

IBA Crash Course: Understanding the FY 2023 Budget Process

April 2022



Office of the Independent Budget Analyst

Providing the City Council and the public with clear, objective, and unbiased information and analysis.



Understanding the FY 2023 Budget Process

Presentation Overview

- Creation of the Independent Budget Analyst's Office
- Roles and Authorities in the Budget Process
- Operating Budget Process and Information
- Capital Improvement Program Budget Process and Information
- 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

Creation of the Office of the Independent Budget Analyst (IBA)

Why was the IBA Created?

In 2003 serious financial problems led to a citizen initiative to change the structure of San Diego's City government

- Serious budget shortfalls, irresponsible expenditures
 - Underfunding of pension system while increasing benefits
- Voters approved measure in 2004 to move away from City Manager form of government, and to Strong Mayor/Strong Council form of government
 - Requires election of new Mayor to run the city, instead of city manager reporting to Council
- Strong Mayor/Strong Council form of government became permanent in 2006

Why was the IBA Created? *Cont.*

Strong Mayor ballot also included creation of the Office of the IBA to advise the Council

- Elected Mayor, not professional manager, is now City's chief executive
- The majority of City employees now report to Mayor, carrying out his/her agenda
- Councilmembers no longer have a City Manager to advise them on complex matters
- Council consists of nine individuals with very different perspectives (not necessarily in line with the Mayor's)
- Council needs unbiased, objective information and advice for effective decision-making
- Public also needs objective information to effectively participate in public process

What is the Independent Budget Analyst?

The Independent Budget Analyst (IBA) reports directly to the City Council, and provides clear, objective, and unbiased information and analysis

- IBA has *internal* role: reviews all materials, proposals, and budgets coming to Council for a vote, and offers clear analyses of those proposals to inform Councilmember decisions
- IBA has *external* role: provides reports and presentations to public in easily understandable language and free from jargon
 - Educates public as to how it can be involved in major decisions and budget processes

Why our Office's role is important . . .

- It is critical to have checks and balances between the Executive Branch (Mayor) and the Legislative Branch (City Council) in a Strong Mayor form of government
- In order for us to provide clear, objective, and unbiased analysis and advice, we have to be independent.

Our Mission:

To provide clear, objective, and unbiased analysis and advice to the City Council and the public on important financial and policy issues.

Public Involvement in the Process is Key

- Several years ago, we recognized there was little helpful information on the City budget or budget process for the public.
- The City's Annual Operating Budget and the Annual Capital Improvements Program Budget are two of the most important, significant documents the City develops each year.
- It is vital that the Mayor and Council hear from the public about current community priorities during the process.
- To be effective in participating, we felt the public could benefit from more and better information about this complex process.

Public Involvement in the Process is Key

- Our Office developed both a *“Citizen’s Guide to the City’s Budget Process”* and a *“Citizen’s Guide to Infrastructure”*, the first ones for the City
 - Available on our website at <https://www.sandiego.gov/iba>
- More recently, we developed both an *“IBA Crash Course on the Budget Process”*
- With COVID, last year we did our presentations virtually and received significantly more participation
- Thank you for your interest and time! We hope you find it valuable!

Roles and Authorities in the Budget Process

City Council Budget Policy Guides the Budget

Standards for developing and monitoring the City's annual operating and capital budget include:

- A balanced budget (expenditures shall not exceed annual revenues plus available unrestricted fund balances)
- Performance measures and reporting of results during the budget process
- Mayor is required to prepare five-year forecasts for both operating and capital budgets
- Mayor provides quarterly budget monitoring reports to Council
- Public involvement (public hearings and outreach)
- One-time revenues should be used to fund one-time expenditures; ongoing expenditures should be supported by ongoing revenues
- The City shall fully fund the annual pension payment; and funding for retiree health shall also be a priority (based on existing labor agreements)

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

The Mayor:

- Develops and releases the Mayor's Five-Year Financial Outlook in November
- Provides quarterly budget monitoring reports to the Council and the public
- Proposes a balanced budget to Council by April 15
- Provides any known changes to the budget in the May Revision, for Council consideration
- Carries out the City's goals, policies, programs, and services reflected in the budget following adoption by Council

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

The Council:

- Reviews Mayor's Five-Year Financial Outlook and the IBA's analysis of the Outlook
- Adopts Budget Priorities Resolution to convey their budget priorities to the Mayor before the budget is developed
- Holds public budget hearings and Town Halls in early May
- Has the authority to change budgeted line items or services and programs proposed in the Mayor's budget, as long as the budget remains balanced
- Is responsible for reviewing and approving the Proposed Budget on or before June 15
- Has final budget authority

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

The Office of the IBA:

- Reviews and analyzes the Mayor's Five-Year Financial Outlook for Council and the public, analyzes DOF's quarterly monitoring reports
- Develops the Budget Priorities Resolution for Council adoption
- Reviews and analyzes the Mayor's Proposed Budget for Council and the public
- Provides support to the City Council and its Committees throughout the process
- Participates in all Council Budget Hearings, Committee meetings and Budget Town Halls
- Develops final budget recommendations for City Council consideration

IBA Review and Analysis of the Mayor's FY 2023 Proposed Budget

Things we review:

- All projected revenues and expenditures
- Comparison to City Council's FY 2023 Budget Priorities
- Impacts of any potential cuts or reductions on service levels
- Review of key issues or areas of interest
- Evaluate whether the budget is structurally balanced and ensuring financial practices and policies have been applied
- Highlighting issues for further discussion during the budget review process
- <https://www.sandiego.gov/iba>

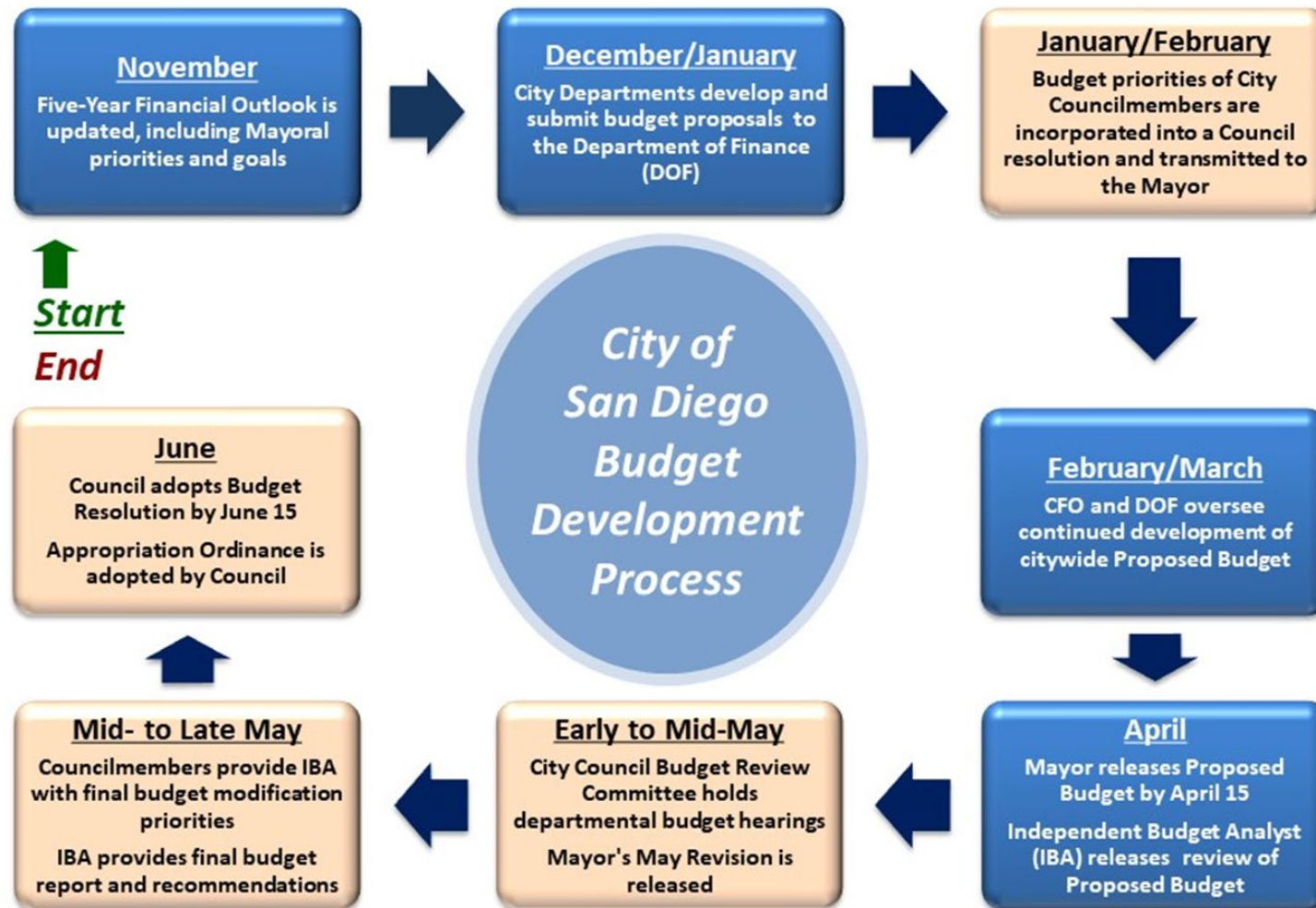


Mayor/Council/IBA Roles and Authorities in the Budget Process *cont.*

- 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)

Operating Budget Process

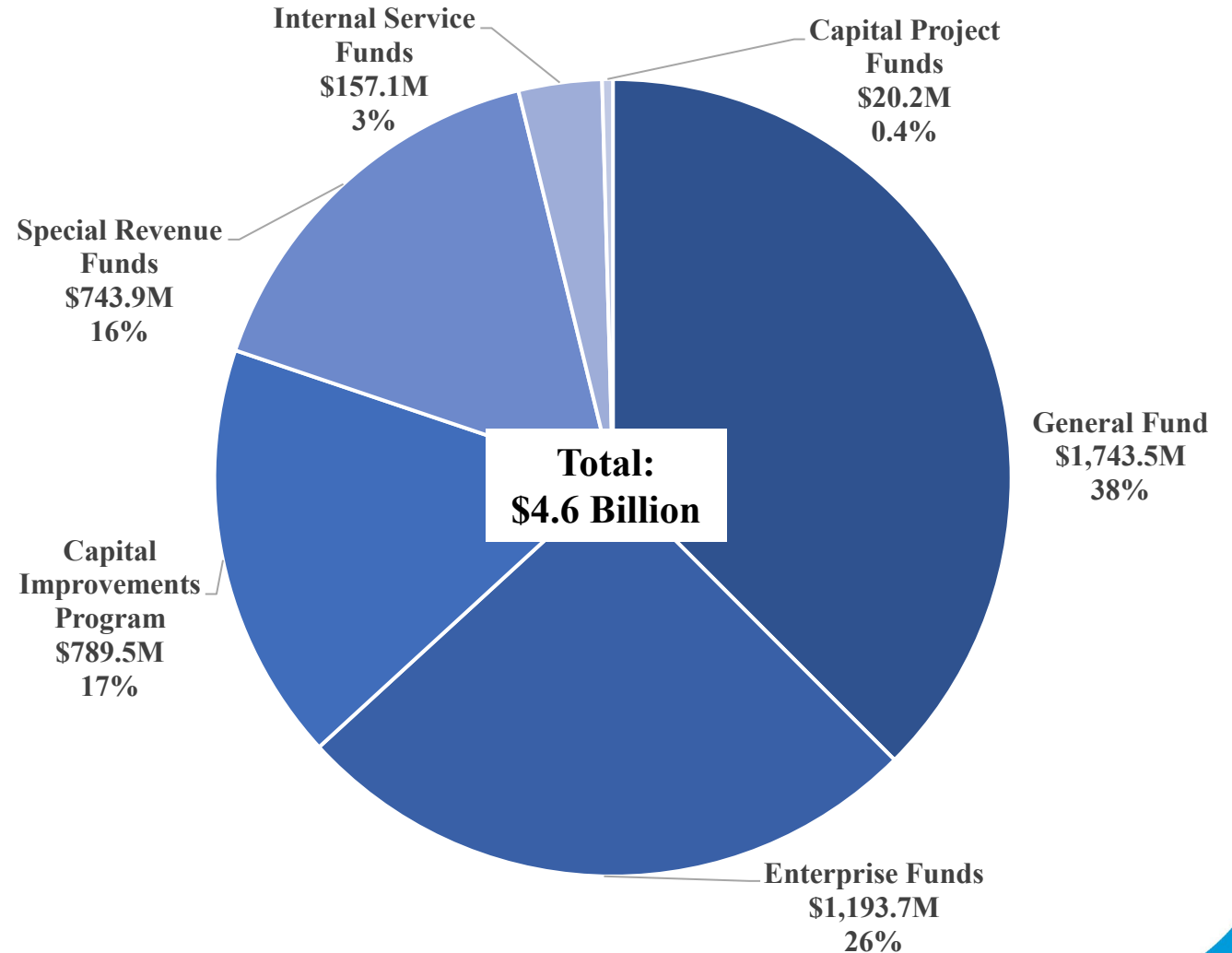
FY 2022 Budget Development Timeline



FY 2022 Budget Overview

Total City Budget

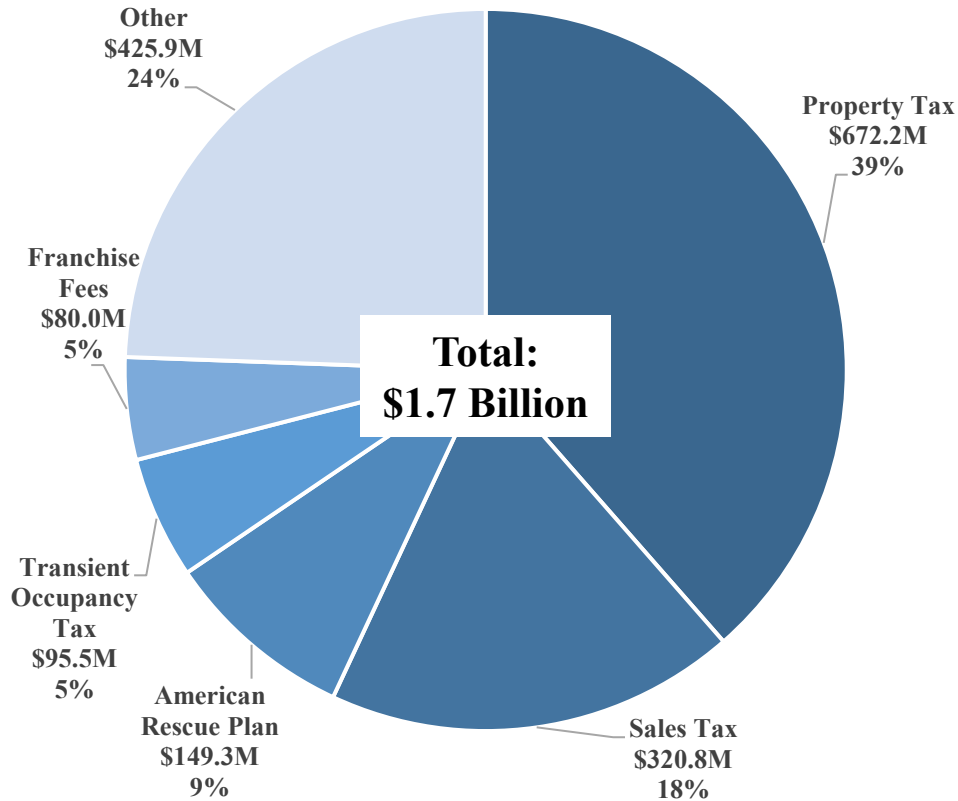
- While the City's total FY 2022 Budget is \$4.6 billion, the area where the City has *most discretion to fund operations* is in the General Fund



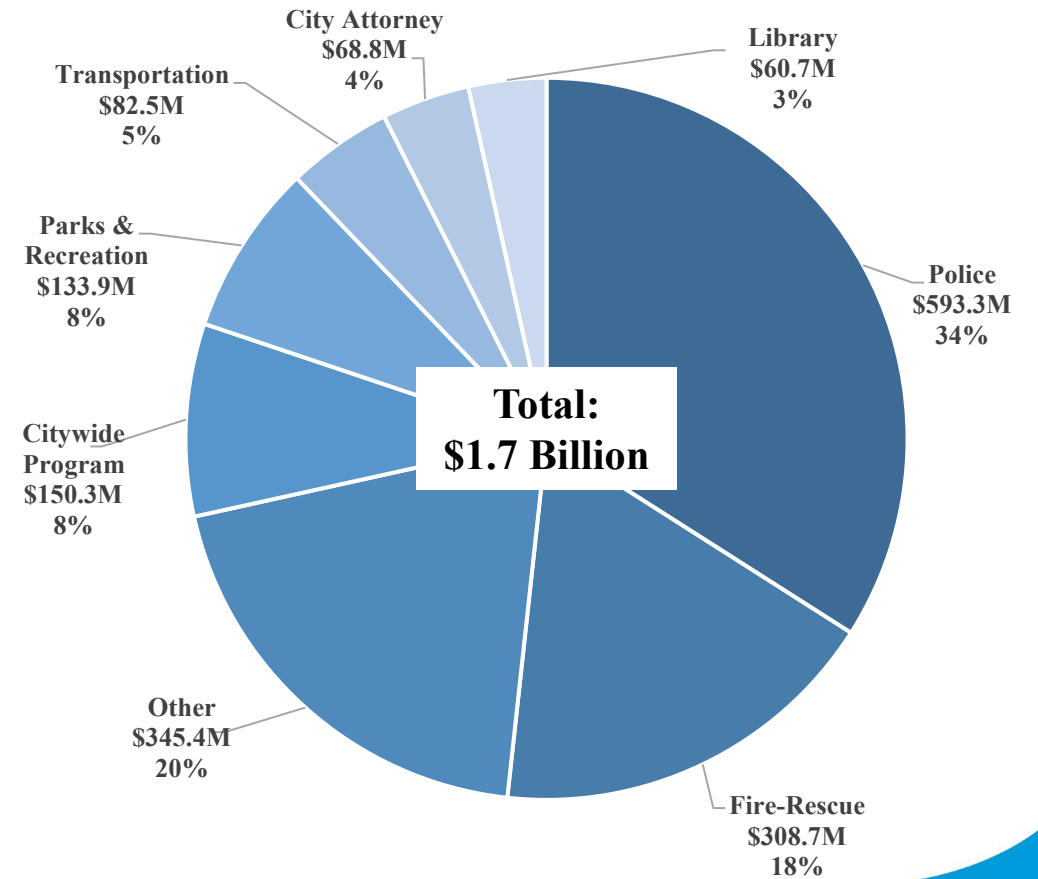
FY 2022 Budget Overview *cont.*

General Fund

Revenues



Expenditures



FY 2022 Adopted General Fund Budget and Mid-Year Projections

<i>Revenue/Expenditures</i> <i>(\$ in millions)</i>	Adopted Budget	Year-End Projection	Variance
Revenue			
Property Tax	\$ 672.2	\$ 658.5	\$ (13.7)
Sales Tax	320.8	341.1	20.3
Transient Occupancy Tax	95.5	119.9	24.4
Franchise Fees	78.3	86.2	7.9
Other Revenues	427.4	438.0	10.6
<i>American Rescue Plan Act</i>	<i>149.3</i>	<i>120.4</i>	<i>(28.9)</i>
General Fund Revenues Subtotal	1,743.5	1,764.2	20.7
Expenditures			
Personnel Expenditures	\$ 1,214.3	\$ 1,220.5	\$ (6.2)
Non-Personnel Expenditures	529.3	543.7	(14.4)
General Fund Expenditures Subtotal	1,743.5	1,764.2	(20.5)
Net Projected Activity	\$ -	\$ -	\$ 0.1

* Figures may not total due to rounding.



Mayor's Five-Year Outlook FY 2023-2027

<i>(\$ in millions)</i>	FY 2022 Adopted Budget	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Baseline General Fund Revenues	\$ 1,594.2	\$ 1,713.2	\$ 1,784.0	\$1,862.3	\$ 1,936.5	\$ 2,005.5
Baseline General Fund Expenditures	1,743.5	1,780.0	1,822.8	1,870.5	1,908.4	1,940.4
Baseline Surplus / (Shortfall)	(\$149.3)	(\$66.8)	(\$38.8)	(\$8.2)	\$28.1	\$65.1
Recommended Use of Available ARPA Resource	149.3	103.3	38.8	8.2	-	-
Recommended Use of Available FY 2021 Excess Equity	-	26.7	-	-	-	-
Revised Baseline Surplus / (Shortfall)	\$ -	\$ 63.2	\$ -	\$ -	\$ 28.1	\$ 65.2
New Facilities and Planned Commitments		4.2	11.2	14.8	15.0	14.9
Compliance Requirements		94.2	74.5	72.8	86.0	90.7
Department Service Level Requests		62.7	57.0	49.8	48.4	46.1
(Amount to be Mitigated) / Available Resources		(\$97.9)	(\$142.6)	(\$137.4)	(\$121.3)	(\$86.6)

FY 2023 Priorities Receiving Majority Support

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)

Resource and Mitigation Priority

- Use of Excess Equity

Overview of the Capital Improvements Program (CIP) Budget Process

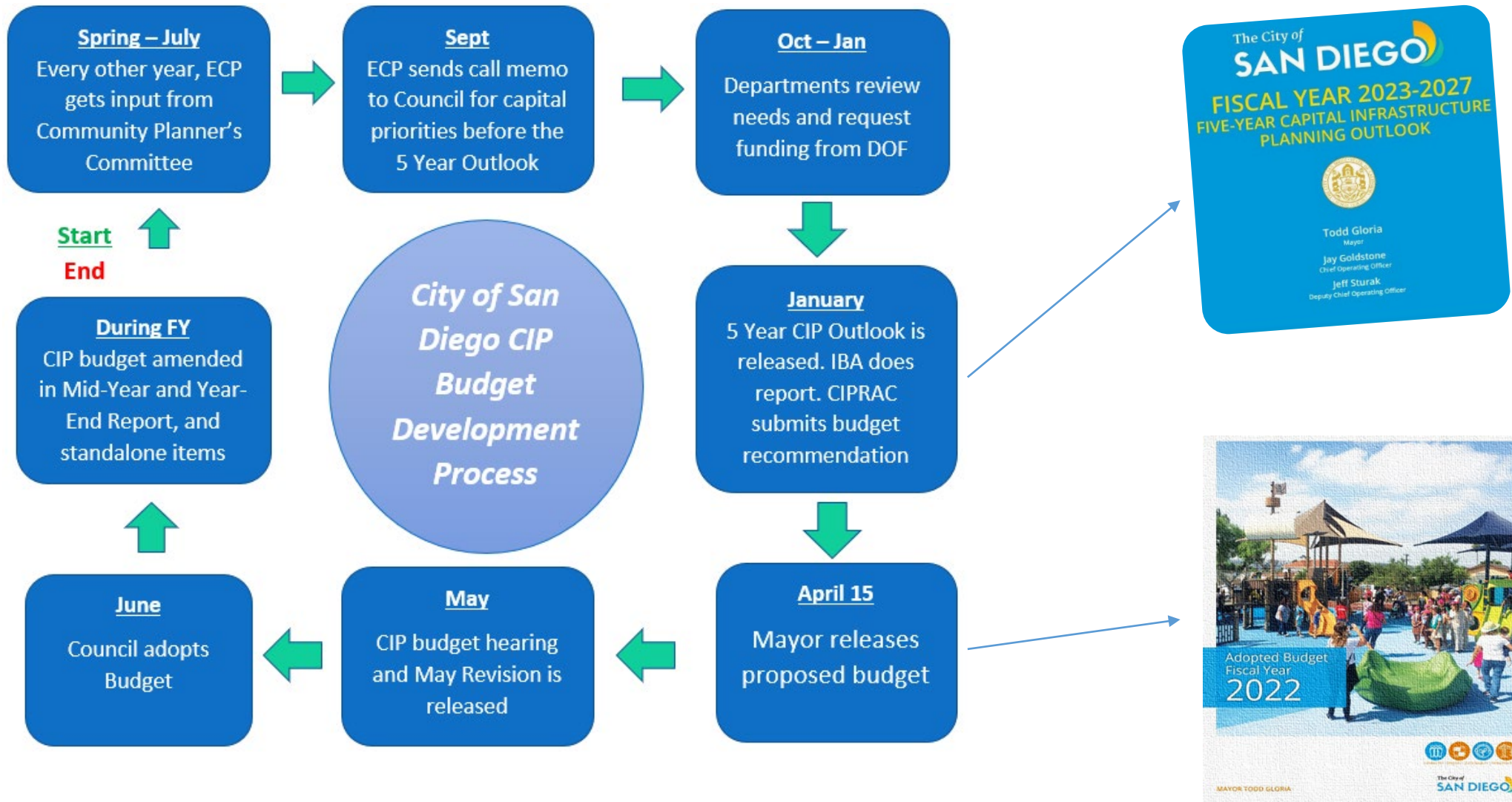
City Infrastructure

The City Owns and Maintains a Variety of Infrastructure Assets

- Streets and sidewalks
- Libraries
- Park and recreation facilities
- Police, fire, and lifeguard facilities
- Storm drainage and flood control facilities
- Water and sewer facilities and pipelines
- Streetlights and traffic signals
- Three golf courses and two airports

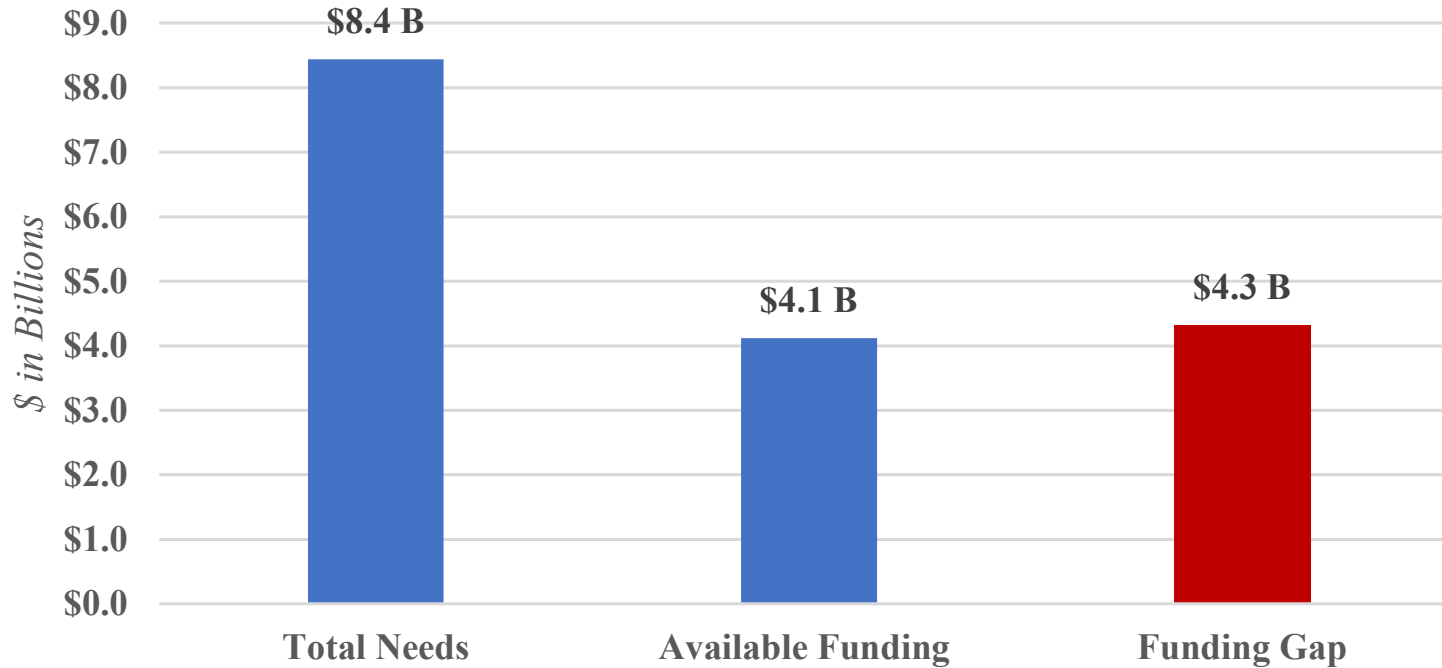
City is NOT Responsible for:

- Trolley
- Rail
- Bus system
- County, state, and federal facilities, roads, freeways

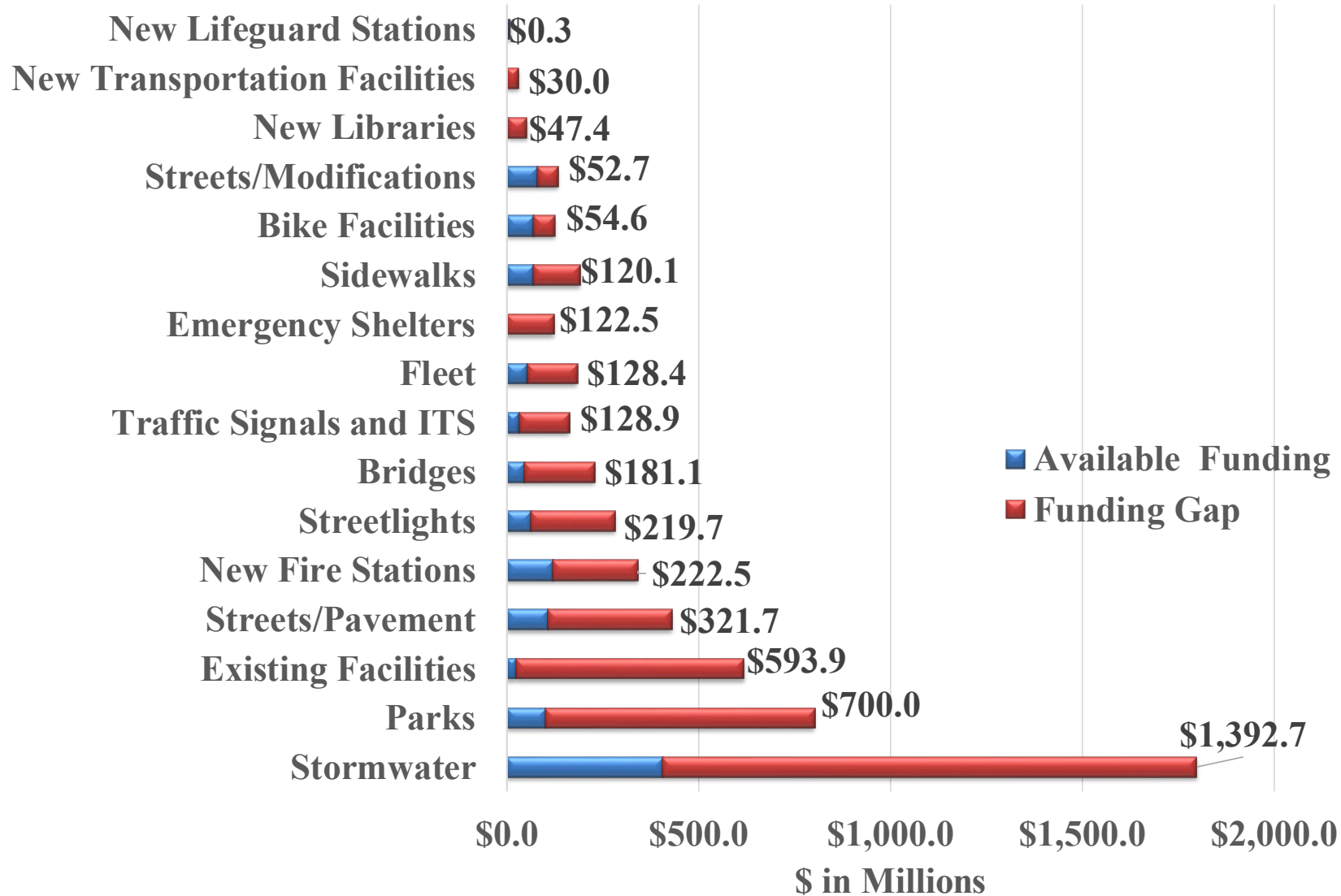


Highlights of the FY 2023-27 CIP Outlook

City's Five-Year Capital Infrastructure Needs, Available Funding, and Gap



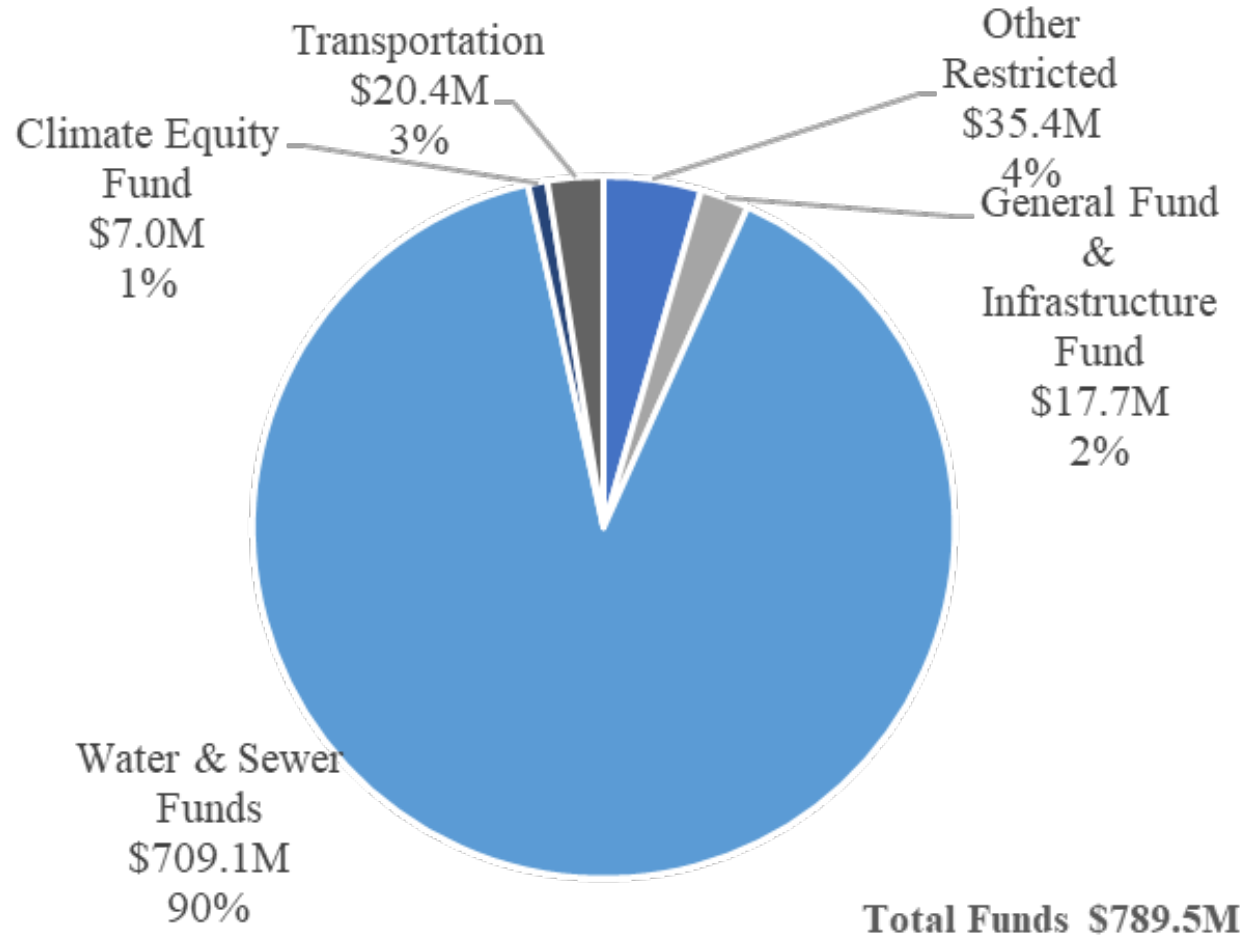
- Infrastructure is a major challenge for the City.
- Capital needs far exceed funding.



CIP Outlook Funding Gap

- These assets generally do not have sufficient dedicated funding.
- Stormwater has the largest gap by far of almost \$1.4 billion.

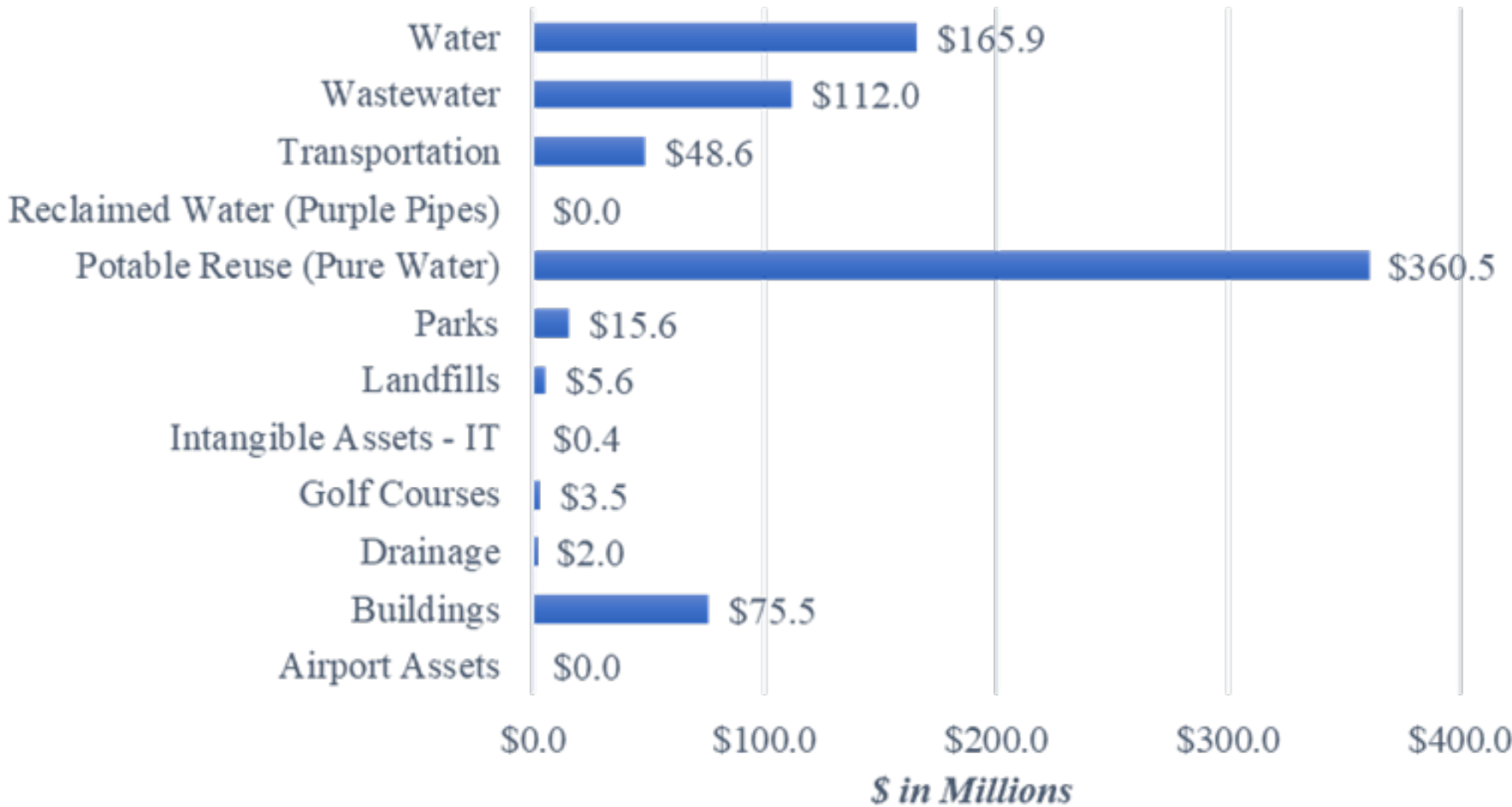
Highlights of the FY 2022 CIP Budget



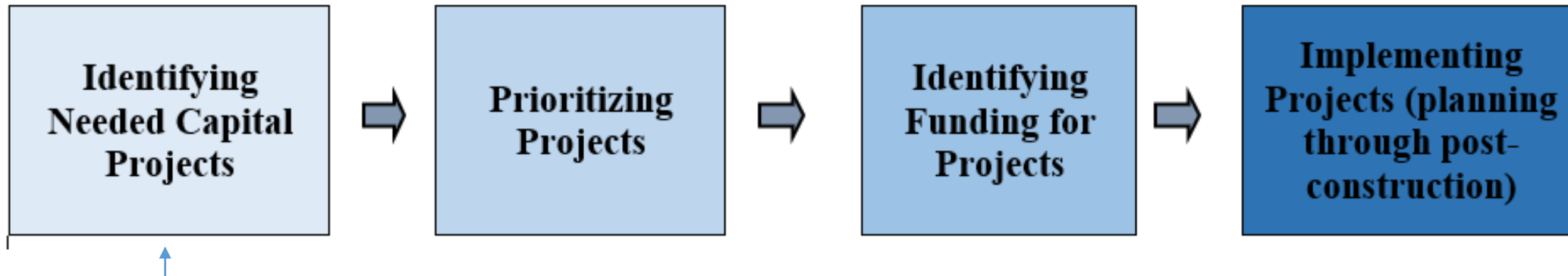
- Funding sources drive the types of projects that get funded in the CIP budget.
- Only 2% of the budget can be used for any asset (e.g., sidewalks, parks)

CIP Budget by Project Type

- The Pure Water Program, and Water and Wastewater projects make up the vast majority of projects.
- Parks, stormwater, and other building projects compete for scarce resources.



The CIP Process



- Direction from the Mayor and City Council
- Preservation of Public Safety
- Legal Requirements or Mandates
- Data Driven Asset Management Practices
- City Plans
- Community Input

Prioritizing Projects

Council Policy 800-14 Prioritization Factors:

1. Risk to Health, Safety and Environment, and Regulatory or Mandated Requirements
2. Asset Condition, Annual Recurring Costs, and Asset Longevity
3. Community Investment and Economic Prosperity
4. Level and Quality of Service
5. Sustainability and Conservation
6. Funding availability
7. Project readiness
8. Multiple Category Benefit and Bundling Opportunities

Implementing Projects

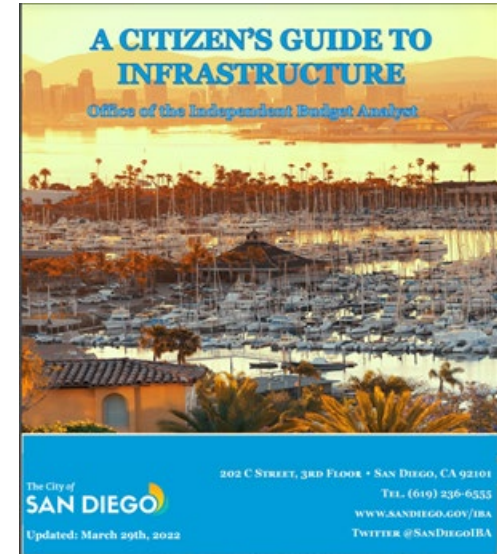


Project Implementation Phases



Infrastructure Investment and Jobs Act (IIJA)

- IIJA, considered to be a once in a generation infrastructure opportunity, will provide over the next 10 years an estimated:
 - \$1.2 trillion nationwide
 - \$46.6 billion for the State of California
- Various funds available under IIJA include Formula-based funding and competitive funds (such as grant programs)



Check out our revised
Citizen's Guide to
Infrastructure:

www.sandiego.gov/iba

Get Involved

Opportunities for Public Input

- **Contact the Mayor** and/or his staff during the development of Mayor's Proposed Budget (November-April)
- **Contact Councilmembers** at any point in the year, but especially:
 - September: when they identify capital project priorities prior to the Mayor's request for Councilmember CIP input
 - November: during Council's review of the Mayor's Five-Year Outlook
 - January: as Councilmembers develop their budget priority memos for the Mayor
- **Participate in public outreach process for CIP Projects** done every other year through your Community Planning Group (August/September)
- **Report needs** - Get It Done App, Department staff
- **Get involved** year-round in community planning, recreation committees, and other groups

Opportunities for Public Input *cont.*

- May:
 - Participate in Budget Review Committee hearings May 4th-10th; and evening City Council meetings May 4th and 16th
 - Attend Council District Town Halls or budget discussions
 - Contact Councilmembers prior to them sending their final budget priority memoranda to the IBA on May 27th
- June 13th: When City Council makes final budget decisions
- Throughout the year:
 - Review Mayoral or IBA budget reports released
 - Contact the IBA with any questions

More City of San Diego Budget Information

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

- <https://www.sandiego.gov/iba>
 - IBA reports
 - Full list of key budget dates
 - A Citizen's Guide to the City's Budget Process
 - A Citizen's Guide to Infrastructure
- Call our Office for additional information: [619-236-6555](tel:619-236-6555)
- Follow us on Twitter: [@SanDiegoIBA](https://twitter.com/SanDiegoIBA)
- Link to the Adopted Budget: <https://www.sandiego.gov/finance/annual>
- Link to the Department of Finance various reports: <https://www.sandiego.gov/finance/financialrpts>