

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 22, 2007

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City Council Agenda Date: January 29, 2007

Item Number:

Item: Budget Authority

OVERVIEW

Earlier this year, it was brought to the attention of the IBA and the City Council that changes had been made to the current year budget, without City Council approval or notification, that impacted service levels and/or programs adopted by the Council as part of the FY 2007 budget. Since that time the issue of budget authority, and the respective roles of the Executive and Legislative branches, has been docketed and discussed at two separate meetings of the Budget and Finance Committee. On October 18, 2006, the Budget and Finance Committee requested the IBA to develop a proposal for Council review and consideration that addresses the Council's concerns relative to this matter.

In reviewing this issue, our goal has been to focus on the policy discussion rather than the merits of the particular programs from which the issue surfaced. While the impacted programs, Take Back the Streets in Environmental Services and the Blue Level Swim Program in the Park and Recreation Department, are very important and require further discussion and resolution, our principal concern in this report is how decisions are made about City services that impact the community. As the City continues to work through the practical implications of our new form of government, we have to stay focused on what constitutes good government, which requires strong communication and transparency between the two branches of government and shared decision-making.

We see the annual budget as a contract between the City Council and the Mayor. The Mayor proposes the budget on April 15th of each year. The City Council amends or approves the spending policies after more than two and half months of public hearings. What is represented to the public throughout the public hearing process, as being funded or not funded in the budget, is the contract the City has with its citizenry. Once the budget is adopted, it is up to the Mayor to execute that contract in good faith. We feel that budget and policy changes, made after budget adoption, that affect the public should

be brought forward to the City Council in a public forum. Not doing so leaves the citizenry out of what should be a very public process.

The City Council is, more times than not, the first line of contact for citizens seeking information or explanations and expressing their opinions and concerns. Therefore, it is critical that the City Council be apprised when changes are being considered to the representations they have made to the public in good faith throughout the budget process. If the City Council is not well-informed, the public is not well-served. Going forward we believe it is critical that all actions that have service level or policy implications be communicated to the Legislative branch and the public in a timely manner and prior to implementation.

In both cases referenced above, the matters at issue were decided, and the changes were in the implementation phase, prior to public discussion with the City Council. This is not to say that the recommendations were not thoughtful. In fact, the Mayor's office was attempting to address fiscal and programmatic concerns that had arisen following the budget adoption. However, this was being done without input from the public or the legislative body and without consideration of alternatives.

In the Strong Mayor Council form of government, the City Council has the ultimate budget authority per the Charter. The Council can amend the Mayor's budget and override his veto of any change. The budget per the Charter is the controlling document for the preparation of the Annual Appropriation Ordinance. The Mayor has no veto power over the Annual Appropriation Ordinance. It is the Council's prerogative to delegate some of their budget authorities to the Mayor through the Appropriation Ordinance which they do in order to allow for more efficient and effective business operations.

It is only through the Appropriation Ordinance and the Council's agreement, that the Mayor has the budget authority that he does. While the Mayor has full operations authority in the City, it is through the policy objectives set forth in the annual budget. Per the Charter, the manager (Mayor) as the Chief Budget Officer of the City, is responsible for "planning the activities of the City government and for adjusting such activities to the finances available." In both cases, funds had been allocated for the programs in the FY 2007 budget; and based on a quarterly budget status report from Financial Management in November, there was no risk of a shortage of funds in either City department.

There must be an inherent understanding and trust that the Council will at minimum be informed and be included in decision-making as appropriate, as budget and policy issues surface that require changes during the year, that are going to impact the public. To address this issue going forward, our office has developed the following set of recommendations for Council consideration.

A.) REQUEST THE MAYOR TO IDENTIFY SERVICE LEVELS IN THE MAYOR’S PROPOSED BUDGET (See attached Resolution)

Request the Mayor to identify each year as part of the Mayor’s Proposed Budget current service levels for any service or program that is proposed for reduction or elimination in his Proposed Budget, and to further identify and report to the public the specific changes in service levels for the coming fiscal year expected to result from recommended budgetary actions. This should be published in the final budget document.

This will ensure transparency in decision-making on the budget, since it allows all parties to understand and agree to what services will be provided with the money allocated. It allows citizens to have clear expectations for the expenditure of their tax dollars.

B.) EXPAND QUARTERLY BUDGET REPORTING (See attached Resolution)

To provide date-certain opportunities for budget changes and to consolidate and streamline the City Council approval process for all mid-year changes, the IBA recommends expanding the purpose of the CFO’s Quarterly Budget Adjustment Report to Budget & Finance Committee and/or Council to include the following:

- Programmatic/service level mid-year budget changes recommended by the Mayor; (e.g. Take Back the Streets and the Blue Level Swim Program)
- Technical budget adjustments recommended by the CFO; and
- Budget changes recommended in order to implement a pending Business Process Reengineering (the BPR ordinance would no longer be necessary).

If issues surface that require action sooner than the next quarterly opportunity, the Council President has indicated they will be handled through the regular Committee/Council docketing process on an exception basis.

C.) AMEND THE APPROPRIATION ORDINANCE TO ADDRESS PROCESS FOR BUDGET CHANGES THAT IMPACT CITY SERVICES
(See attached revision to Appropriation Ordinance)

Recommend addition of the following language: “Budget change authorities granted to the Mayor require Council approval if such action will result in reducing, altering or eliminating service levels to the community, upon which the Adopted Budget has been based.”

Recommend addition of the following language: “Unless specifically called out in the budget development and adoption process as reduced or increased from the prior year, the budget will provide for the continuation of existing funding and service levels from one budget year to the next.”

These two requirements would create certainty and transparency in the budget process. Through these, citizens, and their elected officials, will know that services provided for in the budget are guaranteed to continue unless public notice and discussion takes place. While budget and service level changes may still occur throughout the year, stakeholders may be assured that they will not be surprised by changes after the fact.

D.) BUSINESS PROCESS REENGINEERING ORDINANCE CHANGES
(See attached revision to Appropriation Ordinance)

Repeal of the Business Process Reengineering Ordinance:

The quarterly budget reporting process discussed above will provide a timely and certain schedule for Council review of proposed BPRs. The current 60 day notice and waiting period requirements will not be necessary allowing for quicker implementation of the BPRs. This would also reflect what is becoming the practice based on Council’s desire to have a public discussion regarding the BPR recommendations. The Council has opted to hear all four BPRs that have been completed to date.

The authority for Council review of department reorganizations resides in Section 26 of the Charter. “The Council may change, abolish, combine and rearrange the departments, divisions and boards of the City government provided for in said Administrative Code, but such ordinance abolishing or discussing the powers of any department, division or board shall require a vote of two-thirds of the members elected to Council.”

The Council also is vested with review and approval of budget changes between City departments per the Appropriation Ordinance. Upcoming BPRs, such as for the Park and Recreation Department, have the potential to impact policies and service levels provided to the community that are of utmost importance to the City Council and the citizenry.

Recommend repeal of this ordinance to replace the 60 day docketing and notice requirement with the date-certain quarterly budget reporting process discussed above.

Appropriation Ordinance:

Recommend deletion of Business Process Reengineering section of the Appropriation Ordinance, consistent with the recommendation above.

RECOMMENDATION

The IBA believes that increased certainty and transparency in the budget process are critical. The IBA requests City Council consideration and adoption of the recommendations presented in this report as well as the accompanying resolution and ordinance prepared by the City Attorney.

[SIGNED]

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Attachments (2)

- Resolution R-2007-271
- Ordinance O-2007-90