

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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

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<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>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • 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.