



# Board of Supervisors Budget Process Review

Controller's Office  
Budget Analysis Division  
November 20, 2017

# Executive Summary

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At the request of Supervisor Malia Cohen, the Chair of the Board of Supervisors' Budget Committee, the Controller's Office conducted a qualitative survey to assess various stakeholders' input on the Board's phase of the City's budget process. This report summarizes feedback received from stakeholders, and provides possible approaches to respond to reported areas for improvement.

Many respondents reported positive aspects of the Board's budget process:

- **Schedule Management:** Stakeholders reported that the Board's budget process effectively met requirements to adopt a balanced budgeted on Charter deadlines.
- **Public Participation:** Many stakeholders, particularly those external to city government, reported that both the Board's public process and individual Board members' availability allowed for public access and input on the Mayor's proposed budget.

# Executive Summary

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Many respondents also reported aspects of the Board's budget process that could be improved:

- **Transparency:** Key components of the Board's budget process should be more transparent and publicly accessible.
- **Time Pressure:** Various aspects of the Board's budget process suffered for lack of adequate time.
- **Policy Area Focus:** The Board's budget process would be improved through a more policy-focused approach to both analysis of the proposed budget and changes to it.
- **Communication:** Limited elements of the process would be improved through clear communication of expectations.
- **Addbacks:** The process used to reallocate funding to specific purposes should be more transparent, policy-focused, and less rushed.

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Different strategies could be employed by the Board of Supervisors to address many of the areas for improvement noted in this review process, including:

- **Maximize Time for Review.** Allow time for deeper review by starting the Board's review of the budget earlier, prior to submission of the Mayor's proposed budget. Additionally, alternate approaches to calendars in June, July, and beyond could provide additional time for Board and public deliberation.
- **Identify Board Policy Priorities Earlier.** Focus on policy areas for review prior to submission of the Mayor's proposed budget, to provide adequate time for the staff analysis required to implement larger policy shifts during the Board's phase of the budget process. Develop an earlier, transparent process to identify and communicate Board policy priorities to the Mayor, to both provide guidance to the Mayor's Office in their formulation of the proposed budget and to permit more meaningful review of the proposed budget by the Board once submitted.
- **Enhance Stakeholder Education.** Education and availability of key information for all budget process stakeholders could be improved. Expand information available regarding how the budget and budget process work for all stakeholders, and make all budget materials available online.
- **Restructure the Addback Process.** A number of different approaches could be implemented by the Board to improve the transparency, accountability, and effectiveness of the Board's process to restore funding to the budget.

## Report Scope

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At the request of Supervisor Malia Cohen, the Controller's Office conducted a review of the Board of Supervisors' involvement with the process of planning, preparing, and adopting the budget. This report focuses on the Board's role in the budget process. It does not directly address other phases of the City's budget process, including the process employed by the Mayor's Office, departments, commissions, and other stakeholders to prepare the Mayor's proposed budget.

The Controller's Office implemented a survey to collect feedback on the budget process from members of the Board of Supervisors, the Mayor's Office, central city budget offices (the Board's Budget & Legislative Analyst, the Mayor's Budget Office, and the Controller's Office), department heads and finance directors, community-based organizations, advocacy groups, organized labor, and other stakeholders.

This report will outline major themes from the survey and lay out recommendations from respondents as well as recommendations from the Controller's Office.

# Survey Instrument

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The Controller's Office administered a survey to solicit feedback on the budget process from:

- Board of Supervisors
- Mayor's Office
- Central City Budget Offices (Board, Mayor, and Controller)
- City Departments
- Labor Organizations
- Non-Profit Organizations and Advocacy Groups
- Business Community

The survey was sent to 70 individuals involved in the most recent budget process. 33 completed responses were returned, representing feedback from each of the groups above. Results are summarized in this report.

# Survey Instrument

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The survey asked three open-ended questions:

1. Describe your level of involvement with the Board of Supervisors during the budget process.
2. What aspects of the Board of Supervisors' involvement in the budget process can be improved? Please provide your thoughts regarding either general or specific issues or ideas you have to improve the process.
3. What aspects of the Board of Supervisors' involvement in the budget process were effective?

27 of the 33 respondents, representing each of the survey groups, reported that they had a significant level of involvement during the Board phase of the budget process.

## Effective: Schedule Management

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Survey respondents weighed in on what was effective about the Board phase of the budget process. Two major themes were identified from those responses:

### **Schedule Management:**

Over a third of respondents (12 of 33) found the budget schedule was clear, resulting in the timely approval of a budget. Respondents cited clear communication of the schedule, and noted that the process resulted in a budget that was approved without delays.

*“The process was clear and Board members kept it on track.”*

*“We felt that the Budget and Finance Committee was able to schedule and manage the budget hearings relatively efficiently.”*



## Effective: Public Participation

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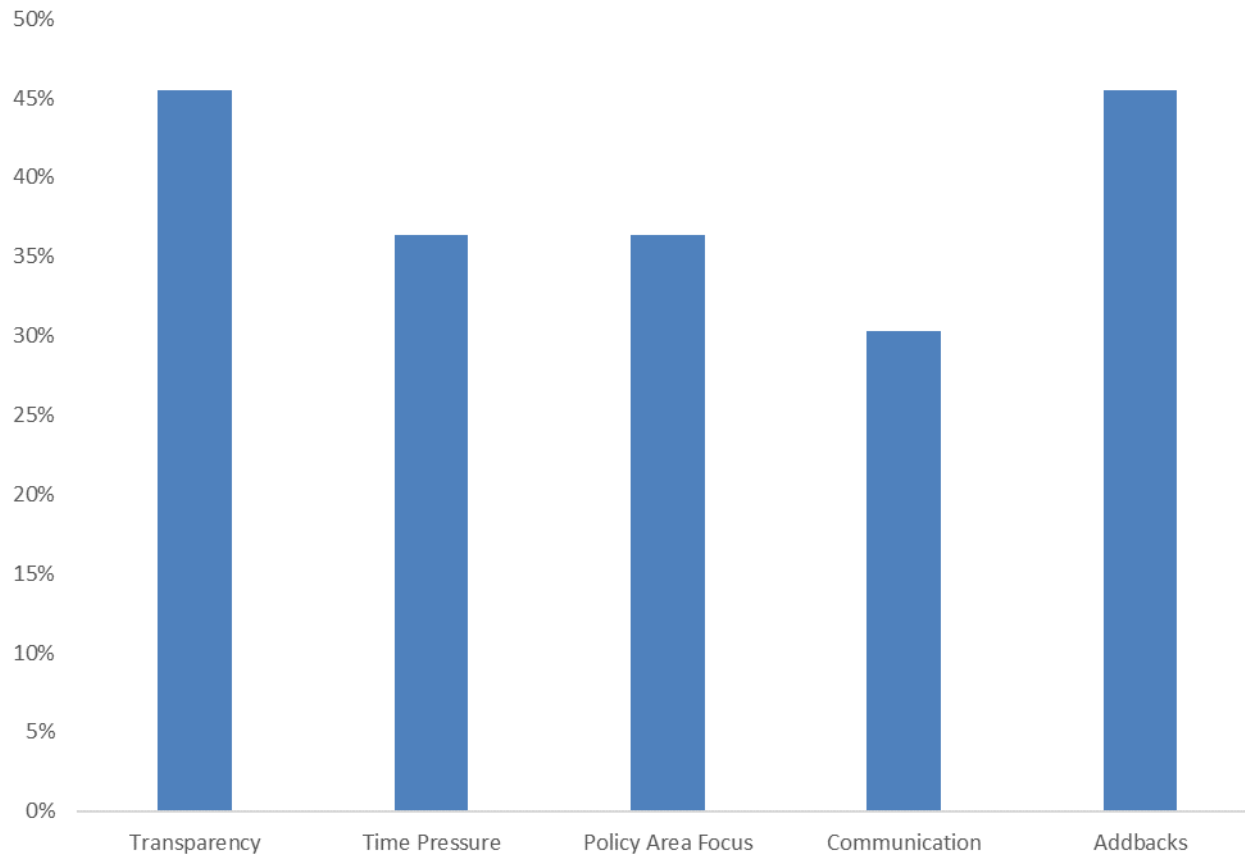
### Public Participation:

A third of respondents (11 of 33) noted that the process allowed community members and stakeholders to provide feedback to the Board of Supervisors and their staff. Overall, community members felt that Board members were accessible and open to hearing feedback from the public.

*“Process allows for open access to government.”*

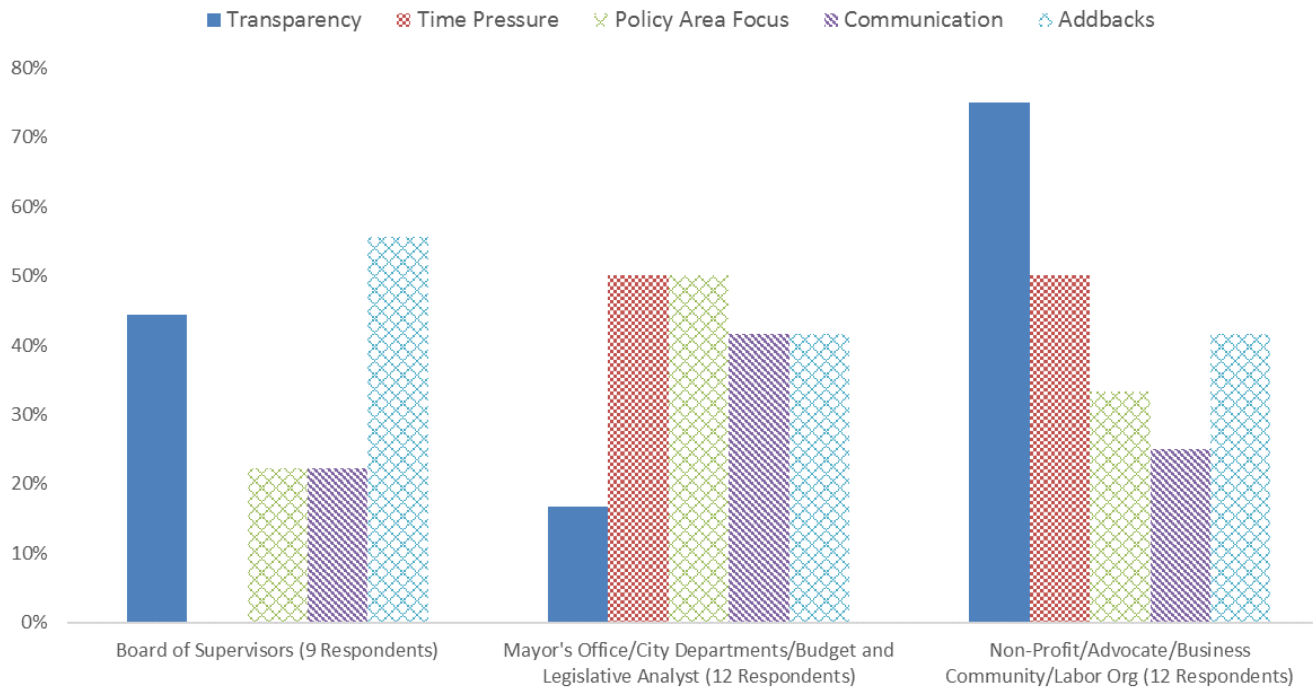
*“BOS members generally make themselves available to the provider community and offer honest feedback on whether or not community priorities will align with budget priorities.”*

# Budget Process Improvement Themes



- Five key areas for improvement were reported by respondents.
- Nearly half of all respondents identified transparency and addbacks as aspects of the process that need improvement.
- Over a third of respondents identified time pressure and policy area focus.
- 30% of respondents noted that communication in the process needed improvement.

# Budget Process Improvements by Stakeholder Group



- Over half of BOS respondents wanted to see improvements to the addback process, and nearly as many wanted improved transparency.
- A strong majority (75%) of community members wanted to see improvement in transparency.
- Half of respondents from City organizations identified time pressure and policy area focus most frequently.

## Needs Improvement: Transparency

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### Transparency:

Lack of transparency was most commonly identified as an issue with the budget process, with 45% of respondents noting it as a challenge. Many of the same respondents that identified Public Participation and access to the Board as an effective part of the process also found transparency to be an issue. Respondents identified budget-related discussions and decisions happening outside of the public process as the source of this problem. Budget transparency allows for public oversight over how resources are allocated.

*“More transparency in decision making and less last minute deals.”*

*“The current process results in consideration of tens of millions of dollars of budget allocation in a completely rushed fashion by the Board, late at night, with no public review or comment, and with the appearance of undue influence by City Hall insiders.”*

## Needs Improvement: Time Pressure

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### Time Pressure:

Many respondents found that the Board review and decisions on budget amendments were not conducted early enough, creating pressure on stakeholders (35% of respondents). A common refrain among respondents was that the close of the Board's budget process felt rushed with key steps occurring late in the process and late into the night.

*“Overall, the timeline over which the Board reviews and makes decisions about Board phase budget amendments has room for improvement... The Board budget re-allocation process could be potentially improved by earlier discussion and hearings about the Board budget spending priorities.”*

*“In the current year's process, there were many items that were brought up last minute, which does not allow departments time to potentially respond.”*

## Needs Improvement: Policy Area Focus

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### Policy Priorities:

A number of respondents felt the Board did not adequately communicate their budget and policy priorities (33% of respondents). Many respondents were interested in more policy discussions and greater focus on broader policy goals, as well as the use of performance information and analysis to inform decisions.

*“The Board of Supervisors should ask the Budget Analyst to propose only policy-level discussion items related to the budget—analyze new spending proposals, and any programs or initiatives that the Board has directed them to examine for cost-effectiveness, and not spend time looking for small scale savings.”*

*“More policy discussions. More discussion of performance metrics and using said metrics to make budget decisions.”*

## Needs Improvement: Communication

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### Communication:

While communication runs through the other themes, this theme focuses on improving the Board's communication to departments and the community (30% of respondents). Some respondents felt the Board could do a better job of communicating policy priorities to community members and ensuring more meaningful public participation. Department staff noted concerns regarding policy or program questions they were not given a chance to prepare for.

*“Ensure meaningful opportunities for public participation throughout the process, in the community—rather than the one-day cattle call of two-minute comments.”*

*“The Board could also more effectively understand and frame trade-off decisions for the public.”*

## Needs Improvement: Addbacks

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### Addbacks:

A number of respondents mentioned addbacks specifically as an aspect of the process that needs to be improved (45% of respondents). The major issues respondents had with the addback process were the lack of transparency, the time pressure created by the last minute decision-making, and the lack of overarching policy goals guiding their discussions.

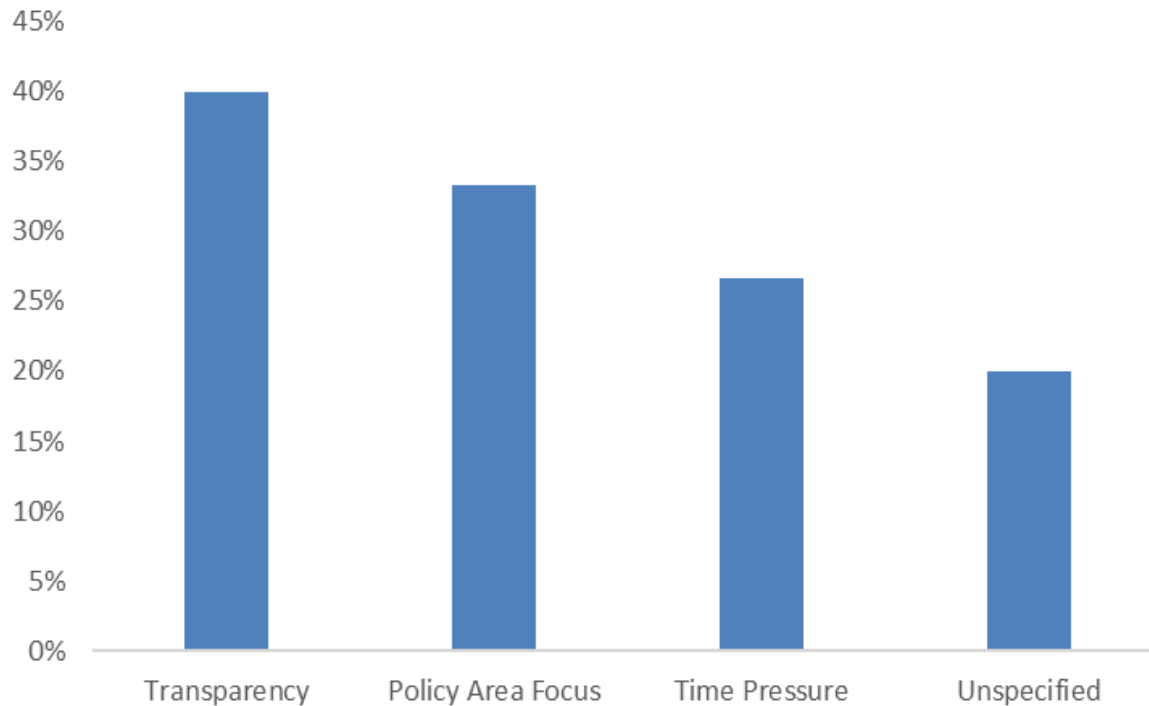
*“The addback process could be improved by being more methodical, transparent, and policy-oriented.”*

*“The biggest thing is the starting of the addback process earlier.”*

*“An earlier time-frame in advance of June that allowed for more community input for re-allocation priorities, could lead to a more transparent and open process.”*



# Needs Improvement: Addbacks



- A lot of reported feedback on the budget process revolved around the addback process. 15 of the 33 respondents (45%) identified this area as a part of the Board’s budget process that needs to be improved.
- When referring to addbacks, respondents identified the same themes of transparency, policy area focus, and time pressure.
- Transparency was identified the most as an area of improvement, while others reported a desire that the process focus on policy goals or would occur in a less time compressed process.

# Recommendations

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Different strategies could be employed by the Board of Supervisors to address many of the areas for improvement noted in this review process, including:

- **Maximize Time for Review.** Allow time for deeper review by starting the Board's review of the budget earlier, prior to submission of the Mayor's proposed budget. Additionally, alternate approaches to calendars in June, July, and beyond could provide additional time for Board and public deliberation.
- **Identify Board Policy Priorities Earlier.** Focus on policy areas for focused review prior to submission of the Mayor's proposed budget, to provide adequate time for the staff analysis required to implement larger policy shifts during the Board's phase of the budget process. Develop an earlier, transparent process to identify and communicate Board policy priorities to the Mayor, to both provide guidance to the Mayor's Office in their formulation of the proposed budget and to permit more meaningful review of the proposed budget by the Board once submitted.
- **Enhance Stakeholder Education.** Education and availability of key information for all budget process stakeholders could be improved. Expand information available regarding how the budget and budget process work for all stakeholders, and make all budget materials available online.
- **Restructure the Addback Process.** A number of different approaches could be implemented by the Board to improve the transparency, accountability, and effectiveness of the Board's process to restore funding to the budget.

## Recommendation: Maximize Time in the Process

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Time pressure was a key concern expressed by many survey respondents. The Board's budget process in recent years has focused on time in June and July to both review the proposed budget, identify priorities, implement reductions to the Mayor's proposed budget, and reallocate funds to other uses. As many survey respondents commented, this compresses time available to the Board and leads to a feeling of a rushed process.

In prior periods, the Board has commenced a meaningful review process prior to the submission of the Mayor's proposed budget. The Board could revise their Rules of Order to establish the Budget Committee earlier in the process to begin hearings, and begin review of the overall budget (in January and February) and department budget submissions to the Mayor (in March and April).

Additionally, restructuring the hearing dates in June and July would provide a more even pacing for Budget Committee hearings during those months. This could include more frequent but shorter hearings on department proposed budgets earlier in the month, with fewer issues surfaced during the final ten days of June. Additional time could also be made available in June if the Board eliminated the customary – but not legally required – week in July that the budget is introduced, but not acted on, at the Full Board.

## Recommendation: Identify Policy Priorities Earlier in the Process

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Three key areas for improvement – enhanced transparency, improved policy orientation, and less time pressure – could be in part addressed through early work by the Budget Committee to identify key policy focus areas. This work could then be used to facilitate later phases of the Board budget process in June and July.

By identifying key areas for potential savings earlier in the process, the Board could enable focused work by the Budget Analyst, the Controller’s Office, or department staff. Analysis would then be complete for the Board’s consideration in time to consider and implement larger policy shifts during the Board’s consideration of the Mayor’s proposed budget. Focus areas could be drawn from available performance information, audits and reviews, and discussion in public hearings.

Additionally, the Board could develop an earlier, transparent process to identify and communicate Board policy priorities to the Mayor. This would serve to provide clear guidance from the Board for the Mayor’s consideration as he develops the proposed budget, and a clear tool for the Board to use to evaluate the proposed budget once submitted, and to guide the Board’s decisions regarding the allocation of new funds at the close of the process.

## Recommendation: Enhance Training and Availability of Information

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Enhancing knowledge of the City's budget and budget process for all stakeholders in the process would address several of the challenges outlined in various respondents' feedback. It would enhance knowledge of the underlying policy choices inherent in the City's budget, increase the understanding of how decisions are made by process stakeholders, and improve Board members' ability to influence the shape of the final adopted City budget. Many opportunities could be developed to provide enhanced training to various stakeholders in the process, including but not limited to training sessions, informational presentations, and organized discussions.

Improving the availability of information to policymakers and the public would improve the transparency of the process. While key budget documents are available online, this could be enhanced to include posting of all presentations on a clear budget process website, along with publicly accessible information regarding the budget process including a regularly updated addback list. Other opportunities could be developed by staff at the Board's direction, if desired.

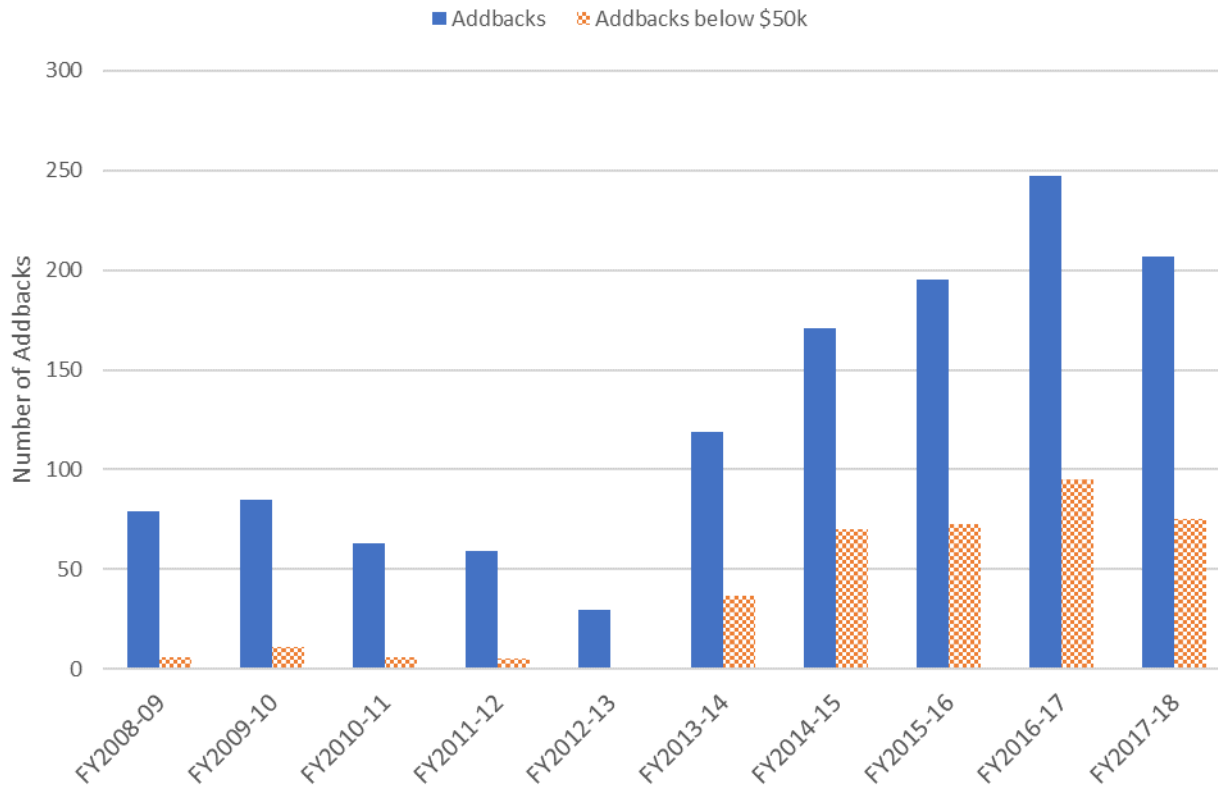
## Recommendation: Restructure the Addback Process

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Restructuring the addback process was the most common recommendation provided by survey respondents. The stated reasons to do so were varied, ranging from a need to improve transparency, relieve time pressure, or allow for a more meaningful focus on desired priority policy outcomes.

As depicted on the following pages, the Board's process in recent years has resulted in a large increase in the number of individual addbacks and a decrease in their average value – a trend that indicates the Board is increasingly allocating funds for more narrow purposes. This trend also creates a risk, either real or perceived, that the process is intended to allocate funds not only to a given policy priority area but towards a specific organization within that area – a practice that is prohibited by the Charter.

# Recommendation: Restructure the Addback Process



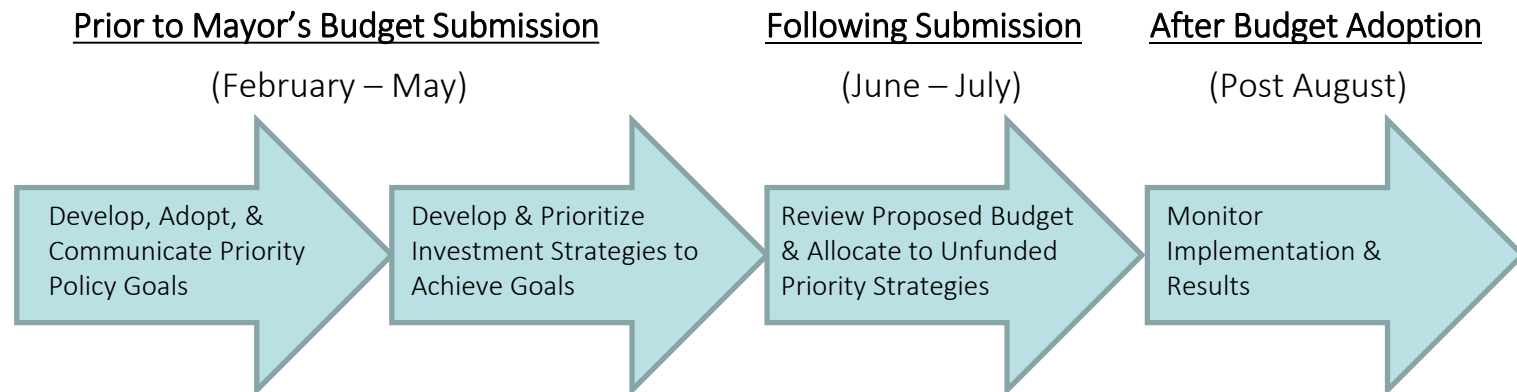
- The allocation of individual addback expenditures is burdensome and difficult to do in a short time-frame.
- The number of individual addbacks has grown significantly, while their average value has decreased.
- Between FY2008-09 and FY2012-13 the average annual number of addbacks was 63. The average has tripled over the last five years, with an annual average of 188 addbacks.
- During this time, the average value of a single addback has fallen from approximately \$500,000 to \$150,000.

## Recommendation: Restructure the Addback Process

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Various alternatives could be adopted to manage this phase of the Board’s budget process with the goal of improving the transparency and the efficacy of the process, while relieving the time pressure under which it is completed.

Generally, the process could begin either earlier or later in the budget process, with an expanded set of structured public discussions and reviews during development and prior to adoption of the reallocations. The process should carefully link to the priority setting process suggested earlier in this report. An example of such a process is outlined below.





## Recommendation: Restructure the Addback Process

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Expanding the timeline to include policy discussions and reviews earlier in the budget process would give the Board an opportunity to identify major policy areas in which the Board can allocate funds based on their policy goals. By placing funds in larger buckets rather than narrow allocations, the Board reduces the perception that funds are being allocated to specific organizations. The Board could then release those funds for specific allocations following a public process during the Fall.

# Closing

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Feedback gathered through our survey process identifies several key areas where various budget stakeholders believe that the Board's current budget process is strong, and others where the process could be improved.

This report has summarized that feedback, and provided suggestions intended to respond to areas where improvement was requested by respondents. These recommendations have been developed using feedback from respondents, a review of past practices, and suggestions from the Controller's Office.

Our office is available to assist the Board with further development of these – or other – concepts designed to strengthen this important phase of the City's budget process.

# Report Authors

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