

DRAFT Report
Budget Process Workgroup
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Shared Goals:

- Policy based budget decision making
- Sufficient time for adequate budget review and analysis
- Increased budget accountability and transparency
- Longer-term fiscal planning

Section I - Key Elements Discussed and Agreed To:

I. Implementing Fiscal Policies

Concept: We need financial policies that guide decisions about the future and allow us to weather economic turbulence

Method: Introduce a Charter amendment that sets out a timeline and process for implementing formal fiscal policies by a date certain. Require the Mayor and a 2/3 majority of the Board both to institute and to modify or eliminate a given policy. Financial policies should include:

- Realistic reserve goals and methods to replenish including some use of "one-time" funding to build
- A clear definition of "one-time" revenue that acknowledges the difference between revenue for capital investment and revenue for services
- A mechanism for recognizing and smoothing predictable revenue spikes such as the one caused by our recent property tax experience
- A way to monitor the use of work orders between departments so they do not undermine anticipated funding levels in those departments being charged
- Setting debt parameters

Any process to develop such fiscal policies must include input from the same stakeholders that have been participating in this discussion and must include clear measures of success and accountability.

II. Five Year Financial Planning

Concept: We need to plan in a way that allows us to sustain our programs and fulfill our obligations

Method: Expand revenue forecasts from the current 3 years to 5 years to better plan for fluctuations in revenue and to better synchronize labor contract renewals. 5-year financial planning is currently used in New York, LA and San Jose.

III. Set Aside Reform

Concept: We need to ensure that enough general fund money is available to fund critical social service and infrastructure programs

Method: Introduce a Charter amendment that makes the following modifications to existing and future set asides:

- Apply a cap to existing set asides
- Require that existing set asides return surplus funding to the general fund in difficult economic times

- Require that any new set aside ballot measure or initiative identify a new source of funding

Section 2 - Key Elements Discussed:

I. Two-Year Budgeting

Concept: **We need more time for longer-range planning, analysis and policy discussion within each budget cycle**

Method: Introduce a Charter amendment that phases in a two-year budget process within the city for the purpose of allowing more time for long-range planning and freeing up stakeholders within the city for policy discussions. A longer budget cycle also limits the ability to defer difficult budget decisions by pushing a deficit to subsequent years.

Open Issue: **Any such change must maintain the balance of power and increase the influence of the Board and the Public in the larger policy discussions.**

Note: Under any budgeting period there is agreement that the Board of Supervisors must have a longer budget review period

II. Collaboration and Reconciliation

Concept: **We need a collaborative process that brings all of the parties together early and often**

Suggested Methods Include:

- Holding hearings in October on the Budget Instructions to reveal policy differences between the Mayor and the Board of Supervisors
- Increasing the communication and collaboration between the Mayor and the Board of Supervisors by developing a process to prioritize funding decisions at the start of the budget process.
- Holding joint departmental budget hearings to review department budget submittals with the Mayor's Office and the Board's Budget Committee early in the year
- Increased outreach by the Mayor and the Board to the general public regarding budget priorities.

III. Policy Based Budgeting

Concept: **We need to find a way to increase policy-based decision making**

Suggested Methods Include:

- Budget Instructions to Departments should provide policy direction.
- Addbacks should be analyzed by department staff and the Board's Budget Analyst.

IV. Office of OMB

Establish a professional Office of Management and Budget, utilizing existing staff to keep it revenue neutral, which will be responsible for annual budget development and financial planning for the City and County of San Francisco and accountable to both the Mayor and the Board of Supervisors.