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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** December 31, 2008

**IBA Report Number:** 08-123

**Budget and Finance Committee Date:** January 7, 2009

**Item Number:** # 1

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# Review of FY 2010 Legislative Budget Process

## OVERVIEW

City Charter Section 265(b)(15) requires the Mayor to propose a budget to the City Council and the public by April 15th of each year. The City Council then holds public hearings prior to adopting or modifying the proposed budget before returning it to the Mayor with Council recommendations. As part of the change to the Strong Mayor/Strong Council form of government, in June 2005 the Citizens' Committee overseeing the transition recommended that the City Council adopt by resolution its budgetary priorities for submission to the Mayor by February 1st of each year.

This report is provided to describe the various methods that have been used over the past few years to convey the Council's budget priorities and expectations related to the budget process to the Mayor. This information may stimulate ideas for possible changes to the upcoming budget process. In addition, the Fiscal Year 2010 budget process schedule is provided as any potential changes to the process may impact key dates.

## FISCAL/POLICY DISCUSSION

The Transition Committee envisioned that the "budget priorities resolution" would provide early guidance to the Mayor regarding legislative priorities in order to assist him in development of the proposed budget which would later require legislative approval. This step was added to the process beginning in February 2006 and has been carried out for the past three years. At the same time, the Transition Committee recommended that the City Council create a standing Budget and Finance Committee which has been in place since January 2006.

### Recent History of Setting Council Budget Priorities

For the past three years the Council's budget priorities have taken the form of a resolution accompanied by individual Council members' priorities memoranda and a report prepared by the IBA. The IBA reports have provided a high level summary of the memos and highlighted for the Mayor the highest priority areas contained therein. IBA reports have also served to recommend that a "budget culture" be set for the upcoming year. By way of example, in January 2006 our office recommended that Fiscal Year 2007 be a year for a "time out" in order to correct budget issues that plagued City budgets of the past such as insufficient pension funding; under funding of Police and Fire equipment; funding or eliminating "phantom" or supplemental positions; reviewing inappropriate Service Level Agreements to name a few.

### Use of Strategic Budget Prioritization Process

In January 2007, in preparation for FY 2008 budget development, the entire City Council participated in a two-hour facilitated Strategic Budget Prioritization process, utilizing polling technology which quickly and anonymously evaluated Council members' perspectives, in the aggregate, on key City services, critical issues and alternative budget solutions. That year the resolution and IBA report which were presented to the Mayor reflected the results of this public prioritization process along with the individual Council memoranda. Additionally, the IBA recommended and the Council approved a separate resolution calling for the Mayor to provide performance measures for all services and programs as part of the Fiscal Year 2008 budget.

### Budget Hearing Expectations

In preparation for Fiscal Year 2009 budget development and in response to concerns that surfaced the prior year, the IBA report laid out expectations for the kind of information that needs to be provided to the Council by the Executive branch as part of the budget process as well as expectations for Executive staff participation in the City Council public hearing process. Performance measures were again noted as a specific information need for the Council as well as the public. The IBA report also highlighted the major themes from the individual Council memoranda as in previous years. Attached for your reference is IBA Report 08-7 "City Council Budget Priorities for Fiscal Year 2009".

The City Management Program has since been initiated by the Mayor that has resulted in the development of a Strategic Plan for the City, and tactical plans and performance measures for all departments, which is now reflected in the City's Annual Budget document.

### Fiscal Year 2010 Budget Process Key Dates

On November 10, 2008, the City Council adopted the schedule of meetings for the City Council and its committees for 2009, including the key budget process dates for the development and approval of the City's budget for Fiscal Year 2010 (which covers the period starting July 1, 2009 and ends June 30, 2010). Based on this schedule, budget hearings are planned to be held Wednesday, April 29 through Friday, May 8, 2009. The

Key Dates for the FY 2010 Budget Process are provided as an attachment to this report, and are also available on the IBA's website.

### Future Council Budget Priorities Process

While past budget priorities resolutions and accompanying documents have been comprehensive and well thought out, the newly conformed Budget and Finance Committee may want to consider a different approach for expressing legislative budget priorities to the Mayor for Fiscal Year 2010. Schedule constraints should also be considered. To meet the February 1st date for City Council review and adoption of this year's budget resolution, the item would need to be heard no later than January 26th. Council members' memoranda would need to be submitted to the IBA for development of the report and resolution by Friday, January 16, 2009.

Committee members may want to explore with the Mayor or his staff whether this early guidance to the Mayor has been helpful or even considered.

- Is there a more effective means in which to convey Council priorities to the Mayor?
- Is there a way that the public could be engaged in the discussion of budget priorities in advance of the Mayor developing his budget?
- Could a public dialogue regarding a City vision, goals and priorities take place between the Mayor and Council to provide a framework for development of the Mayor's proposed budget?
- Could the results of these discussions and public input serve, in part, as the substance for the Fiscal Year 2010 Council budget priorities resolution?
- Should community forums be held to solicit early input from the public?

Consideration needs to be given to the budget process schedule to ensure statutory requirements are met. However, schedule limitations or concerns that Council budget priorities are not addressed in the Mayor's Proposed Budget should not discourage the Council from establishing and publicly announcing its annual budget priorities.

### City of San Jose Model

In our February 14, 2008 report "City of San Diego Structural Budget Deficit" (IBA Report 08-14) we addressed the steps that need to be taken to effectively correct a structural budget deficit and described the community process the City of San Jose had just completed in January 2008:

"The solution begins with a vision. Before appropriate remedies to the City's structural deficit can be developed, we must first have a clear vision of what we want this city to be. This is a vision that must originate with the community at large. Public input and community participation is critical in order to draw upon different viewpoints and ideas, and to ensure that all stakeholders are represented and supportive of the eventual course of action. Budget workshops, community forums, strategic visioning session, and public outreach and education can be used to engage the community and elicit desired public input and participation."

“This vision will form the basis for the solutions to the City’s financial challenges. There are currently too many needs competing for limited resources, and the community will have to determine which services are deemed critical and desirable, and determine the means by which those services will be provided.”

While there are time constraints to undertaking a full community involvement process such as the City of San Jose did prior to Fiscal Year 2010 budget decisions, the beginnings of such a process could take place now with the intention to fully implement next fall in time for Fiscal Year 2011.

## CONCLUSION

We present this information and pose these issues for the Budget and Finance Committee to discuss at next week’s meeting and are prepared to assist in carrying out the direction of the Committee with respect to this matter. The new City Council and newly conformed Budget and Finance Committee provide an opportunity to review and question current processes under this still new form of government. Having just addressed a serious budget shortfall in December, we know that similar serious challenges lay ahead for Fiscal Year 2010 and beyond. Any steps that can be taken to improve upon the process will reap benefits for the City as well as the entire community.

**[SIGNED]**

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**[SIGNED]**

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Attachments:

- 1) IBA Report 08-7 “City Council Budget Priorities for Fiscal Year 2009”  
(without attachments)
- 2) FY 2010 Budget Process Key Dates