



Kate Harrison  
Vice Mayor, District 4

CONSENT CALENDAR  
April 12, 2022

To: Honorable Mayor and Members of the City Council  
From: Vice Mayor Harrison  
Subject: Budget Referral to Fund Mayoral Budgetary Analyses Pursuant to Charter Article VI. Section 24

RECOMMENDATION

Refer to the FY 23 and FY 24 Bi-annual Budget Process \$100,000 to provide the Mayor, on behalf of the Budget Committee and Council, the means to hire a certified public accountant throughout both fiscal years to provide supplemental assistance in fulfilling budgetary obligations pursuant to the Charter.

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

Neighboring cities such as San Francisco and Oakland have adopted the budgeting best practice of employing independent authorities or agencies to prepare budgets, including estimating revenues. Such services, whether provided by the Budget and Legislative Analyst in San Francisco, or outside consultants such as Harvey Rose in cities like Oakland, are not designed to undermine city administrative estimates and budgets, but rather provide supplemental information that empowers the legislative body to make well-informed decisions.

The Berkeley City Council currently lacks such a tool while at the same time its engagement with the budget process has increased significantly due to the establishment of the Budget and Finance Policy Committee in 2018. The Council's budgetary obligations are set forth in Charter Article X.

Fortunately, the City Charter already explicitly provides the Mayor with the authority and duty to employ accounting services to perform such functions and duties pursuant to Article VI. Section 24. While the Mayor already conducts an annual audit using a certified public accountant, the Council has not yet provided the resources to conduct more detailed independent budget analyses. This budget referral expands funding for this Charter section.

BACKGROUND

Independent fiscal institutions, also known as independent budget offices, are considered a best practice by the Organisation for Economic Co-operation and

Development “promote greater fiscal transparency and accountability; and raise the quality of public debate on fiscal policy.”<sup>1</sup>

Independent budget analysis is a fundamental principle across federal, state, and local legislative bodies. Since 1975, the U.S. Congressional Budget Office has supported the Congressional budget process through “independent analyses of budgetary and economic issues” and in support of the principles of objectivity and transparency. Similarly, for 75 years the California Legislative Analyst's Office (LAO) has provided fiscal and policy advice to the Legislature. Specifically, the LAO provides budget control, special reporting, and revenue and expenditure forecasting support services to the legislature.

The City and County of San Francisco Charter provides for a Budget Analyst, and since 1971, the Office has been managed by Harvey M. Rose, CPA. The Office is a joint venture partnership between Harvey M. Rose Associates, Debra A. Newman and Associates, Louie & Wong LLP Certified Public Accountants.<sup>2</sup>

The Budget Analyst's responsibilities include reviewing proposed annual budgets and report recommendations to the Board of Supervisors Finance and Labor Committee, and performing special fiscal analyses as requested.

In 2021, Oakland City Council also retained Harvey Rose to assist with budget preparation and analysis, including:

- Overview of General Purpose Fund revenues and expenditures, including multi-year budget-to-actual analysis of all General Purpose Fund departments;
- Review of the Non-Departmental budget;
- Detailed review of the proposed Police and Fire Department's budgets, including a review of overtime. Additionally, seek out and report on best practices to control overtime expenditures;
- Analysis of major areas of budget year increases, including increases in the number of FTEs over the past three years;
- Analysis of positions, vacancies, and salary savings;
- Analysis of potential assistance from federal and state sources of COVID-19 related economic relief;
- Review of key non-General Purpose funds and the allowable uses of unspent monies, including, but not necessarily limited to the Development Services Fund, Measure BB, and Measure Z funds;
- Review of the City Administrator's revenue projections for the upcoming two-year budget;
- Review and comparative analysis of the City's Finance Department structure;
- Analysis of contract contingencies, administrative projects, and other unspecified accounts;
- Analysis of encumbrance and reserve amounts; and
- Analysis of multi-year projects.

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<sup>1</sup> “Recommendation of the Council on Principles for Independent Fiscal Institutions, Public Governance and Territorial Development Directorate OECD Senior Budget Officials, February 2014, <https://www.oecd.org/gov/budgeting/OECD-Recommendation-on-Principles-for-Independent-Fiscal-Institutions.pdf>.

<sup>2</sup> Budget & Legislative Analyst, San Francisco Board of Supervisors, <https://sfbos.org/budget-legislative-analyst>.

- Review the City's Five Year Financial Forecast and provide revenue estimates for two proposed ballot measures (an expansion of the Transient Occupancy Tax and the establishment of a tax on transportation network companies and delivery network companies).<sup>3</sup>

Such analyses bolster confidence in budgeting and legislative decision-making processes.

The Berkeley City Charter Article VI. Section 24 explicitly provides the following obligation to the Mayor and Council to examine and report on the city's books, records and reports related to the Auditor, revenues, and expenditures. The Mayor already employs a certified public accountant to audit the City's books, records, and reports, but existing Council funding does not include a more detailed budgetary analysis akin to those completed in San Francisco and Oakland:

**Section 24. Mayor to have City's books examined**

The Mayor shall employ, for a stipulated compensation, at the beginning of each fiscal year, a certified public accountant, who shall examine, at least once during the year, the books, records and reports of the Auditor and of all officers and employees who receive or disburse City moneys, and the books, records and reports of such other officers and departments as the Mayor may direct, and annually, after the close of each fiscal year, make a report of such examination. Such report shall be presented to the Mayor and copies thereof shall be filed with the Auditor, City Manager and City Clerk. Such accountant shall have unlimited privilege of investigation, to examine under oath or otherwise all officers, clerks and employees of the City, and every such officer, clerk and employee shall give all required assistance and information to such accountant, and submit to them for examination such books and papers of their office as may be requested, and failure to do so shall be deemed and held to be a forfeiture and abandonment of their office. The Council shall provide for the payment of the services of such accountant.

Currently, in preparing the budget, the Council relies on revenue forecasts and other budget information from the Finance Department, which may be appropriately conservative for administrative functions, but which may not always provide the Council with the full range of budgetary and legislative responsibilities vested to it by the City Charter.

Even though the Council is already obligated by the Charter to budget Mayoral office or other funds for such purposes, given that such analyses are an issue of citywide concern it is in the public interest to consider to consider this matter, at least initially, through a referral to the budget process.

**FISCAL IMPACTS OF RECOMMENDATION**

Impact on General Fund of \$100,000. However, the benefit of multiple budgetary analyses could generate budgetary efficiencies.

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<sup>3</sup> "Report On Independent Budget And Finance Analysis From: Council President Fortunato Bas Recommendation: Receive A Special Presentation And Report By Harvey M. Rose Associates, LLC On Their Independent Budget And Finance Analysis Of The Proposed Fiscal Year 2021-2023 Budget For The City Of Oakland," Oakland City Council, May 5, 2021, <https://oakland.legistar.com/LegislationDetail.aspx?ID=4937156&GUID=43F7BF0F-E398-425F-B634-DB8D9DD7FFE7&Options=&Search=>.

ENVIRONMENTAL SUSTAINABILITY

No discernable impact.

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