

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: Thursday, June 22, 2006

IBA Report Number: 06-30

Budget Committee Agenda Date: June 28, 2006

Item Number: 2

Item: FY 2007 Appropriation Ordinance

OVERVIEW

The Annual Appropriation Ordinance is the spending authority for the budget and is required by City Charter Section 71. As prescribed by the Charter, the Ordinance shall be subject to two public hearings and must be adopted in July.

FISCAL/POLICY DISCUSSION

The Fiscal Year 2007 Budget, as passed by the City Council and approved by the Mayor, is the basis for the development of the Annual Appropriation Ordinance. This Ordinance is not subject to Mayoral veto (Charter Section 280(a)(4) and 290(d)). Additionally, according to Charter Section 73, only the City Council has the authority to make any appropriation changes throughout the fiscal year. However, the IBA does recommend that the City Council choose to delegate some of their Charter authority, via the Appropriation Ordinance, in order to expedite certain routine financial matters. The June 8 memo by the Assistant Auditor & Comptroller enumerates a proposal for Council delegation of authority.

As stated in IBA memo 06-10, the IBA has one concern with regard to the proposed delegation of authority to the Auditor & Comptroller and Financial Management. The broad authority to reallocate appropriations between departments raises the possibility of significant budget changes that could modify service levels or change policy for the City without consideration or approval by the Council. At this time, the IBA does not recommend that the Council delegate their Charter authority to this degree. In addition, Fiscal Year 2007 represents the first full year of the new Mayor-Council form of government, the implementation of significant modifications to the Annual Appropriation

Ordinance, and it is expected that there will be substantial reengineering and reorganization efforts throughout the year. For these reasons as well, the IBA recommends that the Council take a conservative approach in delegating their Charter authority to modify appropriations. In preparing the Fiscal Year 2008 Appropriation Ordinance, the process for delegation of authority should be reviewed and modifications proposed if necessary.

The Auditor & Comptroller's proposal also recommends delegation of some authority to the Budget Committee. The IBA supports this proposal in that it could be an efficient means to approve appropriation changes while ensuring that information is available to the public and subject to the examination of elected officials. However, if there are legal concerns or if the Council does not support that delegation, the IBA recommends those authorities be reserved for the City Council.

CONCLUSION

The IBA requests feedback and direction on the items discussed above in order to provide a foundation for discussion and analysis on the Appropriation Ordinance that is submitted for Council consideration in July.

[SIGNED]

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