



Review of the FY 2015 May Revise and Recommended Revisions to the FY 2015 Budget

Office of the Independent Budget Analyst

June 9, 2014

Budget Review Steps Since Release of FY 2015 Proposed Budget



- April 14, 2014 – Mayor’s Proposed Budget Issued
- May 5 - May 9, 2014 – Budget Review Committee Departmental Budget hearings held
- May 19, 2014 – City Council evening hearing to solicit community input
- May 20, 2014 – Mayor’s FY 2015 May Revise and FY 2014 Year-End Report issued
- June 4, 2014 – IBA Review of the FY 2015 May Revise and final budget recommendations issued
- June 9, 2014 – Final Council decisions for FY 2015

Overview of May Revise



This report presents our final FY 2015 budget review and recommendations for final Council budget modifications based on the following:

- Our analyses of the FY 2015 May Revise, the FY 2014 Year-End Report and the FY 2015 Proposed Budget
- Review and consideration of outstanding budget issues communicated by Councilmembers in their May 23rd budget priority memos
- Consideration of feedback from the public, City staff and City Councilmembers during the budget hearings

Overview of May Revise



- May Revise increases the Mayor's FY 2015 Proposed Budget by \$22.7 million (1.9%) from \$1.179 billion to \$1.202 billion
- May Revise increases the number of General Fund FTEs by 19.98 from the Proposed Budget, bringing the total General Fund FTEs to 6,967.29
- General Fund revenues increased by \$10.0 million (0.9%); we support the May Revise revenue adjustments
- Expenditures increased \$12.7 million above new resources due to the proposed use of excess equity to fund the Public Liability Reserve

Primary Resources Used to Balance May Revise



- Increased Property Tax Growth Rate (3.75% to 4.75%) - \$7.2 million
- Increased total TOT (full 10.5 cents) Projections - \$2.3 million
- Lease revenue bond debt service savings - \$1.7 million
- Convention Center Expansion Project Reimbursements - \$0.5 million
- Risk Management Administrative Fund Balance - \$0.5 million

Top Council Expenditure Priorities Now Addressed in May Revise



- Sustainability Program Manager
- Police helicopter maintenance
- Fire emergency operations equipment / personal protection equipment
- Windansea Beach Lifeguard
- Homeless services – 25 triage beds for Police Homeless Outreach Team
- Civic San Diego Funding:
 - Explore reuse opportunities for Old Main Library
 - Assess feasibility of public/private investment fund

Additional Infrastructure Funding in May Revise - \$2.7 million



- Additional \$1.0 million for street lights
- Silver Wing Park field lighting
- “Trail for All People” in Black Mountain Open Space Park
- Tierrasanta Community Park field lighting
- Wightman Street neighborhood park

How CIP Park Projects were Prioritized for Funding



- Funded projects are either on the “waterfall” list or high on Park & Recreation’s unfunded needs list
- Smaller amount of unidentified funding needed as percentage of total
- Shovel-ready / further along in design phase
- New funding will fully fund construction and complete the projects
- Have a high level of community support

General Fund Reserve / Excess Equity



<i>\$ in millions</i>	Amount	% Revenue
FY 2014 Projected Year-End General Fund Reserve	\$ 168.3	15.7%
General Fund Required Reserve Level	149.8	14.0%
Excess Equity	18.5	1.7%
FY 2015 Use of Excess Equity:		
City Council Community Projects, Programs, and Services	1.7	
Public Liability Reserve Contribution	12.8	
Remaining Excess Equity for FY 2015	\$ 4.0	0.4%

May Revise Excess Equity Proposal



- We support \$12.8 million being allocated to the Public Liability Fund and also support setting aside a substantial portion of the \$4.0 million remaining excess equity to hedge risks associated with redevelopment dissolution
- However, it would not be inappropriate for Council to consider utilizing a **small** portion of the \$4.0 million excess equity for a one-time high priority funding need
- We would not support Council using all or a substantial portion of the \$4.0 million
- We also would not support reducing the amount going to the Public Liability Fund due to significant pending claims

May Revise Excess Equity Proposal



- New Excess Equity Reserve Policy reviewed by B&GE on May 22, 2014, coming to Council soon
- Requires Mayor to identify excess equity in quarterly financial reports
- States Mayor may make a recommendation for its use, for funding reserves or one-time capital need
- Council has full discretion to modify Mayor's proposal or propose their own uses, provided they are one-time

Key Results of Council Budget Memos



Resource Item mentioned in Memos by Majority of the Council

- A majority of Councilmembers suggested reconsideration of the property tax growth rate assumptions
- May Revise increased growth rate from 3.5% to 4.75%
- Based on follow-up discussions with the Assessor's Office, we have revised the growth rate to 5.1% in our final recommendation

Key Results of Council Budget Memos



Resource Items Mentioned in Memos by Less than a Majority of Council

- Potential use of \$4.0 million excess equity
- Expansion of alternative work schedules
- Expansion of Corporate Partnerships
- Potential reduction in cost estimates related to email retention policy
- Potential increase in TOT growth rate from 5.5% to 6%

IBA Recommended Resources – Property Tax & Civic San Diego



- Increase to Property Tax growth rate 5.1% based on discussion with SD County Assessor's Office
- Revised Property Tax growth rate yields \$1.5 million in additional resources
- We believe \$50,000 for downtown restroom maintenance has been double-counted in the budget and could be available for reallocation
- With this reduction, a total of \$550,000 would remain in Civic San Diego to address economic development activities as well as restroom maintenance

Expenditure Priorities Identified in Memos by Majority of Council



- Park Ranger(s) for Chollas Lake, La Jolla Coastline or Sunset Cliffs Park
- Urban Forestry Program
- Combination Inspector II for storm water regulations
- Personnel Department hiring process improvements
- Living Wage Ordinance enforcement
- Arts & Culture funding increase to FY 2014 level
- Community Planning Groups' administrative support

Expenditure Priorities Identified in Memos by Majority of Council



- Reinstatement of library materials budget
- Pacific Breezes Community Park construction acceleration
- We have recommended funding all or a portion of these items with the exception of Pacific Breezes Community Park Construction
- With these revisions the FY 2015 Proposed Budget will address all 17 of the priorities identified in the FY 2015 Council Budget Priorities Resolution adopted February 4, 2014

Expenditure Priorities Identified in Memos by a Majority of Council



Discussion of Pacific Breezes Community Park

- A majority of Councilmembers support accelerating construction of this park in the Ocean View Hills community of District 8
- Park scheduled to begin construction in FY 2016 if \$5.5 million in FBAs are received from projected development in FY 2016
- Staff indicates park will take 2.5 years to complete once sufficient funding has been received
- Other potential funding options should be exhausted before General Funds are considered

Expenditure Priorities Identified in Memos by a Majority of Council



Discussion of Pacific Breezes Community Park (Cont'd)

- We understand the following funding options have been conceptually discussed with staff; however, each of these have challenges and may require further discussion or analysis:
 - 1) Redirecting funds from other neighborhood parks to this project (approximately \$3.2 million)
 - 2) Negotiate delays for other prioritized projects or developer reimbursement obligations
 - 3) Explore splitting the park project into two phases to allow construction to begin sooner with available funding

Expenditure Priorities Identified in Memos by a Majority of Council



Pacific Breezes Community Park (Cont'd)

- Alternatively, it may be possible to use the delayed deferred capital bonds (DC 3) to fund a portion of the project
- DC 3 bond issuance still awaits a favorable court decision, but bond proceeds could be available by the fall

Expenditure Priorities Mentioned in Memos by a Majority of Council



Park Ranger for Chollas Lake, La Jolla Coastline, or Sunset Cliffs - \$115,000

- The park ranger program primarily extends to open space parks and parks intended to serve the citywide population and visitors including Mission Bay, Balboa, Presidio, and Chollas Lake parks
- Seven rangers are used as a “pool” of resources to cover the Balboa Park area, including Chollas Lake Park
- One ranger provides the coastline coverage, primarily for the Children’s Pool to meet the commitments of the Coastal Development Permit for the rope barrier

Expenditure Priorities Mentioned in Memos by a Majority of Council



Park Ranger for Chollas Lake, La Jolla Coastline, or Sunset Cliffs - \$115,000 (Cont'd)

- The Department believes the most critical need at this time is additional support for the coastline area
- Funding a new ranger position would begin the building of a pool of resources in this location similar to what is available for the Balboa Park area

Expenditure Priorities Mentioned in Memos by a Majority of Council



Citywide Urban Forestry Program - \$186,000

- Currently, three City departments conduct tree-related services—Planning, TSW, and Park & Recreation
- Staff agree the Planning Department is the appropriate entity to house a Citywide Urban Forestry Program
- Planning currently manages urban forestry and greening grants and conducts tree-related planning
- We recommend funding of \$186,000 for a program manager position (preferably a certified arborist) for FY 2015 and consideration of additional funding in future years to supplement grant funds for developing an Urban Forest Management Plan

Expenditure Priorities Mentioned in Memos by a Majority of Council



Combination Inspector II - \$115,000

- The Regional Water Quality Control Board (RWQCB) requires the City to implement and enforce storm water and urban runoff pollution regulations
- Development Services anticipates approximately 100 to 150 new enforcement cases per year for the next five years
- Additional staff could help prevent future fines and settlements with the RWQCB
- We recommend the addition of one position as ongoing until new regulations can be implemented and backlog of violations can be addressed
- This position is needed for proactive storm water inspections, enforcement of current violations, and preparation of remedial actions

Expenditure Priorities Mentioned in Memos by a Majority of Council



Personnel Department Funding – \$221,000

- Personnel has indicated additional staff are needed to continue making hiring process improvements
- Personnel considers the following two positions most critical (estimated cost of \$216,000):
 - Information Systems Analyst II
 - Associate Personnel Analyst
- We also recommend increased funding of \$5,000 for NEOGOV training, that Personnel requested but has not been funded

Expenditure Priorities Mentioned in Memos by a Majority of Council



Personnel Department (*Cont'd*)

- Personnel has committed to discussing the hiring process at the B&GE Committee in July, including the feasibility of the IBA recommendations
- We further recommend that updates, including hiring status and performance metrics, be provided to the B&GE Committee quarterly

Expenditure Priorities Mentioned in Memos by a Majority of Council



Additional Staff for Living Wage Program - \$116,000

- Adds 1.00 Senior Management Analyst for a total of 3.00 FTEs to manage Living Wage Program
- Will enhance ongoing administration, monitoring and enforcement of the Program
- Recommend Budget & Government Efficiency Committee discuss the adequacy of staffing when the annual report for FY 2014 is presented

Expenditure Priorities Mentioned in Memos by a Majority of Council



Restoration of Arts & Culture – \$252,000

- Priority to restore arts funding to FY 2014 Adopted Budget levels, which was 5.7% of total TOT
- To restore funding to the same percentage of total TOT as in FY 2014, an additional \$252,000 in resources would be required to be allocated to the Commission

	FY 2014 Adopted Budget	FY 2015 May Revise	Restored Funding	Variance
Total TOT Revenue	167,727,955	176,270,736	176,270,736	
Arts & Culture Commission Funding	9,552,971	9,788,441	10,039,526	251,085
% of Total TOT Revenue	5.7%	5.6%	5.7%	

Expenditure Priorities Mentioned in Memos by a Majority of Council



Clerical Staff (\$67,000) and Support for CPGs (\$20,500) - \$87,500

- Our Office supports providing a level of administrative assistance to the Community Planning Groups (CPGs) for operational needs such as printing, room rental, and mailings
- The proposal to allocate \$500 to each of the 41 CPGs (totaling \$20,500) would require considerable processing, monitoring and oversight
- We recommend the Planning Department directly provide a defined level of service to the CPGs in-house, on an as-needed basis

Expenditure Priorities Mentioned in Memos by a Majority of Council



Clerical Staff (\$67,000) and Support for CPGs (\$20,500) - \$87,500 (Cont'd)

- Due to limited administrative support in the Department, staff have indicated an additional clerical position (\$67,000) is needed in addition to the \$20,500 for NPE
- The clerical assistant will provide needed support for existing departmental administrative duties as well as enhanced support to the CPGs

Expenditure Priorities Mentioned in Memos by a Majority of Council



Reinstatement of Library Materials Budget - \$500,000

- The FY 2015 Proposed Budget reduced Library Materials by \$500,000 to support the new pilot Do Your Homework @ the Library Afterschool Program
- Total Library Materials budget has been reduced from FY 2011 to FY 2015

LIBRARY MATERIALS ANNUAL BUDGET

Fiscal Year	General Fund Adopted Materials Budget	Matching Funds Book and Electronic Resources Budget¹	Total
FY 2015	\$1,300,000	\$1,700,000 ²	\$3,000,000
FY 2014	\$1,800,000	\$1,700,000 ²	\$3,500,000
FY 2013	\$1,644,563	\$2,368,410	\$4,012,973
FY 2012	\$1,637,963	\$2,608,000	\$4,245,963
FY 2011	\$1,637,963	\$3,537,728	\$5,175,691

1. Total Matching Funds budget available during the Fiscal Year.

2. Estimated Matching Funds.

Expenditure Priorities Mentioned in Memos by a Majority of Council



Reinstatement of Library Materials Budget - \$500,000 (*Cont'd*)

- We have identified \$451,500 in ongoing resources and \$48,500 in excess equity to reinstate the full \$500,000
- Additionally, should the Library Afterschool Program be continued beyond FY 2015, we would recommend an alternative on-going revenue be identified and the library materials budget not be considered as a future funding source for the program
- We further recommend that the Department's planned comprehensive assessment of materials acquisition, as discussed at the budget hearing, still be undertaken given the changing environment

Expenditure Priority Identified by the IBA



Police Cameras – Infrastructure – \$140,000

- New information since the May Revise confirms that the camera project will require upgrades to Police Department IT infrastructure.
- Estimated costs of \$140,000 in FY 2015:
 - \$90,000 one-time costs
 - \$50,000 ongoing costs
- IBA recommendation:
 - One-time utilization of \$90,000 of excess equity
 - Ongoing use of \$50,000 of ongoing resources

Final Recommendations



IBA RECOMMENDED REVISIONS FOR FY 2015 BUDGET			
RESOURCES		EXPENDITURES	
Increase in Property Tax Revenue Projection	\$ 1,544,000	1.00 FTE Park Ranger	\$ 115,000
Reallocation of Civic San Diego Funding ¹	50,000	1.00 FTE Urban Forestry Position	186,000
		1.00 FTE Combination Inspector II for Storm Water Regulation	115,000
		2.00 FTEs Personnel Department	221,000
		1.00 FTE Living Wage Ordinance	116,000
		Restoration of Arts & Culture Funding	252,000
		1.00 FTE Planning Department Clerical Assistant II & Community Planning Group Support	87,500
		Restoration of Library Materials Using Ongoing Resources ³	451,500
		Police Body Camera Bandwidth Subscription Costs ²	50,000
Sub-Total Additional Ongoing Resources	\$ 1,594,000	Sub-Total Additional Expenditures Using Ongoing Resources	\$ 1,594,000
Utilization of Excess Equity	\$ 138,500	Restoration of Library Materials Budget Using Excess Equity ³	\$ 48,500
		Bandwidth Expansion for Police Body Cameras ²	90,000
Sub-Total Additional One Time Resources	\$ 138,500	Sub-Total Additional Expenditures Using One Time Resources	\$ 138,500
Total Additional Resources	\$ 1,732,500	Total Additional Expenditures	\$ 1,732,500

1- Technical correction to address a double funding of Portland Loos maintenance in both Civic SD and the Environmental Services Department

2- Required one-time and on-going information technology upgrades to fully support body worn cameras

3 - Total cost of restoration of library materials is \$500,000

Policy Items



Policy / Budget Issues Requiring Attention in FY 2015		
	Policy / Budget Issue	Committee Oversight
1	Reviewing Mayor's plans for continuing the Managed Competition program or pursuing alternative efficiency studies	Budget & Government Efficiency
2	Implementing Mayor's quarterly City service performance reports and user-friendly dashboard	Budget & Government Efficiency
3	Implementing recommendations to improve and accelerate City hiring processes	Budget & Government Efficiency
4	Continue implementing Purchasing and Contracting efficiencies including identification of SAP system requirements and training to correct underutilization (Huron Report)	Budget & Government Efficiency
5	Assessing needs and costs of reinstating a citywide SAP training program	Budget & Government Efficiency
6	Adopting Mayor and Council FY 2015 Statement of Budgetary Principles	Budget & Government Efficiency
7	Completing FY 2016 comprehensive user fee analysis and Park & Recreation Department fee update on a timely basis to ensure readiness for FY 2016 implementation	Budget & Government Efficiency
8	Addressing solutions to affordable housing fee	Budget & Government Efficiency
9	Revising City's Reserve Policy to address use of excess equity	Budget & Government Efficiency
10	Updating City's Budget Policy to address new policies and practices implemented since November 2010	Budget & Government Efficiency
11	Considering opportunities for expanding alternative work schedules	Budget & Government Efficiency
12	Considering opportunities for expanding corporate partnerships	Budget & Government Efficiency
13	Updating and evaluating the "Do Your Homework @ the Library" afterschool program	Budget & Government Efficiency

Policy Items



Policy / Budget Issues Requiring Attention in FY 2015

<i>Policy / Budget Issue</i>		<i>Committee Oversight</i>
14	Implementing improvements to Real Estate Services Department recommended in Huron Report	Smart Growth & Land Use
15	Addressing role of Civic San Diego	Economic Development & Intergovernmental Relations
16	Discussing timing of potential Charter Review process	Economic Development & Intergovernmental Relations
17	Continuing to focus on City's Economic Development activities and finalize Economic Development Strategy	Economic Development & Intergovernmental Relations
18	Completing Police Sworn Officer salary survey on a timely basis to continue to address recruitment and retention	Public Safety & Livable Neighborhoods
19	Assessing cost/benefit of Fast Response Squad pilot program	Public Safety & Livable Neighborhoods
20	Continuing to explore solutions to homelessness	Public Safety & Livable Neighborhoods

Policy Items



Policy / Budget Issues Requiring Attention in FY 2015

<i>Policy / Budget Issue</i>		<i>Committee Oversight</i>
21	Completing streets, facilities, sidewalks, park assets and public utilities condition assessments on a timely basis to identify magnitude of deferred capital funding needs	Infrastructure
22	Including in FY 2015 final budget performance measures for Capital Improvement Projects "on time and on budget"	Infrastructure
23	Continuing to invest in ADA upgrades to parks across all neighborhoods	Infrastructure
24	Providing for Council review of updated PFFPs early in fiscal year	Infrastructure
25	Continuing to monitor SAP EAM Project to ensure that General Fund departments' participation is adequately funded	Infrastructure
26	Discussing potential new resources for addressing storm water requirements and other deferred capital and infrastructure needs including the possibility of a voter-approved bond program	Infrastructure / Budget & Government Efficiency
27	Completing cost of service study needed to consider increases to City's storm drain fee to support new storm water requirements	Environment



Final Steps

- Tuesday, June 10 – Wednesday, June 11
 - City Clerk to transmit resolution to Mayor
- Wednesday, June 11
 - Mayor's veto period begins (5 business days)
- Tuesday, June 17
 - Veto period ends. Council has 5 days to override Mayor's veto, if necessary
- Monday, July 14
 - City Council adoption of Tax Rate Ordinance per City Charter August 31 deadline



Final Steps

- Wednesday, July 16
 - B&GE Committee review of Appropriation Ordinance
- Monday, July 21
 - City Council introduces and adopts Appropriation Ordinance