



Office of the City Auditor

*Committed to increasing government efficiency, effectiveness,
accountability and transparency*

Department of Budget and Strategic Planning

Citywide Budget Process

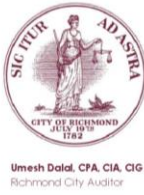
Report#: 2017-01



Issue Date: August 9, 2016

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Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the City Auditor

Executive Summary

August 9, 2016

Ms. Selena Cuffee-Glenn, Chief Administrative Officer

The City Auditor's Office has completed an audit of the City's Budgeting Process for the 12 month period ended June 30, 2015. The results of this audit were discussed and agreed upon with the City Administration and City Council staff.

During the audit period, the City's budget was neither transparent nor accurate. It did not cover all City cost and revenue projections were not appropriately supported. Without a proper estimate of revenue and expenditures, it is not possible to determine if the City is keeping its expenditures within limits permitted by revenues. In these circumstances, long-term sustainability of the City's operations and reliability of its services cannot be assured. During the past three years, the City consistently used committed general fund balance for covering expenditures, which is a practice that may not be sustainable in the long run. As observed in the previously issued Sustainability audit, the credit rating agencies focus on the fund balance as a component of their rating. A diminishing general fund balance may have an adverse impact on the City's bond rating.

Also, the budget, if tied to performance, can act as a good overall control for the government's spending and living within its means. This method also ensures organizational accountability. However, departmental appropriations are not linked to performance. Currently, the departments are primarily funded based on the previous year's appropriations.

The City Auditor's Office has made 12 recommendations in this report, which the City Administration has concurred. Based on the responses, it appears that improvements were made for the subsequent budget process. The City Auditor's Office will evaluate the improvements as they become due.

The City Auditor's Office appreciates the cooperation of the Budget staff during this review. The responses to the report are attached. Please contact me if you have any questions or comments.

Sincerely,

Umesh Dalal

Umesh Dalal, CPA, CIA, CIG
City Auditor

cc: The Richmond City Audit Committee
Ms. Lenora Reid, DCAO of Administration and Finance
Mr. Jay Brown, Director of Budget and Strategic Planning
Ms. Lou Brown Ali, Council Chief of Staff

COMPREHENSIVE LIST OF RECOMMENDATIONS

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1	<i>The Mayor and the CAO need to ensure that the City’s operational costs are controlled to avoid the use of unassigned fund balance for any future obligations or deficits.</i>	7
2	<i>The Mayor and the CAO need to identify and provide full funding for all mandatory and contractual obligations of the City.</i>	13
3	<p><i>The Mayor needs to certify in documentation accompanying the budget that:</i></p> <ul style="list-style-type: none"> • <i>The submitted budget includes all mandatory and contractual obligations and anticipated costs for effective operations of the City.</i> • <i>The revenue estimates have been appropriately compiled and evaluated using established methodology.</i> • <i>The amount of vacancy savings that represents the funding expected to be used for operational purposes and the impact of further reduction of these savings will have on the City services.</i> 	13
4	<i>The Mayor and the CAO need to prepare the budget using realistic estimates of revenues and expenditures for the City.</i>	13
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8	<i>The CAO needs to ensure that departments routinely do not use funding for the vacant positions to cover unfunded cost.</i>	14
9	<i>The DCAO over Finance and Administration needs to ensure proper documentation of the revenue projection methodology.</i>	15

COMPREHENSIVE LIST OF RECOMMENDATIONS

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Introduction, Objectives, and Methodology

The City Auditor's Office has completed an audit of the City's Budgeting Process for the 12 month period¹ ended June 30, 2015. The objectives of this audit were to:

- Verify alignment of the budget process with the City's objectives
- Evaluate the adequacy of the budget process compared to best practices
- Verify compliance with City and State Code
 - Chapter 6 (Budget) – City Charter
 - Code of Virginia Chapter 25 – Budgets, Audits and Reports.

The auditors conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those Standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives. The auditors believe that the evidence obtained provides a reasonable basis for their findings and conclusions based on the audit objectives.

Methodology

Auditors performed the following procedures to complete this audit:

- Interviewed Budget and Strategic Planning management and staff;
- Interviewed selected departments' staff to determine how their budgets were developed and were they aligned with City objectives;

¹ Budget data prior to and after FY15 was reviewed to conduct trend analyses. Also, the FY16 budget data was reviewed given all of the media coverage regarding the budgeting issues and the anticipated end-of-year deficit.

- Tested for compliance with selected City and State code requirements;
- Reviewed various budgeting documentation and reports;
- Conducted walkthroughs of the budgeting processes;
- Compared the City's budget process to the GFOA's best practices;
- Benchmarked with other localities; and
- Performed other tests, as deemed necessary.

Management Responsibility

The City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Background

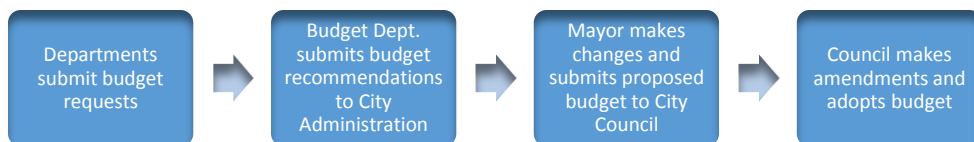
The budgeting process is very important for a government as it serves as:

- The focal point of key resource allocation decisions;
- A fiscal control over spending of the resources;
- A plan for the future;
- A measurement of performance of City services; and
- A communication tool to help the public understand where revenues come from and how they are spent on City services.

Pursuant to the recommended budget practices promulgated by the Government Finance Officer Association (GFOA), "the mission of the budget process is to help decision makers make informed choices about the

provision of services and capital assets and to promote stakeholder participation in the process.”

The City’s budgeting process is a collaborative effort between City Agencies/Departments; The Office of Budget and Strategic Planning; The Finance Department; The City Administration consisting of the Mayor and the Chief Administrative Officer, and the City Council. During the audit period, the Budget Department was responsible for developing the expenditure projections and the Finance Department was responsible for developing the revenue projections. Citizens’ input is obtained through numerous means, such as, Council District meetings, public budget meetings and citizen surveys. Overall, the budget process works as depicted below:



The City prepares and adopts a biennial fiscal plan (budget document). The initial adoption approves the budget for the first year of the plan. The second year of the plan is approved after adopting amendments. The City is required to have a balanced budget in which the total proposed expenditures cannot exceed the estimated revenue plus carried forward fund balance. The adopted expenditures for FY2014 and FY2015 were:

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<i>Fund</i>	<i>Adopted Expenditures</i>	
	<i>FY2014</i>	<i>FY2015</i>
<i>General Fund</i>	\$760,532,300	\$786,484,419
<i>Capital Improvement Program</i>	\$212,819,829	\$236,971,328
<i>Special Revenue Funds</i>	\$83,054,332	\$77,670,971
<i>Enterprise Funds</i>	\$312,671,455	\$334,508,010
<i>Internal Service Funds</i>	\$25,097,050	\$26,130,318
<i>Debt Service Fund</i>	\$66,768,354	\$94,326,665
<i>Richmond Public Schools</i>	\$247,043,662	\$262,594,000
<i>Total</i>	<i>\$1,707,986,982</i>	<i>\$1,818,685,711</i>

The general fund adopted expenditures include contributions to Richmond Public Schools and the City's Debt Service Fund.

OBSERVATIONS AND RECOMMENDATIONS

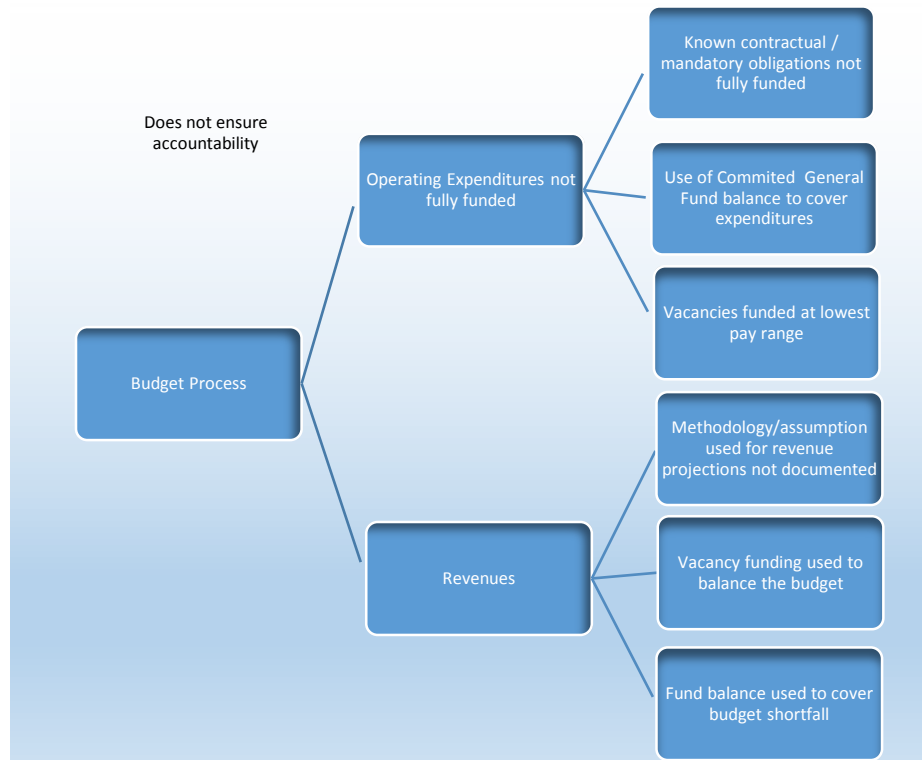
What Works Well

- The City received the GFOA's Distinguished Budget Presentation Award for its budget for the biennium beginning July 1, 2015. The award is given for presentation of required information along with financial policies of the organization. The City has received this award for its biennial budget every two years since 1999 with the exception of FY2007. (See **Appendix B** for award criteria).
- The budget was developed, approved and distributed in compliance with State and City Code requirements. Specifically, the audit testing found compliance with the following State Code requirements:
 - 15.2-2503. Time for preparation and approval of budget contents.

- 15.2-2506. Publication and notice; public hearing; adjournment; moneys not to be paid out until appropriated.
- 15.2-2507. Amendment of budget.
- The City has implemented various elements within the principles of the budgeting best practices issued by the GFOA. However, as this report presents, improvements in the below areas are needed.

Improvement Opportunities

The following figure depicts the audit observations, which will be discussed in detail in this report:



Consistent Use of Committed General Fund Balance to Cover Expenditures May Not Be Sustainable

The general fund is the primary operating fund, which includes all revenues and expenditures that are not accounted for in other funds. It finances the regular day-to-day operations of the City. The reserved/committed² general fund balance was consistently used for the past three years (FY13-FY15) to cover expenditures as noted below. If this trend continues, the City will have to tap into the unassigned ³(Rainy Day) fund balance to cover the general fund shortfalls. Based upon the third quarter revenue and expenditure projections for FY2016, a general fund deficit of approximately \$4.2 million is anticipated. This situation may not be sustainable in the long run.

General Fund			
	FY2013	FY2014	FY2015
Committed Fund Balance Used	\$34,982,025 ⁴	\$680,947	\$20,184,209
Fund Balance	\$127,031,470	\$126,350,523	\$106,166,314

Source: Annual CAFRS

Note 1: FY2015 figures are unaudited

Note 2: Total general fund balance, including reserved/committed and unassigned (Rainy Day) balances.

According to the GFOA, using a portion of the unassigned fund balance is one tool available for addressing tight budget times and may be a necessity for local

² Amounts constrained to specific purposes.

³ Unassigned fund balance has no specific or designated use.

⁴ According to the Budget Director, the majority of the committed funds used are attributed to receipts received from Richmond Metropolitan Authority in FY2012 but not expended/appropriated until FY2013.

governments struggling with declining revenues and increasing costs. However, continued dependence on the unassigned fund balance will eventually weaken the locality's financial stability. If the City has to use the unassigned fund balance to cover shortfalls, the challenge will be to replenish the fund if revenues decline and/or expenses continue to increase. Pursuant to City regulations, any amount drawn from the unassigned fund balance must be replenished within three years.

Recommendation:

- 1. The Mayor and the CAO need to ensure that the City's operational costs are controlled to avoid the use of unassigned fund balance for any future obligations or deficits.*

Operating Expenditures Were Not Fully Funded

The above general fund deficits are partially attributed to the fact that operational costs were not fully funded in the budget. Sufficient funding was not appropriated for contractual obligations and services (including mandatory services) provided to the citizens.

The following table, presents examples of obligations that were not fully funded in FY 15 budget:

Service/Contract	FY2014			FY2015			FY2016 Adopted
	Budgeted	Actual	Funding Gap	Budgeted	Actual	Funding Gap	
Inmate Medical	\$4,462,065	\$6,563,917	\$(2,101,852)	\$4,621,078	\$7,939,377	\$(3,318,299)	\$4,552,354
Inmate Food	\$951,700	\$1,027,548	\$(75,848)	\$951,700	\$1,222,283	\$(270,583)	\$998,702
Microsoft License	\$448,744	\$849,144	\$(400,400)	\$476,346	\$1,033,135	\$(556,789)	\$434,188
Print Governance	\$1,304,798	\$1,182,141	\$122,657	\$1,304,798	\$1,704,000	\$(399,202)	\$1,232,729
RAPIDS	\$1,000,000	\$1,185,312	\$(185,312)	\$900,000	1,129,7210	\$(229,721)	\$900,000

Additional funding for inmate food and above DIT' expenditures was not requested by the Departments for FY2015. However, funding, with the exception of Microsoft license, was requested for the expenditures in the FY16 budgets but was not approved and appropriated. City agencies and departments are responsible for communicating funding needs to Budget, City Administration and City Council. Budget, City Administration and City Council are responsible for ensuring all known fixed costs (contractual obligations) and mandatory services are fully funded. The following is the description of costs depicted in the foregoing table:

Sheriff's Office

Pursuant to State Code, the City is responsible for clothing, feeding and providing medical treatment for jail inmates. Historically, the Office's expenditures have exceeded budget appropriations due to inmate costs. The City entered into a:

- Contract with a vendor on September 1, 2014 to provide medical prescriptive and non-prescriptive services to inmates;
- Contract with a vendor on October 1, 2014 to provide medical services and health care for inmates; and
- Contract with a vendor on October 29, 2014 to provide food for inmates.

Although the costs of the above services were known and represented legal obligations of the City, they were not fully funded.

Department of Information Technology

Microsoft Office software is essential for operation of the City. Every operation of the City uses this software. This software is needed to allow for the continual operation of the City, including financial processing, tracking and reporting. The licensing cost for this software is a legal obligation if the City desires to continue

using the software. A portion of the cost is recouped from City Departments and agencies. The recoupment amounts are included in the above budgeted amounts.

Department of Public Works (DPW) – In addition to the above costs, the following services and contractual obligations in DPW were also not fully funded:

Leaf Collection - The City provides an annual leaf collection service for citizens. This service is highly dependent upon temporary workers. As recently reported in various presentations and news media, traditionally, the City has not fully funded leaf collection costs.

Jail Maintenance – The City has an annual contractual obligation for the jail maintenance costs of approximately \$1 million. On June 30, 2014, the City entered into a contract to provide preventive and corrective repairs. However, only \$471,830 was appropriated in the FY15 budget. Approximately \$1.2 million was budgeted in RAPIDS for FY2016. According to the DPW Director, the Department used funds appropriated for other functions to fund the appropriation gap between actual needs and budget approvals.

Vacancy Savings

The City typically has some vacancies in its workforce. The time for which the position remains vacant, the City saves payroll costs. This means that at the end of each year the City will have some vacancy savings. During FY2016, \$24.5 million was needed to fill all vacancies. For this purpose, the proposed budget included \$14.2 million for vacancies to balance the budget. The City Council, during the budget process, further reduced this funding by an additional \$9.3

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million to provide additional funding to the School Division, leaving \$5million to fund all general fund vacancies. These transactions are depicted below.

Funding Needed	\$24.5 million
Cuts by the Mayor	\$10.3 million
Funding in Proposed Budget	\$14.2 million
Cuts by Council	\$9.3 million
Vacancies Funded	\$ 5 million

However, City agencies/departments have historically relied on vacancy funding to hire temporary employees and pay overtime to supplement staffing shortages. Based upon discussions with the above Department Directors and various presentations to City Council, it was noted that vacancy funding and/or funds defined for other purposes were generally used to fill the funding gaps. Reduction of this funding has had, and will continue to have significant consequences citywide in areas such as public safety, transportation infrastructure and services for the youth and elderly, which are all top priorities identified in the citizen survey.

Vacancy funding was reduced in various budgets as follows:

Fiscal Year	Funding Reduction	% of Vacant Positions Funded
FY2015	\$11 million	63%
FY2016	\$20 million	20%
FY2017	\$21 million	17%

The Department of Public Works (DPW) was one of the hardest hit departments with adopted vacancy funding reductions of approximately \$2.2 (68% reduction) and \$2.4 million (74% reduction) in FY16 and FY17, respectively. According to the Administration's prepared impact statement, some of the services expected by the citizens may have the following consequences due to funding reduction:

- Without funding for temporary labor, leaf collections would be limited to the Combined Sewer Overflow (CSO) areas of the City as mandated by the State of Virginia Pollution Discharge Elimination (VPDES) permit. This means that most of the City will experience leaves not being collected.
- The winter maintenance/snow program would be reduced to non-responsive. It will take longer to clear roadways if severe snow storm occurs.
- The bulk and brush collection would have a backlog exceeding three months.
- Grass cutting will not be on schedule for 60% of assigned locations.

Reduction of vacancy funding is also anticipated to result in a loss of significant reimbursements from the State. For example, it was anticipated that the City would lose approximately \$1.4 million and \$1.5 million in Social Services reimbursements from the State in FY16 and FY17, respectively.

Vacant Positions Funded at Minimum Pay Range

When a position becomes vacant, typically it must be funded to fill it immediately. Also, in today's competitive labor market, the position should be funded at fair market value of the position in order to attract qualified talents for the City's operation. However, the current practices are to fund only a portion of vacant positions at the minimum pay in the pay range for the position. This pay usually is insufficient to attract experienced individuals to the City's

employment. If the department desires to attract qualified individuals, it would have to wait until it could fund the pay for the qualified individual. Meanwhile, the positions remain vacant and citizen services may suffer.

Vacant Positions Open for Multiple Years

Based upon review of vacancy data for FY2013-FY2016, it was noted that several departments have positions that have been vacant for at least three consecutive years. For example, the Department of Public Works (DPW) had 41 vacant positions in FY2016 that have been open since at least FY2014. The majority of those positions are for Refuse Truck Operators, Refuse Collectors, and Equipment Operators.

The table below provides examples of other such positions within DPW:

Position Title	No. of Years Vacant
Facilities Maintenance Manager	FY2013-FY2016
Traffic Signal Specialist II	FY2014-FY2016
Superintendent of Facilities	FY2013-FY2016
Maintenance Technician II	FY2013-FY2016
Assistant City Traffic Engineer	FY2013-FY2016
Tree Maintenance Specialist	FY2013-FY2016
Engineer I	FY2014-FY2015
Capital Project Manager	FY2014-FY2016
Custodian Crew Chief	FY2014-FY2016

Source: FY2013-FY2016 Vacancy Data provided by Budget Department

The above information may indicate that the DPW may not be intending to fill these positions, or they are not adequately funded. However, these positions are carried as active positions. This type of action results in skewed impressions of the total number of vacant positions. The City Administration needs to

evaluate all positions that have remained open for multiple years on a citywide basis, to determine if the positions are needed to efficiently and effectively run City operations. Cutting vacant positions that are no longer needed will free up additional funds that can be used to fully fund existing services and cost or provide additional services.

Recommendations:

2. *The Mayor and the CAO need to identify and provide full funding for all mandatory and contractual obligations of the City.*
3. *The Mayor needs to certify in documentation accompanying the budget that:*
 - *The submitted budget includes all mandatory and contractual obligations and anticipated costs for effective operations of the City.*
 - *The revenue estimates have been appropriately compiled and evaluated using established methodology.*
 - *The amount of vacancy savings that represents the funding expected to be used for operational purposes and the impact of further reduction of these savings will have on the City services.*
4. *The Mayor and the CAO need to prepare the budget using realistic estimates of revenues and expenditures for the City.*
5. *The CAO needs to evaluate all positions remaining vacant for multiple years and determine the justification of keeping them.*
6. *The Mayor and the CAO need to fund vacancies that are realistically expected to be filled in order to ensure effective City operations.*

7. *The City Council needs to evaluate the operational impact of reducing the funded vacancies included in the budget proposed by the Mayor prior to using these funds for balancing the budget.*
8. *The CAO needs to ensure that departments routinely do not use funding for the vacant positions to cover unfunded cost.*

General Fund Revenues Projections Were Not Documented

The actual revenues were generally in line with the projections with minor variances (2% or less). However, the methodology and assumptions used to calculate the projections were not documented. Supporting documentation for the projections were not provided to auditors. Without procedures in place, forecasting may be inappropriately conducted resulting in an overstatement or understatement of revenue.

The Finance Department erroneously projected a surplus in delinquent personal property tax revenue in the third quarter of FY2014 totaling approximately \$8 million. This contributed to the estimated FY2015 general fund revenues to increase by approximately \$9 million. However, the anticipated surplus did not materialize for FY14; in fact, a deficit totaling approximately \$700,000 occurred. This was an overstatement of net results by \$9.7 million.

The Finance Department disclosed the error in the 3rd Quarter of FY2015 Revenue and Expenditure Report. This error was identified during the FY 2014 CAFR preparation. This error may have also been caused due to the fact that the FY2014 actual figures were not available as the Comprehensive Annual Financial Report (CAFR) was not completed until October 2015.

Recommendation:

9. *The DCAO over Finance and Administration needs to ensure proper documentation of the revenue projection methodology.*

Budgeting Process Could Be Improved To Increase Accountability

Performance Based Budgeting

Performance based budget typically uses the past performance to assess if a particular expense is worth incurring based on benefits derived. This type of budgeting requires establishment of goals and performance measures to achieve the goals, relating budgetary appropriations to performance measures and rewarding or penalizing functions for the future budgets. According to the National Council of State Legislatures (NCSL), performance based budgeting relies on accountability rather than the need to comply with regulations.

The GFOA's Best Practices identified similar principles for effective budgeting.

- Set Broad Goals to guide decisions
- Develop strategies and financial policies
- Design a budget supportive of strategies and goals
- Focus on the necessity of continually evaluating a government's success at achieving the goals that it has set for itself (i.e. performance)

This concept in theory, may sound logical, however, in practice, it has different applicability depending upon the nature of the function. For example, filling a pothole on an average, may require a set amount of material and labor for filling them. This activity is easily and reasonably accurately measurable. This information could be used for developing future budgets and rewarding superior performance. In these cases, performance based budgeting can be successful.

However, where activity that cannot be easily measured such as addressing recidivism amongst juveniles helped by the Justice Services. In this case, a set amount of effort or cost may not produce identical results in two similar cases. In this case, applying the performance based budgeting principle to determine the entire budget may not work.

The City has adopted Performance (Outcome) Based Budgeting, and has started the groundwork for implementing this approach. Accordingly, broad goals in the form of the seven objectives or focus areas have been established. The City has developed key performance indicators (KPI) for the focus areas, which do not appropriately measure the results of operations. The City does not use costs and efforts by a department for each focus area to determine budget appropriations for that department. The currently established performance measures do not consistently measure outcomes of operations and therefore cannot be used to evaluate departmental performance.

If the City is committed to proper controls over budget and use the budget as an accountability tool, it needs to establish performance measures that are appropriately tied to achieving the City's goals and objectives. It needs to segregate activities where performance measures can be effectively used for performance based budgeting and gather and use the data for this purpose. For the other areas, the City needs to devise methods to use performance measurement as one of the factors for establishing future budgets and sustainability of the function based on benefits derived.

Recommendation:

- 10. The CAO needs to ensure that adequate KPIs are developed for functions in each department that are easily measurable and tied to the City's focus***

areas. The CAO needs to use the KPIs results to determine resources allocated to easily measurable functions in the City departments.

- 11. For other functions in the City departments, the CAO needs to determine appropriate methods to evaluate functional performance and establish a performance based budget for them.*

Budgeting Process Could Be More Efficient

During the audit scope, the City used the BRASS system to complete and process the budget. BRASS was replaced with the Public Sector Budgeting Module within RAPIDS. The City spent \$136,000 to implement the module and related training. The Department was subsequently informed that the vendor would no longer support the budgeting module after 2019.

Currently, the budget team is using excel spreadsheets for accumulating their data for the annual budget. Spreadsheets are sent to the different agencies and then returned for verification and accuracy. Ideally, this task needs to be accomplished by an automated system either within the current ERP system or as a stand-alone module that is capable of communicating with the ERP system.

Recommendation:

- 12. The DCAO over Finance and Administration needs to automate the budgeting process.*

**MANAGEMENT RESPONSE FORM
2017-01 Citywide Budget Process**

APPENDIX A

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	<i>The Mayor and the CAO need to ensure that the City's operational costs are controlled to avoid the use of unassigned fund balance for any future obligations or deficits.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	<i>The Mayor and the CAO need to identify and provide full funding for all mandatory and contractual obligations of the City.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	<i>The Mayor needs to certify in documentation accompanying the budget that:</i> <ul style="list-style-type: none"> <i>• The submitted budget includes all mandatory and contractual obligations and anticipated costs for effective operations of the City.</i> <i>• The revenue estimates have been appropriately compiled and evaluated using established methodology.</i> <i>• The amount of vacancy savings that represents the funding expected to be used for operational purposes and the impact of further reduction of these savings will have on the City services.</i> 	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			

**MANAGEMENT RESPONSE FORM
2017-01 Citywide Budget Process**

APPENDIX A

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	<i>The Mayor and the CAO need to prepare the budget using realistic estimates of revenues and expenditures for the City.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	<i>The CAO needs to evaluate all positions remaining vacant for multiple years and determine the justification of keeping them.</i>	Y	<i>Recommendation will be incorporated in the FY18/19 biennial budget process.</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			6-Mar-17
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	<i>The Mayor and the CAO need to fund vacancies that are realistically expected to be filled in order to ensure effective City operations.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			

MANAGEMENT RESPONSE FORM
2017-01 Citywide Budget Process

APPENDIX A

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	<i>The City Council needs to evaluate the operational impact of reducing the funded vacancies included in the budget proposed by the Mayor, prior to using these funds for balancing the budget.</i>	Y	<i>Richmond City Council concurs with the recommendation and has and will continue to evaluate operational impacts when considering funding changes to the Mayor's proposed budget. Council is committed to adopting a budget that funds the operational needs of the City. Council will continue to assess the budgetary needs and take the necessary actions that are in the best interest of the City and it's residents.</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!	Richmond City Council		Complete
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#REF!			<i>Richmond City Council has continuously taken necessary steps to evaluate the impacts of funding changes to the Mayor's proposed budget. Council's evaluation of any potential impacts is limited and largely reliant upon the detail and accuracy of the information that is requested of the Administration, who provides the oversight of daily City operations. Prior to any action, Council has and will continue to ask Council's Budget Analysts and the Administration to provide what, if any, potential impacts may occur as a result of any funding changes to the Mayor's proposed budget. Council consistently uses the information provided by Council's Budget Analysts and the Administration to properly evaluate, discuss and consider what is in the best interest of the City prior to taking any formal action.</i>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	<i>The CAO needs to ensure that departments routinely do not use funding for the vacant positions to cover unfunded cost.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#REF!	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#REF!			FY17 Budget Complied
#REF!	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

**MANAGEMENT RESPONSE FORM
2017-01 Citywide Budget Process**

APPENDIX A

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	<i>The DCAO over Finance and Administration needs to ensure proper documentation of the revenue projection methodology.</i>	Y	<i>The FY 17' Budget was developed reflecting full costs of known obligations as submitted by the Agencies of the City. Revenue estimates were prepared conservatively based upon various trend and projection methodologies commonly used and acknowledged as Best Budgeting Practices</i>
#	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#			FY17 Budget Complied
#	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
10	<i>The CAO needs to ensure that adequate KPIs are developed for functions in each department that are easily measurable and tied to the City's focus areas. The CAO needs to use the KPIs results to determine resources allocated to easily measurable functions in the City departments.</i>	Y	<i>FY 17' Budget workplan includes the documentation of performance measures for key service elements with the FY 19' Budget process.</i>
#	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#			1-Dec-17
#	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
11	<i>For other functions in the city departments, the CAO needs to determine appropriate methods to evaluate functional performance and establish a performance based budget for them.</i>	Y	<i>FY 17' Budget workplan includes the documentation of performance measures for key service elements with the FY 19' Budget process.</i>
#	TITLE OF RESPONSIBLE PERSON		TARGET DATE
#			1-Dec-17
#	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#			

**MANAGEMENT RESPONSE FORM
2017-01 Citywide Budget Process**

APPENDIX A

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
12	The DCAO over Finance and Administration needs to automate the budgeting process.	Y	<i>The Budget staff have deemed the use of PBS to be inefficient given the lack of functionality and anticipated vendor support post 2019. The development of a new budget model is underway that will incorporate efficient use of technological solutions to import/export data to/from RAPIDS and link budget elements for enhanced accuracy, integrity, and efficiency in production of the budget document.</i>
12	TITLE OF RESPONSIBLE PERSON		TARGET DATE
12			1-Nov-16
12	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
/REF/			



**GFOA Detailed Criteria Location Guide
Distinguished Budget Presentation Awards Program**

Name of Entity: _____
State/Province: _____
First Submission? Yes No

Cite specific page references on the lines in response to each question.

Introduction and Overview

#C1. **Mandatory:** The document shall include a table of contents that makes it easier to locate information in the document.

*** Table of Contents**

1. Is a comprehensive table of contents provided? _____
2. Are all pages in the document numbered or otherwise identified? _____
3. Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? _____

#P1: The document should include a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

Strategic Goals and Strategies

1. Are non-financial policies/goals included? _____
2. Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? _____
3. Are other planning processes discussed? _____

#P2: The document should describe the entity's short-term factors that influence the decisions made in the development of the budget for the upcoming year.

Short-term organization factors

1. Are short-term factors addressed? _____
2. Does the document discuss how the short-term factors guided the development of the annual budget? _____
3. Is a summary of service level changes presented? _____

#P3. **Mandatory:** The document shall include a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).

*** Priorities and Issues**

1. Does the message highlight the principal issues facing the governing body in developing the budget (*e.g., policy issues, economic factors, regulatory, and legislative challenges*)? _____
2. Does the message describe the action to be taken to address these issues? _____
3. Does the message explain how the priorities for the budget year differ from the priorities of the current year? _____
4. Is the message comprehensive enough to address the entire entity? _____

#C2. **Mandatory:** The document should provide an overview of significant budgetary items and trends. An overview should be presented within the budget document either in a separate section (*e.g., executive summary*) or integrated within the transmittal letter or as a separate budget-in-brief document.

*** Budget Overview**

1. Is an overview contained in the budget message/transmittal letter, executive summary, or in a separate budget-in-brief document? _____
2. Is summary information on significant budgetary items conveyed in an easy to read format? _____
3. Is summary information on budgetary trends provided? _____

Financial Structure, Policy, and Process

#O1. **Mandatory:** The document shall include an organization chart(s) for the entire entity.

***Organization
Chart**

1. Is an organization chart provided which shows the entire entity? _____

#F1: The document should include and describe all funds that are subject to appropriation.

**Fund
Descriptions
and Fund
Structure**

1. Is a narrative or graphic overview of the entity's budgetary fund structure included in the document?

2. Does the document indicate which funds are appropriated? (Other funds for which financial plans are prepared also may be included in the document.) _____

3. Does the document include a description of each individual major fund included within the document?

4. If additional or fewer funds are included in the audited financial statements, does the document indicate this fact? _____

#O2: The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

**Department/
Fund
Relationship**

1. Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated? _____

#F2: The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

**Basis of
Budgeting**

1. Is the basis of budgeting defined (*eg., modified accrual, cash, or accrual*) for all funds included in the document? _____
2. If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, is that fact clearly stated? _____

3. If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, are the differences described? _____

#P4. **Mandatory:** The document should include a coherent statement of entity-wide long-term financial policies.

*** Financial
Policies**

1. Is there a summary of financial policies and goals? _____

2. Do the financial policies include the entity's definition of a balanced budget? _____

3. Are all financial policies presented in one place? _____

#P5. **Mandatory:** The document shall describe the process for preparing, reviewing, and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

*** Budget
Process**

1. Is a description of the process used to develop, review, and adopt the budget included in the document?

2. Is a budget calendar provided to supplement (not replace) the narrative information on the budget process?

3. Is a discussion of how the budget is amended provided in the budget document available to the public (including the budgetary level of control)? _____

Financial Summaries

#F3. **Mandatory:** The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

*** Consolidated
Financial
Schedule**

1. Does the document include an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds? _____
2. Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix? _____
3. Are revenues presented by major type in this schedule (*e.g., property taxes, intergovernmental, sales taxes, fees and charges*)? _____
4. Are expenditures presented by function, organizational unit, or object in this schedule? (For funds other than the main operating fund of the entity, a presentation by fund normally would satisfy this requirement.) _____

#F4. **Mandatory:** The document must include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year.

*** Three/(Four)
Year
Consolidated
and Fund
Financial
Schedules**

1. For annual budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages? _____
2. Is this information presented for the appropriated funds in total (or for the entity as a whole if no appropriated funds are included)? _____
3. Is this information also presented at a minimum for each major fund and for other (i.e. nonmajor) funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)? _____
4. For biennial budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and both budget years presented together on the same schedule(s) or on separate schedules presented on adjacent/sequential pages? _____

#F5. **Mandatory:** The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).

*** Fund
Balance**

1. Does the document include the entity's definition of "fund balance" (or of "fund equity" if no governmental funds are included in the entity - frequently the noncapital portion of net assets)? _____
2. Is the fund balance (equity) information presented for the budget year? _____
3. Is there a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds? _____
4. Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate? _____
5. If fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance? _____
6. If an entity has no governmental funds, is the change in the fund equity presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund? _____
7. If an entity has no governmental funds and the fund equity of any significant fund or other funds in the aggregate is anticipated to change by more than 10%, does the document include a discussion of the causes _____

and/or consequences of any change in fund equity that is greater than 10% in either a significant fund or other funds in the aggregate? _____

8. For biennial budgets is the change in fund equity presented separately for both years of the biennium? _____

#F6. **Mandatory:** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

*** Revenues**

1. Are individual revenue sources described? _____

2. Do the revenue sources that are described represent at least 75 percent of the total revenues of all appropriated funds? _____
3. Are the methods used to estimate revenues for the budget year described (*e.g., trend analysis, estimates from another government or consulting firm*)? _____

4. If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described? _____

#F7: The document should explain long-range financial plans and its affect upon the budget and the budget process.

**Long-range
Financial
Plans**

1. Are long-range financial plans identified? _____

2. Do your long-range financial plans extend out at least two years beyond the budget year? _____

3. Is there a concise explanation or illustration of the linkage between the entity's long-range financial plans and strategic goals? _____

Capital and Debt

#F8. **Mandatory:** The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

*** Capital
Expenditures**

1. Does the document define "capital expenditures"? _____

2. Does the document indicate the total dollar amount of capital expenditures for the budget year (both budget years for biennial budgets)? _____

3. Are significant nonrecurring capital expenditures described along with dollar amounts? (Information in a separate CIP document does not satisfy this criterion.) _____

4. If the entity has no significant nonrecurring capital expenditures, is that fact clearly stated in the document? _____

#F9: The document should describe if and to what extent significant nonrecurring capital investments will affect the entity's current and future operating budget and the services that the entity provides.

**Impact of
Capital
Investments on
Operating
Budget**

1. Are anticipated operating costs associated with significant nonrecurring capital investments described and quantified (*e.g., additional personnel costs, additional maintenance costs, or additional utility costs*)? (Information in a separate CIP document does not satisfy this criterion.) _____

2. Are anticipated savings or revenues expected to result from significant nonrecurring capital investments described and quantified (*e.g., reduced utility costs, lower maintenance costs*)? _____

#F10. **Mandatory:** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current operations.

*** Debt**

1. If the entity has legal debt limits:
 - Are debt limits described? _____
 - Are the amounts of debt limits expressed in terms of total dollars, millage rates or percentages of assessed value? _____
 - Are the amounts of debt subject to debt limits identified in the same terms used to describe the debt limits themselves? _____
2. If the entity has no legal debt limits, is that fact clearly stated within the budget document? _____
3. If the entity does not have and does not intend to issue debt, is that fact clearly stated? _____
4. Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant unappropriated fund and for other funds in the aggregate? _____

Departmental Information

#O3. **Mandatory:** A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

*** Position
Summary
Schedule**

1. Is a summary table of position counts provided for the entire entity? _____
2. Does the table include the prior year, the current year, and budget year position counts? _____
3. Are changes in staffing levels for the budget year explained? _____
4. If there are no changes in staffing levels, is that item noted? _____

#O4. **Mandatory:** The document shall describe activities, services or functions carried out by organizational units.

*** Department
Descriptions**

1. Does the document clearly present the organizational units (*e.g., divisions, departments, offices, agencies, or programs*)? _____
2. Does the document provide descriptions of each organizational unit? _____

#O5: The document should include clearly stated goals and objectives of organizational units (*e.g., departments, divisions, offices or programs*).

**Unit Goals
and
Objectives**

1. Are unit goals and objectives identified? _____
2. Are unit goals clearly linked to the overall goals of the entity? _____
3. Are objectives quantifiable? _____
4. Are timeframes on objectives noted? _____

#O6: The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

**Performance
Measures**

1. Are performance data for individual departments included in the document? _____
2. Are performance data directly related to the stated goals and objectives of the unit? _____
3. Do performance measures focus on results and accomplishments (*e.g., output measures, efficiency and effectiveness measures*) rather than inputs (*e.g., dollars spent*)? _____

Document-wide Criteria

#C3: The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

**Statistical/
Supplemental
Section**

1. Is statistical information that defines the community included in the document (*e.g., population, composition of population, land area, and average household income*)? _____
2. Is supplemental information on the local economy included in the document (*e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities*)? _____
3. Is other pertinent information on the community (*e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*) included in the document? _____

#C4: A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

Glossary

1. Is a glossary that defines technical terms related to finance and accounting, as well as non-financial terms related to the entity, included in the document? _____
2. Are acronyms or abbreviations used in the document defined in the glossary? _____
3. Is the glossary written in non-technical language? _____

#C5: Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

**Charts and
Graphs**

1. Are charts and graphs used in the document to convey essential information (*e.g., key policies, trends, choices and impacts*)? _____
2. Do the graphics supplement the information contained in the narratives? _____

#C6: The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

**Understand-
ability and
Usability**

1. Is page formatting consistent? _____
2. Are the main sections of the document easily identifiable? _____
3. Is the level of detail appropriate? _____
4. Are text, tables, and graphs legible? _____
5. Are budget numbers in the document accurate and consistent throughout the document? _____