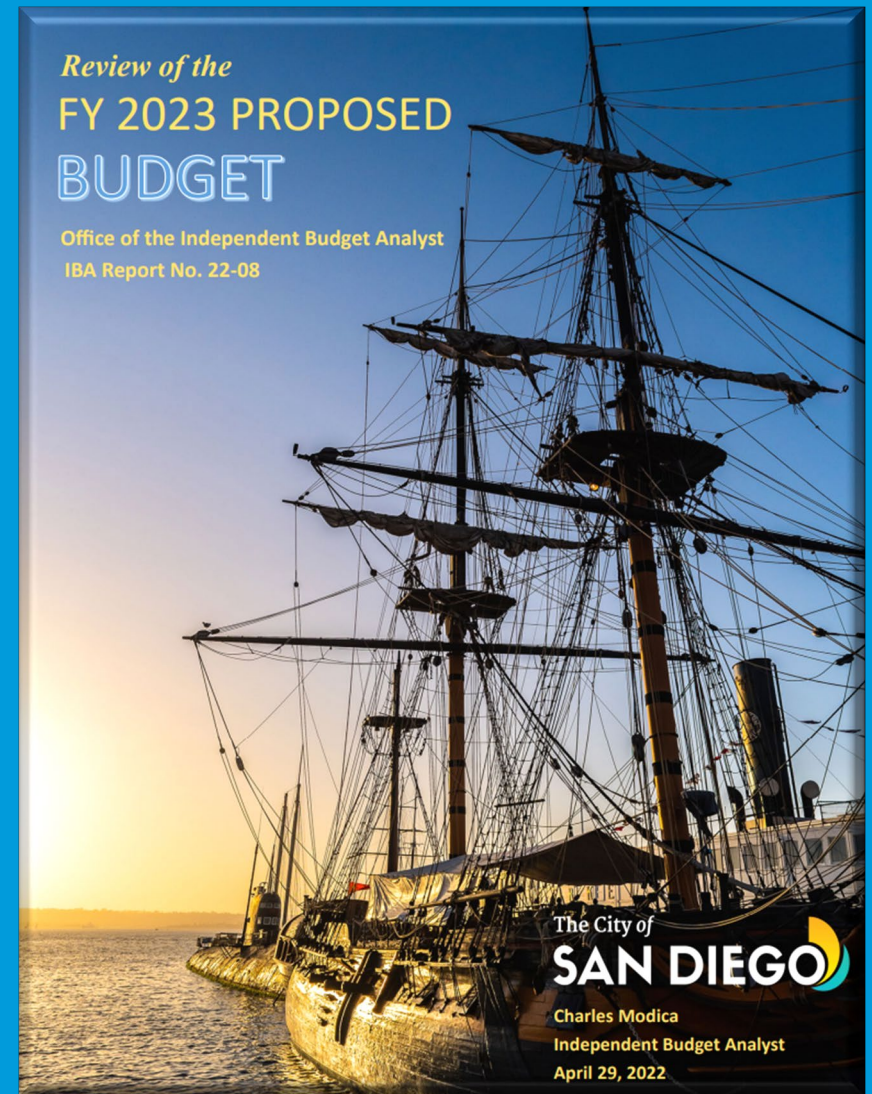


Budget Town Hall

IBA Review of the FY 2023 Proposed Budget



Office of the Independent Budget Analyst



IBA Review of the FY 2023 Proposed Budget

Presentation Overview

- Roles and Authorities & Budget Process
- Overview of the Proposed Budget
 - Citywide Overview
 - General Fund Revenues
 - General Fund Expenditures
 - Notable Adjustments
 - Council Priorities
 - Key Issues
- Next Steps, Public Involvement, and Resources

Why is the City's Budget Important?

The Budget reflects City policies and community priorities, and allocates available funds for City programs and services

- Public Safety
- Infrastructure
- Parks and Recreation
- Libraries
- Climate Action Plan
- Code Enforcement
- Arts & Culture
- Homeless Services
- Economic Development
- Environmental Services

The Budget is a statement of - and plan to address - City Priorities

Roles and Authorities in the Budget Process

Mayor/Council/IBA Roles and Authorities in the Budget Process

- **Mayor**

- Proposes a balanced budget to Council by April 15
- Carries out the City's goals and services reflected in the Council-approved budget
- Has sole authority to propose budget changes during the fiscal year after Proposed Budget is approved

- **Council**

- May change the Mayor's Proposed Budget as long as the budget remains balanced
- Reviews, approves, and amends the Proposed Budget on or before June 15
- Has final budget authority (i.e., approves recommended changes from the Mayor)

- **IBA**

- Analyzes the Mayor's financial reports, including the Proposed Budget
- Supports Council and Committee budget hearings, participates in Budget Town Halls
- Develops final budget recommendations for Council consideration

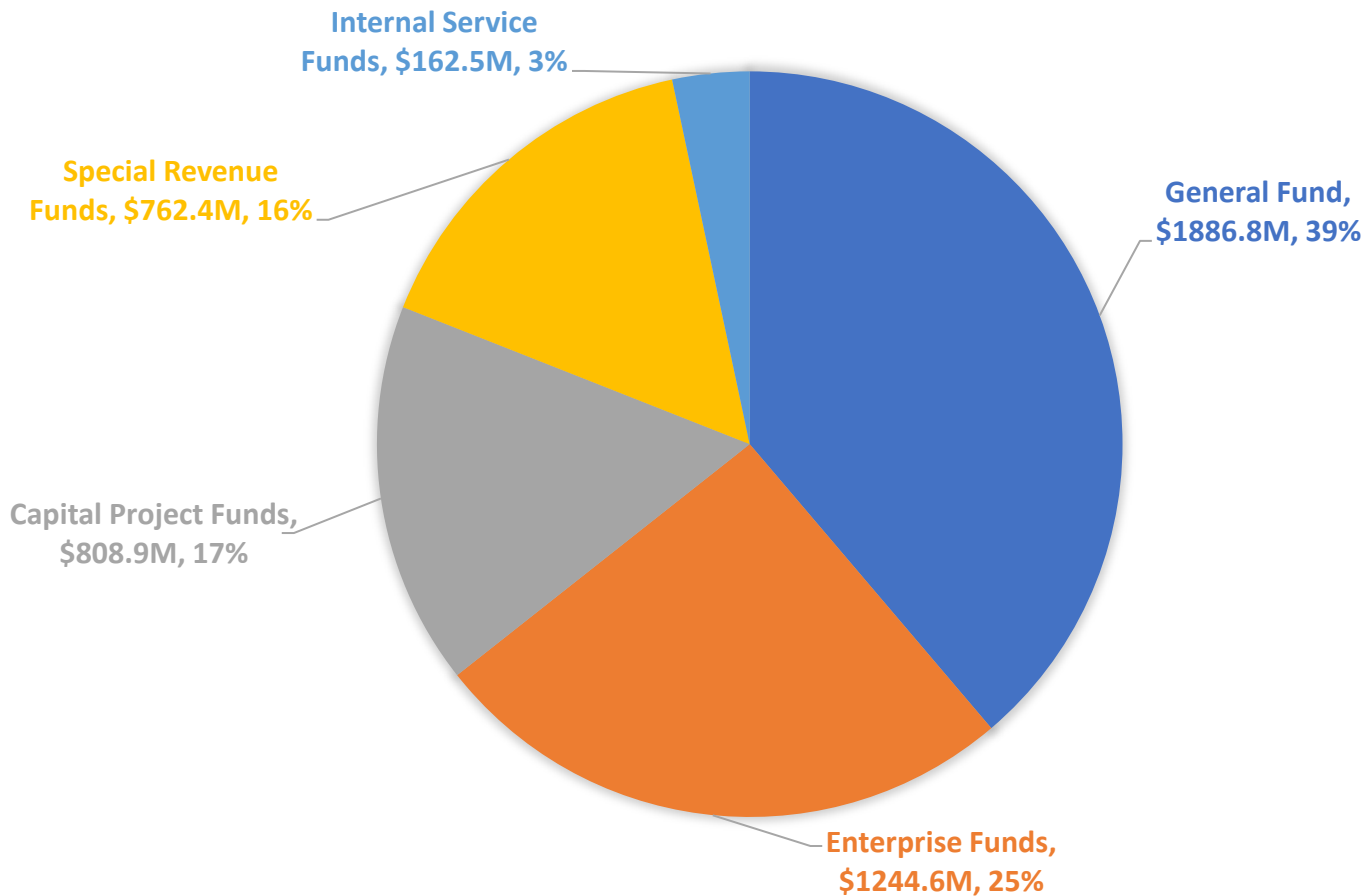
Mayor/Council/IBA Roles and Authorities in the Budget Process *cont.*

- The Mayor can veto Council changes to the Proposed Budget
- The Council can override a Mayoral veto with six votes
- After the budget is adopted, the Mayor, Council, and IBA monitor expenditures, revenues, and significant City programs and services throughout the fiscal year
- Once the budget is adopted, only the Mayor can initiate budget changes during the fiscal year (by recommending changes for Council approval)

Overview of the Proposed Budget

Proposed Budget Overview

FY 2023 City Expenditures by Fund

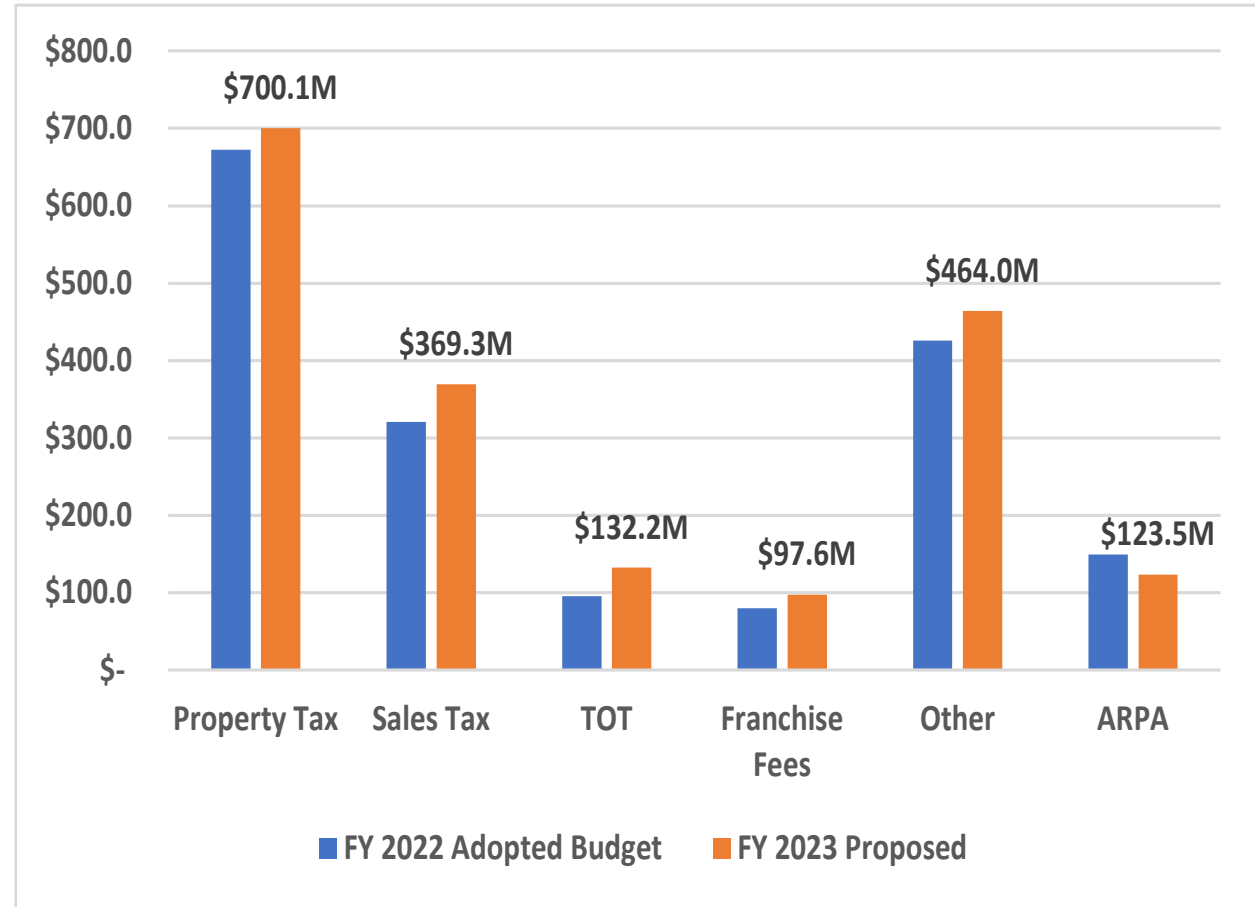


- Total Proposed City budget is \$4.9 billion.
- The area where the City has *most discretion to fund operations* is the General Fund
- Other Funds have specific uses:
 - Enterprise Funds (Water, Sewer, Development Services) are supported by Fees/Rates for Service
 - Special Revenue Funds have spending restrictions

Proposed Budget Overview

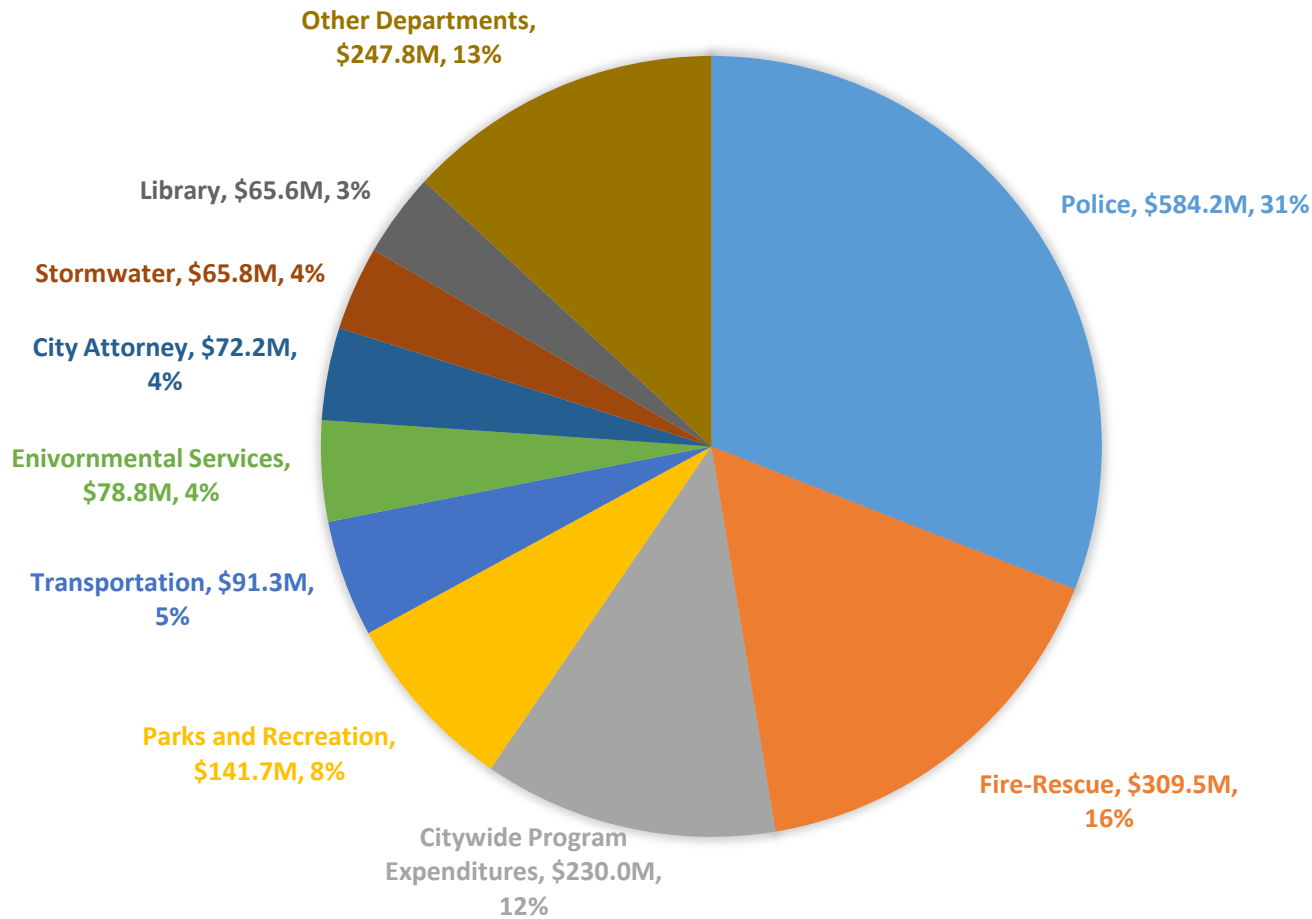
General Fund Revenues

- The FY 2023 Proposed Budget includes \$1.9 Billion in revenue; \$143.3 million (8.2%) more than the FY 2022 Adopted Budget
- Significant Growth across all four Major GF Revenues:
 - Property Tax: \$700.1M total
 - \$27.9M (4.2%) increase
 - Sales Tax: \$369.3M total
 - \$48.5M (15.1%) increase
 - TOT: \$132.2M total
 - \$36.7M (38.4%) increase
 - Franchise Fees: \$97.6M total
 - \$17.6M (22.0%) increase
- Budget Relies on \$123.5M in Federal ARPA to balance revenues/expenditures



Proposed Budget Overview

General Fund Expenditures by Department



- Proposed Expenditures equal Projected Revenues: \$1.9 billion
- In FY 2023, Public safety expenses for the Police and Fire-Rescue departments make up nearly half of total General Fund Expenditures
 - Changes to these departments' budgets have an outsized influence on available funding for other city services and programs

Proposed Budget Overview

General Fund Expenditures – Significant Adjustments

- Stormwater
 - 42.75 FTE positions and \$14.2 million
- Environmental Services - Organics Collection requirement (SB 1383)
 - 90.92 FTEs and \$11.2 million
- City Equity Efforts
 - Office of Race and Equity – 2.00 FTEs and \$319,000
 - Parks and Recreation – 18.50 FTEs and \$1.9m to address park inequities
 - Economic Development - Continue Back to Work Connect2Careers and Small Business Program \$1.3 million
 - Planning – 2.00 FTEs for Targeted and Equitable Public Outreach

Proposed Budget Overview

General Fund Expenditures – Significant Adjustments ctd

- Homelessness
 - 3.00 FTEs and \$8.3 million largely to continue existing programs
- Support Environment and Climate Action Plan
 - 6 FTEs to support Climate Action Plan & \$1.3 million for other plans and initiatives
- Funding for City infrastructure
 - \$28.4 million for parks, fire stations, facilities, sidewalk repair, streetlights
- Street Vending Ordinance support
 - 44 FTEs and \$4 million
- Short Term Residency Occupancy Compliance
 - 16 FTEs and \$2 million

FY 2023 City Council Priorities

Operating Budget Priorities

- | | |
|---|---|
| • Environment and Climate Action | • Office of Labor Standards Enforcement |
| • Public Safety | • Public Banking Feasibility Study |
| • Neighborhood Services | • Technical Support for IBA |
| • Human Capital and Employee Compensation | • Office of Race and Equity |
| • Homelessness and Housing | • Commission on Police Practices |
| • Youth Services | • Digital equity |
| • Accessibility | • Small Business and Non-Profit Relief |
| • Arts and Culture Programs | |

Infrastructure Budget Priorities

- Transportation and Mobility Safety
- Streets
- Sidewalks
- Stormwater
- Facilities
- Americans with Disabilities Act (ADA)

- Most – but not all – Council Priorities were included in the Proposed Budget

FY 2023 City Council Priorities

Priorities Not Included in FY 2023 Proposed Budget

- Homelessness-related rental assistance (funding reduced)
- Housing Stability Fund
- Pilot Subsidy Program for Older Adults
- Homeless Shelters for Seniors
- Americans with Disabilities Act, additional staff
- Specific positions for Office of Labor Standards Enforcement
- Public Banking Feasibility Study
- Small business and non-profit relief
- New or expanded library facilities

FY 2023 Proposed Budget Overview

Key Budget Issues

The Budget is Structurally Imbalanced

- While the Proposed Budget is balanced in that proposed \$1.9 billion in expenditures equal proposed revenues, it remains structurally imbalanced
 - One-Time Resources (\$150.1 million) exceed One-Time Expenditures (\$104.5 million) by \$45.6 million
 - One-time resources like federal American Rescue Plan Act (ARPA) revenues are being used to support ongoing expenses
 - This, combined with not funding City reserve to targeted levels, may lead to a significant budget shock when those one-time revenues run out absent any new revenue source
- The spend down of ARPA funds and not making reserve contributions creates a net budget impact of \$116.2 million in FY 25

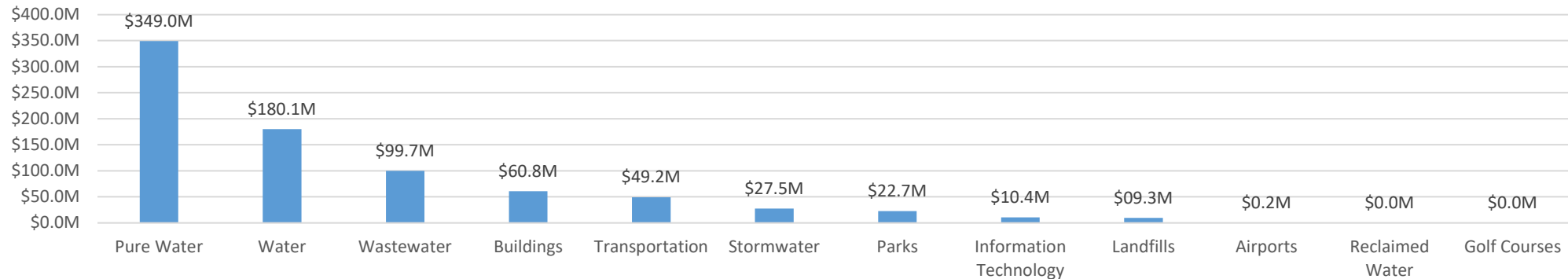
FY 2023 Proposed Budget Overview

Key Budget Issues ctd

Infrastructure funding remains insufficient to address growing capital backlog

- Budget includes \$107.4 million for General Fund capital infrastructure but needs total \$141.2 million in FY 2023
- Total Capital Infrastructure Backlog over next 5 years totals \$4.3 billion
- Absent a new funding source, the City’s capital backlog will continue to grow as well as risk associated with failing infrastructure

FY 2023 Capital Improvement Program Expenditures



FY 2023 Proposed Budget Overview

Key Budget Issues ctd

Vacancy levels continue to impact City services

- The City's compensation levels for City employees have historically been lower than other private and public entities
- The City's recruitment and hiring process is longer than many other comparable agencies
- These factors combine to put the City at competitive disadvantage in hiring and retaining employees

Next Steps in the Process

City Council's Role and Community Involvement

- The City Council has final budget authority
- Key dates include:
 - **May 4 and May 16:** Evening public hearings on the budget
 - **May 4-10:** Budget Review Committee hearings on all departments
 - **May 17:** Mayor releases the May Revision
 - **May 19:** Budget Review Committee hears the May Revision and Third Quarter Budget Monitoring Report
 - **May 27:** Councilmembers issue final budget modification memoranda
 - **June 8:** IBA issues final report on recommended revisions based on Council memoranda
 - **June 13:** Council makes final FY 2023 budget decisions and takes action on any FY 2022 budget revisions
 - **June 28:** City Council introduces and adopts FY 2023 Appropriation Ordinance

Additional Resources

More City of San Diego Budget Information

Information on the City's budget and other legislative items can be found on the IBA website

- IBA reports, including a full list of key budget dates are online:
<https://www.sandiego.gov/iba>
 - IBA report: Review of the FY 2023 Proposed Budget
https://www.sandiego.gov/sites/default/files/iba_report_22-08_review_of_the_fy_2023_proposed_budget.pdf
 - IBA report: A Citizen's Guide to the City's Budget Process
<https://www.sandiego.gov/sites/default/files/legacy/iba/pdf/bpguide.pdf>
 - IBA report: A Citizen's Guide to Infrastructure
<https://www.sandiego.gov/sites/default/files/citizens-guide-to-infrastructure.pdf>

More City of San Diego Budget Information

cont

Information on the City's budget on the City's website

- City of San Diego budget document (Proposed and Adopted):
<https://www.sandiego.gov/finance>
- Budget Review Committee Hearing Schedule:
https://www.sandiego.gov/sites/default/files/fy23_departmental_and_outside_agencies_budget_hearing_calendar_final_1.pdf
- Call our Office for additional information: 619-236-6555