


# CITY COMMISSION POLICY

<b>GRAND RAPIDS</b>  <b>MICHIGAN</b>	<b>NUMBER:</b> 700-05	<b>HISTORY</b> <b>FILE #      DATE</b>
	<b>DATE:</b> November 23, 1993	
	<b>FILE NUMBER:</b> 58468	
	<b>DEPARTMENT:</b> FISCAL SERVICES	

**SUBJECT:      EXPENDITURE REDUCTION INCENTIVE PROGRAM**

**PURPOSE:**      To establish an incentive structure whereby General Operating Fund Departments will be encouraged to accumulate unexpended year-end departmental appropriation balances.

**POLICY:**

- I.      The determination of available end-of-year departmental balances in the General Operating Fund will be based upon the following criteria:
  - A.      The initial available fund balance shall be determined by identification of a sum representing the lesser of:
    1.      Comparing the Annual Preliminary Fiscal Plan estimate less actual fund expenses and approved departmental reappropriation items.
    2.      Comparing a value established at 98.5% of the Final Fund Budget authorization less actual fund expenses and approved departmental reappropriation items.
  - B.      This available balance shall be further reduced, if required, by the amount of any shortfall between final estimated and actual revenues.

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- C. The remaining balance shall be allocated in the following manner:
  - 1. 50% to a "Departmental Carryover Reserve" with further designation to each eligible operating department.
  - 2. 25% to an "Innovation Account" appropriation
  - 3. 25% to Unrestricted Fund Balance of the General Operating Fund
- II. This examination and reporting will take place in August of each fiscal year immediately following delivery of the year-end General Operating Fund financial report submitted by the City Comptroller and Assistant City Manager for Fiscal Services.
- III. The results of the study will be included in a Budget Ordinance Amendment presented to the City Commission, coincident with delivery of the report, identifying the individual "Departmental Carry-over Reserve" account balances and the corresponding "Innovation Account" funding.
- IV. Policies governing City expenditures (i.e. bids, receipts, public purpose,...) will continue to govern appropriations made under the category of "Departmental Carryover Reserve" but items of expense will generally be left to the discretion of the department director. The only restriction on the use of these funds is that they may not be used to hire permanent employees or fund other activities that would create recurring or long-term obligations.
- V. Expenditures from the "Innovation Account" appropriation will be governed by existing City policies. The purpose of this account is to encourage entrepreneurial projects that enable improved productivity or otherwise demonstrate potential for a positive return on investment. Projects to be undertaken, utilizing these monies, may be proposed by any General Operating Fund Department but can only be funded with the prior written approval of the City Manager. The Manager will confer with other staff, as appropriate, to evaluate the merits of the proposal and its suitability for funding from this account.
- VI. Any balances remaining at year end, in either the "Departmental Carryover Reserve" or the "Innovation Account" appropriations, will be reappointed as a part of the Budget Ordinance Amendment presented each August as described in Item #2 above.