

## MEMORANDUM

**TO: Charter Review Commission**  
**FROM: Jeanne Chipperfield, CFO**  
**SUBJ: Proposed Amendment to Chapter XI, Section 4**

I strongly recommend that the Commission not adopt the proposed amendment that would allow the City Council, by a majority vote and without the recommendation of the city manager, to transfer unencumbered balances of appropriations to another department, division or for another purpose.

Please consider the following points related to budget and amending the budget:

- The process to develop the annual budget takes many months; requires significant analysis; and input is received from various stakeholders. The City Council and Committees of the Council are briefed prior to the budget being proposed and Council has the opportunity to hear additional briefings after the budget is proposed by the City Manager. Additionally, citizen input is received at public hearings and townhall meetings. At the conclusion of the public input period, the City Council holds a budget amendment workshop to make any desired changes to the City Manager's proposed budget which results in the final adopted budget.
- Once the budget is adopted and the new fiscal year begins, the department staff work to achieve the goals set out in the budget. Plans are implemented; contracts are awarded; and vacant positions are filled. Being a very large organization, it is often difficult to implement spending changes "on a moment's notice". That being said, should an unbudgeted need arise, the General Fund budget includes a Contingency Reserve which the City Council may appropriate as is necessary to implement a new program or respond to an unforeseen event.
- The staff monitors the revenues and expenditures each month to ensure that the budget remains balanced. The City Council receives a monthly financial forecast report showing both year-to-date and year-end estimates of revenues and expenses. The report also explains any significant variances to the budget and any plans to maintain a balanced budget, if necessary.

- Although the Charter allows for the transfer of unencumbered appropriations “at any time”, the City Manager rarely requests these transfers other than once per year. Amendments to the budget are recommended by the City Manager in late August/early September each year based on spending estimates reported in the monthly financial forecast report. The amendments are carefully reviewed and proposed, if needed, to prevent departments from exceeding their budgets.
- The City Manager should have input into budget changes so he/she can advise the City Council as to the impact of the transfer as well as the staff’s ability to implement the recommended spending adjustment by the end of the fiscal year.
- As part of the assigned responsibilities in the Charter, the City Manager is responsible for ensuring that the “City lives within its budget”. This amendment could hinder the manager’s ability to manage the budget if the City Council makes appropriation adjustments or transfers appropriations which are not supported by a revenue stream, particularly in economic downturns.