

IBA Crash Course: Understanding the FY 2023 Budget Process

March 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

- 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

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**

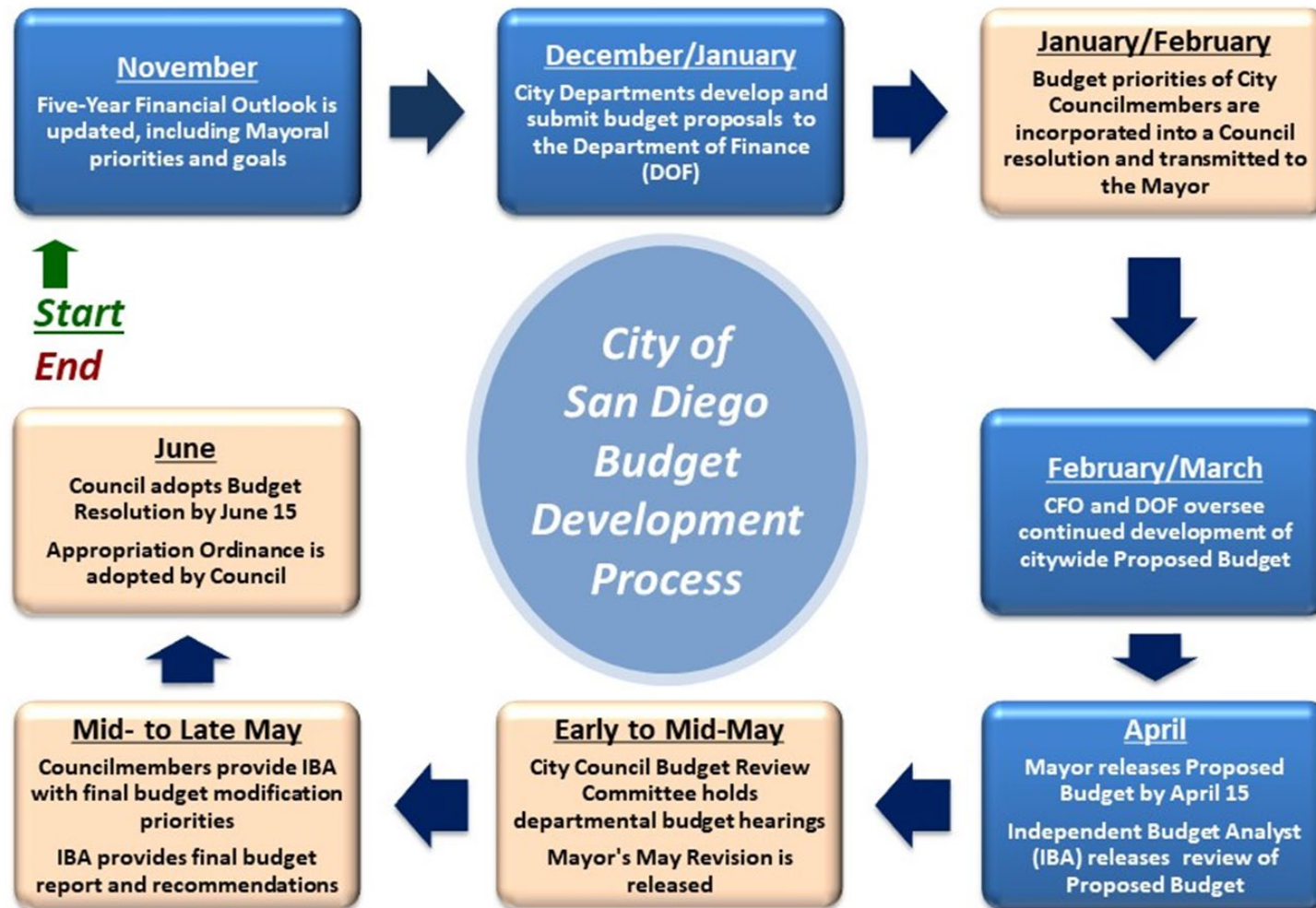
- May change the Mayor's Proposed Budget as long as the budget remains balanced
- Reviews, approves, and amends the Proposed Budget on or before June 15
- Has final budget authority (i.e., approves recommended changes from the Mayor)

- **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

Overview of the Operating Budget Process

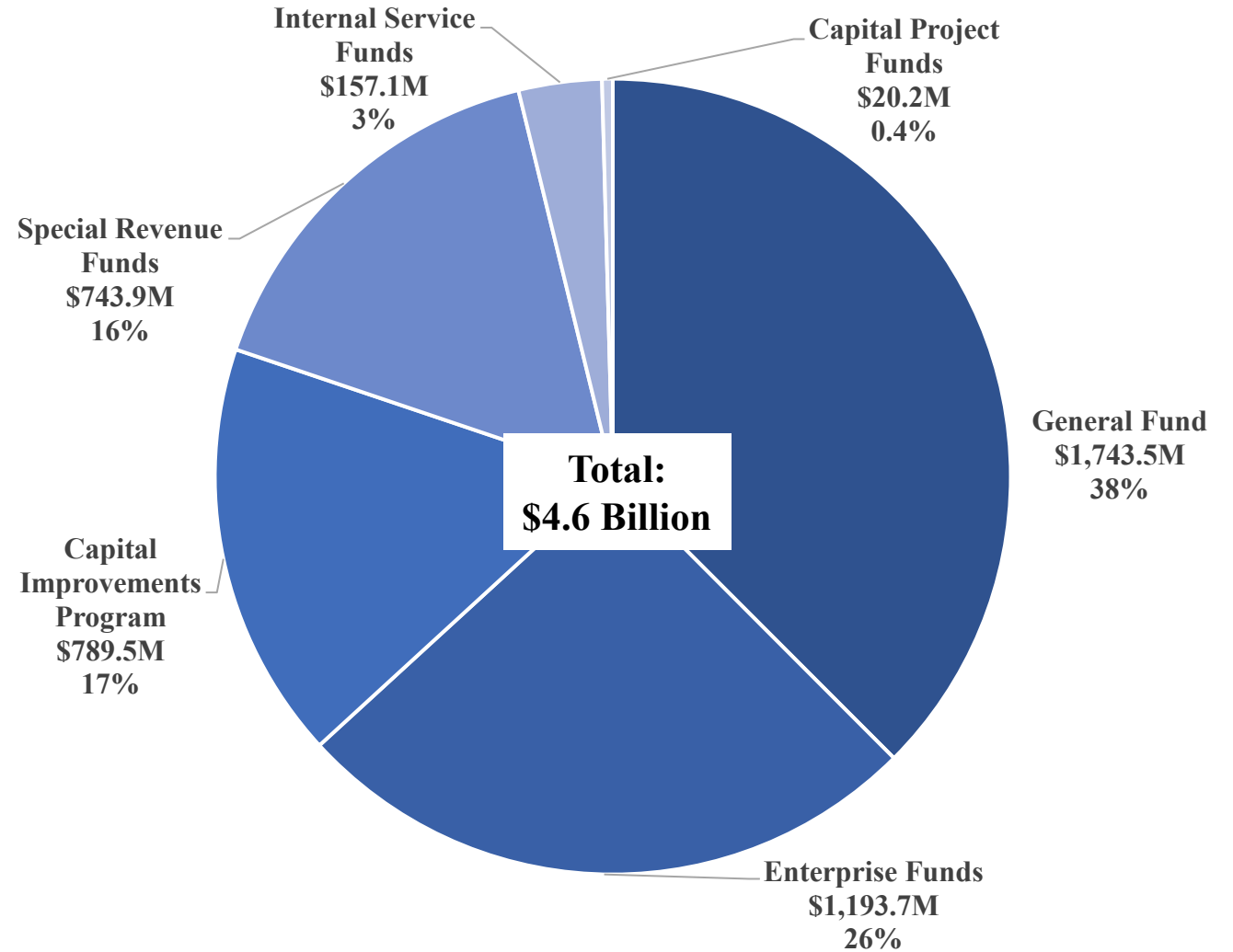
FY 2022 Budget Development Timeline



FY 2022 Budget Overview

Total City Budget

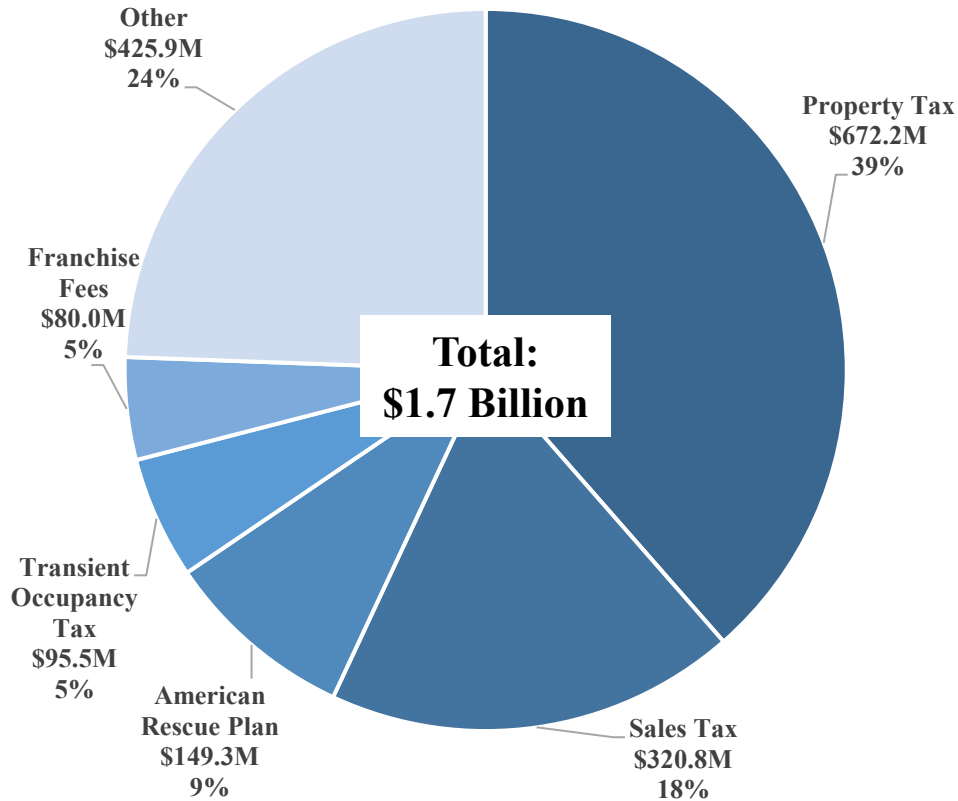
- While the City's total FY 2022 Budget is \$4.6 billion, the area where the City has *most discretion to fund operations* is in the General Fund



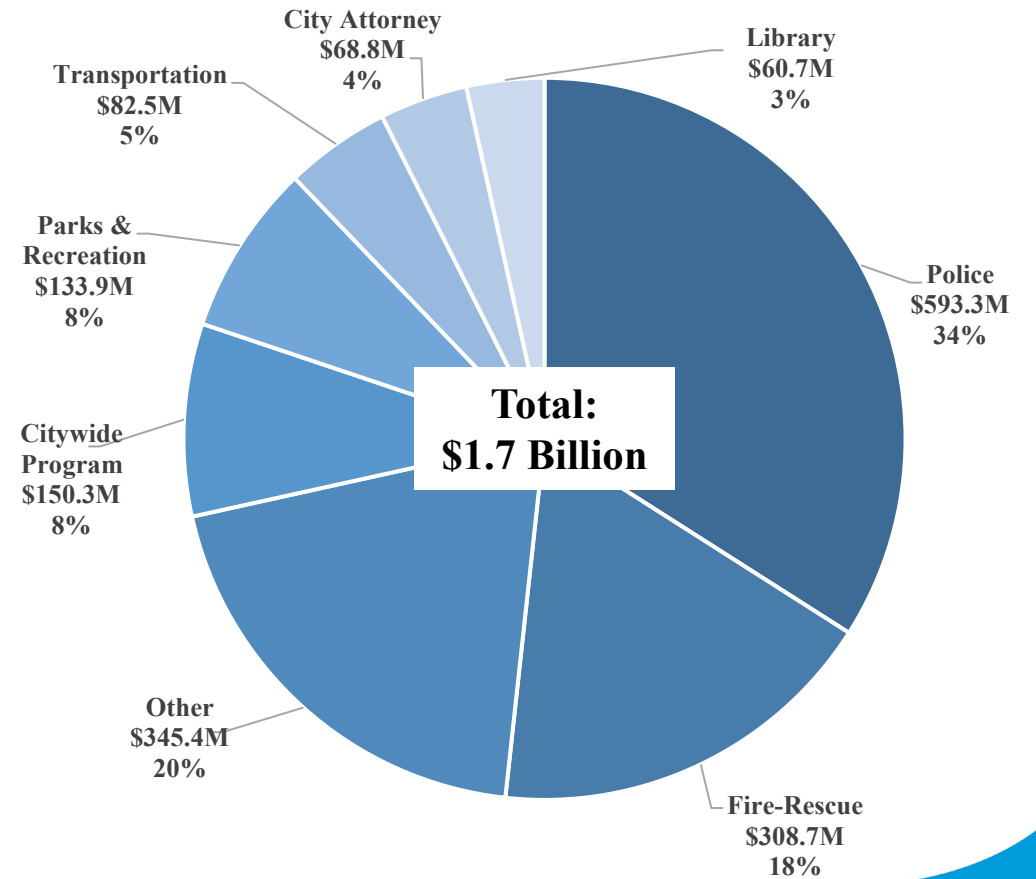
FY 2022 Budget Overview *cont.*

General Fund

Revenues



Expenditures





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 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.

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

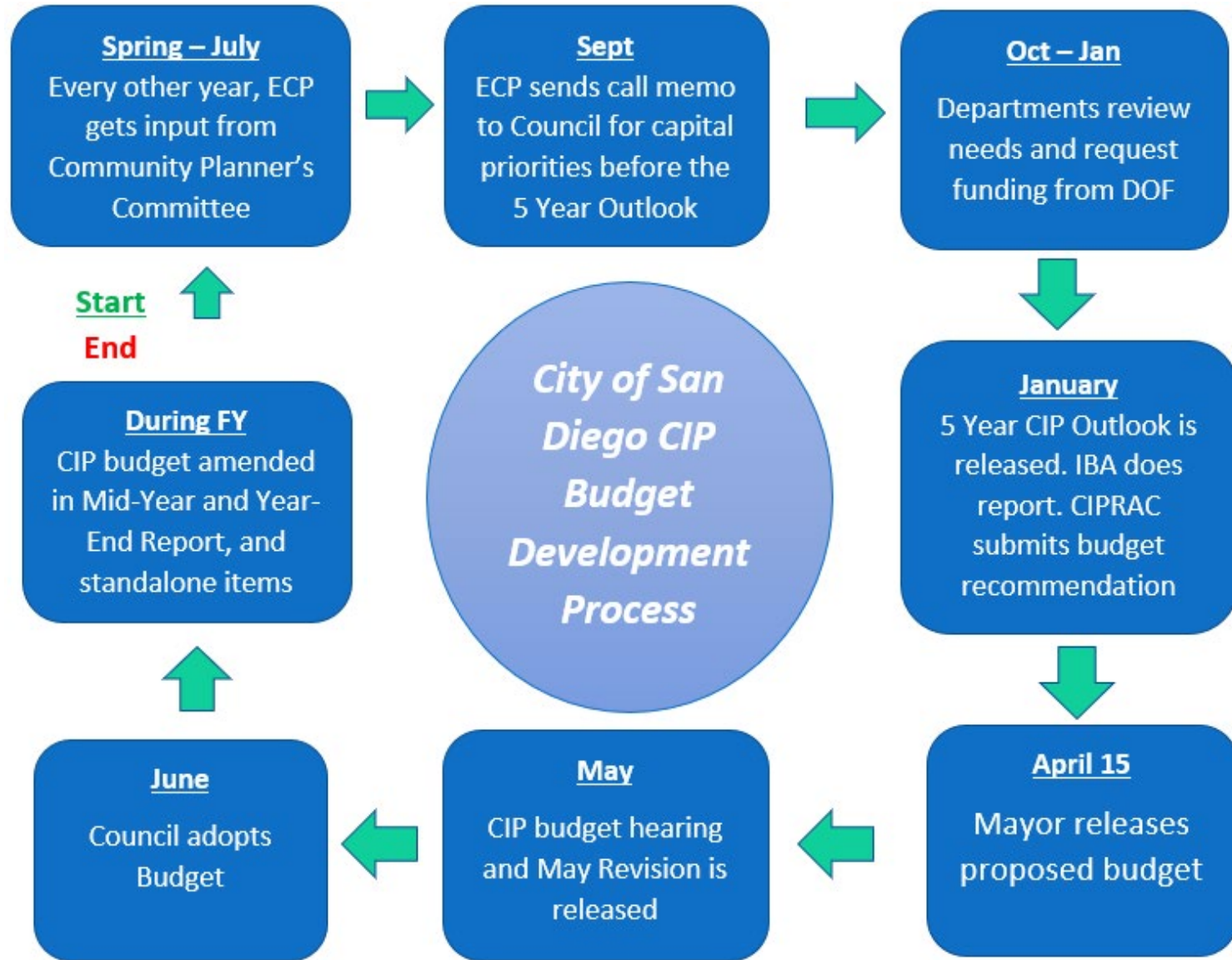
City Infrastructure

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
- Street lights 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



Departments Prioritize Projects per Council Policy 800-14

Project Scores are weighted for (examples):

- ◆ Risk to health and safety
- ◆ Asset condition and impact of deferring project
- ◆ Community investment
- ◆ Sustainability and Conservation
- ◆ Funding availability
- ◆ Project readiness

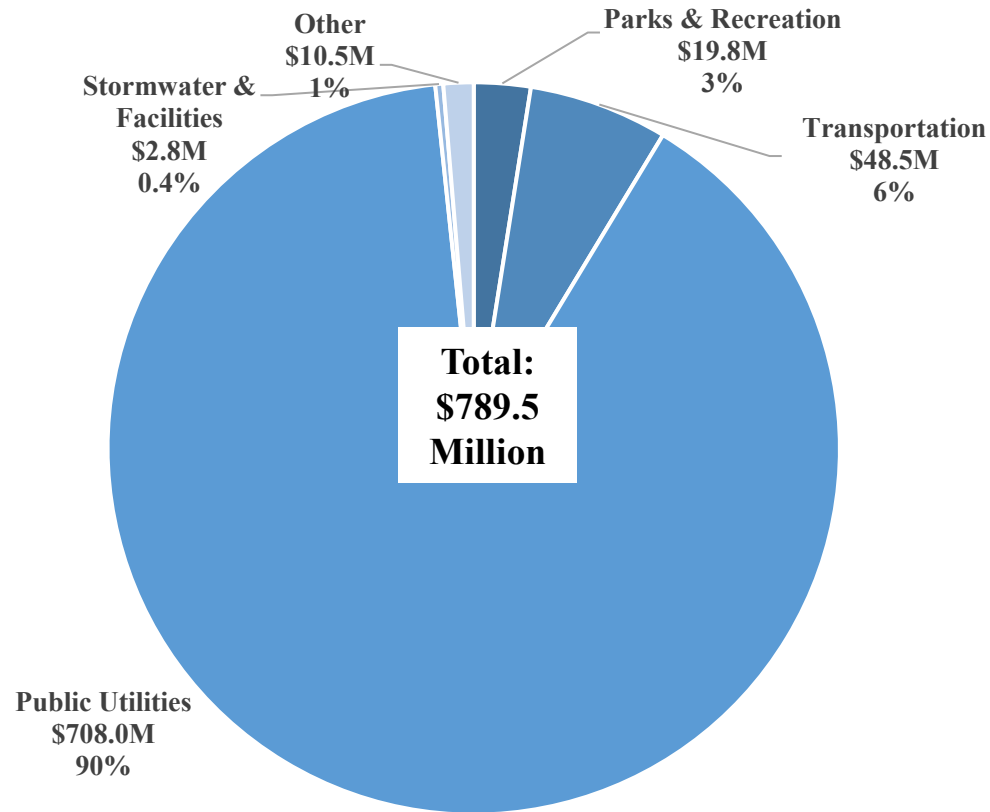
Funding added to the CIP Program takes multiple years spend



Project Implementation Phases



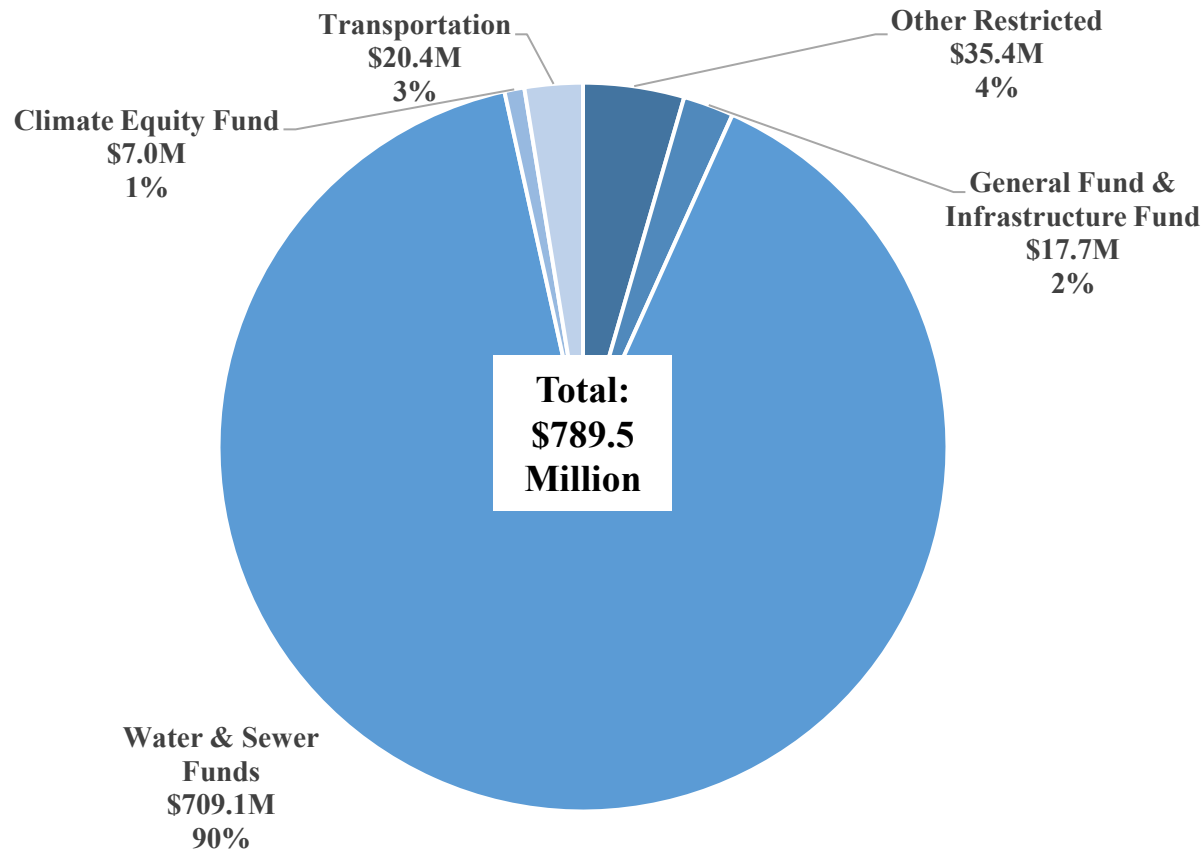
FY 2022 CIP Adopted Budget by Department



Key Takeaways:

- ◆ *Storm Water and Facilities make up less than 1% of budget but have highest unfunded needs*
- ◆ *Public Utilities Department's projects (water and sewer system) make up largest portion of the budget*

FY 2022 CIP Adopted Budget by Funding Source

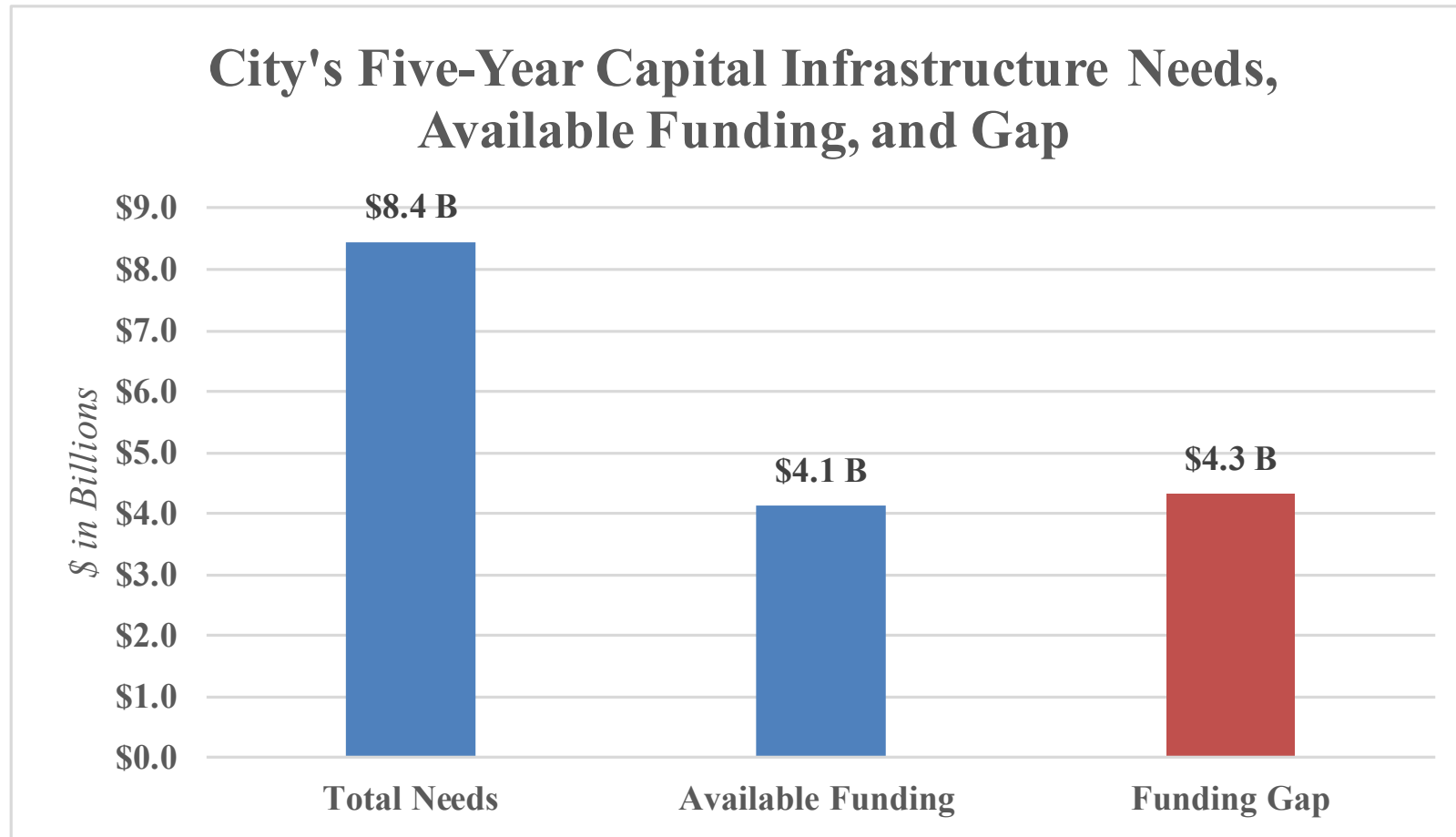


Key Takeaways:

- ◆ Funding sources drive the types of projects that get funded in the CIP budget (water and sewer funds must support those project types)
- ◆ 2% of the budget can be used for any asset (e.g. sidewalks, parks)

Infrastructure is a Major Challenge for City

City's Needs Far Exceed Funding Available



What are the top Assets not Funded?

Asset Type (\$ in millions)	Amount Unfunded	Percentage of Total Gap
Stormwater	(\$1,392.7)	32.26%
Parks	(\$700.0)	16.22%
Existing Facilities	(\$593.9)	13.76%
Streets and Roads - Pavement	(\$321.7)	7.45%
New Fire Stations	(\$222.5)	5.15%
Streetlights	(\$219.7)	5.09%
Bridges	(\$181.1)	4.20%
Total (Assets with largest gap)	(\$3,631.6)	84.13%

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 April 29th
- 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>