
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 200

FY 2009 Statement of Budgetary Principles

OVERVIEW

The Budget and Finance Committee reviewed the FY 2009 Statement of Budgetary Principles at its July 9, 2008 meeting, and voted to forward this item to the full City Council. Questions arose during the Committee's discussion, which are discussed in this report. IBA Report No. 08-69 described the FY 2009 Statement of Budgetary Principles in more detail, and key points are reiterated here.

FISCAL/POLICY DISCUSSION

The Statement of Budgetary Principles was first developed in Fiscal Year 2008 to:

- set budgetary operating principles
- establish budget authority regarding service levels
- enhance communication on management issues between the executive and legislative branches

Most significantly, the Statement of Budgetary Principles requires:

- the Mayor to provide quarterly reports to the Council regarding the administration of affairs of the City
- prior written notification of reductions in any program or service affecting the community, based on an established criteria
- budgetary reductions the Mayor may undertake for fiscal reasons be limited to a cumulative cap of 3% of the General Fund, and the Water, Sewer, Development Services and Airports Funds

The FY 2009 Statement of Budgetary Principles continues the concepts approved by the Council in Fiscal Year 2008, with changes made only to dates.

During the Budget and Finance Committee discussion, clarification was requested as to whether the required quarterly reports of the Mayor were the same as the quarterly financial reports. The Chief Financial Officer confirmed that the quarterly financial reports prepared by Financial Management currently satisfy the requirements for the quarterly reports from the Mayor.

In addition, a member of the public inquired as to applicability of the Statement of Budgetary Principles to the Redevelopment Agency and its project area budgets, in light of the section on page 4 which states that the Principles apply to all departments and programs that are under the direction and authority of the Mayor, and shall not apply to offices independent of the Mayor.

Based on the genesis of the Budgetary Principles, concern for budgetary reductions exist primarily with the City's General Funded activities, especially given the recent economic downturn and its affect on the City's discretionary revenues. The Statement of Budgetary Principles is provided as a companion document to the Annual Appropriation Ordinance, which delegates certain authorities from the City Council to the Mayor, the Chief Financial Officer, and the City Comptroller.

The Redevelopment Agency's budget is authorized by separate Agency resolutions, and not by the Appropriation Ordinance which authorizes the City budget. Amendments to the approved Redevelopment Agency's budget require specific action by the City Council, sitting as the Redevelopment Agency, and opportunities for administrative budgetary revisions are limited. Because of these differences in authority and funding, it is the IBA's belief that the Statement of Budgetary Principles need not apply or be extended to the Redevelopment Agency.

However, given recent information about compensation and budgetary practices of the Redevelopment Agency, and in response to a July 14 memorandum to the IBA from Councilmember Young, the IBA will be reviewing Redevelopment Agency budgetary practices and will bring forth recommendations for improvements at a later date.

CONCLUSION

The IBA recommends the adoption of the FY 2009 Statement of Budgetary Principles to ensure ongoing communication between the Mayor and the City Council regarding budgetary decisions throughout the year.

[SIGNED]

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