



Board Policy No. 311

Budgets

ADOPTED: 1/1992

RECENT AMENDMENT: 9/27/2017

SEE ALSO: 360

SUBJECT CATEGORY: SECTION 300, FINANCE

SUBSECTION: OPERATING BUDGET, RESERVES, REVENUE AND CAPITAL

CONTROL DEPARTMENT: FINANCE

I. PURPOSE

The purpose of the Budget Policy is to specify the baseline requirements for the District's operating and capital budgets. The Policy sets forth the actions, responsibilities, and guidelines for staff and the Board of Directors in the creation and amendment of the budgets; and also covers the special circumstance for hiring and retaining Operators, Maintenance, and Service employees.

II. PERSONS AFFECTED

The Finance Department has primary responsibility for creation and amendment of the budgets, but all departments are affected by this Policy. All departments are required to assist in the creation and amendment of, to be aware of the status of, and to follow the requirements for spending and managing their budget.

III. DEFINITIONS

"Debt Service" means a payment required to cover the repayment of interest and principal on a debt for a particular period.

"Enterprise Budget" means a listing of all anticipated revenues and expenses for the Enterprise Fund.

"Enterprise Fund" means a government-specific fund that establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services.

"FTE – Full Time Equivalent" means the ratio of the total number of paid hours during a period by the number of working hours in that period. In other words, one FTE is equivalent to one employee working full-time.

"Restricted Funds" means funds, often in the form of grants, which are limited to a specific purpose or scope.

IV. POLICY

A. Fiscal Year

1. The District's Fiscal Year is July 1 to June 30.

B. District Budget

1. A Budget calendar shall guide the creation of the District Budget.
2. The District Budget shall be prepared in such a way as to implement the District's Annual Fiscal Year(s) Goals, Objectives and Performance Metric targets to be achieved during the period. The Budget shall be in alignment with the District's Long-Term Strategic Planning Goals and Objectives ~~included in the Short Range Transit Plan~~ which are subject to revision and approval by the Board.
3. The District Budget shall reflect all activities reported under the Enterprise Fund, including not only activities funded by unrestricted general funds, but also activities funded by restricted funds. The activities include all operating as well as capital programs reported under the Enterprise Fund structure. It is desirable that the proposed budget documents include charts illustrating five-year trends for revenue versus expenditures, ridership, cost per passenger, number and character of employees, wages and salaries, and benefit costs.
4. A balanced budget exists when total revenue is greater than or equal to total expenditures. Total revenue shall include all revenues and subsidies reported in the Enterprise Fund, consisting of revenues and subsidies allocated to fund operating and/or capital programs. Total expenditures shall include all operating expenses and investments in fixed assets as reported in the Enterprise Fund that are required to perform operating and/or capital programs. Total expenditures would also include the net transfer from reserves or unrestricted net assets of the amount necessary to bring total expenditures equal to or less than total revenues. Any year-end surplus will be used to maintain reserve levels with the balance available for capital projects and/or one-time-only expenditures.
5. If a balanced budget is not adopted by June 30, a continuing appropriations resolution would provide that payments for services performed on behalf of the District and authorization to award contracts would continue until such time as a District Budget is adopted.
6. The District Budget shall control disbursements of the agency in accordance with California Transit District Law; adopted policies; Mission Statement; District Goals, Objectives, and Performance Metric targets; and other relevant measures and methods that assure the Financial, Environmental, and Social Sustainability of the District's operations.
7. The District Budget shall include all operating, capital and the interest expense component of debt service requirements of the District for the following fiscal year. The District Budget shall also include the District's contribution to the AC Transit Retirement Plan as provided in Board Policy No. 360.
8. The District Budget shall include an analysis of the assumptions underlying revenue and expense projections, the number and job classification of authorized positions by

department, and the platform and revenue hours and miles upon which the District Budget is based. Any change in authorized FTE levels or platform and revenue hours or miles during the fiscal year shall require prior approval by the General Manager.

9. Staff will attempt to publish and make available on the District's website the final adopted budget document including ~~the contents and resolution for~~ the Adopted Recommended Budget, with any approved changes specified by the Board, and the accompanying resolution for public distribution within 60 days ~~from the beginning of the fiscal year~~after adoption.
10. Budgetary control is maintained at the managing departmental level for each operating department and at the project level for each capital project.
11. All unexpended and unencumbered operating appropriations lapse at the end of the fiscal year.
12. All capital projects and programs that have been started need to be assessed for their stage of development and progress. All necessary encumbrances and appropriations that transfer into the following fiscal year must be approved by the Board of Directors.
13. A Mid-Year Budget review, or Quarterly review if necessary, will allow for authorization of the receipt and expenditure of funds and the reallocation of funds necessary for the operation of the District unanticipated in prior District Budget approvals.

C. District Budget Status and Review

1. Bi-monthly budget status reports shall include a comparison of year-to-date actual expenditure and revenue generations to the adopted budget, as well as a report on the progress towards achievement of the District's Goal, Objectives and Performance Metric targets for the period.
2. The final budgetary review of any given fiscal year resulting in a budget amendment will occur as part of the Mid-Year Budget Review process in the Third Quarter after the accounting close of December.

D. Hiring Above Budgeted Levels

1. When there are an exceptional number of Operators and/or Service Employees absent for extended periods, it may be necessary for the District to hire above the amount approved through the annual budget process to maintain approved service levels.
2. Operators absent from work for a period equal to or greater than six (6) months and maintenance (service) employees absent from work for more than 30 days may be assigned to a Special Status program.

3. The return to work by employees assigned to a Special Status program may result in the number of filled positions exceeding the authorized level. This situation shall be handled through normal attrition and shall not result in any automatic reduction in work force except in the case where a temporary maintenance employee may be laid off.

V. AUTHORITY

A. Board Authority

1. The Board of Directors shall approve a Budget calendar no later than November 30.
2. The Board of Directors shall adopt Annual Fiscal Year(s) Goals, Objectives and Performance Metric targets to be used in guiding the creation of the District Budget.
3. The Board of Directors shall adopt a resolution by June 30 of each fiscal year approving a balanced District Budget for the following fiscal year. In the event that the Board of Directors does not adopt the District Budget by June 30, the Board of Directors may adopt a continuing appropriations resolution until such time as the District Budget is adopted.
4. The Board of Directors is required to approve any increase in expenditures or decrease in revenues that would cause the District Budget to become imbalanced, to authorize the receipt and expenditure of funds unanticipated in the District Budget approved as of June 30, with the exception of the situation covered in Section IV.D. of this policy.
5. The Board of Directors shall approve an amended appropriations resolution at the Mid-Year review, or Quarterly, if necessary.
6. The Board of Directors shall approve all encumbrances requested and other adjustments that transfer or commit budgets from one fiscal year to the next.
7. Any expenditure in excess of the authorized total District budget shall require prior approval by the Board of Directors and be reported in the bi-monthly status review reports.

B. General Manager's Authority

1. The General Manager shall prepare and submit to the Board of Directors a Budget calendar by November 30 of each year which includes tentative dates for Board review, public review, and Board approval.
2. The General Manager shall prepare and submit to the Board of Directors Annual Fiscal Year(s) Goals, Objectives and Performance Metric targets to be used in guiding creation of the District Budget, before presenting a budget to the Board of Directors for adoption.

3. The General Manager shall prepare and submit to the Board of Directors a proposed District Budget for the following fiscal year(s) by May 31 of each year. The District Budget shall include Fiscal Year(s) Goals, Objectives and Performance Metric targets.
4. The General Manager shall submit revenue and expenditure status reports to the Board of Directors on a bi-monthly basis unless there are changes in budget projections that significantly impact the financial outlook of the District, in which case the Board of Directors will be informed at the next Regular or Special Meeting of the Board.
5. The General Manager shall establish procedures to ensure that proper controls are implemented for all District expenditures.
6. The General Manager and Chief Financial Officer may approve budgetary transfers that result in no net change in the total Enterprise Budget, which includes Operating and Capital Budgets.
7. The General Manager and Chief Financial Officer may approve expenditures in excess of an approved Department Budget or approved Capital Project Budget that do not result in a change to the total Enterprise Budget.
8. The General Manager may exceed the budgetary control limitations included in the policy by \$500,000 for emergency expenditures which call for immediate action due to an unforeseen combination of circumstances with inadequate time for prior Board approval. Immediate action is taken to avert or alleviate damage to property, to protect the health, safety and welfare of the community and District's employees, or to repair or restore damaged or destroyed property of the District. Such action is deemed to ensure that the facilities of the District are available to serve the transportation needs of the general public. The General Manager shall submit to the Board of Directors for confirmation, within 30 days of the emergency, a report explaining the necessity for the action, a listing of expenditures made under these emergency powers, and any recommended future actions.
9. The General Manager may authorize the hiring of:
 - a. Operators in excess of the number annually authorized through the budget process in an amount not to exceed the number of employees absent from work for a period equal to or greater than six (6) months.
 - b. Maintenance (service) employees in excess of the number annually authorized through the budget process in an amount not to exceed the number of employees absent from work for a period equal to or greater than 30 days.

10. The General Manager may authorize the transfer of corresponding fringe benefit budgetary expenses to a Special Status program budget.