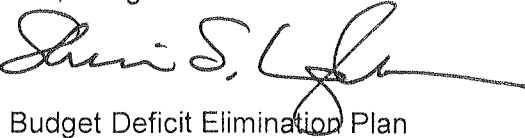




CITY OF SAN DIEGO  
COUNCILMEMBER SHERRI S. LIGHTNER  
DISTRICT ONE

MEMORANDUM

DATE: January 25, 2010 DTID: SL1001-011  
TO: Councilmember Anthony Young, Chair, Budget Committee  
FROM: Councilmember Sherri S. Lightner   
SUBJECT: Recommendations for a Structural Budget Deficit Elimination Plan

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I fully support the creation of a Structural Budget Deficit Elimination Plan to guide our City in its return to fiscal sustainability. I appreciate your request for input on this Plan.

In creating a Structural Budget Deficit Elimination Plan, it is imperative that we:

- Establish in the Plan an aggressive timeline and milestones for action to address the structural deficit.
- Obtain input on the Plan from a wide variety of sources, such as individual citizens, community groups, policy and advocacy organizations, financial experts, the Citizen's Survey, and the Citizens Revenue Review and Economic Competitiveness Commission. The Plan itself should also include a method for obtaining input from these groups on a regular basis until the structural budget deficit is eliminated.

Ideas for components of our Structural Budget Deficit Elimination Plan include:

- Standardize contracts and performance measures to increase accountability and prevent cost overruns.
- Identify and implement full cost recovery measures for all appropriate City services (for example, false fire and police alarms and business tax collection).
- Standardize cost/benefit analysis and find ways to incorporate it into our budgeting process.

- Streamline and expand our use of citywide volunteers. We are missing opportunities to utilize volunteers to the greatest extent possible. Review Council Policy 300-01: "Utilization of Volunteers." Ask departments to analyze their use of volunteers and report on overlooked opportunities. Work with city employees, administration, citizens, and labor organizations to find new opportunities, such as in the Neighborhood Code Compliance Department, our libraries, the Police Department and the Fire-Rescue Department.
- Review and improve collection and use of donations. Review Council Policy 100-02: "City Receipt of Donations." Ask departments to identify opportunities for private donations and public recognition. Create opportunities for matching funds in areas such as Parks & Recreation and libraries.

Existing ideas that require action and can be part of our Structural Budget Deficit Elimination Plan include:

- Use as guiding principles the suggestions in the IBA Report No. 10-01 "Developing a Structural Budget Deficit Elimination Plan" (Attachment 1).
- Enact Structural Reforms 18 – 24 from IBA Report No. 09-90, approved by Council on December 9, 2009, including completing managed competition negotiations, instructing the IBA to work with the City Attorney to evaluate pension and retiree health care matters, and asking the COO to provide a date for completion and presentation to City Council on the DROP neutrality study (Attachment 2).
- Enact the 31 fiscal reforms approved by Council on June 8, 2009 that have not yet been completed (Attachment 3).

If you have any questions, please contact my office at (619) 236-6611.

SL:jm

cc: Honorable Councilmembers  
Honorable Mayor Jerry Sanders  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Jay Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Breanna Zwart, Budget & Finance Committee Consultant

**Suggested Guiding Principles from IBA Report No. 10-01 “Developing a Structural Budget Deficit Elimination Plan”**

1. Eliminate the General Fund structural budget deficit through a balanced approach of ongoing expenditure reductions and revenue generation, including identifying new revenue sources.
2. Maintain General Fund Reserve levels at no less than 7% of the City’s General Fund.
3. Actively pursue alternative service delivery methods, efficiency improvements and elimination of service duplications.
4. Prepare a Five-Year Outlook that is structurally balanced each year of the Outlook.
5. One-time resources should be matched to one-time expenditures.
6. Achieve 100% cost recovery for programs and services that are intended to be fully cost recoverable through fees.
7. Reduce pension and retiree health care liability and annual City costs through the meet and confer process.
8. New facilities or programs should only be considered if there is no new impact on the City’s General Fund.
9. Prioritize City services expenditures based on results of Citizen Survey, benchmarking studies and departmental goals and performance data.
10. Maintain funding of full annual contributions for pension obligations and begin to fund full annual contributions for retiree health care obligations.
11. Adequately fund deferred infrastructure and maintenance needs annually to ensure that the problem is not growing, and to reduce the potential of increased costs.

**Structural Reforms from IBA Report No. 09-90, "IBA Review of the Mayor's Proposed FY2010/2011 Budget Solutions"**

18. Chief Operating Officer provides date for completion and presentation to City Council on the DROP neutrality study;
19. Mayor provides report to City Council on the work and timeline of the Mayor's Retiree Health Care Study Group which has been meeting since September;
20. The IBA is working with the City Attorney's office to evaluate issues related to pension and retiree health care matters;
21. Complete managed competition negotiations;
22. Mayor explore opportunities for implementing 4/10/5 work schedule in other work areas in light of the significant efficiencies demonstrated by the Environmental Services;
23. Mayor initiates cost of service study for storm water operations and/or refuse collection to prepare for a future fee;
24. IBA review and update the Council-Approved Fiscal Reforms Matrix approved during FY 2010 budget process and present to the Budget and Finance Committee.

**Fiscal Reforms Adopted by City Council on June 8, 2009 (R-304958)**

1. Work with the City Council to establish a Citizens Revenue Review and Economic Competitiveness Commission.
2. Complete and implement all Business Process Reengineering studies.
3. Complete comprehensive review of all existing funds including their legal bases, current and planned uses and fund balances.
4. Review with the City Council any reassessments under consideration for City's reserve goals for the following funds: Public Liability, Worker's Compensation, and General Fund.
5. Complete and bring forward to Council the results of the Development Services Department fee study and recommendations.
6. Implement reforms to strengthen oversight of independent agencies including SEDC, CCDC and SDDPC.
7. Address fiscal structural problems of the Refuse Disposal and Recycling Funds.
8. Consider implementation of a zero-based budget approach for equipment outlay requests and an expenditure cap for consultant contracts.
9. Report results of all deferred maintenance assessments to Council upon their completion. Determine causes for delays in completion of deferred maintenance/capital projects and develop recommendations for improvements.
10. Develop and adopt a "Budget Policy" to provide agreed upon principles and best practices for annual budget monitoring and development.
11. Develop recommendations for achieving cost recovery for professional sports teams and others who utilize Petco Park and Qualcomm Stadium.
12. Complete processes necessary to allow managed competition decisions to move forward.
13. Work with the Council to undertake a Community Attitude Survey to gather scientifically random data on citizen prioritization and satisfaction of City services.
14. Present the results of Real Estate Assets' Portfolio Management Plan to Committee and Council.
15. Explore ways to expand commercial marketing and increase City resources using City facilities, vehicles, and publications.
16. Request the IBA and Mayor's Office provide cost information on completed FY 2009 ADA projects. Based on information provided, consider reducing FY 2010 funding for ADA projects consistent with FY 2009 total project costs.
17. Undertake study to determine cost neutrality of DROP as required by the Municipal Code.
18. Identify the status and uses of a 2006 \$2.2 million Energy Efficiency Loan and identify any other outstanding grants or loans awarded to the City but not utilized.
19. Review and recommend scheduling reforms for trash pick-up and collections by the Environmental Services Department.
20. Request the City Auditor to conduct a Revenue Audit of all City revenue sources.
21. Request the Mayor and City Auditor to study transferring the Revenue Audit and Appeals Division of the City Treasurer's Office to the Office of the City Auditor, and undertake a performance audit of the tax audit function.
22. Explore the feasibility of establishing a Retired Senior Volunteer Program (RSVP) for the Library Department.
23. Identify plan for financing of Public Safety facilities.
24. Provide updates on the use of Outside Counsel.
25. Develop plan for Redevelopment Agency loan repayment to City, including terms of the agreement and impacts to the project area budgets, in accordance with HUD audit.
26. Develop plan for QUALCOMM Stadium to become financially self-sufficient.
27. Comprehensively address the issue of homelessness, and explore development of permanent homeless shelter.
28. Consider alternatives to Library Ordinance, which requires 6% of General Fund budget be allocated to library uses.
29. Develop a long-term strategic plan for the Environmental Growth Fund.
30. Explore the issue of Workers Compensation reform including a presentation on current and future programs to address this significant liability.
31. Track Assembly Bill 32, Greenhouse Gas Emission Reduction.



CITY OF SAN DIEGO  
COUNCILMEMBER SHERRI S. LIGHTNER  
DISTRICT ONE

MEMORANDUM

DATE: December 8, 2009  
TO: Councilmember Anthony Young, District 4  
FROM: Councilmember Sherri S. Lightner, District 1  
SUBJECT: FY2011 Budget and FY2010 Budget Amendments

A handwritten signature in black ink, appearing to read "Sherri S. Lightner".

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The City's budget over the next 18 months must maintain core public safety and neighborhood services while eliminating costs, increasing cost-recovery, and empowering citizens. My constituents have spoken with a clear voice through the San Diego Speaks meeting series, at our District One town hall budget meeting, in emails, calls, and conversations in the community. Our residents have all felt the impact of previous cuts to services during the last several years. **We must focus on preventing further cuts to public safety and neighborhood services. Where cuts have been made as a last resort, we must work to find ways to restore those services as quickly as possible.**

Focus on Restoring Essential Services

The following reductions in services, which have been proposed by the Mayor, are particularly painful for the residents of District One. These cuts must only be made as a last resort. If the reductions are made, the City must go to great lengths to quickly reinstate the services. Where possible, I have included suggestions for potential approaches.

**Fire-Rescue:** In District One, rolling "brownouts" are proposed that would affect Station 35 and Station 40. Station 35 responds to 3,580 annual incidents, one of the busiest in the City. The City must begin discussions with University of California, San Diego (UCSD) about contributing part or all of the approximately \$1.4 million needed to reinstate full service at Station 35, which protects the UCSD campus and a large number of San Diego's high tech and biotech companies.

Councilmember Young  
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**Lifeguard Services:** It has been proposed that lifeguard services at Torrey Pines Beach be eliminated during non-peak months and reduced during the summer. The remote nature of this beach makes lifesaving activities here essential. At the same time, this beach has a history of illegal and illicit activity, which makes enforcement activity a necessity.

At Torrey Pines Beach, the City owns two parcels totaling 500 yards on a beach that is 3.25 miles long, and yet in the past the City has provided lifeguard protection to the entire beach at no cost to the State, which has jurisdiction over the remainder of the beach. The City must begin discussions with the State on an agreement to provide mutual aid or cost recovery for lifeguard service along the State's portions of the beach. In the meantime, SDPD or Park & Recreation Rangers should be enlisted to regularly patrol this beach.

Another proposal is to cut the senior/lead lifeguard position for Windansea beach. Although hourly lifeguards will still patrol this beach, they generally do not participate in law enforcement activity. Illegal use of alcohol, especially by minors, along with dangerous surf conditions and the high volume of users all create challenges at this beach. A regular patrol by SDPD or Park & Recreation Rangers could mitigate some of the danger if it is not possible to retain the senior/lead lifeguard position.

Lifeguard Services is currently pursuing sponsorships for vehicles, which would come at an estimated savings to the department of \$400,000 per year. Any resulting savings from vehicle sponsorships, or any other revenue generating activities, should be returned to this department to restore any services cut during this budget process.

**Library:** None of the proposed cuts to the Library Department are welcome, but the proposed reduction of library hours from 41 hours per week to 36 hours per week is a particular hardship. If private donations cannot be found to cover the cost of those hours (\$0.6 million in FY2010 and \$1.3 million in FY2011), the City must reconfigure library hours to the times during which people use them most, especially evenings and weekends. With careful planning, it may be possible to improve library services for the community.

**Park & Recreation:** Street medians maintained with Gas Tax funds, which are not also included in a Maintenance Assessment District, are slated to have their turf removed and be mulched over. Those without turf will no longer be maintained or will be maintained less frequently. Before making this dramatic change in the appearance of numerous neighborhoods, the Park & Recreation Department should approach community members, businesses, and other stakeholders to give them an opportunity to volunteer to provide or pay for maintenance. I would be glad to help with this effort in District 1.

The Mayor's office proposes cutting the annual payment for the San Dieguito River Valley Joint Powers Authority (SDRVJPA) in FY 10 and eliminating it for FY11. If this happens, the

Councilmember Young  
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viability of the SDRV Park will be threatened. The vast majority (over 99%) of the City land managed by the SDRV JPA belongs to the Water Department. I am waiting for a City Attorney opinion on whether this cost could be transferred from the Park & Recreation Department to the Water Department, since it primarily benefits Water Department land. The cost was borne by the Water Department in years prior to FY10.

Many of the Mayor's proposed reductions trigger a meet and confer process with labor unions. The timeline and results of these meetings will have a large effect on the impact of these cuts. Council should request a full list of proposed reductions that require meet and confer, as well as regular progress updates on the meet and confer process.

#### Revenue Generating and Cost Recovery Recommendations

Since it is infeasible to institute most of the following revenue generating and cost recovery recommendations before January 1, 2010, they should be instituted before the FY2011 budget is revisited in April 2010.

1. Implement cost recovery fines for false fire alarms. We have requested false alarm call numbers from the Fire-Rescue Department.
2. Ensure fines for false police alarms are cost recoverable.
3. Resume charging cost recovery fees for business tax collection, if appropriate.
4. Increase nightclub-overcrowding fines to make inspections cost recoverable.
5. Collect the delinquent Development Services Department deposit accounts revealed by the recent Auditor's report.
6. Institute a program to charge user or reservation fees for the fire rings on the beach. Another approach would be to allow the sponsorship of the fire rings on specific beaches. The La Jolla Micro-BID has expressed interest in the past in sponsoring the fire rings at La Jolla Shores.
7. Seek corporate sponsors for vehicles, uniforms, park maintenance, street medians, etc. There is an outstanding proposal for sponsorship of Lifeguard vehicles that could save the City \$400,000. In particular, any funds received by Lifeguard Services through this arrangement should be allocated only to Lifeguard staffing or support.
8. Assure that special events comply with their City permits. In particular, some event sponsors significantly understate attendance and impacts of a special event to minimize the cost. Fees should cover the costs to the City for the event and comply with the existing rate structure. This would require monitoring the events and enforcing the



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permit conditions. It could be done as a pilot program with the idea of full cost recovery for the events.

9. Work with the State on an agreement to provide cost recovery for lifeguard service at Torrey Pines Beach.
10. Work with Scripps Institution of Oceanography and UCSD on cost recovery for lifeguard protection at Scripps Beach north of Scripps Pier, and possibly Blacks Beach.
11. Work with local education facilities and universities to identify ways in which they can contribute toward the City services (e.g. fire-rescue, etc.) they receive. This would include public and private institutions.

#### Additional Cost Reduction Recommendations

1. Eliminate Executive Performance Pay in keeping with the Mayor's proposal.
2. All computers that do not have a specific need for Microsoft Office should have it replaced with Open Office.
3. Expand code enforcement volunteer training and the Community Enhancement Volunteer Programs. This needs to include follow-up by the Neighborhood Code Compliance Department (NCCD) and enforcement action as appropriate.

#### Cost-Benefit and Risk Analysis

Detailed cost-benefit analysis must be done for all cost cutting and revenue generating measures, and future budget modification proposals must include this analysis. In many instances, it may be advantageous for the City to maintain positions or programs that generate enough revenue to cover their costs or generate a net gain. In other instances, programs designed to generate revenue may be found to cost the City more than the revenue they generate. These programs must be uncovered and eliminated.

If a reduction in service could increase the City's legal liability, that risk must be stated and translated into a projected dollar amount. Some of the currently proposed cuts, such as reductions to tree maintenance, which could result in root damage to sidewalk, have the potential to result in huge legal settlements against the City. With that in mind, Council should request a list of all outstanding notifications the City has received of problems with inadequate maintenance, especially related to sidewalks. Obviously the future cannot be predicted, but an actuarial risk analysis would be a wise addition to all future budget adjustment proposals.

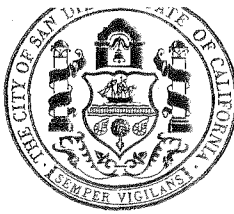
Councilmember Young  
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Proceed Cautiously

I have not seen convincing evidence thus far that there is a compelling public benefit in approving the FY2011 budget now, as opposed to April. By waiting until April to approve the FY2011 budget, we will benefit from information about the effects of any January 1, 2010 reductions. This will also provide an opportunity for additional public input, as well as allow for a clearer picture of the City's fiscal situation.


I request that City departments be asked to provide Council with regular reports, starting well before April, on service level impacts from the changes implemented January 1, 2010. I would also like regular reports on cost recovery and revenue generation efforts, including those outlined above. Some revenue generating proposals require Council action in the form of new ordinances or resolutions. Hopefully an aggressive timeline can be used to assure these changes can occur in time to help our FY11 revenue projections.

cc: Honorable Mayor Sanders  
Honorable Members of the City Council  
Andrea Tevlin, Independent Budget Analyst  
Jay Goldstone, Chief Operating Officer  
Mary J. Lewis, Chief Financial Officer  
Wally Hill, Assistant Chief Operating Officer  
Nader Tirandazi, Financial Management Director  
Department Directors



COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER  
CITY OF SAN DIEGO  
SECOND DISTRICT

MEMORANDUM

DATE: January 26, 2010  
TO: Councilmember Tony Young  
FROM: Council President Pro Tem Kevin L. Faulconer   
SUBJECT: Recommendations to Eliminate Structural Budget Deficit

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Now that the City has adopted an 18-month budget that will last until June 2011, it is prudent that this City Council begin to implement the necessary reforms that will eliminate our structural budget deficit. Our Independent Budget Analyst (IBA) has started the discussion by providing the Mayor and Council various examples of reform principles for consideration. In addition to these recommendations, I submit the following ideas to consider when addressing the City's structural budget deficit:

**Outsourcing/Finalizing Managed Competition Guide**

The downturn in the economy has resulted in a calling of various municipalities to begin the process of reducing funding for non-essential services. While public safety, parks and libraries are priorities for residents, the City should begin undergoing a process of how non-essential services can be removed from our general fund ledger but still provide a benefit to the City.

In October 2009, the City Attorney issued a legal opinion regarding the City's ability to outsource City services. The City Attorney opinion describes the process and the roles of the Mayor and City Council as it relates to outsourcing of City services. I ask the Mayor's Office to continue reviewing those services provided by contractors eligible for competition, in order to identify any potential savings, similar to that of the recent savings involving our IT services. Prior to any decision involving city employees moves forward, an implementation ordinance and management competition guide must be adopted by the Council. I encourage the City Attorney's office to provide the assistance necessary to help finalize ongoing discussions and present the Mayor and Council with the documents necessary to implement this needed tool.

While there has yet to be resolution regarding the managed competition guide since passage of Proposition C in 2006, all parties must come to an agreement regarding the guide as soon as possible, and present those findings to the Council. I have long touted the City employee's ability to compete for services, yet the benefits of subjecting employees to real competition have yet to be fully realized.

**Reforming of Retiree Healthcare & \$1.3 Billion Unfunded Liability**

Although the City has made strides in reforming retiree healthcare benefits for employees, there is still more to be done that will assist in reducing our unfunded liability and annual required contribution. I appreciate the efforts of our City Attorney to define the parameters in which the City can operate within to reduce the burden on our City's taxpayers. We must work expeditiously with our employee groups to develop a solution we can implement.

**Implementation of City Auditor Recommendations**

Between June 2008 and September 2009, the City Auditor released 227 recommendations through the department's performance audits that can potentially save the City of San Diego millions of dollars. It is of the utmost importance that the Mayor's office and City staff work with the City Auditor's department and immediately begin to monitor the various department's progress in implementing the recommendations. It is my intent to have the Audit Committee receive regular updates from the City Auditor so that we are informed of any delays or concerns that may arise throughout this process.

KF:cjc

cc: Honorable Mayor Jerry Sanders  
Honorable Jan Goldsmith, City Attorney  
Honorable Councilmembers  
Andrea Tevlin, Independent Budget Analyst  
Eduardo Luna, City Auditor



**OFFICE OF COUNCILMEMBER TODD GLORIA  
COUNCIL DISTRICT THREE**

**M E M O R A N D U M**

**DATE:** February 8, 2010

**TO:** Councilmember Tony Young, Chair, Budget & Finance Committee

**FROM:** Councilmember Todd Gloria, Third Council District *Todd Gloria*

**SUBJECT:** Additional recommendations for the Structural Budget Deficit Elimination Plan

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At the January 27, 2010 Budget and Finance Committee, I offered my support for the Independent Budget Analyst's proposed guiding principles for the Structural Deficit Elimination Plan as outlined in IBA Reports 10-01 and 10-08. Additionally, my December 10, 2009 Budget Priorities memo (Attachment 1) highlights critical issues that could responsibly strengthen our City's financial situation.

The development and implementation of this Plan is the highest priority for the City—by doing so, it will address its financial emergency and strengthen its fiscal standing. Success in addressing this problem will take time, and will require purposeful actions. I thank you for the opportunity to provide additional recommendations for the Plan prior to adoption by the full City Council.

Our City's present situation demands a sound deficit reduction strategy and the establishment of fiscal controls and priorities that directly address our economic challenges. While the Mayor has yet to offer his plan or guiding principles for solving the structural budget deficit, we know that the ultimate solution will involve a combination of furthering pension reform, achieving additional efficiencies, carefully reducing services, implementing managed competition and creating new revenue. The only thing in question is the degree to which each solution is used, mostly because none of the options by themselves permanently solves the problem. We need realistic solutions and a holistic approach.

I emphasize the need for a balanced approach of ongoing expenditure reductions and revenue generation, including identifying new revenue sources. For far too long, the City has not addressed its outdated general revenue tax structure. San Diego has not kept pace with most California cities which have generated income by looking at "other" sources to pay for core local services. Other municipalities have raised revenues through Business License and Utility taxes or Stormwater, Beach Parking and Refuse fees (San Diego is the only city, among the ten largest cities in California, which does not charge for residential refuse/trash collection). Additionally, if one examines San Diego's out-of-date tax structure,

particularly our Transient Occupancy and Real Estate Transfer Taxes, one will realize that the City is not optimizing the amount of revenue that could be generated locally. A 2005 study performed by the Center on Policy Initiatives concluded that San Diego lacks access to several revenue sources used by other cities. If the City of San Diego raised revenue at the same rate as the average of the ten largest California cities, it would generate \$279 million in additional revenue annually. Furthermore, it was acknowledged that the City of San Diego raises the least General Revenue per household, as percentage of household income, of any of the ten largest cities in California.

It is my hope that my colleagues will realize that pursuing revenues is preferred and necessary and is as critical as pension reform, efficiency savings and cost cutting. I personally have heard it loud and clear from my own constituents who have expressed interest in supporting revenue options such as a refuse collection fee, an increase to the Transient Occupancy Tax, Stormwater Users Fee and paid parking at City beaches. This is especially noteworthy when you consider that District Three has the lowest median income of the eight council districts. These suggest an open-mindedness to pursuing funding streams. Again, pursuing additional revenues must be included in the equation to balance our budget and eliminate our structural budget deficit.

I appreciate your pledge to examine every responsible alternative to deal with the realities of our budget. We've instituted drastic service cuts and implemented efficiencies and we're close to employing managed competition. We simply cannot afford to wait to openly pursue funding mechanisms. We owe it to San Diego to make real solutions a priority. The future of our City depends on strong leadership; leadership that does not hesitate to accept the reality of our condition and implement sound and effective strategies that address our challenges head on.

I look forward to a productive collaboration as we seek to restore our City's financial stability.

TG:pi

cc: Mayor Jerry Sanders  
City Councilmembers  
Andrea Tevlin, Independent Budget Analyst  
Jay Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer



**OFFICE OF COUNCILMEMBER TODD GLORIA  
COUNCIL DISTRICT THREE**

**M E M O R A N D U M**

**DATE:** December 10, 2009  
**TO:** Councilmember Tony Young, Chair, Budget & Finance Committee  
**FROM:** Councilmember Todd Gloria, Third Council District *Todd Gloria*  
**SUBJECT:** Budget Priorities and Issues for Consideration

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Thank you for the opportunity to convey my budget priorities for the upcoming 18-month period.

Mayor Sanders set the appropriate tone in the budget package he presented on November 24; this proposal supported by the City Council yesterday by a vote of 7-1. Addressing a budget deficit of \$179—\$200 million has been a tremendous challenge and I appreciate that most of us have taken an approach that deals with the problems honestly and rationally. The plan maintains critical municipal services, avoids layoffs of sworn police and fire personnel, and protects core parks and recreation and library services while steering clear of facility closures. Equally as important, the City is able to continue to fulfill its pension obligations and commitment to fiscal reform.

Over the past two months since Mayor Sanders released the City's Five-Year Financial Outlook, I have held several budget forums, spoken with many neighbors, communicated via social networks, written articles for local media outlets and participated in official City budget meetings, all to help educate and inform the community about the budget deficit and to encourage neighbors to educate and inform me of their concerns. Additionally, I have surveyed over 300 residents on City services—I've asked participants to note their top priority City services, share any services they believe could be reduced or eliminated, and provide additional revenue options they would support. Though the results are not scientific, they provide a snapshot of some of the opinions of our neighbors.

Not surprisingly, Police and Fire-Rescue were ranked as the top two priority City services, receiving 138 votes and 104 votes, respectively. When it came to lower priority City services, 169 individuals, or 56% of those surveyed, stated a preference for increasing revenues before further sacrificing services, far outpacing the next closest options for service reductions--Street Sweeping and the Ethics Commission, receiving 59 and 48 votes, respectively. As for specific revenue options worthy of support, a refuse collection fee garnered the most nods in support at 103, followed by an increase to the Transient Occupancy Tax, Storm Water Users Fee and paid parking at City beaches.

Again, these figures are not necessarily representative of all San Diegans, but they suggest an open mindedness to pursuing funding streams to preserve and strengthen the valuable services provided by the City.

I am proud to represent the diverse interests of Council District Three and to share these voices at City Hall. When neighbors in some of the less affluent communities are willing to consider spending more of their very limited personal finances to preserve needed services, my colleagues and people throughout our City must realize that pursuing revenues isn't just possible, it is preferred and necessary.

We all laud the tough decisions that have been made or those that need to be made. One of the toughest decisions is finding the courage to discuss new revenues. It is one critical piece of the puzzle and it is my request that you prioritize and allow this dialogue on new revenues to continue over the next 18 months.

As we prepare for the ongoing challenges and anticipate the recovery of our economy, I hope that the Committee considers the following items. This should ease some of the burdens of prior years and continue in a responsible approach to bring structural fiscal stability to the City.

#### ISSUES FOR CONSIDERATION:

##### Business Process Reengineering

BPRs have resulted in reductions of over 400 full time positions and over \$32 million in personnel expenditures. The City has saved millions of dollars in non-personnel costs and has become a more efficient organization as a result of this process.

I recommend that the Budget & Finance Committee seek regular updates on these matters and make implementation a priority as additional cost savings, cost avoidances, and efficiencies will likely result from these processes.

##### Monitoring of Service Level Impacts

As recommended by the IBA, I am requesting comprehensive and regular updates on the status of Meet & Confer, the Reduction-In-Force process and the implementation of the various budget reductions.

##### Special Revenue Funds

To balance the FY10 & 11 budgets, the Mayor identified \$9,535,020 in undesignated funds. I ask that all revenue sources and special funds be disclosed to the City Council. Additionally, I am eager to see the results of the Revenue Audit being performed by the Office of the City Auditor.

##### Contracting

Outside contracts represent millions in City spending and should be under regular review. As we all tighten our belts and cut down on spending, I suspect that the City can uncover ways to restructure some contracts and close out others. An example of this effort is the recent multi-million dollar reduction taken by the Storm Water Department for contractual services to balance the FY10 and 11 budgets. The City Council has reduced personnel costs considerably and it is only fair that we closely examine our outside contracts.



Additionally, as the Managed Competition program moves into the next phase of implementation, the City can fulfill the promise of Proposition C (2006) by ensuring service quality and protection of the public interest. Even in times of fiscal despair, while the easiest approach may be to implement a competitive program which achieves the cheapest alternative, it essential that any program which considers the privatization of government services have protections in place to repel any waste, fraud and abuse. We must not lose sight of the original intent of the program, which is to allow for City services to be provided more economically and efficiently while maintaining service quality and protecting the public interest.

#### Pension Reform

It is critical to for the long-term fiscal health and stability of the City that adequate funding for the City's Retirement System is assured on an on-going basis. The City has made great strides in doing so:

- Proposition B (2006)
- Defined Benefit/Defined Contribution Plan for new employees
- Revised the crediting interest to DROP accounts
- Challenged the vested nature of DROP benefits
- Implemented employee concessions and salary freezes

We should continue to seek to reduce the City's pension-related costs, while at the same time ensuring that the City remains a competitive employer and that City employees are appropriately compensated for their public service.

Additionally, as the City looks to further reduce its obligations and further reform employee benefits, I ask that the Mayor and City Attorney make it a priority to conclude any outstanding litigation (i.e. Barton Litigation).

#### New Revenues

As stated earlier, it's no surprise, with the current revenue structure that the City has insufficient income to maintain services at the current level. The public has indicated they will no longer accept reduced levels of neighborhood services. This was the case even during healthy economic times.

I look forward to continuing this dialogue over the next 18 months in addition to supporting and receiving input from the newly formed Citizens' Commission on Revenue Review and Economic Competitiveness.

I applaud your leadership on these issues and thank you for the opportunity to convey my priorities. I look forward to continuing our efforts to strengthen our fiscal position with the ongoing help and input from the public and our employees.

TG:pi

cc: Mayor Jerry Sanders  
City Councilmembers  
Andrea Tevlin, Independent Budget Analyst  
Jay Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer



**COUNCILMAN ANTHONY YOUNG  
FOURTH DISTRICT**

**MEMORANDUM**

DATE: February 5, 2010  
TO: Honorable Mayor, Jerry Sanders  
Andrea Tevlin, Independent Budget Analyst  
FROM: Councilmember Anthony Young, Fourth Council District  
SUBJECT: Structural Deficit Elimination Plan

A handwritten signature in black ink, appearing to be "Anthony Young", written over a horizontal line.

Throughout my time in office, the City has been beleaguered with budget deficits. Now is the time to turn the obstacle into the opportunity for change and solve the structural deficit. I applaud both your efforts and thank my colleagues for their engagement and dedication to making this plan a reality. The following are my suggestions for implementation into the structural deficit elimination plan:

- It is my intention to work closely with both of you to develop a timeline with measurable outcomes for the structural deficit elimination plan.
- Explore the option of leasing City owned golf courses and airports.
- Expeditiously implement managed competition as directed by voters in 2006.
- An investigation as to what programs can be removed from the General Fund and supported by franchise fees and enterprise funds.
- Implementation of the recommendations from the forthcoming City Revenue Audit and follow up recommendations from the City Auditor.

- Appropriate adjustments need to be made with City employees' retirement packages. I anticipate the DROP neutrality study and an update on retiree healthcare to enable the Council to make the best informed decision on how to effectively address this issue.
- Serious consideration is needed with regard to opportunities for increased revenues such as beach parking and storm water fees.
- Reflect the Citizen's Revenue Review and Economic Competitiveness Commission recommendations regarding attracting and retaining businesses.
- Many citizens at San Diego Speaks expressed the desire to volunteer. I fully support their initiative and believe that the City needs to expand volunteer opportunities and services.

Again, I appreciate the diligent effort that had been put into this plan thus far and look forward to its completion and implementation.

CC: Honorable Council Members  
Jay Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer



**COUNCILMEMBER CARL DEMAIO**

FIFTH DISTRICT  
CITY OF SAN DIEGO

**MEMORANDUM**

DATE: January 26, 2010  
TO: Councilmember Tony Young  
FROM: Councilmember Carl DeMaio *Carl DeMaio*  
RE: Items for Inclusion in the Structural Budget Deficit Elimination Plan

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In response to your memorandum of January 6, 2010, I respectfully submit the following items as suggestions for eliminating the city's structural budget deficit:

**Item 1: Budget Priorities Memo (December 7, 2009)**

In December, I laid out a series of budget priorities for the FY 2010/2011 budget revision. These proposed actions are also applicable to resolving the structural budget deficit, and include utilizing structural reforms such as Managed Competition and the continued use of Performance Audits to identify available efficiencies.

In addition to a continued focus on pension and retiree health care reform, other suggested solutions in this memo included the exploration of redevelopment reprogramming options, expanded marketing partnerships to help generate additional on-going revenue, a continued focus on jobs-friendly policies and creation of a fiscal recovery reserve. (See Attachment 1)

**Item 2: Next Steps in Pension Reform Memo (January 26, 2010)**

Consistent with my previous emphasis on further pension and retiree health care reform, Councilmember Donna Frye and I have laid out several "next steps" to pursue in continuing to reform the city's pension liability.

These steps include continuing to explore all available legal options for pension reform, completing pension reform for new hires for all classifications, reviewing the city's compliance with the City Charter's "Substantially Equal" requirement, providing voters the opportunity to amend Charter Section 143.1, fully eliminating the accrual of pension credits on terminal leave, determining if DROP is "cost neutral" and negotiating on pension contribution offsets and employer contributions for SPSP. (Attachment 2)

**Item 3: Docket Request for Exploration of Calculation of City's Annual Pension Contribution (January 25, 2010)**

This memo elaborates on the need for the city to explore the apparent inequalities in employee and employee sharing of the normal cost of retirement. Furthermore, the city's annual pension contribution appears to include all costs related to experience and investment losses, potentially conflicting with the Charter. Councilmember Frye and I have called for an in-depth exploration of this issue, and a presentation of these findings by SDCERS to the full City Council by the end of March of this year. (See Attachment 3)

**Item 4: Fiscal Analysis: Retirement Costs Consuming an Increasing Proportion of the General Fund (January 26, 2010)**

This report (attached) details the projected relationship of the city's pension and retiree health care liabilities to the city's General Fund for the course of the Five Year Outlook. The forecasted relationship between these liabilities and the city's General Fund is daunting, and suggests that the city must reduce these liabilities if it is to recover financially. (See Attachment 4)

**Item 5: Suggestions Provided at Budget and Finance Committee (January 6, 2010)**

The following items memorialize the suggestions that I provided at the last Budget and Finance Committee meeting.

- **Comprehensive identification of all reforms already achieved via agreement or imposition with the city's bargaining units that remain outstanding and have yet to be actually implemented** (e.g. the variety of issues surrounding the SDCERS Board of administration following through on the elimination of the DROP program, the DROP annuity, etc.)
- **Identification of reforms that have been partially completed, as well as the savings available from completing and fully implementing the reforms** (e.g. the pension system for new hires does not fully apply to public safety members, representing approximately half of the city's workforce; SPSP and retirement contribution "pickup" represented approximately \$18.7 million in General Fund expenditures in the FY 2010 Adopted Budget.)
- **Legal Exploration of other reform options** (e.g. reducing pension debt through benefits reform, actuarial savings, pay down of accrued liabilities through other savings in compensation.<sup>1</sup>)
- **Identification of needed data for decisions** (e.g. actuarial studies of the impact of a variety of available reform options for the city's retiree health care liability and DROP neutrality.)

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<sup>1</sup> For further reference, see memo dated December 4, 2009 entitled "Legal Review of Possible Pension Reform Ideas."

- **Identification and action related to current legal ability to achieve reforms** (e.g. asking voters to edit section 143.1 of the City Charter to remove the ability of city employees to effectively veto properly negotiated and/or imposed reforms.)
- **Timing Issues and Necessary Action Sequencing for Reform** (e.g. establishing deadlines for necessary Council actions related to reforms requiring the city to meet and confer, or that require voter approval.)
- **Scoring of Entire Budget Deficit** (e.g. including the required level of funding for liabilities such as the full retiree health care payment and deferred maintenance in the city's officially reported budget deficit.)

I look forward to working with the Mayor and Council in translating these reform ideas into decisive action in order to comprehensively solve the city's financial problems. Given the severe nature of the city's budgetary difficulties, the implementation of key reforms in the months ahead will be critical.

CC: Mayor Jerry Sanders  
City Councilmembers  
Andrea Tevlin, IBA



COUNCILMEMBER CARL DEMAIO

FIFTH DISTRICT  
CITY OF SAN DIEGO

MEMORANDUM

DATE: December 7, 2009  
TO: Honorable Mayor and City Councilmembers  
FROM: Councilmember Carl DeMaio *Carl DeMaio*  
RE: Budget Priorities for FY 2010/2011

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As the City of San Diego confronts an exceptionally difficult budget deficit, the Mayor and City Council have an historic opportunity to fundamentally transform how the city manages its finances. I applaud the Mayor and my colleagues for being pro-active in adjusting the budget mid-year – and for fighting to soften the blow to our neighborhood services.

However, I am extremely concerned about the use of “one-time” monies and short-term fixes. As a result of those one-time moves, the City will still be living beyond its means with on-going expenditures that exceed actual revenues. As a result of these one-time fixes to plug our immediate budget hole, the deficit in FY 2012 automatically begins at \$77 Million.

Making structural reforms takes time – and in the absence of time government leaders often turn to one-time fixes. The good news about our pro-active approach is that we do have time (18 months) to replace one-time fixes with long-term, strategic reforms.

I propose that the City Council adopt a concurrent resolution with approving this budget that commits to:

- a) Replacing at least half the one-time monies through structural reforms (See Item 1).
- b) Replacing the other half of one-time monies with pension and retiree healthcare reforms (See Item 2).

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Should the city not achieve progress on these reforms, it could always fall back to the one-time fixes already outlined in the budget. However, if efficiencies and cost savings can be achieved, every single dollar saved will help reduce the FY 2012 budget deficit – and will save city residents from the prospect of deep service cuts and/or tax increases during that budget cycle.

### 1. Replace One-Time Monies with Savings from Structural Reforms

The Mayor should be given the authority to implement efficiency reforms – and the Independent Budget Analyst should provide a monthly report of proposed and completed implementation actions (and associated cost savings).

- **Managed Competition/Direct Outsourcing:** The Mayor should be given the authority to proceed with competitive sourcing for a number of functions – including trash collection, landfill management, auto maintenance, landscaping, printing/publishing, and information technology. Consistent with this authority, the City Council should support the Mayor in the necessary “Meet and Confer” process with our labor unions.
- **Redevelopment Funds:** I recently proposed \$63 million in General Fund savings be achieved by reprogramming redevelopment funds to cover debt service on the Convention Center and/or through the repayment of CDBG loans. The City Attorney should take the lead on reviewing all General Fund projects and Redevelopment Agency projects to determine which costs could be transferred to the Redevelopment Agency, and what actions would be necessary to do so.
- **Enhanced Marketing Partnerships:** As I proposed last May, the city should expand its marketing partnerships to generate revenues. Teamsters 911 also endorsed this concept – which is successfully used by a number of cities and counties across the country.
- **Performance Audits:** Working with Councilmember Faulconer and the City’s Audit Committee, we have committed to conducting “Performance Audits” on at least half of the city’s budget in the next 3 years. Performance Audits examine how well each city department is operating, and suggest ideas for improvement. Our City Auditor has already produced a number of performance audits that have identified millions in potential savings – we just need diligent implementation of reform ideas by the City Council and city departments.

Aggressive implementation of these and other reforms over the next 18 months can achieve millions in savings that can be used to replace much of the one-time fixes in the current budget package.



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Page Three

## 2. Reform Pension and Retiree Health Care Liabilities

On October 12, 2009 Councilmember Donna Frye and I outlined several possible pension reforms, and on December 4, 2009 I outlined additional pension reform ideas in an attempt to elaborate on options the city may have, given the stringency of applicable labor laws. In both memoranda, I requested the City Attorney provide a legal review of the options.

It has been argued that pension reform should be taken completely off the table – because pension benefits are “vested.” Following that logic would mean taxpayers would have to brace themselves for further service cuts and tax increases – all in the name of servicing debt on unsustainable pension benefits.

I believe we can and must do better than blindly accepting that fate – and have committed my office to aggressively exploring and studying all options for pension reform, including the following:

- a) reducing the pension debt through benefits reform,
- b) reducing the pension debt through reforms that achieve actuarial savings (managed competition, salary freezes, reductions-in-force, etc.)
- c) achieving savings in other parts of employee compensation to pay down accrued pension liabilities, or
- d) a combination of all of the above.

While we await a legal review, the City can proceed forward with two reforms that will produce cost savings in FY 2011 and beyond. Specifically, the City can reform two discretionary elements of our pension package.

- **SPSP Pension:** Earlier this year the Mayor and my colleagues supported and implemented budgetary elimination of SPSP with the Municipal Employees Association. However, the SPSP plan still exists for other employees represented by Local 127 and in the unclassified service. Millions can be saved by implementing this reform in the context of the labor negotiations that are about to begin on the FY 2011 labor contracts and the FY 2011 Salary Ordinance.
- **Employee Offsets:** The City of San Diego over the years has “picked up” a share of the employee’s pension contribution – in addition to paying the employer contribution rate. These costly accommodations are known as “Employee Offsets.” While the Mayor and City Council made progress in eliminating offsets for several unions this year, many city employees still do not pay their full employee contribution and the city is making up the difference. Eliminating this program entirely by FY 2012 would save approximately \$8.7 million citywide (\$5.2 million in the General Fund), using FY 2010 budgeted expenditures as a benchmark.

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- **Retiree Health Care:** I strongly support reform of retiree healthcare for current city employees – and the City Council should actively monitor and provide the Mayor with input regarding labor negotiations to achieve meaningful reform in this liability.

As the City considers reforms to retiree healthcare packages for current city workers (which requires meet and confer), the City should also be pursuing reforms to packages currently provided to retirees. To ensure equity and access to adequate healthcare, the city could consider a sliding scale of health care coverage for retirees based on the pension allowance they receive (e.g. pension allowances over \$80,000-100,000 a year would pay a higher share of healthcare costs.) As the City Attorney has opined, retiree healthcare is not a vested benefit and the city has leeway for implementing reforms in this costly area. It should be noted that the City is currently funding retiree health care on a cash basis for current retirees – and any savings would have an immediate impact to the city's General Fund.

I firmly believe that additional reform options will emerge in the next year as we complete a thorough legal review of all aspects of the city's pension system. Even if no other options emerge, these three ideas can be pursued immediately to achieve savings.

### **3. Promote a Jobs-Friendly Environment**

The best way to balance the city's budget long term is to put San Diegans back to work. The city can and must do more to foster a jobs-friendly climate in our region.

- **Reject Tax and Fee Increases:** At the top of our list should be resisting tax and fee increases – as these revenue hikes adversely impact San Diego's working families and small businesses.
- **Citizens Commission on Economic Competitiveness:** I strongly supported the formation of this commission as a thoughtful vehicle for generating ideas for creating and retaining private sector jobs. I look forward to submitting ideas to the commission and helping implement suggestions that will bolster our economy.

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#### 4. Commit to a Fiscal Recovery Reserve Account

The revenue forecast contained in the budget revision may be overly optimistic. We all hope for an economic recovery – but we should not bank on it. The City Council should continue to aggressively monitor the economy and revenue receipts to the city – and adjust spending early if revenue expectations are not met.

At the same time, if the economy does recover and the city collects revenues in excess of the forecast, we must maintain fiscal discipline.

The best way to accomplish fiscal discipline is to create a “**Fiscal Recovery Reserve Account.**” Under this reform, the city would deposit any revenues collected in excess of the forecast resulting from the 1<sup>st</sup> Quarter Budget Monitoring Report<sup>1</sup> into a reserve account. Half of the monies in this account would be dedicated to the City’s Reserve – up to the reserve goal outlined in Council Policy. The other half of the monies would be dedicated to currently unfunded deferred maintenance needs.

CC: City Attorney  
Andrea Tevlin, Independent Budget Analyst

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<sup>1</sup> For specific reference, see the table on page 32 of IBA Report 09-90.



City of San Diego

**CARL DEMAIO**  
CITY COUNCILMEMBER –DISTRICT 5

**DONNA FRYE**  
CITY COUNCILMEMBER –DISTRICT 6

## MEMORANDUM

DATE: January 26, 2009

TO: Mayor Jerry Sanders  
Budget and Finance Committee Chairman Tony Young

FROM: Councilmember Donna Frye *Donna Frye*  
Councilmember Carl DeMaio *Carl DeMaio*

RE: Next Steps in Pension Reform To Address the City's Structural Budget Deficit

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In October we requested that the City Attorney examine a variety of possible pension reforms to determine which can legally be implemented. We appreciate the City Attorney's response confirming that a number of pension reform options do exist to help save taxpayers millions each year and achieve retirement security for city employees.

The news that additional pension reforms are still available could not come at a better time. The recently released calculation of the FY 2011 pension payment shows a spike in our annual payment to \$231 million – or approximately 40% of city payroll. Without further reform and when including all costs associated with retirement benefits for city employees (e.g. SPSP, Offsets, Retiree Medical ARC, etc.) the cost tops \$370 million annually – or over 65% of payroll.

While noting that "core" pension benefits are vested, the City Attorney has confirmed that several elements of city employee retirement packages are not vested, but rather, are "employment benefits" that can be modified subject to our employer obligations to faithfully negotiate with our labor unions.

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More importantly, consistent with the recent Taylor decision, the City Attorney confirms that the manner in which pension benefits are granted (legislative intent, consistency with City Charter rules, etc.) is an important factor in determining whether a benefit is indeed “vested.”

We suggest that the upcoming budget deliberations and future labor negotiations include the following pension reforms.

- **Finish Pension Reform for New Hires**

The city has made progress in establishing a new pension system for new hires for some classifications. However, the new pension system does not apply to all city employees. We believe the Mayor and City Council should finish the job of reforming pensions for new hires in all job classifications. Among the reforms we can legally implement through labor negotiations include raising retirement ages, more equitably distributing investment risk, and preventing “pension spiking” by moving to a three-year average of highest salary for pension calculations.

- **Compliance Review on “Substantially Equal” Cost Share for “Normal Retirement Allowances”**

In the January 21 opinion, The City Attorney notes:

*The City and SDCERS should ensure, through a proper accounting, that the “substantially equal” requirement is being met for “normal retirement allowances.” ... [T]he accounting should include review of disability retirement contributions and any amortization of unfunded liability being paid by the City, such as any unfunded liability as a result of recent stock market losses, to determine that contributions that are not “substantially equal” properly fit into the exception to the requirement as “financial liabilities accruing under any new retirement plan or revised retirement plan because of past service of employees.”*

As our January 25<sup>th</sup> memorandum outlines, we are asking that the City Council receive a presentation by SDCERS on these calculations as soon as possible to ensure that the calculations and cost contributions from city employees have complied with the Charter’s requirements.

- **Amending City Charter Section 143.1**

Charter section 143.1 currently states in part, that:

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*No ordinance amending the retirement system which affects the benefits of any employee under such retirement system shall be adopted without the approval of a majority vote of the members of said system.*

In a recently released opinion, the City attorney raises the procedural challenge presented by this Charter section.

On January 4, 2010, we issued a joint memorandum proposing an amendment to this Charter section. It is our understanding that this proposal will be considered at the next Rules Committee meeting.

With the City Attorney's opinion in hand also noting the obstacle presented by Section 143.1, we respectfully ask the Mayor and our colleagues to act on this procedural reform in time for future rounds of labor negotiations.

- **Eliminate Accrual of Pension Credits on Terminal Leave**

Several city employee groups still have "terminal leave" -- wherein city employees continue to accrue pension service credits after they retire -- based on their vacation and personal leave payouts.

While progress has been made with some of the city's bargaining units, some employees are still able to accrue pension service credit after terminating city employment. As soon as possible, the city should ensure that this benefit is reformed to eliminate the accrual of pension service credits on terminal leave.

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- **Cost Neutrality Study of the DROP Program**

The City Attorney's opinion notes that DROP is not a vested benefit -- and that municipal code language should govern how this discretionary benefit is administered. The municipal code clearly calls for DROP to be "cost neutral." To determine whether DROP is indeed cost neutral, we have repeatedly requested that an actuarial study be conducted -- and if DROP turns out to not be cost neutral, that appropriate reforms in this benefit be implemented to ensure compliance with the municipal code.

- **Negotiations on Employee Offsets and SPSP**

The FY 2010 Adopted Budget contained citywide costs of more than \$30 million for employee pension contribution "pickup" and employer contributions for the Supplemental Pension and Savings Plan combined. Given that the city has successfully reduced costs associated with these benefits in prior negotiations, the city should explore potential cost savings associated with both items in future labor negotiations.

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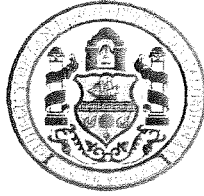
- **Continue to Explore Legal Options for Pension Reform**

We note that a number of pension reform questions raised by our offices have not been fully answered in the City Attorney's opinion. We intend to continue to canvass for ideas on how to legally reform our pension system and to seek city attorney review of those ideas.

Moreover, we are optimistic that additional reform avenues will be opened in the near future – as evidenced by the successful rulings obtained by the City Attorney in 2009 on DROP and Presidential Leave. These outcomes may apply to other pension benefits currently included in our retirement packages.

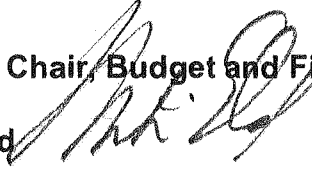
We look forward to working with our Council colleagues and the Mayor to advance pension reform – and achieve taxpayer savings and retirement security for our city employees.

CC: Honorable City Councilmembers  
Andrea Tevlin, IBA



City Of San Diego  
COUNCILMEMBER MARTI EMERALD  
DISTRICT SEVEN

MEMORANDUM

DATE: January 27, 2010 REF: M-10-01-06  
TO: Councilmember Tony Young, Chair, Budget and Finance Committee  
FROM: Councilmember Marti Emerald   
SUBJECT: Recommendations to Eliminate Structural Budget Deficit

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Our financial situation requires a call to action by the Budget and Finance Committee and the Council. We can no longer sit back and wait. We must take immediate action to obtain financial information and program information in order for us, as a collective group, to address the deficit, improve efficiencies, reduce costs, and set our service priorities and policies for the next several years. Without this structure in place, our financial situation will continue to freefall as revenue projections are not met and the State continues to take more funds destined for our General Fund.

I would ask that the Budget and Finance Committee set strict deadlines for information and programs to be brought before us in order to take the first steps toward fiscal solvency and balanced budgets.

To begin this process, we must look to the Matrix provided by the IBA, FY 2010 Fiscal Reforms from Council Ideas dated 7/15/2009 that lists the commitments that we, as a Council, have agreed to during the previous budget hearings. Deadlines have not been met. We must set strict deadlines today on these issues.

- It was reported to us that the policy for the sale of Real Estate Assets would be completed at the end of the last fiscal year. We are now seven months into the current fiscal year and the Council has yet to see this policy. This is unacceptable and we can no longer be complacent. I urge you, as Chair of the Committee on Budget and Finance, to agendize this discussion and presentation for the next Committee meeting in February.



- The Managed Competition Program. While I realize that the Mayor's office is currently in negotiations on this issue, the City has been negotiating for over three years. This is far too much time. The Budget and Finance Committee should set a deadline for the completion of this effort no later than April of this year. The taxpayers have demanded this and they deserve to see us taking positive steps to achieve this goal. We must put this program in place, insuring that any work that is contracted out creates jobs in San Diego. We must not outsource our city coffers to other municipalities, states and countries. City monies for services outside the City's structure, must create jobs within our City.
- The Business Process Reengineering Program (BPR) needs to be updated and initiated. We cannot make decisions on outdated data. We must not stall this program any longer. The mission of BPR is to make each department more productive and cost efficient. We cannot move forward until we have assured ourselves, and the public, that we have completed efficiency audits for each city department. The City Auditor has completed many performance audits with recommendations to achieve maximum efficiency. We need to know the status of the implementation of these recommendations. A deadline, no later than June 2010, needs to be set to address this issue.
- We must also begin to investigate and implement actions that will generate additional revenue to the General Fund. We need to restructure for CityTV in order to take advantage of the revenue generating capabilities and franchise fees. Employee associations have already begun working with the Mayor's office to seek out and sign sponsorship agreements to fund programs cut in this year's budget. During the San Diego Speaks hearings, many speakers came forward with sponsorship ideas. We must actively engage ourselves in this process. The opportunities are available and should not be missed.
- The Budget and Finance Committee to reexamine services the City is currently providing that are not under the City's mandate. During Community Budget Meeting discussions, my constituents told me that they believe that there are programs funded by the City's General Fund that are duplicative of services provided by the County and the State of California.
- We must begin discussions on what City services are important and what services are no longer necessary, duplicative or no longer in demand. During the last Budget process, I visited every community in the Seventh District, asking my constituents what their priorities were with our limited resources. First and

foremost, my constituents want public safety – police and fire – followed by streets, parks and libraries (Attachment 1).

- Addressing the fiscal structural problems of the Refuse Disposal and Recycling Funds. While we have heard about a computer generated pick up schedule for this department, we must have a time certain date for implementation. This issue should be addressed in Committee with a status on implementation in February.
- The Budget and Finance Committee must have a discussion on the use of consultants. How much does the City currently spend on outside consultants and contractors? Is there a cost savings if in house staff are used to do some of this work?
- In reviewing the other items on the list of 2010 Fiscal reforms I see that all of these are open-ended on completion dates. This is unacceptable. The Chair of the Budget Committee should have the updates made available to him and deadlines set on each item – either by the Chair or the full Committee within the next 2 weeks, even if a special meeting must be called to address this.

I realize that we are currently waiting for completion of studies and reports from Commissions, but we cannot sit back and believe that any of these items will reduce the constraints that we currently face.

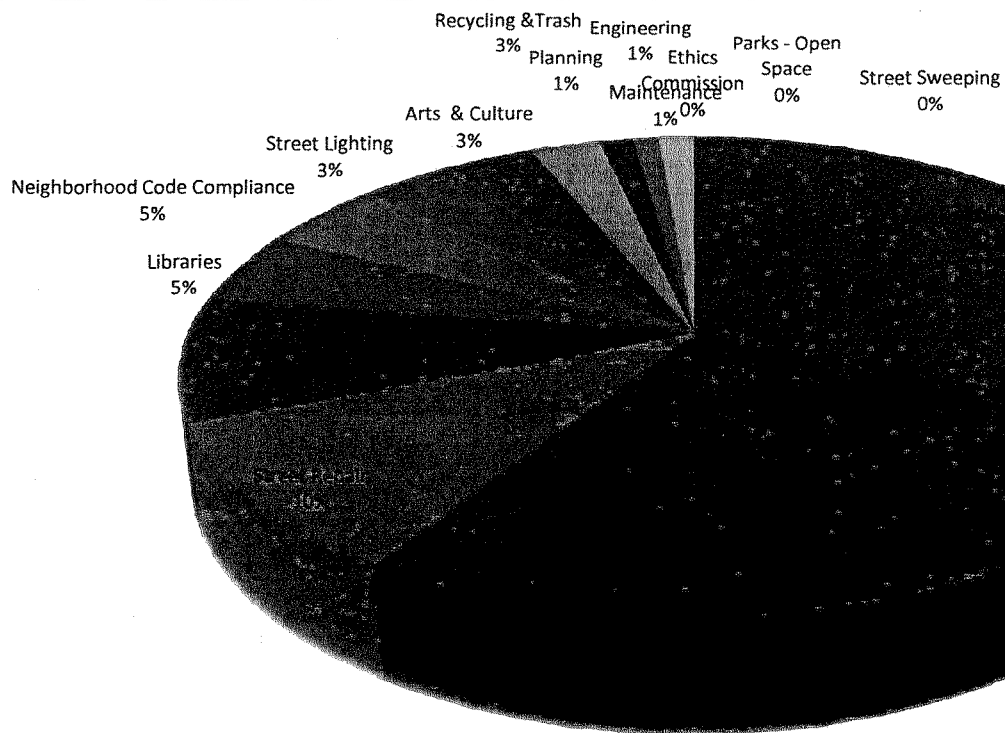
I also realize that this cannot be accomplished without the assistance and cooperation of the Mayor's Administration. I believe that, today, we have that cooperation. We must not squander this opportunity to work together to make the tough and necessary decisions to put San Diego on the path to fiscal integrity. However, we need strict deadlines and accountability in order to achieve the success for which we all strive.

I look forward to working with you to create a plan to address this in a fair and open forum. I pledge my continued commitment to this process and to the taxpayers of San Diego.

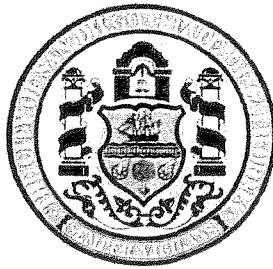
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Attachment

cc: Honorable Jerry Sanders  
Honorable Members of the City Council  
Honorable Jan Goldsmith  
Andrea Tevlin, Independent Budget Analyst  
Eduardo Luna, Independent Auditor



District 7




COUNCIL PRESIDENT BEN HUESO  
DISTRICT EIGHT

MEMORANDUM

Date: January 29, 2010

To: Councilmember Tony Young, Chair, Budget and Finance Committee

From: Council President Ben Hueso 

Subject: Structural Budget Deficit Recommendations

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I appreciate the significant efforts that you, the Mayor, my colleagues and our Independent Budget Analyst have made toward balancing very difficult budget deficits in the last couple of years as well as their ideas and creativity in addressing the city's current structural budget deficit. A lot of work still needs to be done. The reality is that the only way we can be successful is by making bold, yet fair, changes to expenditures and revenue policies.

In order to address the City's structural budget deficit, I recommend a traditional two-fold approach of cost savings and increases in revenue:

- Completion of Studies: we must prioritize completing the DROP neutrality study and the Retiree Health study in order to respond responsibly and effectively to these financial liabilities.
- Managed Competition: a fair and balanced standard of whether outsourcing will save the City money while preserving the quality of services needs to be developed in order to establish a truly effective program. To this end, the Council must work on implementing a deadline on negotiations.
- Other Savings Proposals: the City must make every effort to complete the BPR's and take a close look at whether we can save money by providing services in-house; e.g., will moving SEDC under the umbrella of the Redevelopment Agency produce a significant savings to the City? We must obtain an analysis on whether limiting the use of consultants will produce a significant savings to the City. Further, we need to know why supplies and services spending have more than doubled in the last five years. A comprehensive analysis of supplies and services should be done to explain the significant change.

- Enhancing Revenues: The City must be creative with its assets. Even in a slower market, we must move forward the sale of city-owned properties. Further, we must find ways to revive our “dead” assets, such as allowing the sale of advertisement space on city-owned parking lots.

I support establishing self-funded services, especially in trash collection and storm water compliance. I would like to see more cost-recovery policies enacted. For example, I plan to ask the Public Safety and Neighborhood Services Committee to discuss creating a foreclosure registry that can produce enough revenue to pay for code compliance officers and other staff. These efforts, in concert with others, will greatly relieve the city’s general fund.

I look forward to having a meaningful discussion on ways to address the structural budget deficit. Thank you for your attention.

BH/amr

Cc: Honorable Mayor Sanders  
Honorable Council Members  
Honorable City Attorney Jan Goldsmith  
Andrea Tevlin, Independent Budget Analyst