

File No. 091464

Committee Item No. 5

Board Item No. 02

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/13/10

Board of Supervisors Meeting

Date 02/02/10

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
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#### OTHER

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Completed by: Gail Johnson

Date 1/8/10

Completed by: [Signature]

Date 1/21/10

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

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1 [Early implementation of two-year budget and five-year financial plan requirements.]

2  
3 Ordinance designating the Port, the Airport, and the Public Utilities Commission for  
4 early implementation of the two-year budget requirement under Charter Section 9.100  
5 and the five-year financial plan requirement under Charter Section 9.119.

6 NOTE: Additions are single-underline italics Times New Roman;  
7 deletions are ~~strike-through italics Times New Roman~~.  
8 Board amendment additions are double-underlined;  
9 Board amendment deletions are ~~strikethrough-normal~~.

9 Be it ordained by the People of the City and County of San Francisco:

10 Section 1. (a) The Board of Supervisors designates the Port, the Airport, and the  
11 Public Utilities Commission for early implementation of the two-year budget requirement under  
12 Charter Section 9.100.

13 (b) The Board of Supervisors designates the Port, the Airport, and the Public Utilities  
14 Commission for early implementation of the five-year financial plan requirement under Charter  
15 Section 9.119.

16  
17  
18 APPROVED AS TO FORM:  
19 DENNIS J. HERRERA, City Attorney

20  
21 By:   
22 THOMAS J. OWEN  
23 Deputy City Attorney  
24  
25



<b>Item # 5</b>	<b>Department(s):</b>
<b>File 09-1464</b>	Port, Airport, Public Utilities Commission Controller, Mayor

## EXECUTIVE SUMMARY

### Legislation

- Ordinance designating the Port, Airport and the Public Utilities Commission (PUC) for early implementation of (a) the two-year budget requirement under Charter Section 9.100 and (b) the five-year financial plan requirement under Charter Section 9.119.

### Key Points

- The proposed ordinance would implement the initial two-year budget cycle and five-year financial plan requirements, in accordance with Proposition A, approved by San Francisco voters on November 3, 2009.

### Fiscal Impact

- No additional costs are anticipated to implement the proposed ordinance, as the Port, Airport and PUC have existing financial staff and resources to complete these two-year budget and five-year financial requirements.

### Other Issues

- The Board of Supervisors may want to identify other analysis or criteria that the Budget and Finance Committee should consider when undertaking this new two-year budget review for these three initial non-general fund departments.
- Charter Section 9.120 also requires that the Controller propose and the City adopt long-range financial policies consistent with generally recognized principles of public finance. The Controller's recommended financial policies must be approved by both the Mayor and a two-thirds vote of the Board of Supervisors by ordinance, which will then be codified as financial policies in the City's Administrative Code. Upon two-thirds vote, the Board of Supervisors may by resolution suspend, in whole or in part, such financial policies for one succeeding fiscal year. The Controller, Mr. Ben Rosenfield, advises that his Office is currently developing draft financial policies, which will be submitted to the Mayor and the Board of Supervisors by March 1, 2010.

### Recommendation

- Approve the proposed ordinance.

## BACKGROUND AND LEGAL REQUIREMENTS

On November 3, 2009, San Francisco voters approved Proposition A, which (a) institutes a two-year City budget cycle, (b) provides for the adoption of a five-year financial plan and financial policies, and (c) imposes a deadline of May 15 for annual submission of Memorandum of Understanding (MOUs) for miscellaneous and safety employees to the Board of Supervisors.

### Mandate Statement

In accordance with Proposition A, Charter Section 9.100 provides that the City's budgetary cycle will be a rolling two-year cycle, such that each year the City would adopt a new biennial budget that projects revenues and expenditures for the next two years, from July 1<sup>st</sup> through June 30<sup>th</sup>. Specific non-general fund departments recommended by the Mayor, and subject to approval by ordinance by the Board of Supervisors, would implement the two-year budgetary cycle beginning July 1, 2010. All other City departments would implement the two-year budget beginning July 1, 2012.

Also, in accordance with Proposition A, Charter Section 9.119(a) provides that no later than July 1, 2010, the City will adopt a five-year financial plan for those non-general fund departments and offices recommended by the Mayor and approved by the Board of Supervisors by ordinance for early implementation. This initial five-year financial plan would then be updated and combined with the five-year financial plans for all other City departments no later than July 1, 2011. By March 1<sup>st</sup> of each odd numbered year thereafter, the Mayor will propose a five-year financial plan, and by May 1<sup>st</sup> the Board of Supervisors will review, amend and adopt a five-year financial plan for the City by resolution. As further provided by Charter Section 9.119(b), the five-year financial plan would include: (a) five-year forecasts of expenditures and revenues, (b) actions proposed to balance revenues and expenditures each year, (c) summary of each department's strategic goals and the resources allocated to meet these goals, and (d) anticipated changes in services levels, such that the Mayor and the Board of Supervisors would use the five-year financial plans as a tool to plan for upcoming City budgets.

## PROPOSED LEGISLATION

### Description

Pursuant to Proposition A, the proposed ordinance would designate three non-general fund City departments: (a) the Port, (b) the Airport, and (c) the Public Utilities Commission (PUC) for early implementation of the two-year budget requirements beginning July 1, 2010, as required by Charter Section 9.100. The proposed ordinance would also designate these same three non-general fund City departments for early implementation of the five-year financial plan requirements, as required by Charter Section 9.119.

**FISCAL ANALYSIS**

Mr. Greg Wagner, the Mayor's Budget Director, advises that the Airport, Port and PUC were selected by the Mayor for the initial implementation of the two-year budget and financial plans because these three non-general fund departments have sufficient existing financial staff and resources to develop such two-year budgets and financial plans. The Mayor's Office recently issued guidelines to these three City departments, including assumptions to use in developing their two-year budgets for FY 2010-2011 and FY 2011- 2012. The two-year budgets (FY 2010-2011 and FY 2011-2012) for the Airport, Port and PUC, together with other non-general fund one year (FY 2010-2011) budgets will be submitted to the Board of Supervisors by May 1, 2010. In addition, by May 1, 2010, the Board of Supervisors will receive the five-year financial plans for the Airport, Port and PUC.

Ms. Julia Dawson, Budget Manager for the Airport, advises that the Airport currently has a five-year financial plan, which will be updated to comply with the requirements of Proposition A. Mr. Carlos Jacobo of the PUC advises that the PUC currently has a ten-year financial plan, which will be updated to comply with the five-year requirements of Proposition A. Mr. Andres Acevedo of the Port advises that, as part of the pending Port's Revenue Bond Series 2010 A & B issuance, the Port recently completed a five-year financial forecast, which would be used as a basis for developing the five-year financial plan required by Proposition A.

Given that the Port, Airport and PUC have existing financial staff and resources, these three City departments are not anticipated to incur additional financial expense to complete their two-year budget and five-year financial requirements. While the Port fully expects to meet all of the budget deadlines and requirements of Proposition A, Mr. Acevedo however notes that the Port has fewer financial staff than either the Airport or the PUC, such that the workload impact on the Port's limited financial staff may be significant this year.

**OTHER ISSUES**

- The Board of Supervisors may want to identify what, if any, other analysis or criteria that the Budget and Finance Committee should consider when undertaking the annual budget review, particularly for these three initial non-general fund departments, that will be submitting a two-year budget.
- Although not part of this specific ordinance, in accordance with Proposition A, Charter Section 9.120 requires that the Controller propose, and the City adopt long-range financial policies that are consistent with generally recognized principles of public finance, including: (a) creation and maintenance of adequate reserves, (b) use of volatile revenues, (c) issuance of debt, and (4) institution of extraordinary financial and budgetary measures to facilitate the City's recovery from physical calamities. The City may not adopt a budget that the Controller determines is inconsistent with one or more of these financial policies. The Controller is required to recommend an initial set of financial policies to the Mayor no later than March 1, 2010, and by May 1, 2010 the Mayor and the Board of Supervisors are required to consider the Controller's recommended financial policies. Each of the

Controller's recommended financial policies must be approved by both the Mayor and a two-thirds vote of the Board of Supervisors by ordinance, which will then be codified as financial policies in the City's Administrative Code. Upon two-thirds vote, the Board of Supervisors may by resolution suspend, in whole or in part, such financial policies for one succeeding fiscal year. The Controller, Mr. Ben Rosenfield, advises that his Office is currently developing draft financial policies, which will be submitted to the Mayor and the Board of Supervisors by March 1, 2010.

**RECOMMENDATION**

Approve the proposed ordinance.



Harvey M. Rose

cc: Supervisor Avalos  
Supervisor Mirkarimi  
Supervisor Chu  
President Chiu  
Supervisor Alioto-Pier  
Supervisor Campos  
Supervisor Daly  
Supervisor Dufty  
Supervisor Elsbernd  
Supervisor Mar  
Supervisor Maxwell  
Clerk of the Board  
Cheryl Adams  
Controller  
Greg Wagner



TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Mayor Gavin Newsom  
RE: Ordinance regarding early implementation of two-year budget and five-year financial plan requirement  
DATE: December 15, 2009

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Dear Madame Clerk:

Attached for introduction to the Board of Supervisors is an ordinance designating the Port, the Airport and the Public Utilities Commission for early implementation of two-year budget requirement under Charter Section 9.100 and the five-year financial plan requirement under Charter Section 9.119.

Please note that Supervisor David Chiu is a co-sponsor of this measure.

Should you have any questions, please contact Starr Terrell (415) 554-5262.

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