OFFICE OF RETIREMENT SERVICES (ORS) BUDGET POLICIES AND PROCEDURES

AUTHORITY

ORS is administered pursuant to the Charter of the City of San Jose Municipal Code, other relevant State and Federal governing statutes, regulations, and case law.

ORS' budget is managed in accordance with the law and the Boards' adopted policies, including but not limited to the Governance Policies. ORS' budget covers the "entire aggregate expense of administration" as defined by Measure G.

BASIS OF BUDGETING

The ORS budget is managed using the accrual basis of accounting for all funds in accordance with budgetary accounting practices. In accrual basis, revenues are recognized when they become available and measurable. Expenditures are recognized when the liability is incurred regardless of related cash flows. The basis of accounting for budget purposes is the same as the basis of accounting used in the audited financial statements.

POLICIES

The budgets of the pension trust fund and any other trust funds administered by ORS are adopted by the Boards and may be amended by the Boards in subsequent meetings. The ORS fiscal year shall begin July 1 and shall the following June 30.

- A single-year budget will be presented to the Boards annually for approval. The total approved budget for operating expenses cannot be exceeded without the approval of the Boards.
- The Boards shall approve its professional budgets in the individual contracts for professional services. Staff shall provide the Board with a projection of estimated contractual expenditures for the Board's review and acceptance annually.
- Capital projects not started or completed in the current fiscal year have Unexpended Budget authority, which means any remaining funds for those projects can be moved to the next fiscal year.
- The general provisions of the budget authorize the CEO, or the Deputy Director in the absence of the CEO, to transfer budgeted funds up to $50,000 or 10% of a major expense category, provided that the total approved budget for operating expenses and capital outlay is not exceeded.
- For individual line item expenditures that continue year to year, for example fiduciary insurance, the CEO has the authority to approve the expenditure, provided that the increase does not exceed 5% of the previous year's amount.
- Depreciation / amortization expense is not recognized in the annual operating budget.

MONTH	ORS		BOARDS		CITY COUNCIL/BUDGET OFFICE
Oct-Nov	Sr. Staff to review division budgets with their manager and submit requests to Accounting Manager.				
Nov-Dec	CEO reviews and approves or denies requests.				
January	• Accounting division gathers comp data from other systems as well as performance measure data • Accounting division analyzes budget and prepares recommendations for the upcoming fiscal year				CEO works with Mayor's Budget Director for any staff additions.
February	• Accounting division prepares Source and Use Statements • Accounting manager prepares budget presentation and budget proposals for Boards				Performance measures and Source and Use documents due to the Budget Office 1st week of February, including proposed budgeted position changes
Mar-Apr	• Continued preparation for Board budget presentation • Board budget presentation • Accounting manager prepares MBA and attachments		Review (and approval) of Administrative Budget		• Work with Budget Office to answer questions • Final budget documents and position requests due to Budget Office (mid-April)
May	CEO presents previous fiscal year highlights and next fiscal budget proposals to City Council during their Budget Study Session.				Budget Study Sessions
June					Final Budget Adoption by City Council.

PLANNING

The development of the operating budget is a participatory process that includes a series of interactions with other division heads to submit requests for operating expenditures for the upcoming fiscal year. Salaries and other personnel costs are provided by the Budget Office using their Labor Distribution Report. Requests for additional funds and staff are evaluated for increasing work demands, changing methods of operations and delivery of mission critical services. See flowchart above for the process that includes ORS, the Boards, and the Budget Office/City Council.

BUDGET DOCUMENTS

The Budget documents that will be presented to the Boards will comprise of the PowerPoint presentation and the proposed budget with a memo explaining significant variances. The proposed budget is based upon the format of the City's Source and Use statements to allow for consistency between the City and ORS. Although the comprehensive budget includes both sources and uses of income, the Boards only approve the administrative expenses, which include four main categories: personnel costs, non-personnel/equipment costs, professional services, and medical services. The Boards approve each major category and not the specific line items included in the category.

As for the City Council, the budget documents that are forwarded to them by the Budget Office is a memo called Manager's Budget Addendum (MBA). In addition to what is provided to the Boards, the MBA also includes the latest Investments Fee report, as well as an estimate of the fees for the fiscal year of the budget based on the latest fee report and current asset classes.

BUDGET MONITORING

Accounting staff continuously monitors financial performance relative to the adopted budget, supporting timely decision-making by senior management. On a monthly basis, accounting staff prepares the Monthly Board expense report, which has a section where a budget-to-actual analysis of expenditures is included. Staffing levels are also monitored. On a quarterly basis, a quarterly budget to actual report is prepared and included in the Board agenda for review, with explanations for significant variances. The following diagram depicts the various monitoring timeframes.

DAILY	MONTHLY	QUARTERLY	ANNUALLY
Verify and monitor budget and expense entries.	Analyze, reconcile, and report budgetary data.	Prepare and report budgetary data to the Board of Trustees.	Fiscal and appropriation year-end budgetary closing and reporting process.

This was approved by the Board on 6/21/18