



Review of FY 2013 Mid-Year Budget Monitoring Report

March 11, 2013



- Our office reviewed revenue and expenditure projections as reported in the Mid-Year Report for all City-wide categories as well as for all City departments
- Based on our review, the IBA supports requests to approve \$6.8m in revenue and expenditure appropriations for Police, Fire and Park & Recreation to meet operational needs for the remainder of the fiscal year



- The IBA has also carefully considered the Mayor's proposals for use of the surplus taking into consideration our current budget status, the projected deficit for FY 2014, numerous pending financial matters, and outstanding questions on the specific proposals
- While our report provides significant detail, this presentation will focus on those issues that we feel should be brought to your attention, and we are happy to respond to Council questions on any other areas of our report

General Fund Major Revenue Projections



- Our office believes that major revenue projections included in the Mid-Year Report are appropriate based on revenue distributions to date and the current economic forecast
- We note that the projected \$10.9m revenue increase over the Adopted Budget is largely due to a one-time distribution and is not a recurring resource

Other General Fund Revenue Issues



- **Fire inspection revenue** budgeted at \$2.4m is expected to come in \$2.2m under budget due to a budgetary overstatement, delays in collecting the fees for Combustible, Explosive and Destructive Material (CEDMAT) inspections and delays in hiring inspectors
- The Department anticipates hiring seven new inspectors over the next few months
- An error in the rate book regarding the per hour fee, which also contributed to the delay, has been corrected

Other General Fund Revenue Issues



- **Corporate Partnership Program** revenue is projected to be \$406,000 or 68% under budget due to challenges in fully implementing certain partnerships as recently reported to the Budget & Finance Committee
- The program has generated substantial in-kind (Toyota vehicles) and other non-monetary benefits this year

Other General Fund Revenue Issues



- **TOT Fund Balance** is expected to increase from the current \$10.8m to \$11.8m by end of year due to TOT growth and a reduction of \$1.0m in the transfer to Park and Recreation assumed in the First Quarter Report
- The TOT fund balance can be utilized to offset General Fund obligations related to tourism and promoting the City

Other General Fund Revenue Issues



- **SAFE Grant** funding of \$4.1m is expected to soon be available to the City in accordance with AB 1572 that dissolved the San Diego SAFE Board and transferred oversight of the SAFE program to SANDAG
- As a part of AB 1572 \$9.0m will be distributed to County local governments
- By law, SANDAG is required to distribute the monies by March 31, 2013
- The receipt of this funding is not reflected in the Mid-Year

General Fund Expenditures



- **Election costs** may come in \$325,000 higher than the original estimate of \$600,000
- This is due to updated estimates from the Registrar of Voters and is related to the CD4 Special Election
- **Workers Compensation Reserve** is expected to fall short of the FY 2013 target of \$40.3m
- This is primarily due to higher medical costs
- The current projection at year-end is \$35.5m

General Fund Expenditures



- **Penny for the Arts Blueprint** was adopted by Council on October 22, 2012
- It included a request from the Arts and Culture Commission for additional funding of \$1.0m in FY 2013 and an increase over the next four years of \$10.1m
- The \$1.0m request for FY 2013 has not been included in the Mid-Year

General Fund Expenditures



- **Police CAD funding** of \$6.9m from County reimbursed funds has been incorporated in the Mid-Year projections
- This item is before Council today for consideration
- Council will need to weigh its desire to set aside these funds for future CAD expenditures or determine if these funds should be freed up to be considered as a resource for other near-term needs in FY 2014

General Fund Expenditures



- **Library Department** is planning to add four new positions beginning in April, at a cost of \$100,000, to support the opening of the New Central Library in July 2013
- These costs are assumed to be funded through salary savings accrued earlier in the year
- However, it is our understanding based on discussions at the time of project approvals, that the Library Foundation agreed to pay up to \$2.0m each year from donations for the first five years of new operating costs, as well as any new operating costs leading up to its opening

Status of General Fund Reserve



FY 2013 Starting Fund Balance	\$ 166.9
Projected GF Use of Reserves in FY 2013	(7.7)
Re-budget of CPPS and CPU's*	(1.9)
Proposed Utilization of GF Surplus	(3.3)
FY 2013 Projected Ending Fund Balance	\$ 154.0
Potential "Claw-Back" Effect on Reserves	(28.0)
Projected Fund Balance w/ "Claw Back"	\$ 126.0

→ % of Estimated FY 2013 GF Revenue	13.2%
Amount Above GF 8% Reserve Policy	\$ 60.7
→ % of Estimated FY 2013 GF Revenue	10.8%
Amount Above GF 8% Reserve Policy	\$ 32.7

**Funds will be deducted in FY 2014, shown for illustrative purposes on true available General Fund reserves.*

Pending Redevelopment Matters Impacting the General Fund



- State Controller's Office (SCO) is completing an audit to identify interagency transfer of funds or assets from 1/1/2011 to 1/31/2012 that they deem to be ineligible
- It is expected that the SCO will conduct a future audit to identify any ineligible transfer of funds or assets between the City and Successor Agency on or after 2/1/2012
- It is further expected that the SCO will conduct a future audit to examine whether the former RDA and the Successor Agency have made payments in accordance with approved line items in each ROPS

Comparison of Mid-Year 2012 Status to Mid-Year 2013 Status



COMPARISON OF MID-YEAR 2012 BUDGET STATUS TO MID-YEAR 2013 STATUS

	MID-YEAR 2012	MID-YEAR 2013
Revenue Increase Over Adopted Budget	\$21.9m	\$10.9m
Revenue Increases One-time/Recurring	<i>Majority Recurring</i>	<i>Majority One-time</i>
Mid-Year Surplus	\$13.3m*	\$3.6m*
Mid-Year Deficit Projected Upcoming Fiscal Year	\$10.2m	\$40.0m
Status of Reserves (\$)	\$122.2m	\$154.0m
(%)	10.6%	13.2%
Status of Reserves After "Clawback" (\$)	\$122.2m	\$126.0m
(%)	10.6%	10.8%

**Remaining surplus after re-budgeted items*

Mayor's Proposed Use of Mid-Year Surplus



Utilize \$3.3m of \$3.6m surplus for seven proposals with \$0.3m to be held in reserve

- 1) Police Equipment Replacement - \$1.1m
- 2) Fire Rescue Lifeguard Cliff Rescue Vehicle Replacement - \$0.5m
- 3) Balboa Park Traffic Management Plan - \$0.5m
- 4) Downtown Public Restrooms - \$0.4m
- 5) Balboa Park Centennial Celebration - \$0.3m
- 6) Emergency Winter Homeless Shelter - \$0.3m
- 7) Mission Trails Regional Park – Kumeyaay Campground & Visitors Center - \$0.2m

Mayor's Proposed Use of Mid-Year Surplus



1) Police Equipment Replacement - \$1.1m

- \$2.1m to \$2.5m of annual equipment needs were identified in Five Year Plan, clearly a critical need
- The Department submitted a \$2.0m request for equipment as part of their FY 2014 budget proposals
 - It would be useful to know how much, if any, equipment funding is being included in the Mayor's FY 2014 Proposed Budget
- What other critical Police needs should be weighed against this request? – e.g. increasing academies, civilian staff
- Recommend deferring this request to consider in FY 2014 budget development process along with other departmental needs

Mayor's Proposed Use of Mid-Year Surplus



2) Fire Rescue Lifeguard Cliff Rescue Vehicle Replacement - \$0.5m

- Fire submitted this high priority request as part of its FY 2014 budget request, this is a critical one-time need
- What other Fire Rescue and Lifeguard needs are under consideration for funding in the FY 2014 budget?
- Recommend deferring this request to consider in FY 2014 budget development process along with other department needs

Mayor's Proposed Use of Mid-Year Surplus



3) Balboa Park Traffic Management Plan - \$0.5m

- What are the details and timetable for this plan?
 - Council and the community should be briefed on this high profile project prior to making a funding decision
- Will trams be incorporated into this plan?
 - We understand the trams which were a component of the prior plan were ordered in November 2012 at a cost of \$1.0m
- Will \$500,000 be sufficient?
 - The “Precise Plan” from 1991 estimated \$1.5m for its proposed traffic solutions for Plaza de Panama.
 - In FY 2010 the Park and Recreation Department “Reclamation Project” traffic plan estimated costs of \$5-6m.

Mayor's Proposed Use of Mid-Year Surplus



3) Balboa Park Traffic Management Plan - \$0.5m (continued)

- Without knowing specifics of the Mayor's Plan it is difficult to assess the funding request.
- The TOT fund balance of \$11.8m could be considered for this purpose rather than General Funds
- Recommend deferring this request until more information is provided

Mayor's Proposed Use of Mid-Year Surplus



4) Downtown Public Restrooms - \$0.4m

- This project has been in the works for several years, is a clear Council priority and is eagerly anticipated by the community
- \$0.4m provides funding for the physical structure and project coordination, but does not include annual maintenance funding which is estimated at \$3600/month
- CivicSD is currently working on a maintenance plan that will relieve the General Fund of this cost
- Recommend moving forward with this project expeditiously, budgeting funds in CivicSD budget, and working to identify funding for annual maintenance.

Mayor's Proposed Use of Mid-Year Surplus



5) Balboa Park Centennial Celebration - \$0.3m

- The Mayor's Proposal would increase the amount of funding contributed by the City to the Celebration Committee since October 2001 to \$1,195,000
- Consider using TOT fund balance for this funding request
- Update Council on the specific uses of these funds
- Recommend deferring funding decision for FY 2014 budget process

Mayor's Proposed Use of Mid-Year Surplus



6) Emergency Winter Homeless Shelter - \$0.3m

- Proposal is to extend the shelter this fiscal year for an additional three months – April through June 2013
- The Housing Commission supports this proposal given the great need that exists for housing the homeless in this community
- However, is it wise to extend the service in the current fiscal year when the City has not identified any funding for current service levels for FY 2014?
- Should funding for next year's winter months be addressed before the City dedicates General Funds to extend service in the warmer months this year?

Mayor's Proposed Use of Mid-Year Surplus



6) Emergency Winter Homeless Shelter - \$0.3m (continued)

- Are any additional permit approval processes required to extend these services?
 - The City Attorney's Office has been working with appropriate departments to make a determination on this matter
- Recommend deferring a decision on this request until these matters have been considered.

Mayor's Proposed Use of Mid-Year Surplus



7) Mission Trails Regional Park – Kumeyaay Campground & Visitors Center - \$0.2m

- Is restoring overnight camping at Kumeyaay the City's top priority service restoration of past reductions that have taken place?
- The hiring process for two new staff could take several months while certification lists are developed
 - Funding may not actually be needed until FY 2014
- Existing fees for overnight camping are not recovering the cost of this service
 - Fee revenue is estimated to cover \$40,000 of the \$140,000 cost which is 35%

Mayor's Proposed Use of Mid-Year Surplus



7) Mission Trails Regional Park – Kumeyaay Campground & Visitors Center - \$0.2m *(continued)*

- Should these fees be reexamined to achieve greater cost recovery?
 - Park and Recreation has recently embarked on a comprehensive fee study for all programs which should include this fee
- This is an ongoing program recommended to be funded with one-time surplus revenue

Mid-Year Budget Ordinance (O-20084)



- The Mayor may recommend budgeting all, none, or any portion of any projected surplus
- The City Council may approve the Mayor's recommendation or modify such recommendation in whole or part
- The City Council may budget and appropriate up to the total amount recommended by the Mayor; or, if the Mayor recommends budgeting less than \$5m of the projection surplus amount, the City Council may only increase the adopted General Fund budget by up to \$5m or not more than 50% of any projection surplus, whichever total dollar amount is less

Mid-Year Budget Ordinance Council Options



- 1) Accept the Mayor's \$3.6 million of budget recommendations in full
- 2) Modify the Mayor's recommendations as desired for any amount less than or up to \$3.6 million

IBA Recommendations For Use of Mid-Year Surplus & Other Mid-Year Issues



- 1) Authorize \$400,000 in funding to provide two new downtown restrooms (referred to as the “Portland Loos” Project)
 - Request Mayor to work with CivicSD to identify a maintenance plan that relieves the General Fund of this cost
- 2) Defer a decision on the remaining six items
 - Request that the Mayor consider these items during development of his FY 2014 Proposed Budget

IBA Recommendations For Use of Mid-Year Surplus & Other Mid-Year Issues



- 3) Defer a decision to set aside \$6.9m in County reimbursement funds for future funding of a new Police CAD system
 - This would allow these funds to be considered as a resource in the FY 2014 budget development process if more immediate needs are identified
- 4) Clarify that the Library Foundation will be providing funding for the four new positions for the new Central Library
 - These positions will cost \$100,000 this year and \$400,000 in annual recurring costs for the next five years as discussed during the approval processes

IBA Recommendations For Use of Mid-Year Surplus & Other Mid-Year Issues



- 5) Clarify the review and approval processes for creating new City positions mid-year by addressing through a new ordinance or the FY 2015 Statement of Budgetary Principles
- 6) Approve the \$6.8m in appropriation costs as outlined in the Mid-Year Report

Conclusion



- In isolation, \$3.6m in Mid-Year expenditure requests proposed by the Mayor may not seem worthy of debate
- However, when other available one-time funds are considered in their totality, along with the available surplus, it becomes significant

One-Time Resources Available (\$ in millions)	
FY 2013 Mid-Year Surplus	\$ 3.6
County Property Tax Refund	6.9
SAFE Distribution	4.1
FY 2013 Projected TOT Fund Balance	11.8
TOTAL ONE TIME RESOURCES	\$ 26.4

Conclusion



- Depending on the outcome of the Mayor's FY 2014 Proposed Budget, Council may want to consider focusing these one-time resources on one or two major priorities such as infrastructure projects or temporary increases in Police, Fire or Lifeguard academies
- These resources also may be needed to balance the FY 2014 budget
 - For example, existing tourism-related activities in Park & Recreation, Public Works, Economic Development and Transportation & Storm Water could be reviewed for TOT fund eligibility freeing up ongoing General Fund resources

Conclusion



- One-time resources could also be used to increase the Worker's Compensation Reserve which is projected to fall short of target
- Council will have a much clearer picture of resource availability and funding priorities after reviewing the Mayor's Proposed Budget which will be issued just five weeks from today
- Most importantly, Council will know how the Mayor plans to address the projected \$40m shortfall

Conclusion



- At that time Council will be able to weigh the Mayor's proposals against other needs and fully discuss priorities with the community, City management, City departments, and the IBA
- The Mayor's Proposed Budget will be released in five weeks; a projected \$40m shortfall for FY 2014 is not yet addressed; multiple critical funding needs exist throughout the City; alternative resources may be able to fund some of the Mayor's requests

Conclusion



- For these reasons, questions need to be answered regarding his proposals
- The IBA believes that the best course of action is to move forward expeditiously with the Portland Loos Project, a long overdue and highly anticipated project, but defer decisions on the remaining proposals
- Decisions regarding the City's budget should be made holistically to ensure they are fiscally prudent and address the community's highest priorities