

Item No. **17-1**

“To Be Delivered” Material

For

City of Sacramento

City Council

Financing Authority

Housing Authority

Redevelopment Agency

Agenda Packet

Submitted: January 29, 2010

For the Meeting of: February 2, 2010

The attached materials were not available at the time the Agenda Packet was prepared.

Title: Independent Budget Analyst Initiative

Contact Information: Matthew Ruyak, Supervising Deputy City Attorney
(916) 808-5346

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REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Discussion
February 2, 2010

Honorable Mayor and
Members of the City Council

Title: Independent Budget Analyst Initiative

Location/Council District: Citywide

Recommendation: Direct staff to: (1) return to Council with the Independent Budget Analyst ordinance for Council adoption; or (2) return to Council with a resolution calling the qualified initiative to the June 8, 2010, ballot.

Contact: Matthew Ruyak, Supervising Deputy City Attorney, 808-5346

Presenters: Matthew Ruyak

Department: City Attorney's Office

Division: N/A

Organization No: 03001011

Description/Analysis

Issue: The Sacramento County Registrar of Voters certified the sufficiency of signatures on the Independent Budget Analyst ordinance initiative and the City Council accepted the Registrar of Voters Certificate of Petition on August 6, 2009. The legal options available to the City Council are presented in the background section of this report.

Policy Considerations: The actions outlined in this report are in accordance with the California Elections Code and the Sacramento City Charter.

Environmental Considerations: None.

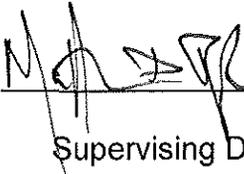
Sustainability Considerations: None.

Commission/Committee Action: None.

Rationale for Recommendation: The City's acceptance of the Certificate of Petition creates a mandatory obligation of the City Council to take action on the initiative. City Council's options are set forth in the background section for the City Council's consideration.

Financial Considerations: According to the City Treasurer's estimates, the present cost for establishing a separate Office of Independent Budget Analyst is approximately \$500,000 per year, if the recommended 3 FTE model is implemented. By the initiative's terms, the office must remain in place for at least nine years. If the initiative ordinance is the only measure on the June 8, 2010, ballot, the estimated cost is \$104,000.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: 
Matthew D. Ruyak
Supervising Deputy City Attorney

Recommendation Approved:

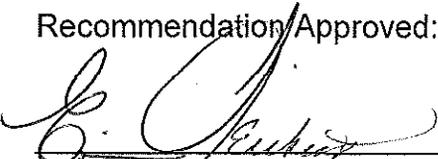

Eileen M. Teichert
City Attorney

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ATTACHMENT 1

Background:

The "Independent Budget Analyst Act of 2009" initiative petition circulated by proponent Thomas W. Hiltachk was certified by the County Registrar of Voters as having sufficient signatures to qualify for placement on a City of Sacramento ballot. The initiative would amend the Sacramento City Code by creating a new Office of the Independent Budget Analyst. The office's function would be to assist the City Council in conducting budgetary inquiries and making budgetary decisions.

Under the City Charter, the initiative petition needed at least 21,622 (i.e., 10% of registered voters) valid signatures of duly qualified electors of the City to qualify for a regular election; or 32,433 (i.e., 15% of registered voters) to qualify for a special election. Pursuant to California Elections Code sections 9115 and 9211, the County Registrar randomly sampled 3% of the submitted signatures. Of those 1095 signatures, 840 were sufficient and 255 were insufficient. Extrapolating from the total number of submitted signatures yields 28,000 valid signatures. Thus, the County Registrar of Voters verified that the petition did contain valid signatures of at least 10% of the electorate, but not more than 15%, qualifying the initiative for placement on a regular election ballot.

The Sacramento County Registrar of Voters submitted a Certificate of Petition, detailing the number of petition signatures, to the City Clerk on July 28, 2009, and the City Council accepted that Certificate on August 6, 2009. The City Council's acceptance of the Certificate triggers certain obligations of the City Council.

As stated above, the initiative has qualified for a regular election ballot. Under City Charter section 161(b) the City Council has the following options:

1. Adopt the ordinance, without alteration; or
2. Submit the ordinance, without alteration, to the voters at the City's next regular election of June 8, 2010.

If the City Council adopts the ordinance, it must do so without alteration. However, the initiative measure provides that "the city council may amend this Act to further its purposes without submission to the voters." (Initiative Section 5, subd. (a); see Attachment 2.) That ability to amend also exists if the initiative is presented to the voters on June 8, 2010.

Pursuant to the California Elections Code, the City Council must act to place a measure on the ballot no less than 88 days prior to the election date – in this case, March 12, 2010. However, because the City consolidates its elections with the County of Sacramento, administrative deadlines dictate that the last practical day to act is February 23, 2010. Out of an abundance of caution, and because of additional steps if the Council submits the initiative to the voters, staff recommends the Council direct staff to return on February 16, 2010, for Council's final action on the initiative.

If the City Council adopts the initiative ordinance, or if the voters approve the initiative as a ballot measure, the Office of Independent Budget Analyst will exist and the City "shall appropriate a reasonable budget" for the office. (See Initiative Section 3; proposed Sacramento City Code, § 2.33.050.) The City must do so for at least nine years. (See Initiative Section 5, subds. (b),(c).) After nine years, the Council must "assess the cost savings attributable to recommendations of the Office," and if the assessment demonstrates the office is not providing a net cost savings to the City, the Council may abolish the office. (*Ibid.*) The City Treasurer's August 25, 2009, report provided the City Council an estimated cost of establishing the Office of Independent Budget Analyst. (See Attachment 3.) In sum, the City Treasurer estimated that at the recommended staffing level of 3 FTE, the current annual expenditure for the Office of Independent Budget Analyst would be \$500,000.

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO VOTERS

To the Honorable Clerk of the City of Sacramento:

We, the undersigned, registered, qualified voters of California, residents of the City of Sacramento, hereby propose an ordinance relating to the Office of Independent Budget Analyst and Department of Finance, and petition you to immediately submit this initiative to the City Council for submission to the voters of the City of Sacramento at a special election pursuant to Elections Code section 9214, or the next regular municipal election for which it qualifies.

Be it enacted by the People of the City of Sacramento:

SECTION 1. TITLE

This initiative measure may be known and referred to as the "Independent Budget Analyst Act of 2009."

SECTION 2. FINDINGS AND DECLARATION OF PURPOSE

A. The City of Sacramento is facing one of the worst budget crises in its history. Traditional sources of revenue to the City are experiencing a dramatic downturn, while the cost of providing and the demand for City services are increasing.

B. At the state level, the Legislative branch has benefitted from obtaining objective and unbiased advice from the Office of the Legislative Analyst. That office provides the state Legislature with fiscal analyses of policy proposals, critiques of the Governor's budget proposals and suggests long-term fiscal reforms. Other cities have created similar positions for the benefit of their city council.

C. The City Council and the taxpayers of the City of Sacramento will benefit from the same clear, objective, and unbiased analysis and advice regarding all legislative items bearing financial impacts to the City. Therefore, the People hereby enact the Independent Budget Analyst Act of 2009.

SECTION 3. ESTABLISHMENT OF OFFICE OF INDEPENDENT BUDGET ANALYST

Chapter 2.33 shall be added to Title 2 of the Sacramento City Code, as follows:

2.33.010 Office of Independent Budget Analyst

There is hereby created the Office of Independent Budget Analyst, a city department whose designated function is to assist the city council in the conduct of budgetary inquiries and in the making of budgetary decisions.

2.33.020 Independent Budget Analyst

(a) The Independent Budget Analyst is the administrative head of the department and shall be appointed by majority vote of the city council.

(b) The city council may remove the Independent Budget Analyst from office by a majority vote of the members of the city council at any time, with or without cause.

2.33.030 Qualifications of the Independent Budget Analyst

Appointees serving as Independent Budget Analyst shall have the professional qualifications of a college degree in finance, economics, business, or other relevant field of study or a relevant professional certification. In addition, such appointees shall have experience in the area of municipal finance or substantially similar equivalent experience. No person shall be eligible to serve as the Independent Budget Analyst or a member of the staff of the Independent Budget Analyst who, during the previous eight years, has served on the staff of a city chief executive officer or city councilmember, or has been a registered lobbyist with the city.

2.33.040 Duties of the Independent Budget Analyst

The duties of the Independent Budget Analyst shall include:

- (a) providing a formal, comprehensive review and analysis of the proposed annual budget;
- (b) gathering, organizing, and analyzing data and information relative to budgetary issues;
- (c) providing comparative studies of other cities as they relate to municipal finance;
- (d) engaging in fiscal forecasting and planning, including developing means of financing long-range capital improvement programs;
- (e) analyzing the city's past, current, and proposed revenues and expenditures;
- (f) reviewing existing and potential tax revenues;
- (g) analyzing federal, state, and local programs to determine sources of funding and appropriate expenditure options;
- (h) reviewing the economic effects of proposed legislation;
- (i) constructing economic models and indices as directed by the city council;
- (j) preparing fiscal and economic project analysis as directed by the city council;
- (k) providing policy research and fiscal analysis on proposed legislation;
- (l) preparing such other reports relating to budgetary and legislative policy concerns as directed by the city council; and
- (m) making recommendations to the city council in connection with the analysis, studies, and reports described herein.

2.33.050 Budget

The city shall appropriate a reasonable budget for the Office of Independent Budget Analyst.

2.33.060 Conflict of Interest Code

A conflict of interest code shall be adopted for the Independent Budget Analyst and staff of the Independent Budget Analyst, subject to city council approval. The Independent Budget Analyst and members of the staff of the Independent Budget Analyst shall be required to complete and file statements of economic interests in accordance with the conflict of interest code.

SECTION 4. DEPARTMENT OF FINANCE

Chapter 2.32 of Title 2 of the Sacramento City Code shall be amended, as follows (deletions of existing language are denoted by ~~strike out type~~ and additions of new language are denoted in underline type):

2.32.010 Department of Finance

The department of finance shall be responsible to the chief executive officer city manager for the financial affairs of the city.

2.32.020 Director of Finance

The director of finance shall have direct supervision over the department of finance and the administration of the financial affairs of the city and shall carry out any duties imposed by the city charter ~~and the chief executive officer or the controller~~. For purposes of this title, the director of finance shall mean the director or his or her designee.

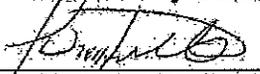
SECTION 5. AMENDMENT

- (a) Notwithstanding Elections Code section 9217, the city council may amend this Act to further its purposes without submission to the voters.
- (b) After nine years, but not later than ten years after the effective date of this Chapter, the city council shall assess the overall cost to operate the Office of Independent Budget Analyst, and the cost savings attributable to recommendations of the Office of Independent Budget Analyst.
- (c) After the assessment required by subdivision (b) of this Section is complete, the city council may by majority vote abolish the Office of Independent Budget Analyst if the assessment demonstrates that the Office of Independent Budget Analyst is not providing a net cost savings to the city.

Notice of Intent to Circulate Petition

Notice is hereby given by the person whose name appears hereon of his intention to circulate the petition within the City of Sacramento for the purpose of establishing the Office of Independent Budget Analyst. A statement of the reasons of the proposed action as contemplated in the petition is as follows:

The City of Sacramento is the seventh largest city in California, but its City government currently functions as that of a much smaller city. Sacramento is facing serious budgetary challenges, and Sacramento's elected officials require more sophisticated expertise and guidance on budgetary matters. The establishment of an Independent Budget Analyst to provide clear, objective and unbiased analysis and advice to the City Council will greatly assist the City Council and the taxpayers of Sacramento.


Thomas W. Hiltachk



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

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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

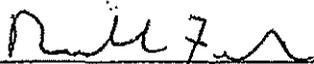
Rationale for Recommendation:

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:

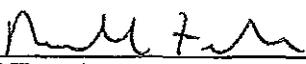

Russell T. Fehr
City Treasurer

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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 Commlltees • 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.