



# Memorandum

**TO:** MAYOR REED

**FROM:** Councilmember Pete Constant

**SUBJECT:** BUDGET DOCUMENT

**DATE:** May 19, 2010

Approved 

Date

## RECOMMENDATION

That the following recommendation be enacted.

## BACKGROUND

### **City-Council Initiated Neighborhood Improvement Reserve Fund/Other Budget Proposals**

**Program/Project Title:** Council Office Expenditures/Budget Transparency

**Amount of City Funding Required:** \$ n/a

**Fund Type (i.e. General Fund, C&C funds, etc.):** General Fund: Mayor & Council Budgets

**Anticipated Outcomes:** Requested funding changes would affect benefits or services for San José residents, businesses, community groups, etc., as described below: (Use as much space as required.)

This will provide transparency in regards to the actual costs of operating the offices of the mayor and 10 council districts.

#### **Funding Source**

**Program/Project Title:** Council Office Expenditures/Budget Transparency

**Amount of City Funding Change:** \$ n/a

**Fund Type (i.e. General Fund, C&C funds, etc.):** General Fund

#### **Anticipated Outcomes:**

Mayor and Council budgets should not be treated differently than any other City department budgets. Unlike other departments, Council Office budgets are not listed separately in the City budget, rollovers of unencumbered funds are allowed, and a separate fund is set up for “common” expenses rather than charging each office their prorated share. With this type of accounting, there is no transparency and no incentive to save or control expenses.

While it appears to the public that Council offices operated on approximately \$250,000 for previous fiscal years, there are many direct office costs that are paid out of the Council General Fund, such as the Councilmembers’ and Administrative Assistants’ salaries as well as the fringe benefits, and retirement benefits for all staff, including the staff whose salaries are paid out of Council budgets. Therefore, the actual cost to run a Council Office for FY 09-10 truly is in excess of \$650,000.

To encourage openness and transparency in governmental budgeting it is recommended that the Council General Fund be reallocated to the Mayor and City Council Office Budgets. Analysis of recent budget expenditures has shown, typically, that the breakdown has been approximately 7.71% for each Council Office, 10% for the Vice-Mayor's office and 20.6% for the Mayor's office.

Some offices rely more than others on the Council General Fund to serve their constituency, resulting in a disparity between districts. For example, some offices choose to use a mail house to print, stuff and mail bulk mailings for community events. The use of a mail house cuts almost all of the administrative staff costs and is overall less expensive for materials and postage. This results in a significant savings of materials and staff time, but the entire expenditure is born by the individual Council office budget, not the Council General Fund. On the other hand, other offices rely on the 18<sup>th</sup> floor copy machines and staff to prepare mailings that then go out in the mail at a first class postage rate, resulting in higher postage rates and inequity in staff time. The costs are born by the Council General Fund, leaving the council budget unaffected as the Council General Fund becomes the funding source for a council district's community event. Additionally, each office is charged a prorated share for printing and postage, whether or not the office uses the service. As a second example, unused professional development funds are rolled over in the Council General Fund, rather than distributed to Council Offices. Councilmembers have no incentive to seek cost-cutting measures for the additional offices expenditures that have been traditionally paid for out of the Council General Fund, as they do not realize the benefit of these measures.

Additionally, not all offices receive equal staff funding from the Council General Fund. The inequity in staffing costs charged to Council General by different Council Districts leads to inequity in constituent services.

While there are expenses that are shared between Council Offices, the appropriate way to account for them is by charging each office for actual use as is done in nearly all other City Departments. This action will ensure a uniform distribution of funding among the Council Offices and therefore equal representation, while giving the public an accurate view of the real costs of constituent services.

There is no reason that the general public should not be able to see a clear picture of the actual costs of providing constituent services in the Mayor and Council district offices.

**Department or Organization:** Mayor and Council Offices

**Department or Organization Contact** (Please list contact information for the individual that certified cost estimates contained within your recommendation.)

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This change is:

One-time     Ongoing

The City Service Area to which the change best relates:

- |  |   |
|--|---|
| <input type="checkbox"/> Community & Economic Development Services | <input type="checkbox"/> Environmental and Utility Services   |
| <input type="checkbox"/> Neighborhood Services                     | <input checked="" type="checkbox"/> Strategic Support         |
| <input type="checkbox"/> Public Safety                             | <input type="checkbox"/> Transportation and Aviation Services |