

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

**Date Issued:** March 14, 2007

**IBA Report Number:** 07-30

**City Council Docket Date:** March 19, 2007

**Item Number:** 200

**Subject:** Amendments to the Fiscal Year 2007 Appropriation Ordinance

### OVERVIEW

On February 5, 2007, the City Council introduced an ordinance to clarify the authorities of the various branches on budgetary issues. That ordinance was passed by the Council by a vote of 5-3 and was scheduled for a second reading on March 5, 2007.

Subsequently, various parties convened to discuss the formulation of an alternate proposal that would meet the desires of a broader range of interests. That proposal is before the City Council on March 19, 2007 and is reviewed by the IBA in this report.

### FISCAL/POLICY DISCUSSION

This proposal was prefaced by acknowledgment and discussion from all parties indicating that effective communication between the branches will be the cornerstone for success in working together in the interests of the public. We could not support this more heartily, as the IBA has been promoting this concept since October 13, 2006 when we published IBA Report 06-48 on this topic and stated:

*“Good government cannot be legislated through ordinances and resolutions. This organization must implement a culture of communication and transparency to most effectively serve its citizens.”*

With this commitment as a strong foundation, we acknowledge that some legislative procedures will help guide the City to explore relationships and establish sustainable practices with adequate protections in place.

The alternate proposal for consideration is intended to do just that, in a way that is satisfactory to the other stakeholders. In this report, we will focus on items #4 and 5 of the alternate proposal, as those are the two new requirements that will provide the structure for budget authorities.

The alternate proposal, Section 4, has elements of a “dollar-based restriction” plan as we discussed in our presentation to Council on February 5, 2007. We note again that dollar-based restrictions have advantages and disadvantages. The most important advantage to all parties is that it provides easy-to-understand guidelines. The dollar amounts are clearly defined and less subject to alternate interpretations by different parties. In addition, it still provides the opportunity for critical public and City Council input on appropriate actions to take. The main disadvantage is that a dollar-based restriction is not sensitive to important service issues in the City. No matter the dollar level chosen, there is likely to be some critical service levels that some constituents will be very concerned about and would bear an opportunity for public information and discussion. For this reason, we return to the above commitment to enhanced communication in the City, which can and will be the best solution to ensure that citizens are informed and have the opportunity to weigh in.

The disadvantage mentioned above is further tempered by a service level focus in the subsequent section of this proposal. Section 5 states that the Mayor shall provide a memo describing changes in services or programs that he intends to make, and that that memo shall be provided to the City Council and the City Clerk and placed on the next available City Council docket. We believe this is a strong protection for the public and retains budget authority with the City Council, such that programs they funded in the budget will not be changed without their knowledge. The IBA recommends two modifications to this language to tighten up the expectations for public disclosure. **First**, we believe the public and the City Council deserve to be made aware of impending service changes before they are seeing them happen in their neighborhoods. Thus, we suggest that the words “*Immediately upon*” be changed to “*Prior to*”. **Second**, consistent with the memo that shall describe the impact of any change in service, we suggest specifying a *reduction or* elimination of any program or service. Thus Section 5 should read:

“5. ~~Immediately upon~~ Prior to reduction or elimination of any program or service affecting the community...”

Notwithstanding the protections above, we would note that \$4 million is a very high threshold of budget authority to delegate away from the legislative branch. However, if the Mayor is able to find \$3.9 million in spending reductions that do not impact services or programs, we would heartily support those efforts and do not believe Council notification or deliberation would be necessary. For illustrative purposes, the IBA has attached a listing of department budgets and what amounts to a 10 percent reduction in each (Attachment 1).

We additionally note that this proposal, similar to the original proposal, repeals the section of the Appropriation Ordinance referring to the BPR Ordinance (Section 14) and replaces it with this proposed language. In addition, the BPR Ordinance itself (O-19523)

is repealed, as recommended in the original proposal. Thus, BPRs will be incorporated into the Quarterly Budget Review process as approved by Council in R-302331 on February 5, 2007, or as-needed if urgent. We must emphasize again, as we did at the time of the original proposal, that this in no way impacts the ability to conduct or implement Business Process Reengineering. It simply revises the review process for BPR items requiring City Council approval.

In sum, we feel that both the original proposal and the alternate proposal fulfill the critical public disclosure protections that brought this topic to the forefront starting in October 2006, providing the additions described above are included in Section 5 of the alternate proposal. Even more paramount will be the increased communication efforts that will ensure all parties, including the general public, are kept well-informed of the operations of their City government.

**CONCLUSION**

The IBA supports the enhanced commitment to communication regarding City services. More than any legislative action any party can take, development of this culture of transparency and inclusiveness will ensure that citizens and all of their elected representatives are aware of the use of their taxpayer dollars and are well-equipped to participate in the decision-making process.

As the City develops this culture, a legislative structure will assist all parties in working together productively. The IBA continues to support the original “budget authority” proposal. As described above, we believe the alternate proposal provides many of the same guidelines and protections that are most critical to the public awareness. This being the most fundamental element of any proposal, we also support the alternate proposal, with the addition of the four words (“Prior to” and “or reduction”) as described above. Regardless of which proposal is ultimately approved, we suggest that this be reevaluated in the context of the FY 2008 Appropriation Ordinance and regularly in the future since requirements may change as the City of San Diego furthers its experience with this form of government.

**[SIGNED]**

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