



Review of the FY 2014 May Revise & Recommended Revisions to the Mayor's FY 2014 Budget

June 10, 2013

Overview of the May Revise & Key Issues



- The May Revise increases the Mayor's FY 2014 General Fund budget proposal by \$13.6 million from \$1.200 billion to \$1.214 billion
- An additional \$25.8 million of new resources have been identified in the May Revise, including \$10.0 million of FY 2013 budget surplus and \$15.8 million in new or increased revenues, which are offset by decreases to other revenues
- \$13.6 million in net new resources is used to fund 28.06 FTEs, increasing total new positions from 60.29 FTEs to 88.35 FTEs

Overview of the May Revise & Key Issues



- May Revise addresses additional Council priorities including Police Civilians, Lifeguard Academy, Facilities and Park Assets Assessments, Purchasing & Contracting staff & Human Resources staff to negotiate efficiencies
- Cash funding of infrastructure is increased by \$6.2 million from Proposed Budget to total of \$55.2 million
- No library or recreation hours increased
- Sidewalk Condition and Needs Assessment not funded

Overview of the May Revise & Key Issues



CITY COUNCIL FY 2014 BUDGET PRIORITIES RESOLUTION

BUDGET RESOLUTION PRIORITY		FY 2014 PROPOSED	FY 2014 MAY REVISE
<i>Enhancing Public Safety</i>			
1	Restoration of Police Civilian Positions		√
2	Increased Number of Police Academies / Recruits in Academy	√	
3	Increased Number of Lifeguard Recruits		√
4	Increased Number of Fire Academy Recruits / Add a Second Academy		
5	Funding for Lifeguard Vehicles & Increased Training	√	
6	Lifeguard Wellness Program	√	
<i>Infrastructure & Deferred Capital</i>			
7	Update Asset Condition Assessments ¹		√
8	Efficiency Consultant for Infrastructure Delivery; Other Studies		
9	Deferred Capital Borrowing On Schedule		
<i>Park & Recreation / Library Hours / Penny for the Arts</i>			
10	Maintaining Library Branch Hours	√	
11	Maintaining Park & Recreation Center Hours	√	
12	Increasing Library Branch Hours		
13	Increasing Park & Recreation Center Hours		
14	Funding for the Penny for the Arts Blueprint	√	

¹ Excludes sidewalks

Overview of the May Revise & Key Issues



CITY COUNCIL FY 2014 BUDGET PRIORITIES RESOLUTION

BUDGET RESOLUTION PRIORITY		FY 2014 PROPOSED	FY 2014 MAY REVISE
<i>Increased Funding for Neighborhood Services</i>			
15	Community Plan Update Funding	√	
16	Twice Per Week Refuse Pick-Up in Mission Beach from Memorial Day to Labor Day		
17	Neighborhood Code Compliance Improvements	√	
18	Establishment of an Urban Forestry Program		
<i>Reforms, Efficiencies, Partnerships, and Adherence to Fiscal Policies</i>			
19	Ongoing Expenditures Funded By Ongoing Revenue		Partial
20	Adherence to City Reserve Policy / Maintenance of High Level of Reserves	√	√
21	Continued Growth of Marketing Partnerships		
22	Purchasing & Contracting Department Staffing / Resources / Efficiency	√	√
23	Enhanced City Website Functionality for Business and Citizens		
24	Alternative Work Schedules		
25	Continuation of Managed Competition		
26	Labor Relations Officer to Negotiate Efficiencies Identified by Employees		√

Overview of the May Revise & Key Issues



- May Revise revenue adjustments are reasonable
 - TOT - \$2.7 million reduction (\$1.4m General Fund)
 - Property Tax - \$5.9 million increase
- Reliance on one-time revenues slightly reduced but not eliminated
- Public Liability Reserve goal will be achieved by FY 2019, \$8.7 million of \$21.6 million SDGE funds added back to Public Liability Reserve, results in lower annual required contributions from \$4.8m to \$2.7m
- General Fund Reserve remains in excess of policy goals at 13% of revenues – FY 2014 projected

Overview of the May Revise & Key Issues



- Potential new Impacts to General Fund Reserve due to RDA Dissolution

Expenditure Impact

- \$1.6 million – Loan for Successor Agency administrative budget shortfall
- \$29.6 million – State Controller Claw Back
- \$6.7 million – Items disallowed on ROPS 4

Revenue Impact

- \$13.2 million – Non-Housing Due Diligence Review (DDR)

Significant Funding Issues That Require Future Council Review



- Infrastructure cash funding increased by \$6.2 million (\$2.2 million M&R and \$4 million CIP), future bond issuances unresolved and sidewalk assessment not funded
 - *Recommendation #1: Sidewalk Condition Assessment*
 - We recommend that the City reassess its policy on sidewalk repairs in consultation with the City Attorney's Office and one-time funding be identified for conducting the sidewalk condition assessment so it can be initiated as soon as possible.

Significant Funding Issues That Require Future Council Review



- *Recommendation #2: Maintenance & Repair (M&R) Funding*
 - We recommend that M&R funding needs, required to prevent further deterioration of assets, be reassessed to reflect new information, such as the new sustainability model for facilities, and be brought to the Infrastructure Committee in conjunction with updates to the Five-Year Deferred Capital Funding Plan to provide a more accurate target for future M&R needs.

Significant Funding Issues That Require Future Council Review



– *Recommendation #3: Future Infrastructure Bond Issuances*

- We recommend that discussion of the IBA’s “Catch-Up” Plan for the Five-Year Enhanced Option B be brought to the Infrastructure Committee in advance of the Mayor developing his next Five-Year Outlook, scheduled for release November 2013.

Significant Funding Issues That Require Future Council Review



- Police Officer Recruitment and Retention
 - *Recommendation #4: Increase academy size from 34 to 36 recruits; Implement sworn officer retention program*
 - We recommend that ongoing funding be provided in order to increase academy size from 34 to 36 recruits
 - Based on a majority of Council priority memos, we have also recommended one-time funding of \$2.0 million to develop and implement a new sworn officer retention program
 - Increased academy size, along with a retention program, is expected to advance the Department's staffing goals by several years

Significant Funding Issues That Require Future Council Review



- Public Safety potential underfunding issues
 - *Recommendation #5: Fire-Rescue personnel budget, Fire-Rescue revenues may require mid-year adjustments*
 - We recommend these issues be discussed at the Public Safety & Neighborhood Services Committee in advance of the Mid-Year Report to determine whether a budget problem exists that will require Mid-Year funding and potentially required adjustments in FY 2015

Fiscal Policies & Programs That Require City Council Review in FY 2014



- FY 2014 fiscal impacts resulting from the conclusion of the Five-Year Labor agreements
 - *Recommendation #6: Reporting fiscal impacts of Five-Year Labor agreements to Council*
 - We recommend Council request the Mayor to bring to Council in early July, or as soon as available, the final impact of five-year labor agreements on the FY 2014 budget and the Five-Year Outlook, including the status of the FY 2014 General Fund Reserve

Fiscal Policies & Programs That Require City Council Review in FY 2014



- City's Budget Policy and Reserves Policy need to be updated
 - *Recommendation #7: Council review of "Budget" and "Reserve" policies*
 - Budget policy was last updated in 2010 and budget processes have been clarified and improved
 - In priority memos, Councilmembers expressed a desire to review the City's current reserve policy goals
 - We recommend that both the Budget Policy and the Reserves Policy be brought to the Budget and Finance Committee for review and discussion in early Fall

Fiscal Policies & Programs That Require City Council Review in FY 2014



- Status of the City's Strategic Plan and performance measures
 - *Recommendation #8: Council involvement in Mayor's update of the City's Strategic Plan*
 - Council has invested significant time and effort advocating for effective and transparent performance measures that represent community priorities
 - We request that the Mayor's Office continue to work with our office and the Budget and Finance Committee to ensure that the City's Strategic Plan and performance measures represent the policies and funding priorities of the legislative branch and the community

Fiscal Policies & Programs That Require City Council Review in FY 2014



- Managed Competition and other efficiency programs
 - *Recommendation #9: Managed Competition evaluation status/new efficiencies and innovations program*
 - We recommend that the Mayor develop a replacement program for Managed Competition if it is his intent to not move forward with Managed Competition
 - The Mayor discuss with Council his plan for carrying out a new efficiencies program
 - If the Mayor plans to revive Managed Competition we recommend he bring to Budget & Finance Committee the results of the ACOO's evaluation of this program, expected to be completed by July 2013

High Level Results of Councilmembers' Final Budget Priority Memos



- Programs that remain a top funding priority of a majority of the Council:
 - Providing funding for a retention program to begin to address Police sworn officer attrition - **\$2.0 m (OT) – Appropriated Reserve**
 - Providing funding for a Sidewalk Condition and Needs Assessment - **\$1.0 m (OT)**
 - Providing funding for increasing service hours at all branch libraries - **\$2.9 m (OG)**
 - Providing funding for increasing service hours at the New Central Library - **\$0.2 m (OG)**
 - Restoring funding for overnight camping at Mission Trails Regional Park and improvements to the Visitor's Center - **\$0.2 m (OG)**

Programs Mentioned by Four Councilmembers



- Eliminate Fire Hazardous Materials Team cross-staffing - **\$1.9 m (OG)**
- Eliminate Fire Bomb Unit cross-staffing - **\$1.9 m (OG)**
- Eliminate Urban Search & Rescue Unit cross-staffing - **\$1.9 m (OG)**
- Increase frequency of park fertilization - **\$0.5 m (OG)**
- Urban Forestry program - **\$0.3 m (OG)**
- Restore City Attorney budget to FY 2013 level - **\$0.5 m (OG)**

Potential Expenditure Reductions Mentioned by Councilmembers and/or IBA



- Eliminate, reduce or set aside funding in reserves, until Civic and Urban Initiatives Program is more defined – **Up to \$1.0 m (OG)**
- Eliminate funding for 4 new Police Civilian positions until more headway is made in filling current 49 vacancies - **\$346,000 (OG)**
- Eliminate new Multi-Media Coordinator for City TV - **\$90,000 (OG)**
- Eliminate new position for Director of Open Government - **\$170,000 (OG)**

Potential Expenditure Reductions Mentioned by Councilmembers and/or IBA



- Eliminate Taxi-cab in-house study - **\$100,000 (OT)**
- Eliminate EMS funding of EMS in-house study - **\$100,000 (OT)**
- Eliminate Seal Cam funding - **\$50,000 (OG)**
- Eliminate or transfer one vacant position in ACOO's Office - **\$100,000 (OG)**
- Set aside small business assistance funding of \$185,000 in reserves until Council policy issues are resolved
- **TOTAL = Up to \$1.8 m (OG); \$200,000 (OT)**

Resource Options Available to Revise FY 2014 Budget



1. Identify expenditure reductions from the Proposed Budget and/or May Revise to offset the cost of Final Council Revisions
2. Free up a portion of the \$6.9 million set aside in the CIP for the new CAD System for more immediate one-time needs
3. TEMPORARILY utilize a small portion of the City's FY 2014 General Fund reserve which would be replaced when potential ARC savings from five-year labor agreements are confirmed in early July. In the event the anticipated savings do not result, new program expenditures funded in this manner should be cancelled, unless other recurring funding sources are identified.

Alternative to Revising FY 2014 Budget to Add Services



- Potential ARC savings from five-year labor agreements will occur after budget adoption and will fall to fund balance/reserves
- To use any portion of these savings, once the budget is adopted, would require a recommendation from the Mayor to the Council
- Council can not access reserves independently of the Mayor after budget adoption
- Next Council opportunity to use savings for services would be at Mid-Year in March 2014

IBA Recommended One-Time Revisions to the FY 2014 Budget



IBA RECOMMENDED ONE-TIME REVISIONS TO THE FY 2014 BUDGET	
<i>A. Expenditure Additions</i>	
1. Funding for Police retention program*	2,000,000
2. Sidewalk condition and needs assessment	1,000,000
<i>Total</i>	<i>\$3,000,000</i>
<i>B. Funding Source</i>	
1. Release \$3.0 million from \$6.9 million set aside for future CAD system costs	3,000,000
<i>Total</i>	<i>\$3,000,000</i>
* Potentially place funding in Appropriated Reserve until program details are developed	

IBA Recommended Ongoing Revisions to the FY 2014 Budget



IBA RECOMMENDED ONGOING REVISIONS TO THE FY 2014 BUDGET	
<i>C. Expenditure Additions</i>	
1. Increase hours at New Central Library from 49 to 52	200,000
2. Increase service hours at all branch libraries from 44 to 48	2,900,000
3. Increase number of recruits in each of the 4 Police academies from 34 to 36 and provide funding flexibility	712,000
4. Restore funding for Mission Trails Regional Park & Improvements to the Visitor's Center	200,000*
<i>Total</i>	<i>\$4,012,000</i>
<i>D. Funding Sources</i>	
1. TEMPORARILY utilize portion of projected FY 2014 General Fund reserve/fund balance** OR a combination of reserves and expenditure reductions identified in Attachment C	Up to \$4,012,000
<i>Total</i>	<i>Up to \$4,012,000</i>

* \$60,000 is one-time funding for improvements to Visitor's Center

**An equal amount will be replaced with savings from reduced ARC payments from Five-Year Labor Agreements; if savings do not result related expenditures should be cancelled unless alternative funding sources are identified

Other Issues for Council Consideration



- 525 B Street Lease savings projections
 - The May Revise includes lease savings of \$1.6 million (General Fund) for relocating employees from 600 B Street to 525 B Street
 - Until work space and floor plans are developed actual savings are difficult to predict
 - Other items such as moving costs and new furniture costs could reduce savings
 - If savings do not materialize as envisioned, the budget will be revised at mid-year

Other Issues for Council Consideration



- Homeless Shelter Funding
 - The May Revise includes \$600,000 to extend Veterans' Shelter year-round
 - This is in addition to \$315,000 in CDBG and ESG funding and \$40,000 from the Housing Commission
 - A funding shortfall of up to \$537,000 for the Veterans Shelter to open year-round has been identified attributable to utilities, maintenance and administrative costs
 - A funding shortfall of up to \$212,000 to open the Single Adult Winter Shelter year-round has also been identified

Summary of IBA Recommendations



1. Approval of the Mayor's FY 2014 Proposed Budget as issued on April 15, 2013 and as amended by the Mayor's May Revise issued on May 21, 2013 and Supplemental Revise issued on June 5, 2013
2. Approval of the IBA recommended FY 2014 budget revisions for ongoing and one-time expenditures and resources as depicted in the chart on the following slide;
3. Approval of nine Policy/Program recommendations identified on the following slides

Summary of IBA Recommendations



IBA RECOMMENDED REVISIONS FOR ONGOING AND ONE-TIME EXPENDITURES AND RESOURCES			
ONE-TIME		ONGOING	
A. Expenditure Additions		C. Expenditure Additions	
1. Funding for Police retention program***	2,000,000	1. Increase hours at New Central Library from 49 to 52	200,000
2. Sidewalk condition and needs assessment	1,000,000	2. Increase service hours at all branch libraries from 44 to 48	2,900,000
		3. Increase number of recruits in each of the 4 Police academies from 34 to 36 and provide funding flexibility	712,000
		4. Restore funding for Mission Trails Regional Park & Improvements to the Visitor's Center	200,000*
<i>Total</i>	\$3,000,000	<i>Total</i>	\$4,012,000
B. Funding Source		D. Funding Sources	
1. Release \$3.0 million from \$6.9 million set aside for future CAD system costs	3,000,000	1. TEMPORARILY utilize portion of projected FY 2014 General Fund reserve/fund balance ** OR a combination of reserves and expenditure reductions identified in Attachment C	Up to \$4,012,000
<i>Total</i>	\$3,000,000	<i>Total</i>	Up to \$4,012,000

* \$60,000 is one-time funding for improvements to Visitor's Center

**An equal amount will be replaced with savings from reduced ARC payments from Five-Year Labor Agreements; if savings do not result related expenditures should be cancelled unless alternative funding sources are identified

***Potentially place funding in Appropriated Reserve until program details are developed

Summary of IBA Recommendations



- Recommendation #1: Sidewalk Condition Assessment
- Recommendation #2: M&R Funding
- Recommendation #3: Future Bond Issuances
- Recommendation #4: Increase academy size from 34 to 36 recruits; implement officer retention program
- Recommendation #5: Fire-Rescue personnel budget, Fire-Rescue revenue decline may require Mid-Year adjustments

Summary of IBA Recommendations



- Recommendation #6: Reporting fiscal impacts of Five-Year Labor Agreements
- Recommendation #7: Council review of “Budget” and “Reserve” policies
- Recommendation #8: Council involvement in Mayor’s update of City’s Strategic Plan
- Recommendation #9: Report Managed Competition evaluation and new efficiencies/innovations program