



REPORT TO COUNCIL

City of Sacramento

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www.CityofSacramento.org

STAFF
August 25, 2009

**Honorable Mayor and
Members of the City Council**

Title: Report Back: Proposed City Independent Budget Analyst

Location/Council District: Citywide

Recommendation: Discussion and direction to staff on placing the City Independent Budget Analyst ordinance on the June 2010 ballot or bring the ordinance forward for City Council adoption.

Contact: Russell T. Fehr, City Treasurer (916) 808-5168

Presenters: Russell T. Fehr, City Treasurer (916) 808-5168

Departments: City Treasurer

Division: City Treasurer

Organization No: 05001011

Description/Analysis:

Issue:

On August 11, 2009 the City Council meeting heard a report regarding the Independent Budget Analyst Ordinance initiative petition which has been certified by the County Registrar of Voters as having sufficient signature to qualify for placement on a City of Sacramento ballot. At that meeting, Council directed staff to provide information on recommended staffing levels and a cost estimate as well as information on other cities with a similar office. A recommended minimum staffing of 3.0 FTE would be needed plus office equipment, supplies and services for an estimated cost of \$500,000. More detail on the recommendation and the requested information is included in the background section of this report.

Policy Considerations:

An ordinance establishing a City Independent Budget Analyst will either be approved by the Mayor and City Council or be placed on the June 2010 ballot. In order to make an

informed decision, the Mayor and City Council should be provided with a staffing and cost estimate for an Independent Budget Analyst.

Environmental Considerations: California Environmental Quality Act (CEQA):

This action is not subject to the CEQA because it is not a "project" as defined in section 15378 of the CEQA Guidelines. Even if it were a project, it would be exempt under section 15061(b)(3) of the CEQA guidelines, which provides as follows: "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

Sustainability Considerations: None

Commission/Committee Action: None

Rationale for Recommendation:

In order to perform the function and duties called for in the Independent Budget Analyst Ordinance, staff and budget are required. As a starting point a staff of three is being recommended

Financial Considerations:

The cost of the Independent Budget Analyst Office under the staff of three model would be approximately \$500,000. There could be some distribution of the cost of the office to other funds which would reduce the overall cost to the General Fund. The initial budget could also assume that the work performed would result in lower expenditures at least equal to the gross cost.

Emerging Small Business Development (ESBD): Not Applicable

Respectfully Submitted by: 
Russell T. Fehr
City Treasurer

Recommendation Approved:

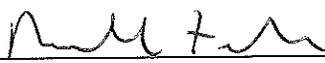

Russell T. Fehr
City Treasurer

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ATTACHMENT 1**BACKGROUND**

An ordinance creating an Independent Budget Analyst for the City has qualified for placement on the June 2010 ballot. The Mayor and City Council may choose to adopt the ordinance rather than placing the proposal on the ballot for voter approval. The Mayor and City Council have requested information regarding potential staffing level and budget for the Independent Budget Analyst for use in making the decision on adopting the ordinance or placing the ordinance on the ballot.

The proposed role of an Independent Budget Analyst would be to provide analysis and advice to City Council on the annual budget and any amendments proposed by the executive officer (Mayor or City Manager) and on all legislative items that have a financial and policy impact to the City. This structure/role is similar to that of the State of California's Legislative Analyst Office (LAO). In this structure, the Governor's Department of Finance prepares the budget, and the LAO serves as the Independent Budget Analyst on behalf of the State Legislature.

On behalf of the City Council, the Independent Budget Analyst could provide detailed research and analysis including the preparation of reports with specific recommendations that are in addition to, or an analysis of, the work completed by the Budget Office on behalf of the Mayor or City Manager

Three other cities in California have an independent budget analyst which perform similar functions as summarized in the following table:

CALIFORNIA CITIES WITH AN INDEPENDENT BUDGET/ANALYST OFFICE

CITY	BUDGET (approximate)	STAFF	FUNCTIONS
San Diego	\$1,800,000	11.0	<ul style="list-style-type: none"> • Review of Annual Budget • Legislative Review • Financial Monitoring • Resource to Council and it Committees • Proactive Reports
Los Angeles	\$4,000,000	50.0	<ul style="list-style-type: none"> • Review of Annual Budget • Legislative Review • Financial Monitoring • Resource to Council and it Committees • Public information function for the Council • Provides office administrative support to Council
San Francisco (contracted out)	\$2,200,200	14.0	<ul style="list-style-type: none"> • Review of Annual Budget • Financial Analysis Conduct management audits as requested.

These cities, however, are not readily comparable to the City of Sacramento. San Francisco is a combined city and county with a budget of approximately \$6 billion. San Diego has a budget of approximately \$3 billion, or over three times the size of Sacramento's Budget. In addition, the office was created in the aftermath of scandal involving criminal misbehavior by financial officials and council members. Los Angeles is a much larger city; the city council has many more members than Sacramento's, and the office provides administrative support to the larger council. Staff looked at other cities with a Strong Mayor structure and similar population level to Sacramento including Albuquerque, New Orleans, and Cincinnati and did not find a similar office in those jurisdictions.

The suggested initial staffing level for a Sacramento Independent Budget Analyst is three full time positions:

Independent Budget Analyst (Department Director)

Senior Management Analyst

Management Analyst

The three position office would require office space and a services and supply budget. The budget should provide for some capacity to obtain professional services for specialized studies or aspects of projects. Given the downsizing of the City, existing space may be found in City Hall.

The staffing level and budget recommendation is partially based on the current and future budget challenges facing the City. With a staff of three, the Independent Budget Analyst will have the capacity to provide a core level of support to the City Council. Anticipated results would include:

- The City Council would receive alternate budget recommendations with a focus on issues of Council-designated priority.
- The independent review and analysis of basic budget assumptions should result in more accurate budgets.
- The City Council would have the capacity to direct research and reports back during the annual budget hearings.
- The City Council would receive separate policy and financial review of relevant agenda items.
- The City Council would have the ability to direct special studies. Providing additional staff would primarily enhance the capacity to perform special studies.

In recommending this staffing level several key assumptions have been made:

- The City's Proposed and Approved Budget's will be prepared by the Budget Office on behalf of the Mayor or City Manager. The Independent Budget Analyst would review this budget, comment on major assumptions, and proposed alternate courses of action for consideration by the Council.
- The Independent Budget Analyst would analyze and comment on agenda items

prepared by City Departments.

- The will be a high level of cooperation and data sharing among the Independent Budget Analyst, the Finance Department, and all other City Departments.

Costs and Funding

The following table summarized the expenditures for the Independent Budget Analyst at the recommended staffing level.

Category	Estimated Expenditure
Staff	\$420,000
Supplies, Office Equipment, Travel, Training	\$30,000
Professional Services	\$50,000
 Total	 \$500,000

The Independent Budget Analyst could be funded on a citywide, rather than strictly General Fund, basis. The various enterprise and special revenue funds would pay pro rata shares of the cost. Under this scenario, the net General Fund costs would be about \$370,000 and other funds would pick up \$130,000 in new expenditures. In addition, the initial budget could be based on an assumption that alternative view of the budget and the fiscal impacts of agenda items would result in cost reductions at least equal to the cost.

Relationship to Internal Auditor

The City has included within the budget an Internal Auditor reporting to the City Council with an overall staff of four. Since both the Internal Auditor and the Independent Budget Analyst would report to the City Council, mutual support and a high level of coordination would result in greater efficiency and more capacity to perform work as directed by the City Council.