



Council-Initiated Supplemental Budget Authority

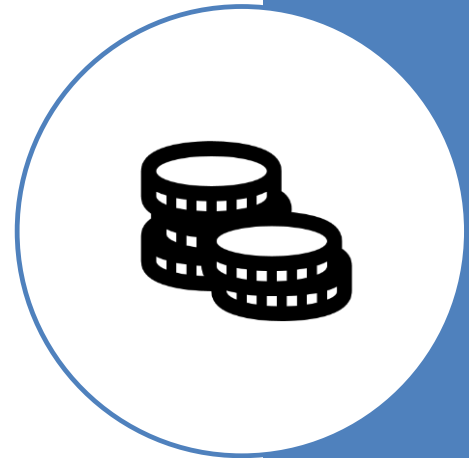
Finance and Governance Committee

June 16, 2020



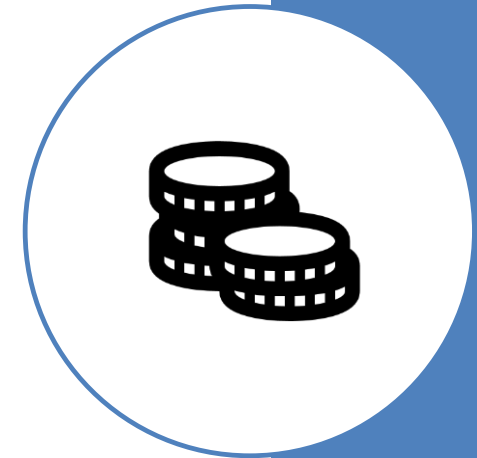
Council's Official Role in Budgeting-I

- ✓ Following September draft of annual budget, any recommendations from Council shall be *considered* by the Mayor before finalizing proposed budget released in October
- ✓ In November, Council *votes to approve* the annual budget & annual appropriations ordinance or “long bill” for coming year
- ✓ Councilmembers may *propose* amendments to annual budget, *adopted* with majority vote (or supermajority of 9 if Mayor rejected the initial amendment)



Council's Official Role in Budgeting-II

- ✓ Council *must vote to approve*, and could *amend*, any mid-year proposals from administration for supplemental spending not in budget, or to rescind a budgeted item and reappropriate funds elsewhere
- ❑ **Missing:** The ability to propose or initiate a mid-year change that is not brought forward by the administration.



Other Cities - I

Other City Councils have power to amend budgets mid-cycle/initiate supplemental spending throughout the year.

Large Cities with Explicit Charter Authority

- **Philadelphia, PA**
- **Columbus, OH**
- **Detroit, MI**
- **San Francisco, CA (City and County)**
- **Austin, Texas (City Manager)**

* **Baltimore** is currently considering a change similar to Denver's proposal



Other Cities - II

Large Cities with Practices (interpretations of less explicit charter language)

- San Diego, CA
- Los Angeles, CA

Medium/Small Cities with Charter Authority

- St. Petersburg, Florida
- Lake Placid, Florida
- Lansing, Michigan
- Dearborn, Michigan



Key Features of Proposal - I

- Consultation with Manager of Finance
- Authority to initiate appropriation of:
 - ✓ New revenue
 - ✓ Revenue in excess of estimate in the budget
 - ✓ Authorize a transfer of an unencumbered balance in whole or in part (non-enterprise funds only)



Key Features of Proposal -II

- Cannot conflict with any uses for which such revenue specifically accrued
- Cannot cause a deficit
- Same as other budget powers – majority, unless vetoed, then supermajority can override



Actual Language

During the fiscal year, the City Council, following consultation with the Manager of Finance, may authorize an ordinance appropriating new revenue or revenue in excess of those estimated in the budget, or may authorize a transfer of an unencumbered balance in whole or in part from a specified non-enterprise fund, provided the supplemental appropriation or transfer does not conflict with any uses for which such revenue specifically accrued. In no case may such supplemental appropriation cause total estimated expenditures, including an accrued deficit, to exceed total estimated revenues, including an unappropriated surplus. The City Council shall act on such supplemental appropriation or transfer in the same manner as provided in Section 3.3.5 of the Charter.





Questions?



Appendix

Structure of Supplemental Budgeting Authority in Other Cities

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.

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.



Structure of Supplemental Budgeting Authority in Other Cities (Cont.)

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.

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.

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.



Structure of Supplemental Budgeting Authority in Other Cities (Cont).

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."



City Specific Details

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.



City Specific Details (Cont).

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. 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.

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



City Specific Details (Cont).

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.

Austin, Texas

Austin, Texas is commonly considered a peer city to Denver. Austin differs from Denver as they are a “council-manager government.” As such, their City Council is the body vested with “all powers and authority which are expressly or impliedly conferred on or possessed by the city,” with some exceptions. The council has the power to appropriate any unencumbered balance to another agency, office, or department, provided the Director of Finance certifies there are funds available.

