

File No. 151145

Committee Item No. 7
Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 3, 2016

Board of Supervisors Meeting

Date February 9, 2016

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <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 |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 - Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Linda Wong Date January 29, 2016
Completed by: Linda Wong Date February 3, 2016

AMENDED IN COMMITTEE

2/3/16

FILE NO. 151145

RESOLUTION NO.

1 [Adopting a Fixed Two-Year Budget - Various City Departments - FYs 2016-2017 and
2 2017-2018]

3 **Resolution adopting a fixed two-year budgetary cycle for the following various City**
4 **departments: Airport; Child Support Services; Employees' Retirement System; Port;**
5 **Public Library; Public Utilities Commission; defining terms; and setting deadlines.**

6
7 WHEREAS, Section 9.101 of the Charter of the City and County of San Francisco
8 authorizes the Mayor and Board of Supervisors by resolution to determine in an even-
9 numbered fiscal year that the upcoming budgetary cycle shall be a fixed budgetary cycle for
10 some or all City Departments; and

11 WHEREAS, In a fixed budgetary cycle, the Board of Supervisors does not adopt a new
12 budget for the second fiscal year of the cycle, but may adjust the second-year budget if
13 certain conditions are met; and

14 WHEREAS, Section 9.101 of the Charter of the City and County of San Francisco
15 requires that the resolution declaring that an upcoming budgetary cycle shall be fixed also
16 include a definition of the term "significant increases or decreases in revenues or
17 expenditures" and set deadlines for the Controller to submit a report identifying such
18 increases or decreases and for the Mayor to submit to the Board a proposed amendment to
19 the biennial budget; now, therefore be it

20 RESOLVED, That the upcoming budgetary cycle for these departments: Airport; Child
21 Support Services; Employees' Retirement System; Port; Public Library; Public Utilities
22 Commission; shall be a fixed budgetary cycle in which the biennial budget will remain in effect
23 for the two fiscal years ending June 30, 2017, and June 30, 2018; and, be it

24 FURTHER RESOLVED, That "significant increases or decreases in revenues" in the
25 following funds shall be defined as a greater than five percent increase or decrease between

1 the adopted and projected revenues for the second year of each of these departments'
2 biennial budgets: San Francisco International Airport Funds; Child Support Services Funds;
3 Public Library Funds; Port of San Francisco Funds; Public Utilities Commission Funds,
4 including Wastewater, Hetch Hetchy, and Water Department Funds; and Retirement System
5 Funds; and, be it

6 FURTHER RESOLVED, That "significant increases or decreases in revenues" in the
7 General Fund shall be defined as a greater than two and one half percent increase or
8 decrease between the adopted and projected revenues for the second year of each of the
9 departments' biennial budgets; and, be it

10 FURTHER RESOLVED, That "significant increases or decreases in expenditures" shall
11 be defined as those expenditure increases or decreases required to address the significant
12 increases or decreases in revenue as defined above; and, be it

13 FURTHER RESOLVED, That no later than May 1, 2017, the Controller will submit to
14 the Mayor and the Board of Supervisors a report stating whether the Controller projects that
15 the funds for the Airport, Child Support Services, Public Library, Port, Public Utilities
16 Commission, and Retirement System will experience significant increases or decreases in
17 revenues or expenditures, as defined in this Resolution, during the second year of the
18 budgetary cycle, and will update that report as additional information becomes available; and,
19 be it

20 FURTHER RESOLVED, That no later than June 1, 2017, the Mayor will submit to the
21 Board of Supervisors a proposed amendment to the biennial budget responding to the
22 Controller's report.
23
24
25

Item 7
File 15-1145
(Continued from January 20, 2016)

Department: Mayor
 Board of Supervisors

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution adopts a two-year fixed budget for multiple City departments for FY 2016-17 and FY 2017-18, including: (1) Academy of Sciences; (2) Adult Probation; (3) Airport; (4) Arts Commission; (5) Asian Art Museum; (6) Assessor-Recorder; (7) Board of Appeals; (8) Building Inspection; (9) Child Support Services; (10) Children and Families Commission; (11) City Attorney; (12) City Planning; (13) Civil Service; (14) Controller; (15) County Education; (16) District Attorney; (17) Economic and Workforce Development; (18) Elections; (19) Retirement System; (20) Environment; (21) Ethics; (22) Fine Arts Museums; (23) Administrative Services; (24) Technology; (25) Health Service System; (26) Human Resources; (27) Human Rights; (28) Juvenile Probation; (29) Law Library; (30) Mayor; (31) Port; (32) Public Library; (33) Public Utilities Commission; (34) Rent Arbitration; (35) Status of Women; (36) Treasurer-Tax Collector; (37) Superior Court; and, (38) War Memorial.

Key Points

- Under City Charter Section 9.101, the Mayor and Board of Supervisors are authorized to determine in an even-numbered fiscal year that the upcoming budget for some or all City departments should be a fixed two-year budget. The Board of Supervisors only reviews the budget in the second year if there are significant changes in revenues or expenditures.

Policy Consideration

- According to several reports reviewed by the Budget and Legislative Analyst, there are advantages and disadvantages to two-year fixed budgets, but one of the main disadvantages is that it reduces the Board of Supervisors appropriation authority.

Recommendation

- In general, the Budget and Legislative Analyst does not recommend removing any budgetary appropriation authority away from the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.101 states that no later than February 1 of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years.

BACKGROUND

In November 2009, the voters passed Proposition A, which, among other changes to the budget process, amended the City Charter to adopt rolling two-year budget cycles and allow for the Mayor and the Board of Supervisors to establish fixed two-year budget cycles for some or all departments. Previous to the passage of Proposition A, the City adopted one-year budgets for all departments, except for the Municipal Transportation Agency (MTA).

As shown in Table 1 below, the MTA was the first City department to implement a two-year fixed budget. Following the passage of Proposition A in 2009, the City implemented fixed two-year budget cycles for three enterprise departments: the Airport, Port, and Public Utilities Commission in FY 2012-13 and FY 2013-14. The City subsequently implemented a two-year fixed budget cycle for Child Support Services, the Public Library, and the Retirement System in FY 2014-15 and FY 2015-16.

Table 1: Implementation of Fixed Two-Year Budget Cycles

Department	1 st Two-Year Fixed Budget
Municipal Transportation Agency	FY 2008-09 & 2009-10
Airport	FY 2012-13 & 2013-14
Port	FY 2012-13 & 2013-14
Public Utilities Commission	FY 2012-13 & 2013-14
Child Support Services	FY 2014-15 & 2015-16
Public Library	FY 2014-15 & 2015-16
Retirement System	FY 2014-15 & 2015-16

DETAILS OF PROPOSED LEGISLATION

The proposed resolution expands the two-year fixed budget cycle from seven departments to 39, including 25 departments that receive General Fund support as shown in Table 2 below. In all, the resolution would place \$377.6 million in General Fund support and \$2.4 billion in overall funds into a fixed two-year budget cycle.

**Table 2: FY 2016-17 General Fund Support in New Departments
Proposed for Two-Year Fixed Budget**

Department	FY 2016-17 General Fund Support
District Attorney	\$46,779,572
GSA- City Administrator	43,183,060
Juvenile Probation	35,368,183
Superior Court	31,232,757
Economic & Workforce Development	25,973,700
Treasurer/Tax Collector	24,431,883
Assessor/Recorder	19,028,332
Mayor	19,269,306
Adult Probation	17,549,597
Fine Arts Museum	15,560,242
Human Resources	14,887,246
Elections	13,206,118
City Attorney	12,905,153
Controller	10,929,462
Asian Art Museum	9,617,919
Arts Commission	9,721,933
Status of Women	6,415,560
Academy of Sciences	5,408,021
Ethics Commission	4,640,260
GSA- Technology	3,766,057
Human Rights Commission	2,509,244
City Planning	2,603,268
Law Library	1,642,927
Civil Service Commission	832,490
County Education Office	116,000
Environment	0
Board of Appeals	0
Building Inspection	0
Children & Families Commission	0
Health Service System	0
Rent Arbitration Board	0
War Memorial	0
Total	\$377,578,290

Source: FY 2015-16 and FY 2016-17 Annual Appropriation Ordinance

According to the proposed resolution, the budgets of the departments on the two-year fixed budget may be adjusted for the following significant increases or decreases in revenues and expenditures:

- More than 5 percent revenue increase or decrease in the budgets of the Airport, Building Inspection, Child Support Services, Children and Families Commission, Environment, Public Library, Port, Public Utilities Commission, Rent Arbitration Board, Retirement, and War Memorial;
- More than 2.5 percent revenue increase or decrease in the General Fund; and
- Increase or decrease in expenditures due to the revenue increases or decreases noted above.

The proposed resolution requires (a) the Controller to submit a report on significant increases or decreases in revenues or expenditures to the Board of Supervisors by May 1, 2017; and (b) the Mayor to submit proposed budget amendments responding to the Controller's report to the Board of Supervisors by June 1, 2017. The proposed budget amendments are subject to Board of Supervisors appropriation approval.

POLICY CONSIDERATION

Comparison of Two-Year Fixed and Two-Year Rolling Budgets

Except for the seven City departments shown in Table 1 above that have fixed two-year budgets, City departments have two-year rolling budgets. Under two-year rolling budgets, the Board of Supervisors has annual appropriation authority. The Board of Supervisors has appropriation authority over each year of the two-year rolling budget in the first fiscal year, and retains appropriation authority over the second year of the two-year rolling budget in the following fiscal year.¹ Under two-year fixed budgets, the Board of Supervisors only has appropriation authority every other year.

According to several reports reviewed by the Budget and Legislative Analyst, there are advantages and disadvantages to two-year fixed budgets, but one of the main disadvantages is that it reduces the Board of Supervisors appropriation authority. The budget approval process is one of the Board of Supervisors main tools under the Charter to set City policy.²

RECOMMENDATION

In general, the Budget and Legislative Analyst does not recommend removing any budgetary appropriation authority away from the Board of Supervisors.

¹ For example, for City departments with two-year rolling budgets the Board of Supervisors reviewed the FY 2015-16 and FY 2016-17 budgets in June 2015 and the Board of Supervisors will review the FY 2016-17 and FY 2017-18 budgets in June 2016.

² According to the Government Finance Officers Association report, "An Elected Official's Guide to Multi-Year Budgeting", November 2006, legislative bodies may perceive a loss of budgetary control and oversight when two-year budgets are implemented.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *NE*
RE: Adopting a Fixed Two-Year Budget in Multiple City Departments, Fiscal Years 2016-17 and 2017-18
DATE: November 3, 2015

Attached for introduction to the Board of Supervisors is a resolution adopting a fixed two-year budgetary cycle for multiple City departments: Academy of Sciences; Adult Probation; Airport; Arts Commission; Asian Art Museum; Assessor-Recorder; Board of Appeals; Building Inspection; Child Support Services; Children and Families Commission; City Attorney; City Planning; Civil Service; Controller; County Education; District Attorney; Economic and Workforce Development; Elections; Employees' Retirement System; Environment; Ethics; Fine Arts Museums; General Services Agency – Administrative Services; General Services Agency – Telecommunication and Information Systems; Health Service System; Human Resources; Human Rights; Juvenile Probation; Law Library; Mayor; Port; Public Library; Public Utilities Commission; Rent Arbitration; Status of Women; Treasurer-Tax Collector; Trial Courts; War Memorial; defining terms; and setting deadlines.

Please note that this legislation is co-sponsored by Supervisors Farrell, Tang, and Mar.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

dl
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BOARD OF SUPERVISORS
SAN FRANCISCO, CA