and accounting is more complex than private business accounting, with requirements for different methods of recording assets and liabilities depending on the type revenues or expenditures. The basis of accounting and budgeting determines when revenues and expenditures or expenses are recorded in the accounts. The General and Special Revenue funds are on a modified accrual basis, with revenues recorded when they are measurable and available and expenditures are record when the liability is incurred. The Enterprise funds use the accrual basis, with revenues recorded as they are earned and expenses recorded when incurred.

The City's account codes are known as the Chart of Accounts. Below is a summary of the accounting and code structure that is used in this document (the "X" represent account numbers);

Fund	Revenue Detail or Program Services	Expenditure Detail of Program Services
"XX"	"XXXX"	"XXXX"

The Funds

The largest fund is the **General Fund**, which is used to account for all of the basic City services such as Police, Fire, Street and Park Maintenance and other services. The major revenue sources for the General Fund are Transient Occupancy Tax (a 12% tax on all visitors staying in Spas, Bed & Breakfast Inns and other lodgings), Property & Sales taxes and Charges for Services. The major expenditures are Police & Fire, Public Works, Capital Improvements and Support Services.

The **Water and Wastewater Funds** are grouped as **Enterprise Funds**. The **Enterprise Funds** provide specific services that are paid from charges to each customer based on the amount of the services they use. The **Water Fund** accounts for water to all the residents and businesses in the City. The water sources are from the Sierra Mountains (through a State and County pipeline), our local mountains and wells. The **Wastewater Fund** accounts for the costs of cleaning all of the wastewater that comes from residents and businesses in the City, including the additional geothermal water from the spas. The level of cleaning or treatment of the wastewater is set by State and Federal regulations. Once treated to meet the regulations, the wastewater is reused for landscape irrigation or put into the Napa River.

The City also has many **Special Revenue Funds** that are used to account for revenues or expenditures that are restricted for very specific types of uses. The major uses are for capital projects, replacement of city equipment, low-income housing, specific donations to city, payments on debt or loans, street maintenance and other uses.