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ITEM 3 B&F Cmte 12/6/10

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**STATEMENT of J.H. McQUISTON on  
CAO REPORT DATED DEC. 3 on DEFICIT REDUCTION**

Honorable Chairman and Members of the Committee:

**The Subject Report appears not to be consistent with the Policy set forth by the Council; moreover, it appears to resort to UB amounts which previously were subtracted for prior corrections.**

1. The First Financial "Estimate" Report, dated just last October 16, assured the Council that only the corrections set forth therein validated the three-year budget plan.

Now only 1 ½ months later, the CAO reports that the October "assurance" understated by some \$24.7 million the actual expense for the current budget alone.

The Summary of the October 16 Report said:

"The First FSR also updates the status of the three-year plan for financial stability. The goal of the plan was to identify and pursue four strategic initiatives that would \* \* \* [mitigate] the deficits the City is expected to face \* \* \* in a manner beyond one-time solutions."

Nothing in the December 3 Report complies with the above Summary from October 16. Moreover, nothing in Dec 3 Report assures that the suggested remedy actually will cure the City's immediate deficit, let alone satisfying the three-year plan for financial stability.

My Statement cannot address my solution to the statutory deficit I previously-proposed. It is imperative that this Committee move forward without delay on that solution. Its remedy for the statutory deficit is considerable.

2. The CAO relies on using the UB to obtain an additional \$19.59 million to cover deficits "discovered" since only October 16. This Committee may inquire why, if the three-year plan was adequately-vetted October 16, why the additional deficit became known as soon thereafter as December 3.

Moreover, the UB amount to be raided to cover the deficit was specifically-reserved for the shortfall expected if the parking-garage transactions were not realized in accordance with the \$53 million budgeted to be "received". Thus the UB raid cannot serve as a savior for deficit-reduction at this time.

And, the amount specified to be taken from the UB was apparently "already taken for saving the budget" in the First FSR.

I have revisited the UB Budget as expressed in the Mayor's Budget of April, the CLA Report on modifications Dated May 11, and the Committee Report which in 16C and 31-34 of Attachment 1 addressed amendments to the UB, which left no UB amount available for additional deficit-reduction.

**CONCLUSION**

**The Report of December 3 exposes substantial and critical budgeting errors of process and computations.**

**This Committee needs to require further CAO process in accordance with Council's policy for three-year financial stability.**

Respectfully submitted,

J. H. McQuiston