
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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City Council Docket Date: June 29, 2010

Item Number: S500

Mayor's Fiscal Year 2011 Line Item Budget Veto

In a June 23, 2010 memo to the City Clerk, the Mayor vetoed the following line item adopted by the City Council as part of the FY 2011 Budget Adoption Resolution:

“BE IT FURTHER RESOLVED that the Budget Policy is to be amended to incorporate the IBA’s suggestions to revise the Budget Monitoring Process.”

The Mayor provided as a reason for his veto that strong internal controls already exist and that any such changes should be subjected to a full public discussion.

While not specified in the Mayor’s memorandum, the IBA suggestions for improving the budget monitoring process that were adopted by the Council are as follows:

1. When a year-end deficit is projected in the Mid-Year Monitoring Report, action should be taken immediately to correct the budget through mid-year budget adjustments;
2. When a year-end deficit is still projected in the Year-End Report, solutions eliminating it should be proposed immediately, and Council should be given sufficient opportunity to provide input on proposed solutions.
3. The Year-End Report (including recommendations for eliminating any projected current year deficit) should be provided to the Council in advance of the Council’s first scheduled meeting on budget deliberations/decisions on the upcoming fiscal year budget.

The IBA suggested these revisions as a result of projected deficits not being sufficiently addressed by Financial Management (FM) in either the FY 2010 Mid-Year Report or the May 20, 2010 Year-End Report. Additionally, until a motion was adopted by City Council at the Special Joint Meeting with the Budget Committee on May 26, 2010, FM

did not plan to discuss with Council their plan for addressing the FY 2010 deficit until after final Council decisions on the FY 2011 budget.

In his veto memorandum the Mayor implies that the recommended revisions were not subject to full public discussion. The Mayor may not be aware of the extensive public discussions that took place regarding concerns about the Mid-Year and Year-End monitoring processes and the need for process improvements.

The IBA first raised concerns about the Mid-Year Report in IBA Report 10-26 which was presented to the Budget and Finance Committee on March 3, 2010 and full Council on March 23, 2010. We expressed concerns that while the report projected an \$11.2 million deficit for FY 2010, no corrective actions were proposed for addressing the deficit.

After receiving FM's first Year-End report on May 20, 2010 we again noted our concern about a \$7.8 million deficit remaining in the current year with no corrective actions identified. In our Final Report and Recommendations on the FY 2011 Budget (IBA Report 10-43), presented to the Special Joint Budget Committee and Council on May 26, 2010, the IBA and the Council discussed these issues extensively. In our report we noted:

“This approach to the current year budget puts the Council at a disadvantage in knowing the complete budget picture. While the Mayor continues to look for solutions to balance the current year budget, the Council simultaneously must make final decisions on the FY 2011 budget. It is likely that actions taken to balance FY 2010 will negatively impact the FY 2011 budget. For example, if sufficient solutions are not identified and a year-end deficit is unavoidable, the General Fund reserves or property tax set-aside would need to close the gap. If this is a possibility, Council should be aware of it prior to making final budget decisions to ensure that maintaining FY 2011 reserve targets is a priority over other budget changes.

Also, solutions being considered by the Mayor for the current year may be the same as those being considered by Council members for possible modifications to the FY 2011 budget. Further, if the Mayor plans to propose solutions as late as June to balance the current year, this puts the Council at a disadvantage. Should Council disagree with the proposed solutions, there is limited time available to propose viable alternatives to balance the current year budget. “

During the Council discussion, the CFO reported that the solutions to the current year deficit would be provided in a subsequent FY 2010 Year-End Report to be presented to Council on June 21, 2010- a week after adoption of the FY 2011 budget. In response, the Council adopted a motion requesting the CFO to bring a balanced FY 2010 budget to

Council on June 14- the same day as final FY 2011 decisions; and that the item be docketed in advance of final decisions on FY 2011.

At the May 26, 2010 meeting the IBA also formally presented the recommendations for improving the current year budget monitoring process contained in IBA Report 10-43 and discussed on page 1 of this report. These recommendations were repeated in IBA Reports 10-48 “Fiscal Year-End General Fund Solution” and 10-47 “Approval of the FY 2011 Budget”. Both of these reports were presented and discussed publicly at the June 14, 2010 Council Meeting. At this meeting the City Council included the IBA recommendations to improve the budget monitoring process in their motion along with approval of the FY 2011 budget.

Additional public review and discussion will take place when the proposed revisions to the Budget Policy are brought forward to the Budget and Finance Committee and the City Council for adoption. The IBA is open to addressing any technical or logistical obstacles that may be of concern to the Mayor prior to bringing these recommendations forward. The IBA recommends that the City Council override the Mayor’s veto.

[SIGNED]

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