



REPORT

DATE: For the Agenda of November 15, 2002 **Item 103**

REPORT NO.: HCR02-106

SUBJECT: Budget Development Presentation

SUMMARY

Issue: Should the Housing Commission continue to use the current activity based budget approach when developing the Fiscal Year 2004 budget?

Recommendation: That the Housing Commission continue to use the activity based budget approach for the Fiscal Year 2004 budget as described in today's presentation.

Fiscal Impact: None with this action.

BACKGROUND

In December of each year, Housing Commission staff begins preparation of the next fiscal year budget. Although the fiscal year does not begin until July 1, submission to various funding sources and scheduling for the San Diego Housing Commission, Land Use and Housing Committee and the Housing Authority meetings require substantial planning time.

Beginning with fiscal year 1998, the Housing Commission began utilizing an activity based budgeting approach for budget preparation. An activity is defined as the specific service provided or major task performed for end users that is meaningful to measure. The purpose of an activity based budget is to provide information on the cost associated with the various Housing Commission programs and services. Activity budgets also provide performance based information to assist the Housing Commission in effectively managing resources, assessing accountability of the agency and assisting in planning and decision making for the future.



DISCUSSION

The Housing Commission has an effective system for the development of the annual budget that presents information on an activity basis. Today's presentation is designed to provide an understanding of how the budget is developed and utilized by staff, and managed throughout the fiscal year.

The Housing Commission budget process is an ongoing system of development, review and modification throughout the year. There are, however, three major milestones to be accomplished annually:

- Budget development
- Budget approval
- Fall budget revision

The initial milestone is development of the budget. During this process, the staff develops the next year's goals and objectives. Budget meetings are held to incorporate direction from the Board into a budget plan for each activity. Next, estimated revenues and expenditure plans are developed that culminate in a balanced budget. The final components of this stage include preparation of the budget document and the presentation of the proposed budget to the various approval authorities.

The next milestone is obtaining budget approval. The first approval is sought from the Housing Commission. After this approval, the budget is forwarded to the City's Land Use and Housing Committee for review and forwarding to the Housing Authority for final approval. Depending on funding source requirements, separate documents are prepared and submitted during the budget development process, e.g. public housing budget must be submitted to HUD no later than 90 days before fiscal year end.

The final milestone in the annual budget process is the preparation and approval of the fall revision. The fall budget revision is a routine reconciliation of estimated to actual carryover from the prior fiscal year along with any other required revisions. The Fiscal Year 2003 budget revision is a separate item on today's Housing Commission agenda.

After the fall revision moves through the approval process, the budget process begins again with initial preparation for the Fiscal Year 2004 budget scheduled to commence in December 2002.

Respectfully submitted,

Signature on File with Original Document

Edward P. Mauk
Manager of Financial Services

Approved by,

Signature on File with Original Document

Elizabeth C. Morris
Chief Executive Officer