

File No. 14238

Committee Item No. 1

Board Item No. 9

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 26, 2014

Board of Supervisors Meeting

Date April 1, 2014

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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Completed by: Linda Wong Date March 21, 2014

Completed by: L.W. Date 3/29/14

1 [Adopting a Fixed Two-Year Budget - Airport, Port, Public Utilities Commission, Library, Child
2 Support Services, and Employees' Retirement System]

3 **Resolution adopting a fixed two-year budgetary cycle for the Airport, the Port, the**
4 **Public Utilities Commission, the Library Department, the Department of Child Support**
5 **Services, and the Employees' Retirement System, defining terms, and setting**
6 **deadlines.**

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

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

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

21 **RESOLVED**, That the upcoming budgetary cycle for the Port Commission, the Airport
22 Commission, the Public Utilities Commission, the Library Department, the Department of Child
23 Support Services, and the Employees' Retirement System shall be a fixed budgetary cycle in
24 which the biennial budget will remain in effect for the two fiscal years ending June 30, 2015
25 and June 30, 2016; and, be it

1 FURTHER RESOLVED, That significant increases or decreases in revenues or
2 expenditures shall be defined as a greater than five percent difference between the projected
3 and the adopted budget for operating or capital expenditures or revenues for the second year
4 of the department's biennial budget; and, be it

5 FURTHER RESOLVED, That no later than March 1, 2015, the Controller will submit to
6 the Mayor and the Board of Supervisors a report stating whether the Controller projects that
7 the Port Commission, the Airport Commission, the Public Utilities Commission, the Library
8 Department, the Department of Child Support Services, or the Employees' Retirement System
9 will experience significant increases or decreases in revenues or expenditures, as defined in
10 this Resolution, during the second year of the budgetary cycle, and will update that report as
11 additional information becomes available; and, be it

12 FURTHER RESOLVED, That no later than June 1, 2015, the Mayor will submit to the
13 Board of Supervisors a proposed budget amendment responding to the Controller's report.
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**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS**

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

March 21, 2014


TO: Budget and Finance Committee 
FROM: Budget and Legislative Analyst
SUBJECT: March 26, 2014 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	14-0238 Adopting a Fixed Two-Year Budget – Airport, Port, Public Utilities Commission, Library, Child Support Services, and Employees’ Retirement System	1

<p>Item 1 File 14-0238</p>	<p>Departments: Controller’s Office, Mayor’s Office, Airport, Port, Public Utilities Commission, Public Library, Department of Child Support Services, Employee Retirement System</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would adopt a fixed two-year budget cycle, define terms and set deadlines for the Airport, Port, Public Utilities Commission, Public Library, Department of Child Support Services and the Employee Retirement System.

Key Points

- On November 4, 2009, the San Francisco voters approved Proposition A, which established a two-year budget cycle for selected departments, in accordance with Charter Section 9.101. In 2012, the Board of Supervisors approved an initial fixed two-year budget cycle for the following three City enterprise departments: (1) Airport, (2) Port, and (3) Public Utilities Commission for FY 2012-13 and FY 2013-14.
- The proposed resolution would adopt a fixed two-year budget cycle for FY 2014-15 and FY 2015-16 for the following six departments: (1) Airport, (2) Port, (3) Public Utilities Commission, (4) Public Library, (5) Employee Retirement System, and (6) Department of Child Support Services.

Fiscal Impact

- There may be minor reductions in budget and management staff time allocated to prepare and review the FY 2015-16 budgets by the six individual departments, the Mayor’s Office, Controller’s Office and the Board of Supervisors.

Policy Consideration

- This resolution setting a fixed two-year budget for six City departments will not be approved by the full Board of Supervisors until April 1, 2014, although the Charter provides that no later than February 1 the Mayor and the Board of Supervisors should determine the fixed two-year budget cycle. The City Attorney advises that the February 1 deadline is directory rather than mandatory. However, in future even-number years, the Mayor and the Board of Supervisors, working with the Controller’s Office, should endeavor to approve such a resolution no later than February 1.

Recommendations

- Amend the first page, line 7 of the resolution to specify that Section 9.101 is in the City’s Charter, by inserting the words “City Charter” after WHEREAS, Section 9.101 of the.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

Section 9.101(g) of the City's Charter provides that, no later than February 1¹ of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle for some or all City departments and offices shall be a fixed biennial budget in effect for two fiscal years. If a fixed biennial budget is approved, the City would not adjust the second year of a fixed budget cycle, unless: (a) the Controller projects that the City will experience significant increases or decreases in revenues or expenditures during the second year of the two-year fixed budget cycle, for which the Controller will submit a report to the Mayor and the Board of Supervisors identifying such increases or decreases; and (b) responding to this Controller's report, the Mayor prepares and submits a proposed amendment to the biennial budget to the Board of Supervisors, which the Board may approve or amend by July 15th. In accordance with Section 9.101(g) of the Charter, the Board of Supervisors resolution declaring the fixed biennial budgets, shall include (a) a definition of the term "significant increases or decreases in revenues or expenditures", (b) a deadline for the Controller's submission of a report identifying such increases or decreases, and (c) a deadline for the Mayor to submit a proposed amendment to the biennial budget to the Board of Supervisors, in response to the Controller's report.

However, it should also be noted that Section 9.101(h) of the City's Charter specifies that nothing in the above-noted section of the Charter shall limit the Mayor or a member of the Board of Supervisors from introducing an amendment to a biennial budget at any time during the budget cycle.

BACKGROUND

On November 4, 2009, the San Francisco voters approved Proposition A, which established a two-year budget cycle for selected departments, in accordance with Charter Section 9.101. In 2012, the Board of Supervisors approved an initial fixed two-year budget cycle for the following three City enterprise departments: (1) Airport, (2) Port, and (3) Public Utilities Commission for FY 2012-13 and FY 2013-14.

Although a fixed two-year budget was approved by the Mayor and the Board of Supervisors for FY 2012-13 and FY 2013-14, in May of 2013, the Mayor and the Board of Supervisors approved supplemental appropriations for the Airport, Port and the Public Utilities Commission to amend these three enterprise department's FY 2013-14 operating and capital budgets.

¹ According to Mr. Jon Givner of the City Attorney's Office, this February 1 deadline is directory rather than mandatory. The Mayor and the Board of Supervisors may therefore adopt a two-year budget for specified departments even if they adopt the subject resolution after the February 1 deadline.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would adopt a fixed two-year budget cycle for FY 2014-15 and FY 2015-16 for the following six departments:

1. Airport,
2. Port,
3. Public Utilities Commission,
4. Public Library,
5. Employee Retirement System, and
6. Department of Child Support Services.

Ms. Monique Zmuda, Deputy Controller advises that based on discussions between the Mayor's Office and the Controller's Office, these three new City departments (Public Library, Employee Retirement System and the Department of Child Support Services) are proposed to be added to the three existing enterprise departments (Airport, Port and Public Utilities Commission) for a fixed two-year budget cycle because (a) the Public Library has a fixed baseline budget appropriation which is set by Charter that is fairly predictable from year to year; (b) the City pays required General Fund contributions for City employees into the Employee's Retirement Board budget, which are also predictable from year to year; and (c) the Department of Child Support Services budget is set by the State of California.

In accordance with Section 9.101 of the Charter, the proposed resolution also defines significant increases or decreases in revenues or expenditures as greater than a five percent difference between the projected and the adopted budget for operating or capital expenditures or revenues for the second year of the department's biennial budget, which is the same definition as the current two-year fixed budget.

In addition, the proposed resolution specifies a deadline of no later than March 1, 2015 for the Controller to submit a report to the Mayor and the Board of Supervisors on whether any of these six departments are projected to experience such significant increases or decreases in revenues or expenditures and a deadline of no later than June 1, 2015 for the Mayor to submit a proposed amendment to the biennial budget to the Board of Supervisors, in response to the Controller's report.

The proposed resolution does not identify the reference to the City's Charter. Therefore, the resolution should be amended on page 1, line 7 after WHEREAS, Section 9.101 of the..... to insert the words "City Charter".

FISCAL IMPACT

There are not anticipated to be any significant increases or decreases in costs or revenues by adopting the proposed resolution. However, there may be minor reductions in budget and

management staff time allocated to prepare and review the FY 2015-16 budgets by the six individual departments, the Mayor's Office, Controller's Office and the Board of Supervisors.

POLICY CONSIDERATION

The proposed resolution setting a fixed two-year budget for six City departments will not be approved by the full Board of Supervisors until at least April 1, 2014. However, the City's Charter provides that, no later than February 1 of even-numbered years, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budget for specified City departments will be a fixed two-year budget. As noted above, the City Attorney advises that the February 1 deadline is directory rather than mandatory, such that the Mayor and the Board of Supervisors may adopt a two-year budget resolution after the February 1 deadline. However, in future even-number years, the Mayor and the Board of Supervisors, working with the Controller's Office, should endeavor to approve such a resolution no later than February 1.

RECOMMENDATIONS

1. Amend the first page, line 7 of the resolution to specify that Section 9.101 is in the City's Charter, by inserting the words "City Charter" after WHEREAS, Section 9.101 of the.
2. Approve the proposed resolution, as amended.

*Received
on 3/26/14*



Adopting 2 year fixed budgets
Budget and Finance Committee

March 26, 2014



2-year budgeting background

- November 2009 - voters adopted Proposition A
 - Financial policies
 - 5-year financial planning
 - 2-year budgeting
 - Labor contract deadlines

- FY 2012-2014 - first “fixed” two year budget adopted by the board
 - Included PUC, Airport and Port
 - MTA previously fixed by charter

- All other departments remained rolling two-year budgets



Expanding 2-year fixed budgeting

- Resolution today continues 2-year fixed budgets for PUC, Airport and Port; and
- Adds three additional departments:
 - Library – baseline and set-aside
 - Child Support Services – state funding
 - Retirement – predictable
- Focuses on departments with predictable revenue and expenditure outlooks
- All other departments remain “rolling” 2-year budgets



Questions?

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Edwin M. Lee* Mayor Edwin M. Lee *fe*
RE: Adopting a Fixed Two-Year Budget for Airport, Port, PUC, Library, Child Support Services, and Retirement Board
DATE: March 11, 2014

Attached for introduction to the Board of Supervisors is the resolution adopting a fixed two-year budgetary cycle for the Airport, the Port, the Public Utilities Commission, the Library Department, the Department of Child Support Services, and the Employee Retirement Board, defining terms and setting deadlines.

Please note this item is cosponsored by Supervisor Farrell.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

RECEIVED
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SAN FRANCISCO
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