
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 2

Proposed FY 2012 Statement of Budgetary Principles

OVERVIEW

The Statement of Budgetary Principles was first put into place in FY 2008 to address issues of budgetary authority and communication of budget changes between the Executive and Legislative branches following budget adoption each year. These Principles were negotiated between the Mayor's Office and the City Council in response to specific situations that arose following the transition to the Strong Mayor/Strong Council form of government. The Statement of Budgetary Principles was developed to: set budgetary operating principles; establish budget authority regarding service levels; and enhance communication on management issues between the executive and legislative branches.

For the past four fiscal years, the Statement of Budgetary Principles has been adopted by the Council as a companion resolution to the Appropriation Ordinance (AO) in order to preserve the intent of the AO as a true appropriation setting document rather than a policy document.

The Statement of Budgetary Principles requires:

- the Mayor or his designee to provide quarterly reports to the Council regarding the administration of affairs of the City
- prior written notification by the Mayor of reductions in any program or service affecting the community, based on an established criteria

- that budgetary reductions that 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

No notifications of budgetary reductions, outside the formal budget process and Council approved budget amendments, have been made to the City Council since the Statement of Budget Principles have been in effect.

In October 2009, the City Council adopted a comprehensive Budget Policy (Council Policy 000-02), and many elements of the Principles have been incorporated into the Budget Policy.

FISCAL/POLICY DISCUSSION

Council's Current Authority to Initiate Mid-Year Budget Revisions

The City Attorney has provided advice on numerous occasions over the past fiscal year reiterating the budgetary process as outlined in the City Charter, outlining the responsibilities of the Mayor and the Council. In short, as it currently stands, the Council has a limited role with regard to budgetary changes, outside the course of the annual budget process, and must first receive recommendations from the Mayor for budgetary changes. Keeping this in mind, the IBA has prepared an update to the FY 2011 Statement of Budgetary Principles. A strikeout version for FY2012 is provided as an attachment to this report. Key sections of the Principles (shown in highlight) have been proposed for deletion, as they no longer seem appropriate or enforceable, given the recent City Attorney advice.

Proposed Ordinance to Provide Role for Council in Mid-Year Budget Revisions

On May 18, 2011, the City Attorney issued a report to the Mayor and City Council regarding "Mid-Year Budget Revisions", which was presented to the Budget and Finance Committee at its meeting of May 25, 2011. The report suggested the adoption of an ordinance by the Council that would require the Mayor to provide the Council with recommended changes to the budget in the event the City projects a budget deficit or surplus during the fiscal year. Such a requirement would provide the Council with an opportunity to consider the Mayor's recommendation for budget changes, and also allow them to propose and consider alternatives.

The Committee requested the City Attorney to work with the IBA and the Mayor's office to draft an ordinance to provide the Council the ability to make mid-year budget adjustments, with input from the Independent Budget Analyst and Mayor's Office. It is expected that the draft ordinance will be brought to the Budget and Finance Committee at its meeting of June 29, 2011.

CONCLUSION

The Statement of Budgetary Principles was important at the time it was first developed and adopted in 2008, as it clarified roles and responsibilities of the Executive and Legislative branches with regard to budget actions during the course of the fiscal year following formal budget adoption.

In the absence of any other such agreement or ordinance, the IBA recommends Council action to continue the Principles for FY 2012, at a minimum until a new ordinance can be developed and adopted. If recommended by the Budget and Finance Committee, the FY 2012 Statement of Budgetary Principles could be docketed for City Council consideration as a companion resolution to the FY 2012 Appropriations Ordinance, currently planned for July 18 and 25, 2011.

Some of the elements of the Principles have been included in the City's comprehensive Budget Policy, and also reside within other policies, processes or existing legislative authority. However, some elements of the principles could be considered for incorporation into the proposed ordinance, and this will be addressed as we work with the City Attorney and the Mayor's office on this matter.

The Budget and Finance Committee requested the City Attorney to work with the IBA and the Mayor's office to draft an ordinance to provide the Council the ability to make mid-year budget adjustments, with input from the Independent Budget Analyst and Mayor's Office. It is expected that the draft ordinance will be brought to the Budget and Finance Committee at its meeting of June 29, 2011.

[SIGNED]

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Fiscal & Policy Analyst

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APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachment: Strikeout Version of Proposed FY 2012 Statement of Budgetary Principles