



# City of Riverside Administrative Manual

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*Approved:*

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Mike Futrell (Feb 14, 2023 08:49 PST)

Department

City Manager

## SUBJECT:

### Budget Execution and Expenditure Control

## PURPOSE:

To establish the administrative procedure for executing the City's adopted budget in compliance with the Riverside City Charter and the budget resolution adopted for the applicable budget period.

## SCOPE:

This policy applies to revenues and the adopted expenditure budget; the mid-cycle budget review; the carryforward of prior year budget amounts via Purchase Order (encumbrance) roll; and, the carryover of unexpended funds and pending revenues.

## DEFINITIONS:

**Budget Adjustment:** A Budget Adjustment is an entry that is not balanced at the revenue or the expenditure level and results in an impact to budgetary fund balance.

**Budget Transfer:** A Budget Transfer is a balanced entry which does not result in an increase of revenues or additional appropriation of expenditures at the citywide level, although budgetary fund balance of individual funds may be impacted as a result of interfund transfers.

**Budget Version:** An identification of the source and/or approval level of a budgeted amount.

**Carryover:** A carryforward of unexpended budget amounts or pending revenue amounts from one fiscal year to the next.

**Supplemental Appropriation:** A budget entry which increases the citywide expenditure budget and may result in a change to budgetary fund balance when there is no corresponding increase in revenue.

## **POLICY:**

The City's Budget, as adopted by the City Council, establishes the total appropriation provided for each City department's operations. To ensure that the expenditures of each City department do not exceed the departmental appropriation, expenditures for each department are legally limited to the amounts authorized by the City Council or as delegated in the budget resolution for the applicable budget period.

All expenditures must comply with established purchasing procedures and the Purchasing Resolution.

Budget adjustments shall be made in such a manner as to support financial responsibility and transparency. The Chief Financial Officer/City Treasurer (CFO) and City Manager have authority to approve budget adjustments that do not involve interfund or interdepartmental transfers; however, deferral of approval to City Council may be made at their discretion to support the tenet of financial transparency or when such requests appear to require a policy decision (e.g., a transfer of funding from or to a special program). Additionally, the CFO or City Manager may require disclosure within a staff report to the City Council, boards, commissions, or committees where the veracity of a fiscal impact statement citing "available funds" is dependent upon approval of a budget adjustment.

### **Budget Maintenance by Budget Version**

Several budget versions exist in the City's accounting system to identify the source and/or approval level of budgeted amounts. The sum of the budget versions listed below comprise the "Total Budget" against which departments may expend City funds.

**Council-Approved:** Represents the annual adopted budget. This budget version shall be strictly maintained as a permanent, unadjusted record of the Council-approved budget adopted by budget resolution.

**Mid-Cycle Amended:** Represents biennial budget mid-cycle amendments to the Council-approved budget version. This budget version shall be strictly maintained as a permanent, unadjusted record of an amended mid-cycle budget, adopted by City Council.

**Encumbrance:** Represents the carryover of open Purchase Orders from one fiscal year to the next.

**Continued Appropriation:** Represents the carryover of Council-approved appropriations from one fiscal year to the next. This budget version shall be strictly maintained as a representation of carryovers approved by Council action.

Per Riverside City Charter Article XI, Section 1104, capital project carryovers do not require Council approval, as the total cost of a multi-year project is approved through Council action separate of the carryover process. Grant funding is also separately approved via City Council action and will be carried over under the implied authority of the Council action that approved acceptance of the grant award.

**Prior Year Adjustment:** Represents all adjustments to multi-year projects, grants, etc. to change current year budgets without impact to previously authorized life-to-date budget totals. This budget version is used solely for the purpose of managing multi-year project and grant budget totals.

**Budget Adjustment:** Represents all adjustments to the adopted budget exclusive of those recorded as Council-approved, Mid-Cycle Amended, Encumbrance, Continued Appropriation, or Prior Year Adjustment. Budget adjustments are approved in compliance with the budget resolution of the applicable budget period, and as set forth in this policy.

### **Revenue Budget**

The revenue budget represents forecasts established during the budget development process. The CFO, or designee, may approve adjustments to revenue budgets as follows:

- To reflect updated revenue estimates.
- To record new incoming revenues.

### **Expenditure Budget**

The City's adopted budget establishes appropriations in compliance with the Riverside City Charter and the budget resolution adopted for the applicable budget period. The expenditure budget requires multiple levels of budgetary control: the fund level, department level, and adjustment type. All supplemental appropriations require the approval of City Council as specified in Riverside City Charter Article XI, Section 1104: *"At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least five members so as to appropriate available funds not yet included in the budget."*

Appropriation of revenue and expenditures for donations are governed by the City's Minor Donation Acceptance Policy (Number 06.011.00) and for grants are governed by the Grant Administration Policy (Number 01.006.00) adopted by the City Council.

Subject to City Manager approval, the Budget Office may include non-substantive appropriations in quarterly financial report recommendations to City Council in lieu of stand-alone Council reports. Such appropriations will be recorded upon Council approval.

The Successor Agency to the Redevelopment Agency (RDSA) is a legally separate entity whose financial activity is subject to approval by the California State Department of Finance (DOF). Budget transactions of the RDSA will follow the procedures set forth in this policy, with the exception that DOF approval is required in lieu of City Council approval.

All levels of budgetary control must be adhered to with respect to budget adjustments and transfers, as described below. All budget transactions require informative justification and supporting documentation.

Budget adjustments or transfers should not be submitted for immaterial amounts where the process of preparing and recording the budget entry by all involved City staff results in a cost that mitigates the benefit of the desired entry. Budget transfers at the Section level of a Department between object line items within a major category should be limited to amounts of \$1,000 or greater, per line item. Major categories include Personnel, Non-Personnel, Special Projects, Grants and Capital Projects, and Charges To/From Others.

### **Interfund Budget Adjustments and Transfers**

Riverside City Charter Article XI, Section 1104 requires Council approval with an affirmative vote of at least five members for transfers of unused balances between City funds. Notwithstanding the City's Charter requirements, certain interfund transfers required by generally accepted accounting principles must be effectuated to fulfill the intent of the adopted budget or subsequent City Council action. These interfund transfers are considered routine and may be approved by the CFO, or designee.

Examples of routine interfund transfers:

- Transfers to or from Debt Service funds and other City funds to fulfill previously approved debt obligations.
- Transfers to Capital Project funds to receive funding from debt proceeds or to fund approved capital projects.
- Transfers between funds with inherent and/or dependent relationships, such as Special Revenue Funds, Successor Agency to the Redevelopment Agency Funds, or subordinate funds.

Routine interfund transfers exclude a transfer of funds related to policy or funding decisions that were not outlined in the adopted budget or by subsequent Council action.

All interfund transfers approved by the CFO, or designee, that are not included in the adopted budget or approved through subsequent Council action shall be disclosed in the quarterly financial report to City Council corresponding to the date the adjustment was posted.

### **Interdepartmental Budget Adjustments and Transfers**

Riverside City Charter Article XI, Section 1104 requires Council approval with an affirmative vote of at least five members for transfers of unused balances between City departments within the same fund. Some Council actions will result in a necessary exchange of resources between departments, the amount of which will be determined at a later date. The related staff report to Council shall request delegation of authority to the CFO, or designee, to effectuate the approved exchange of resources between departments within the same fund.

### **Personnel Budget Adjustments and Transfers**

The adopted budget sets forth full-time equivalents (FTE) by classification and job code of full-time, part-time, and temporary staff authorized for each department. The City Manager is authorized by Riverside Municipal Code Chapter 2.36 to *“increase or decrease the number of positions and/or substitute the classification of those positions, so long as the total annual cost for the resulting positions does not exceed the approved budget for the current fiscal year(s).”* Personnel budgets are created accordingly within the salary and benefits of each budgeted position as set forth in Memorandums of Understanding or the Master Fringe Benefits and Salary Plan. The integrity of position control (including position budgeting) will generally be maintained by not adjusting line items related to a budgeted position. Adjustment to personnel line items not tied to a position may be approved by the Budget Manager provided the adjustments do not conflict with any existing directives established by the City Manager.

A department may request to use savings resulting from personnel vacancies for non-personnel purposes that are limited to a non-recurring nature – e.g., temporary services. Financial impact analysis clearly identifying savings will be required and the suspension of a position recruitment to achieve the projected savings may be required. Approved transfers from Personnel to another account group that are not the result of a change in FTE will be recorded in the accounting system in a Vacancy Savings object so as to preserve the integrity of budget-to-actual Personnel analysis.

### **Transfers Between Capital Projects**

Subject to Riverside City Charter Article XI, Section 1111 and the adopted budget resolution in effect, transfers between capital projects may be approved by the CFO, or designee.

### **Other Budget Transfers**

All budget transfers will require a level of justification which supports financial responsibility and transparency. Budget transfers will require approval under established limits as documented in the Authorized Signatures list and the workflow of the accounting system. Budget transfers may be elevated to a higher level of authority for approval as deemed necessary.

### **Mid-Cycle Budget Review**

Per Riverside City Charter, Section 601(c), the City Manager shall *“keep the City Council advised of the financial condition and future needs of the City and make such recommendations as may seem desirable to the City Manager.”* To accomplish this mandate, the City Manager or designee presents a Mid-Cycle Budget Update in May of the first fiscal year of a biennial budget cycle. This update includes necessary adjustments to the operating budget and personnel detail that have been identified by staff since the adoption of the Biennial Budget. The Budget Office records the Council-approved amendments in the accounting system in the Mid-Cycle Amended budget version.

**Fiscal Year-End Carryovers**

Riverside City Charter, Article XI, Section 1104 states that all appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to the completion of the capital projects.

**Purchase Order (PO) Encumbrance Roll**

Encumbered funds from the previous fiscal year are carried over to the current fiscal year. Prior to the close of the fiscal year, departments will review open Purchase Orders (POs) and request they be closed or they remain open and rolled into the new fiscal year. Unexpended funds must be sufficient to fund rolled POs. Rolled POs shall not be used to fund expenditures other than those for which the PO was rolled.

The disencumbrance of a prior budget year PO may cause a department’s unencumbered budget to be inappropriately increased in the current budget year. In the event this effect needs to be corrected, the Budget Office may propose a budget entry to reduce the budget to offset the budgetary effects of the disencumbered PO.

**Carryover of Unexpended Funds**

The City has established a carryover review process that allows a department to submit to the Budget Office justification for the carryover of unencumbered, unexpended appropriations. The Budget Office will compile departments’ carryovers requests for City Manager review and consent to be presented to the City Council for approval. Carryovers approved by the City Council will be recorded in the accounting system following Council approval\* and become part of the City’s budget for the new fiscal year.

*\*Per Riverside City Charter Article XI, Section 1104, capital project carryovers do not require Council approval, as the total cost of a multi-year project is approved through Council action separate of the carryover process. Grant funding is also separately approved via City Council action and will be carried over under the implied authority of the Council action that approved acceptance of the grant award. The CFO, Assistant CFO, or designee may approve project or grant expenditures against these funds before the carryover is recorded in the accounting system, if the expenditure complies with applicable procurement policies.*

**PROCEDURE – BUDGET ENTRIES**

<b>Responsibility</b>	<b>Action</b>	
Department	1.	Obtains City Council approval for interfund or interdepartmental budget transfers and supplemental appropriations.
Finance - Accounting Division	2a.	Accounting Division enters all grant-related City Council approved budget adjustments into the accounting system.
Finance - Budget Office	2b.	Budget Office enters all non-grant City Council approved budget adjustments into the accounting system.
Department	2c.	Departments enter all non-City Council approved budget adjustments into the accounting system.
All Departments - All Submitters	2d.	Supporting documentation must be compliant with this Budget Policy, and include sufficient written justification, and include the following attachments: <ul style="list-style-type: none"> <li>• Batch Proof</li> <li>• Budget JE and Supporting Documents report</li> <li>• Trial Balance report showing impacted accounts</li> <li>• Additional documentation that supports the entry</li> </ul>

**PROCEDURE – BUDGET ENTRIES**

Responsibility	Action	
Department	3.	Budget Adjustment creator approves entry in the accounting system to initiate the approval workflow. The appropriate department staff will receive, review, and approve/decline budget entries based on the department’s workflow setup. All primary and backup approvers are part of the pre-defined workflow path and have built-in approval limits that may not directly correspond to, but are not in conflict with, the Authorized Signature list. (The workflow may contain additional approvers and/or smaller authority levels that are not documented in in the Authorized Signatures list.)
	4.	Submits the budget entry to the Budget Office via workflow routing in the accounting system to a Budget Analyst in the Budget Office.
Finance - Budget Office	5.	<p>Budget Office staff reviews the budget entry for compliance with the adopted budget, Riverside City Charter, Riverside Municipal Code, Budget Resolution in effect for the applicable fiscal year, authorized department approvers and authority limits, and compliance with budget policies.</p> <p>Approves or obtains appropriate Finance staff approval of budget entry as follows:</p> <ul style="list-style-type: none"> <li>• Transfer between fund or department (routine): CFO or designee approval</li> <li>• Transfers from Personnel: Budget Manager approval</li> <li>• Supplemental appropriations: Budget Manager approval</li> <li>• All other entries: Budget Manager, or designee (identified in the Authorized Signatures list)</li> </ul> <p>Upon completion of the review and approval by the Budget Office, the budget entry will post to the general ledger and complete the workflow process.</p>
	6.	Discloses budget adjustments in quarterly financial reports as described in this policy and reverts any entries if directed by City Council.

**PROCEDURE – BIENNIAL BUDGET MID CYCLE AMENDMENTS:**

<b>Responsibility</b>	<b>Action</b>	
Finance – Budget Office	1.	In tandem with City Departments and as described in Administrative Policy Number 06.001.00 ( <i>Development of the City’s Budget, Five-Year Financial Plans, and Capital Improvement Program</i> ), performs a mid-cycle review of the Adopted Biennial Budget and recommends budget adjustments.
City Manager	2.	Reviews, amends, and approves the proposed amended budget.
City Manager, CFO, or Designee	3.	Presents the proposed amended second-year budget to the City Council for adoption.
City Council	4.	Adopts the amended proposed budget.
Finance – Budget Office	5.	Records the Council-approved amendments in the accounting system in the Mid-Cycle Amended budget version.

**PROCEDURE – PO ENCUMBRANCE ROLL AND CARRYOVERS:**

<b>Responsibility</b>	<b>Action</b>	
Finance – Budget Office	1.	Records grant and capital improvement project carryovers in the accounting system in the Continued Appropriations budget version.
Finance – Purchasing Division	2.	Sends a listing of open POs to departments for review.
Department Head or Designee	3.	Identifies POs to be closed or rolled forward.
Finance – Purchasing Division	4.	Rolls forward the POs in the Encumbrance budget version.
Finance – Budget Office	5.	Distributes to departments carryover instructions and criteria for discretionary and restricted carryovers.
Department Head or Designee	6.	Submits restricted and discretionary carryover requests to the Budget Office for review. Requests should not exceed the total unexpended balance by fund and department. Requests should include revenue carryovers if applicable.
City Manager’s Office and Finance – Budget Office	7.	Reviews department carryover requests, verifies compliance with policy and carryover instructions, and identifies those to be presented to City Council for approval.
Finance – Budget Office	8.	Presents carryover requests to City Council for approval.
Finance – Budget Office	9.	Records carryover requests approved by City Council in the accounting system in the Continued Appropriations budget version.

**SOURCE OF AUTHORITY:** City of Riverside Charter Sections 601, 1100-1104, and 1111.