



Research Report

Council-Initiated Supplemental Budgeting

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Statement of Problem

Denver City Council is interested in clarifying/explicitly stating that Council has the authority to initiate a supplemental spending bill at any time during the year. Currently, Council is only able to initiate a spending change during the annual budget cycle in November.

Methodology

I researched strong-mayor cities using custom search terms to identify supplemental budget procedures. I also consulted with staff and elected officials in other municipalities. These budgeting powers are not always self-evident, which makes a comprehensive search difficult. The majority of these provisions were found by a full read of the cited city's charter or with assistance from experts within the specific city.

Background

City budgeting procedures are located in Article 7 of the Denver Charter. [Section 7.3.2](#) of the Denver Charter states that "[t]he Mayor and the cabinet may recommend an ordinance to the City Council transferring funds from one administrative department or office to another, when in their judgment the public service requires it, and the City Council shall act thereon in the same manner as provided in the Charter for the Mayor's annual appropriation ordinance."

Findings

Many cities, either explicitly in Charter or by practice, allow their City Council to initiate supplemental budgeting throughout the year.

Structure of Supplemental Budgeting Authority

There are five major areas where City Councils can assert their supplemental budgeting authority. City Councils can spend excess revenue; spend the unencumbered balances of an appropriation; use city funds to address a public emergency; decrease and increase specific appropriations, as long as the total appropriation amount stays the same; and change Mayor-initiated supplemental amendments to fund other projects. Full citations for each city are included at the end of the report.

I. Spend Excess Revenue

Many City Councils have the ability to appropriate funds if the city will have excess revenue. Dearborn, Michigan provides a clear example of this in §2-527 of their municipal code. They

state that the city council may make supplemental appropriations when excess revenues become available due to: (1) An obligated surplus from prior years becoming available; (2) Current year revenue exceeding original estimates in amounts great enough to finance increased appropriations; (3) Grants, gifts, donations, contributions or other unanticipated revenues.

II. Spend Unencumbered Balance of an Appropriation

City councils in St. Petersburg, Florida and Lansing, Michigan can re-appropriate money when a fund has an unencumbered balance. It is important to note that a supplemental spending bill under this section must be a legal use of the original revenue source.

III. Appropriate City Funds in Public Emergencies

Philadelphia and Detroit provide clear examples of supplemental appropriation power when a public emergency occurs. Both give Council greater spending power to spend additional money not in the city's original budget. Detroit's charter authorizes the City Council to issue "emergency notes in a manner consistent with state law" to cover costs and Philadelphia authorizes the use of loan funds.

IV. Increase and Decrease Specific Appropriations within A Fund

San Francisco's Charter gives the Board of Supervisors power to "increase or decrease any proposed expenditure in the General Fund or any special, sequestered or other fund" as long as the total changes do not result in expenditures exceeding the total amount proposed by the Mayor from any such fund.

V. Change Mayor-initiated Supplemental Appropriations to go to Other Funds

San Diego's Municipal Code gives the Mayor the power to initiate spending excess revenues, but states that once the Mayor makes recommendations, "City Council may ... modify such recommendation in whole or in part, up to the total amount recommended by the Mayor."

Specific Procedures

Below are city-specific examples of supplemental budgeting procedures.

I. Large Cities with Explicit Procedures

In addition to the cities listed below, Baltimore's City Council is exploring the ability to make supplemental appropriations.

Philadelphia, PA

Philadelphia states that, generally, City Council is not allowed to make supplemental appropriations. There are four exceptions to that general rule: 1) to meet unanticipated emergencies, 2) to pay expenses of certain elections, 3) to pay financial settlements awarded by the Civil Service Commission, and 4) to pay costs of Council investigations.

Columbus, OH

Columbus's Charter grants City Council the discretion to appropriate any unappropriated accruing revenue. The charter also allows the council to transfer money between departments if they have mayoral approval.

Detroit, MI

Under Detroit's Charter, if the Mayor advises the City Council that there will be excess revenues, the City Council may appropriate the funds within their discretion.

San Francisco, CA (City and County)

San Francisco is, like Denver, both a city and a county. San Francisco's Charter and Administrative Code allow for supplemental budgeting. The Charter grants the Mayor or a member of the Board of Supervisors ("the Board") power to recommend amendments to the appropriation ordinance. All amendments to the budget must be approved by the Board. If an amendment to the appropriation ordinance contains an item that was rejected by either the Mayor or the Board, it requires a two-thirds vote of all members of the city council. The administrative code allows agencies and other entities to make requests with approval of the Board.

II. Large Cities with Practices that are not Codified

Per email and phone conversations with the cities of San Diego and Los Angeles, their City Councils have a role in supplemental budget requests.

San Diego, CA

Per email conversation, I was informed that in San Diego, the city performs a mid-year budget assessment. If that assessment projects a surplus and *only if* the Mayor proposes to spend some of that projected surplus within the fiscal year, the Council has the authority to approve that additional/new expenditure or, alternatively, spend that same amount (or some portion thereof) on any other budget priority of within their discretion.¹ Portions of this practice are codified in the San Diego Code.

Los Angeles, CA

Per phone and email conversation, I was informed that the Los Angeles City Council has supplemental budgeting authority. This requires a majority vote of council to do so.

III. Medium and Small Cities with Codified Procedures

Additional strong-mayor cities that allow their city councils to initiate supplemental budgeting procedures include St. Petersburg, Florida; Lake Placid, Florida; Lansing, Michigan; and Dearborn, Michigan. Their code and charter provisions are included in the Appendix to this report.

¹ Conversation with Jeff Kavar, Deputy Director of the San Diego Office of the Independent Budget Analyst. Oct. 11, 2019.

APPENDIX A – Cited Charter Provisions

Philadelphia, PA

[Phila. Charter, §2-301. Other Appropriations.](#)

The Council may not make any operating appropriations in addition to those included in the annual operating budget ordinance except:

- (a) To meet emergencies which could not be anticipated when the operating budget ordinance was passed;
- (b) To pay the expenses of holding recall and special elections and elections on proposals to amend this charter;
- (c) To pay such salary as the Civil Service Commission, pursuant to the provisions of this charter, may have awarded to a Managing Director whose dismissal by the Mayor the Commission found to be unwarranted;
- (d) To pay the costs of council investigations and inquiries and the compensation of attorneys retained by the Council as authorized by this charter.

Unless paid for out of current revenues, all amounts appropriated under this section must be included as liabilities of the City in the next succeeding annual operating budget ordinance and except to meet emergencies, operating expenses shall neither be appropriated nor paid out of loan funds.

Columbus, OH

[Columbus Charter, §28. - Transfer of funds.](#)

The council may at any time, with the approval of the mayor, transfer money so appropriated for the use of one department, division or purpose, to any other department, division or purpose; but no such transfer shall be made of money derived from the sale of bonds or of revenues or earnings of any non-tax supported public utility.

[Columbus Charter, §29. - Supplementary appropriation.](#)

Any accruing revenue of the city, not appropriated as hereinbefore provided, may from time to time be appropriated by the council to such authorized uses as it may by ordinance determine.

Detroit, MI

[Detroit Charter, §8-210. Amendments After Adoption.](#)

1. If during the fiscal year the Mayor advises the City Council that there are available for appropriation revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess.
2. To meet a public emergency affecting life, health, property or the public peace, upon request of the Mayor, the City Council may make emergency appropriations. To the extent that there are no available unappropriated revenues to meet those appropriations, the City Council may authorize the issuance of emergency notes as provided by this Charter or ordinance, in a manner consistent with state law.

San Francisco, CA

[S.F. Charter, §9.103](#)

The Board of Supervisors may amend the proposed biennial budget and appropriation ordinances as follows:

1. After review of the Controller's analysis of the Mayor's revenue estimates, the Board of Supervisors may reduce estimated revenues;
2. The Board of Supervisors may increase or decrease any proposed expenditure in the General Fund or any special, sequestered or other fund so long as the aggregate changes do not cause the expenditures from each fund to exceed the amount proposed for expenditures by the Mayor from any such fund; and
3. The Board of Supervisors may increase or decrease any proposed expenditure for Capital Improvements.

[S.F. Charter, §9.113\(c\)](#)

In the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget for any budgetary cycle and prior to the close of the budgetary cycle containing any item which had been rejected by the Mayor in his/her review of departmental budget estimates for the budgetary cycle or which had been rejected by the Board of Supervisors in its consideration of the Mayor's proposed budget for the budgetary cycle, it shall require a vote of two-thirds of all members of the Board of Supervisors to approve such supplemental appropriation ordinance.

[S.F. Admin. Code, §3.15](#)

Supplemental budget requests from any department, agency, board or commission subsequent to adoption of the annual budget for the current fiscal year shall follow the same process, except for time, as the annual budget process. The department, agency, board or commission head shall submit the original copy of the supplemental appropriation request in such detail as the Controller may prescribe for check as to completeness and form and simultaneously deliver a copy to the Mayor's Budget Office. If any supplemental appropriation ordinance, recommended by any department, agency, board, commission or elective officer, subsequent to the adoption of the budget for the current fiscal year and prior to the close thereof, contains any item which has been rejected or reduced by the Mayor in his or her review of departmental budget estimates for said current or prior fiscal years or which had been rejected or reduced by the Board of Supervisors in its consideration of the Mayor's proposed budget for said current or prior fiscal years, the fact of such rejection shall be indicated on said supplemental appropriation ordinance which will require two-thirds vote of the Board of Supervisors for passage.

St. Petersburg, FL

[St. Petersburg Charter, §2-125. Transfer of appropriations and supplemental appropriations.](#)

The City Council, by resolution, may transfer any part of an unencumbered balance of an appropriation to a purpose or object for which the appropriation for the current year has proved insufficient, or may authorize a supplemental appropriation to be made from unappropriated fund balances for any office, department, division or project.

[St. Petersburg Charter, §2-126. Appropriation of accruing revenue and unexpended balances.](#)

Any accruing revenue of the City not appropriated as provided in this division, and the balance at any time remaining after the purposes of an appropriation shall have been

satisfied or abandoned, may from time to time be appropriated by the City Council to such uses as will not conflict with any uses for which specifically such revenue accrued.

Lake Placid, FL

[Lake Placid Charter, §416. Supplemental appropriations; reduction of appropriations.](#)

If, during the fiscal year, revenues in excess of those estimated in the budget are available for appropriation, the Council, by ordinance, may make supplemental appropriations for the year up to the amount of such excess.

If at any time during the fiscal year it appears probable to the Mayor that the revenues available will be insufficient to meet the amount appropriated, he shall so notify the Council, which shall take such action as the chief administrative officer may recommend or as the Council deems necessary to prevent or minimize deficits, and for that purpose it may, by ordinance, reduce one (1) or more appropriations or transfer funds from one (1) or more accounts, with the limitation that no legal appropriation for debt service may be reduced and no account may be reduced below the amount required by law to be appropriated. The supplemental and emergency appropriations and reduction or transfer of appropriations authorized by this section may be accomplished by emergency ordinance.

Lansing, MI

[Lansing Charter, §7-108 - Supplemental appropriations.](#)

1. At any time during the fiscal year, the City Council may consider appropriations which modify the previously adopted annual appropriation to:

- (a) Transfer an unencumbered balance in whole or in part from any account or;
- (b) Provide for the expenditure of revenues in excess of those in the budget or;
- (c) Meet a public emergency affecting life, health, property or the public peace which

may require emergency appropriations as provided by law.

2. Supplemental appropriations shall be adopted by the affirmative vote of two-thirds of the Council members serving and the Finance Director shall give notice of such appropriations to all affected agencies within one week after the Council action.

Dearborn, MI

[Dearborn Municipal Code, §2-519. Amendment of the general appropriations resolution.](#)

Except as provided in section 2-526, a deviation from the original general appropriations resolution shall not be made without first amending the general appropriations resolution at a regular or special meeting of the city council. Such amendments shall be subject to veto by the mayor, as generally outlined in section 2-518, except the mayor may waive his right of veto if council votes to give such amendment immediate effect.

[Dearborn Municipal Code, §2-526. Transfers.](#)

(a) Transfers of the unencumbered balance, or any portion thereof, in any appropriation account may not be made without amendment of the appropriations resolution, as provided in section 2-519, except that transfers within a department and fund may be made by the fiscal officer, subject to the limitations of charter section 13.6 which provide in pertinent part, "No item within a departmental budget may be increased or decreased by more than ten percent by transferring funds within the departmental budget unless approved by Council." Transfers from the contingency reserve shall be made in

accordance with charter section 13.6 and are also excepted from amendment procedures provided by section 2-519.

(b) Transfers approved by the city council may be disallowed by the mayor according to the veto provisions of section 2-519 unless such transfer is an emergency transfer under charter section 13.6.

Dearborn Municipal Code. §2-527. Supplemental appropriations.

(a) The city council may make supplemental appropriations by amending the original general appropriations resolution for existing or new appropriations, as provided by section 2-519, provided that revenues in excess of those anticipated in the original general appropriations resolution become available due to:

(1) An obligated surplus from prior years becoming available.

(2) Current year revenue exceeding original estimates in amounts great enough to finance increased appropriations.

(3) Grants, gifts, donations, contributions or other unanticipated revenues.

(b) In no case may such appropriations cause total estimated expenditures, including an accrued deficit, to exceed total estimated revenues, including an unappropriated surplus. Supplemental appropriations approved by the city council shall be subject to veto by the mayor according to provisions of section 2-519.

San Diego, CA

S.D. Municipal Code §22.0229

The City Council, in considering the passage each year of the Annual Appropriation Ordinance pursuant to Section 71 of the Charter, shall consider this proposed appropriation and shall make any appropriation for general library operation, maintenance and supplies in accordance with Council Policy 100-19.

Mid-Year Amendments to the Adopted General Fund Budget

(a) In the month of February or at such time during any fiscal year after the City has six months of actual budgetary data and the Mid-Year Budget Monitoring Report is projecting a surplus or a deficit relative to the adopted General Fund budget, the Mayor shall report such deficit or surplus to the City Council and provide a recommendation to the City Council, and accompanying budget amendment resolution, to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or any portion of any projected surplus.

(b) The City Council may approve the Mayor's recommendation or modify such recommendation in whole or in part, up to the total amount recommended by the Mayor, in accordance with Charter section 290(b).

(c) Notwithstanding any other provision in this section, transfers of appropriations recommended by the Mayor pursuant to Charter section 73 shall not be considered budget amendments and shall not be subject to the provisions herein.

(d) Notwithstanding any other provisions in this section, other modifications to the budget proposed by the Mayor shall not be subject to the provisions herein.