June 14, 2007

STATEMENT OF FISCAL YEAR 2008 BUDGETARY PRINCIPLES

WHEREAS, pursuant to section 265(b)(15) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 13, 2007, the Mayor released the Fiscal Year 2008 Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2008 Budget and discussed such budget at several public meetings beginning on April 25, 2007 and ending on May 23, 2007, and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year 2008 Budget; and

WHEREAS, on May 16, 2007, the Mayor delivered a supplementary budget report to the Council making technical changes to the Fiscal Year 2008 Budget; and

WHEREAS, on May 21, 2007, each Council member delivered his or her budgetary priorities for the Fiscal Year 2008 budget for review by the City's Independent Budget Analyst; and

WHEREAS, on June 6, 2007, the Budget and Finance Committee reviewed the Report of the Independent Budget Analyst, dated June 1, 2007, entitled "Recommended Changes to the Mayor's Proposed Fiscal Year 2008 Budget, and recommended adoption of the Mayor's Fiscal Year 2008 Budget, including certain amendments thereto; and

WHEREAS, on June 11, 2007 the Council approved the Fiscal Year 2008 Budget, together with certain amendments thereto, and forwarded the same to the Mayor for his consideration under Charter section 290(b)(2); and

[WHEREAS, the Mayor returned the Fiscal Year 2008 Budget to the Council, and on June _, 2007 the Council voted to approve said budget; and]

WHEREAS, pursuant to Charter section 71, the Council is required to adopt an appropriation ordinance to establish budgetary appropriations for the Fiscal Year 2008 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2008 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, this Statement of Budgetary Principles is intended to establish a framework for the administration by the Mayor of the Fiscal Year 2008 Budget in light of the respective roles of the Mayor as Chief Executive Officer and Chief Budget Officer of

the City, and the role of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs;

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year 2008 Budget:

Fiscal Year 2008 Budget---Communication

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of and management issues facing the City. These reports can be given orally, and are intended to improve the flow of information between the Mayor, Council and public.

2. The Council President will provide time on the Council's agenda for the Report of the Mayor.

3. Under pre-defined criteria as set forth below, the Mayor will provide Council with prior written notice of the elimination of any program or service funded in the Fiscal Year 2008 Budget. The Mayor will also provide Council with prior written notice of a reduction in any program or service affecting the community based on this set criteria.

   Written notification of a service or program reduction will be triggered by criteria based on four categories of Activity Level (OCA) as identified in the City's Financial Accounting System and the corresponding size of the proposed service reduction:

Cost of Activity (OCA)	Up to $2.0M	$2.0M to $5.0M	$5.0M to $10.0M	$10.0 M Plus
Service Criteria Trigger	$200,000+	$500,000+	$1.0M+	$1.5M+

June 14, 2007

Fiscal Year 2008 Budget---Appropriation Ordinance

1 Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority in the Fiscal Year 2008 Budget.

2 The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2008 Budget, including the appropriations reflected in the Appropriations Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.

3 The Council shall have no authority to make or adopt changes to the Fiscal Year 2008 Budget without first receiving a funding recommendation of the Mayor.

4. In accordance with Charter sections 28 and 81, the Mayor has the authority to allocate Fiscal Year 2008 Budget appropriations within departments in order to best carry out the Council's legislative intent.

5. The Appropriation Ordinance implements the Fiscal Year 2008 Budget, as approved by the Council. The Appropriation Ordinance shall specify the authorized spending limits by Department and by Fund, and all other conditions, authorizations and requirements appropriate therefore. This level of spending authority shall serve as the level of budgetary control between the Mayor and the Council. The Appropriation Ordinance will include necessary budget delegation to carry out the business of the City consistent with past Appropriation Ordinance; however, will not include Policy directions.

6. The Council may restore a program or service which has been recommended for elimination or reduction by the Mayor by docketing and considering such action upon the request of four Council members.