




Memorandum

TO: MAYOR REED

FROM: Councilmember Pete Constant

SUBJECT: BUDGET DOCUMENT

DATE: May 21, 2009

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 Expenditure Openness

Amount of City Funding Required: \$ 3.8M

Fund Type (i.e. General Fund, C&C funds, etc.) Mayor and 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.)

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 prorata share. With this type of accounting, there is no transparency and no incentive to save or control expenses.

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.

While it appears to the public that Council offices operated on approximately \$250,000 for FY 08-09, 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 08-09 truly is in excess of \$650,000.

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 18th 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 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.

Funding Source

Program/Project Title: Council General Fund

Amount of City Funding Change: \$ 3.8M

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

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.)

Each elected office is autonomous from the rest with regard to the operation and expenditure of funds to carryout their service to their constituency. This autonomy is referenced in section 901 of the City Charter where it states "each member of the Council shall appoint any assistants to serve in his or her office". This section gives Councilmembers sole discretion over appointing their staffing, which is the vast majority of the cost of running an office. This is the same authority given to department directors. Councilmembers serve as the department director for each Council office and make the majority of operating expenditure decisions independent of other offices. However, this independence is limited, to the detriment of the City.

The proposed action would provide for the Council offices to act as individual departments consistent with the way that other City Departments operate and within the authority given by the City Charter. Most importantly, the public will easily be able to ascertain how much it costs to operate a Council office, providing a level of accountability for the expenditure of taxpayers' dollars that has been as of yet unavailable.

Department or Organization: Mayor and City Council

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

Name: _____

Phone number: _____

E-mail address: _____

This change is:

_____ One-time X Ongoing

The City Service Area to which the change best relates:

- Community and Economic Development Services
- Environmental and Utility Services
- Neighborhood Services
- Public Safety
- Strategic Support
- Transportation and Aviation Services