

Can you budge city's budget?



By Robert E. Fronke

When the final vote was taken on Long Beach's budget this year, some observers walked out of the City Council meeting surprised and disappointed that the council adopted the billion dollar budget with little discussion and no changes.

Obviously they expected something more at that meeting and were unaware of the lengthy proceedings leading up to the final vote.

What is the role of the budget and how is it put together?

While most city hall observers believe the budget is a spending plan, it really only establishes broad spending limits. Nothing in the budget requires that amounts included must be spent — only that they cannot be exceeded. So the fact that a given program or capital expenditure is included is no assurance that it will be carried out at the budgeted level — or at all. That's left almost entirely in the hands of management.

Broadly speaking, spending levels are influenced by several factors: the amount of revenue expected, traditional levels of basic services, and public pressure, exercised through City Council members or directly on city staff.

Of these, the first two are obviously most compelling. Revenue estimates, including the amount carried over from a prior year (so-called surplus), are fraught with estimation difficulties. For instance, when the state budget is tied up in policy differences and political maneuvering — as it was this year — the city's revenue estimators are uncertain how much to expect from Sacramento.

The city manager and staff estimate the budget carry-over and forecast future revenues many months in advance. How optimistically they view the future and how well they estimate the carry-over from the current year have a very great impact on the budget, since expenditures are limited to these resource estimates. No amount of public input or pressure can change that!

City government must provide certain minimum basic services: police and fire protection, trash collection, and street maintenance. These account for a big chunk of the budget. However, the quality and quantity of these services can be influenced by public input and pressure. Spending on other less basic programs — such as parks, recreation, libraries — is determined in a broad sense by tradition, adjusted periodically by budget constraints or public input and pressure.

Finally, despite the old saw that "you can't fight city hall," public input does affect the budget.

Public pressure takes several forms: behind-the-scenes concern and comments from influential citizens, efforts of organized special-interest groups, and feedback from service users. A single, uninfluential voice will most likely fall on deaf ears.

Till now I've described only general influences on spending — those that provide a kind of background static that has to be beamed to city hall to be heard at all. Specifically, the city manager and his staff control budget detail and make final determinations on spending.

The council's role is to set policy; the manager's role is to execute. The line is never fuzzier between these two than at budget time. Within very broad policy guidelines set by the council — influenced by concentrated "static" from the public — the city manager adds or kills programs, pumps them up or cuts them down, gives them new life or lets them wither away. He personally decides what capital projects will be included in a given year, or whether recreation or libraries or parks or none of these will be cut or expanded. If he does this well, the citizens are satisfied, the council is happy and city hall is relatively serene. If not. . . .

This is not to say that specific public and council input is ignored.

For instance several years ago a loud and persistent group of parents was successful in reversing budget cuts in the crossing guard program. This year recreation and sports enthusiasts obtained a budget increase for lighting at public baseball diamonds for night games — a minor triumph.

Public concern has to be loud, clear, consistent and persistent to be heard over conflicting noises coming from a variety of sources, and it has to be started well in advance. The budget process for next year starts almost immediately after this year's is put to bed.

The process takes two separate but parallel routes: one for operating expenses and another for capital expenditures.

Formation of the operating budget starts each fall with the city manager providing department heads broad internal guidelines for next year's spending, such as "cut 5 percent overall," or "delete certain programs," or "hold salary increases to an average of 4 percent."

Using these broad yardsticks, department heads then prepare preliminary operating budgets for programs under their control, usually with the present year's budget as a base. They propose operating spending limits in two broad categories: personnel costs and non-personal expenditures (other than capital items). Since personnel costs, which include salaries, payroll taxes, retirement contributions, health and dental insurance premiums, and other fringe benefits, account for 66 percent of the total operating budget, they receive the most attention.

Departments recommend staffing levels by type of position and relate that to expected workload. Budget staff, and then the city manager, review and make desired changes in staffing levels in meetings with department heads. It's during those meetings (generally held in March) that major program funding levels are decided.

At the same time these internal reviews are in progress, council members hold public budget hearings in their districts, trying to pick up clear signals indicating public concern over some program or other. Since staff members attend these meetings, there is immediate feedback into the budget process.

Meanwhile the capital budget — projects that will result in bricks and mortar and will cost big bucks — takes a somewhat different route.

Departments submit requests to the public works officer to be included in an annual "wish list." The city manager reviews the "wish list," cutting out many and establishing priorities for those that survive. These are then added to a five-year capital improvement program.

Each year the five-year plan is reviewed and items at the top of the list (either in time or priority) are OK'd for inclusion in the annual budget to the extent of resources available. When federal or state grants are available for a capital project, it is likely to be put in the current year's budget.

When the budget is balanced — total expenditures are within expected resources — the city manager submits his proposed budget to council and makes it available to the public. This must be no later than 45 days before the fiscal year begins.

The proposed budget — a detailed analysis of expenditures by department, program and staffing levels — provides the first opportunity for an outsider to see how his pet programs have fared. By now, though, the concrete is poured and beginning to harden. From now on changes are very few and mainly cosmetic.

The formal budget hearing a month later is largely "window dressing." The concrete has set. Although possible, even minor adjustments are seldom made.

The final meeting, just before July 1, to approve and pass the budget is surely anticlimactic — merely a ratification of all that has gone on before.

But the game is not over.

The proposed detailed budget that has been under review and discussion until now is not actually adopted and passed as the city's budget ordinance, the legally controlling document.

Up to the last few years, the budget ordinance contained most of the detail from the proposed budget. Now it includes just totals by fund and department. For instance, this year's ordinance has total spending limits for 24 funds and 20 departments. These are the only legal limits placed on spending.

Since there are no program descriptions or amounts, no individual expense categories, no staffing levels, the budget provides maximum flexibility and only broad control over spending.

Within these broad limits management can adjust, change, delete, or add programs and capital expenditures. So, actual expenditures can differ greatly from the originally submitted proposal that was the subject of much public review.

The overall effect of changes is apparent in the annual financial reports showing actual expenditures and budget comparisons, which is published after the fiscal year closes on June 30.

But few have the time or take the effort to review and understand these comparisons, partly because they involve a year now past, and the latest budget has already been acted on.

It's unfortunate that the public and elected officials focus almost exclusively on the budget and are seldom concerned with how the tax dollar was really spent after the fact. While it's obviously too late to change last year, a review of past results provides a valuable lessons for next year.

Private business focuses almost exclusively on past results (not just budgets) in making its future plans. Government policy makers could profit from a similar approach.

The time has come for a public post-mortem review of government operations on a scale comparable to the budget process. As it now stands, when the financial reports and budget comparisons are submitted to council after the end of each year, they are routinely "received and filed" without discussion or public review. This is not intended as a criticism of our council. They're merely following a time-honored practice of governments everywhere.

In summary, three things are important to help influence the way your city tax dollar is spent. First, become as knowledgeable as possible. The system is not made purposely complex — it's the nature of the beast.

Second, if you have concerns voice them early and get as many others as possible to join you. Don't wait for public hearings — make your concerns known privately by letter, phone, petition and personal visit to the department involved and to council members.

And, finally, don't rely only on the budget to ensure that your pet programs fare well. Review the final budget and actual expenditures given in the annual report.

You can have an impact on City Hall! Let us hope there are enough concerned taxpayers in our city to make the effort. That's what keeps democracy alive and well.

(Robert Fronke is Long Beach city auditor.)

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ROBERT FRONKE: Pressure, persistence

Note: Proposition A, passed on May 1, 2007, changed many of the budget dates mentioned in this article. The City Manager now must submit his or her proposed budget to the City Council by 90 days before the new fiscal year; the Mayor then presents this proposed budget plus a separate document with his or her own changes by 60 days before the fiscal year. Finally, the City Council has up until fifteen days before the end of the fiscal year to pass a budget, after which the Mayor has line-item veto authority to eliminate certain expenditures, subject to being overridden by Council. For more information about budget requirements under our charter, go to <http://www.longbeach.gov/cityclerk/> and click on "city charter."