

Review of the Fiscal Year 2016 Proposed Budget

Analysis by the Office of the Independent Budget Analyst • Report 15-16



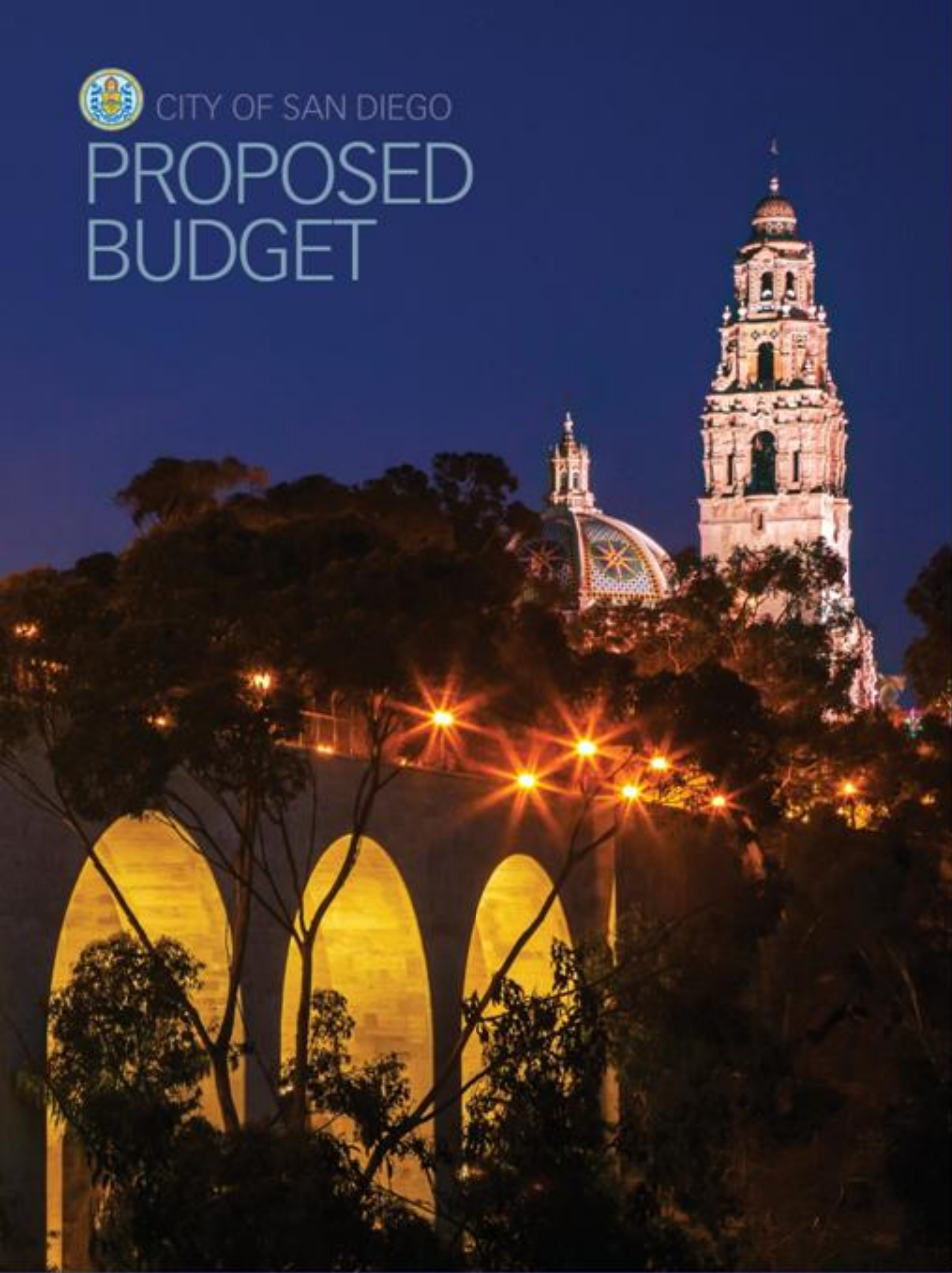
Breakfast Budget Briefing with Councilmember Chris Cate and Residents of District 6

May 20, 2015



CITY OF SAN DIEGO

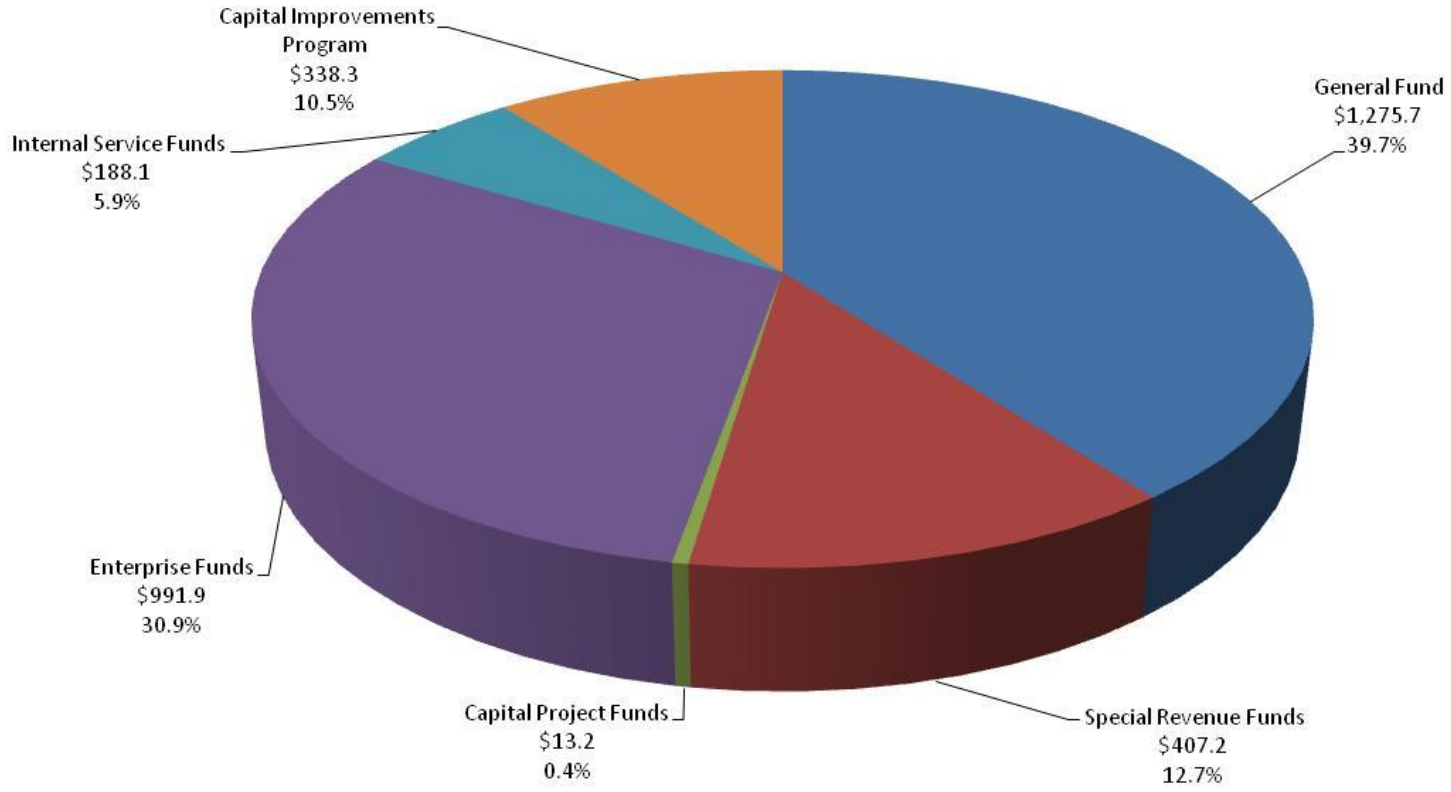
PROPOSED BUDGET



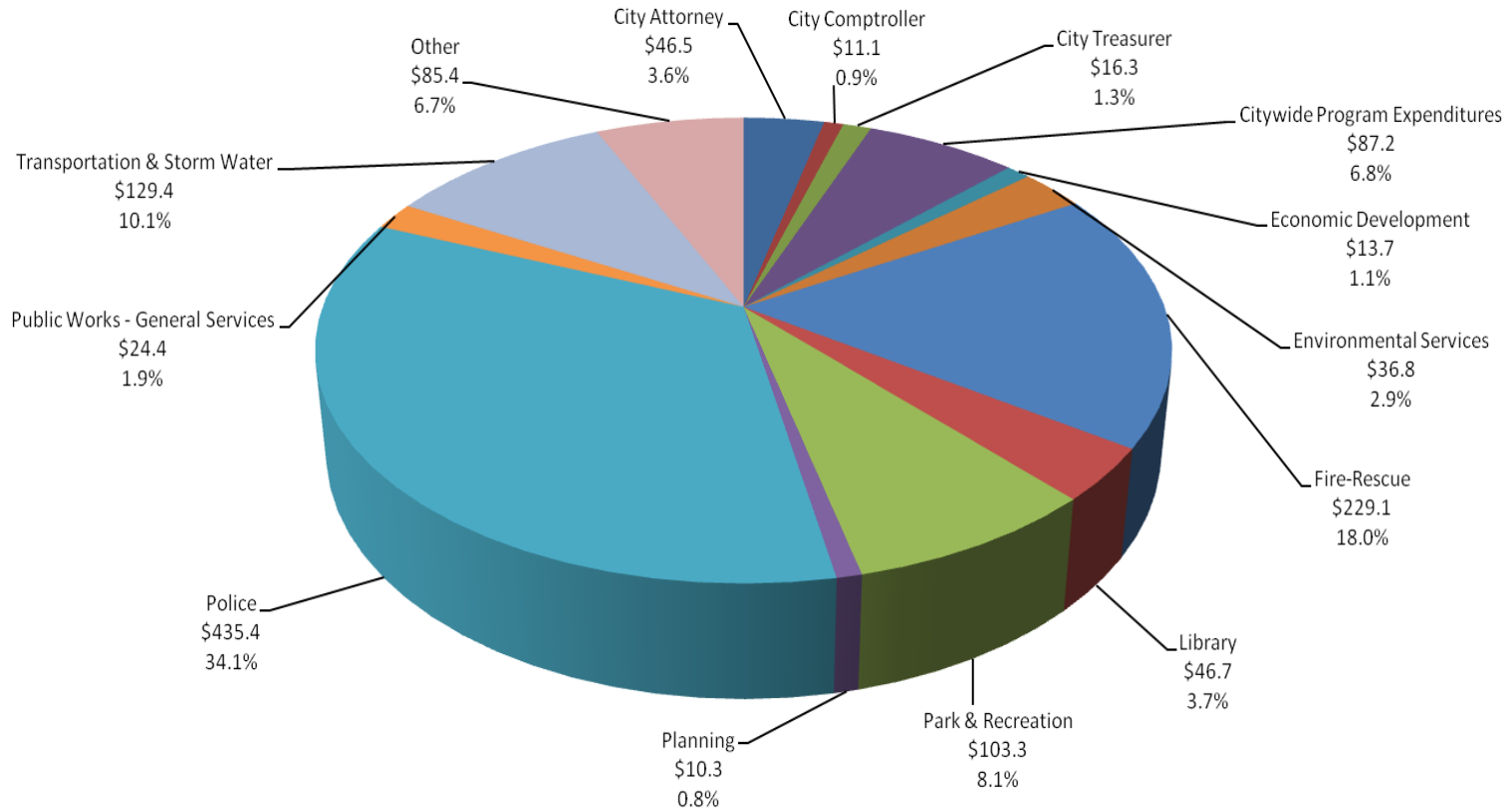
Part I: Overview of Mayor's FY 2016 Proposed Budget

FY: 2016

Citywide Proposed Budget - \$3.21 Billion (in millions)



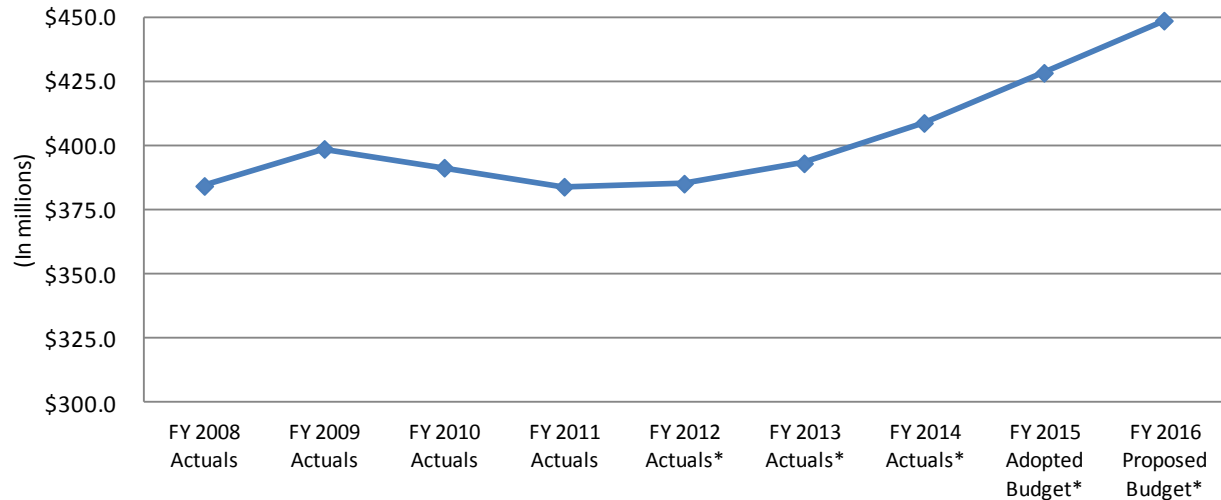
General Fund Expenditures - \$1.27 Billion (in millions)



Property Tax Revenue

- FY 2016 Proposed Budget: \$467.4 million
 - (Includes pass-through and residual property tax sharing payments)
- Budgeted Growth Rate: 4.25 percent
- Increase from FY 2015 Adopted Budget: \$22.0 million
- Economic Assumptions
 - Increases in median home price
 - Increase in California Consumer Price Index (CPI)

Property Tax Revenue - FY 2008-2016

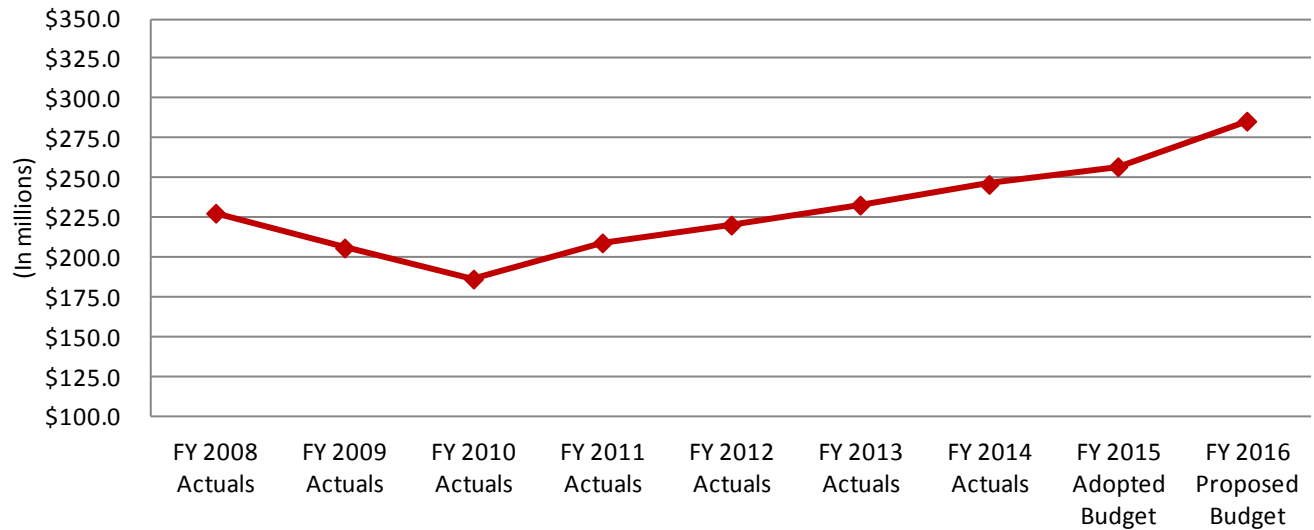


*Excludes pass-through, residual property tax sharing payments, and Property Tax Administration Fee settlement.

Sales Tax Revenue

- FY 2016 Proposed Budget: \$285.8 million
- Budgeted growth rate: 4.0 percent
- Increase from FY 2015 Adopted Budget: \$28.7 million
- Economic Assumptions:
 - Projected increases in consumer confidence and spending
 - Projected increases in taxable sales in most categories

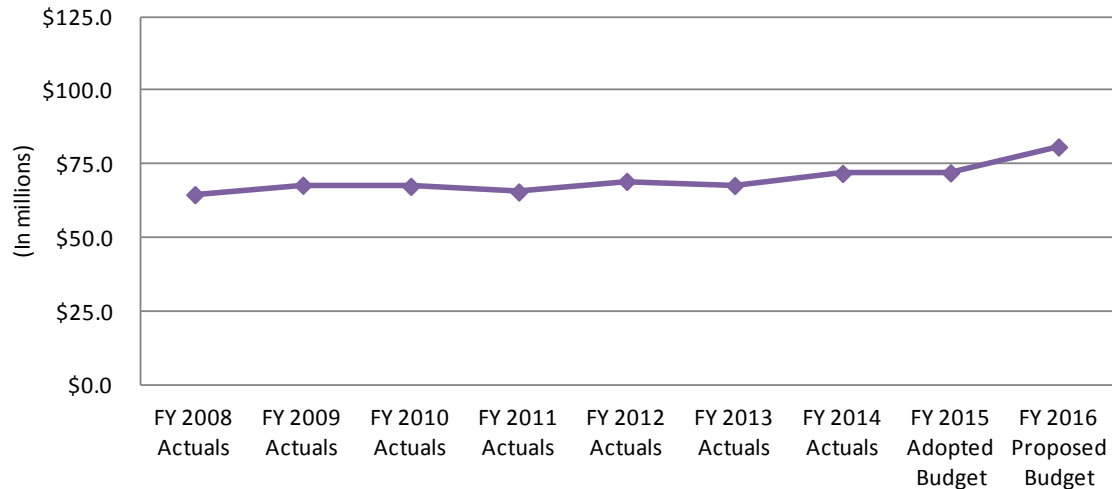
Sales Tax Revenue - FY 2008-2016



Franchise Fees Revenue

- FY 2016 Proposed Budget: \$80.8 million
- Budgeted growth rate: 2.0 percent – SDG&E
0.0 percent – Cable
- Increase from FY 2015 Adopted Budget: \$8.7 million
- Economic Assumptions:
 - Projected increase in energy consumption
 - Projected decline in demand for cable services
 - Projected increase in demand for internet and telephone services

Franchise Fees - FY 2008-2016



Part II: IBA Review of the FY 2016 Proposed Budget

“The Proposed Budget is a robust and aggressive budget proposal with appropriately conservative revenue projections that support substantial expenditure increases in FY 2016.”



IBA Overview

- FY 2016 Proposed General Fund Budget
 - \$1.28 billion, increase of nearly \$73.3 million or 6.1%
 - 7,221 FTEs, increase of 246
- Proposed Budget benefits from:
 - Recovering economy and positive future outlook
 - Growth in the four major revenue categories (Property Tax, Sales Tax, TOT, Franchise Fees)
 - Savings from years of financial reforms, efficiency improvements, and cost reductions



IBA Overview (cont'd)

- New General Fund expenditures for FY 2016 are focused on four main service areas:
 - Repairing streets and investing in infrastructure: \$44.9 million
 - Safe and livable neighborhoods: \$27.4 million
 - An economically prosperous city with opportunities in every community: \$8.5 million
 - Excellent customer service and open government: \$500,000



General Fund Tax Dollars – FY 2015

10¢ Administration & Other Support Services

Including City Treasurer, Information Technology, Chief Financial Officer, and the Mayor

17¢ Public Works

Including Environmental Services which provides trash collection and the Transportation & Storm Water Department, which maintains City streets and storm drains

53¢ Public Safety & Homeland Security

Including Police, Fire-Rescue, and Homeland Security

3¢ Land Use & Economic Development

Including Development Services, Planning and Real Estate Assets



6¢ Non-Mayoral

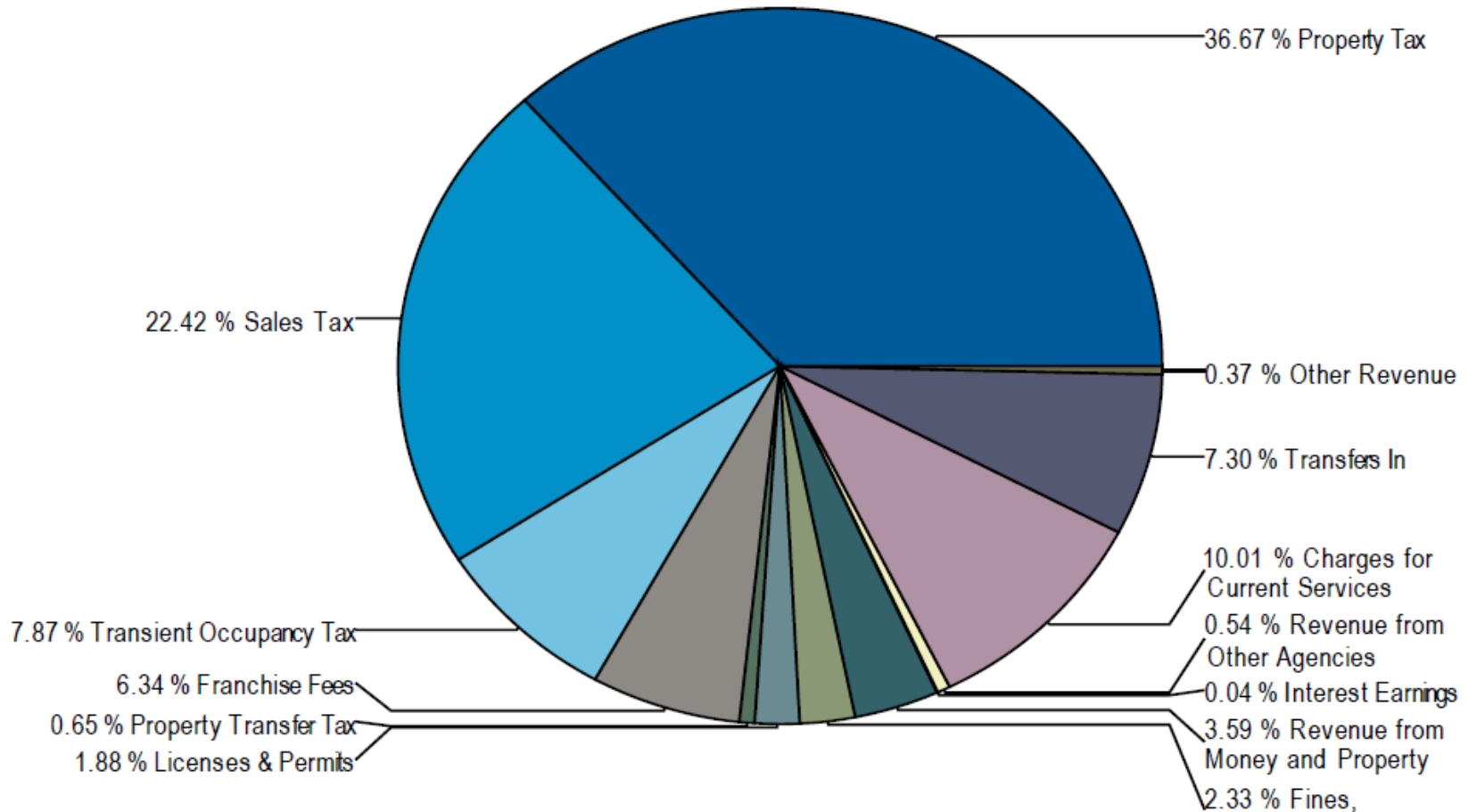
Including City Council, City Attorney, and the Office of the IBA

11¢ Community Programs

Including Parks, Recreation Centers and Libraries



FY 2016 General Fund Revenues



FY 2016 General Fund Revenue Projections

- FY 2016 General Fund projected revenues: \$1.27 billion, an increase of \$86.1 million or 7.2%
- Four major General Fund revenues (Property Tax, Sales Tax, TOT, Franchise Fees):
 - Total \$934.2 million, an increase of \$67.3 million or 7.8%
 - Account for almost $\frac{3}{4}$ of the General Fund's revenue



FY 2016 General Fund Revenue Projections (cont'd)

- Our office agrees with the FY 2016 General Fund revenue projections based on FY 2015 revenue projections and current economic forecast
- Post-recession economic recovery has been steady, though recently growth has slowed



FY 2016 Proposed Budget: Strengths

- For the first time, proposed expenditures are tied to new Strategic Vision and Goals:
 - Provide high quality public service
 - Work in partnership with all of our communities to achieve safe and livable neighborhoods
 - Create and sustain a resilient and economically prosperous City
- Conservative and appropriate revenue projections



FY 2016 Proposed Budget: Strengths (cont'd)

- Significant increases in cash investments for deferred capital, a top Council priority—\$44.9 million for:
 - Street and sidewalk repairs
 - Asset management
 - Condition assessments
 - Debt service on bonds
 - Facilities maintenance staff



“One of the major investments underlying many of these programs is a new and substantial increase in the City’s information technology (IT) infrastructure in order to provide the public with more access to City services and information online”



FY 2016 Proposed Budget: Strengths (cont'd)

- Significant focus on technology to make it easier for residents to utilize City services, including:
 - Golf online reservation system
 - Tripling the speed of broadband at all libraries
 - Open Development Services—online project tracking
 - Website improvements for accessing City services online
 - Electronic signatures used for consultants, goods, services, and public works contracts



FY 2016 Proposed Budget: Strengths (cont'd)

- Significant funding for major projects to improve efficiency of City services:
 - Computer Aided Dispatch (CAD) replacement
 - “311” centralized Customer Service Center
 - Implementation of the City’s Open Data policy which identifies ways to make important City data, including the City’s financial information, available to residents



“the Mayor’s expenditure priorities for FY 2016 align closely with those identified by the City Council”



FY 2016 Proposed Budget: Focus on City Council and Community Priorities

- Police recruitment and retention:
 - Increase in Police compensation expenditures: \$11.1 million
 - Computer Aided Dispatch (CAD) system replacement: \$5.6 million
 - Funding for the expansion of body worn cameras program
 - Helicopter maintenance support



FY 2016 Proposed Budget: Focus on City Council and Community Priorities (cont'd)

- Police recruitment and retention (cont'd):
 - Addition of sworn positions and continued expanded Police academies
 - Addition of civilian positions, including:
 - Police Investigative Service Officers
 - Support for the Department's Communications Division (9-1-1)
 - Victim Service Coordinator (Family Justice Center)



FY 2016 Proposed Budget: Focus on City Council and Community Priorities (cont'd)

- Greater investment in infrastructure and deferred capital (General Fund):
 - Street repairs: \$29.2 million
 - Implementation of SAP Enterprise Asset Management: \$5.0 million
 - Funding for streetlights: \$3.9 million
 - Sidewalk repairs: \$3.2 million
 - Support for Park improvements: \$2.3 million
 - Condition assessments for various assets: \$1.4 million



FY 2016 Proposed Budget: Focus on City Council and Community Priorities (cont'd)

- Restoring vital services:
 - Expanded recreation center hours
 - Extended Teen Nights Program
 - Expanded after school homework program at libraries
 - Increased tree trimming
 - New code enforcement officers
 - Enhanced graffiti abatement
 - Additional park maintenance support



FY 2016 Proposed Budget: Focus on City Council and Community Priorities (cont'd)

- Restoring vital services (cont'd):
 - Community plan updates funded
 - Fire and Lifeguard academies fully funded
 - Fire Fast Response Squad expanded
 - Two new fire stations becoming operational
 - Brush management expanded
 - Homeless services increased



FY 2016 Proposed Budget: Challenges

- Mayor's new Strategic Plan could benefit from more involvement of our residents and the City Council
- Funding shortfall for deferred capital and infrastructure continues to grow, no plan for new revenues
- Library materials have been reduced by approximately \$210,000
- Library budget declines as a % of the General Fund budget for the first time in five years, contrary to the 6% Library Ordinance funding requirement



FY 2016 Proposed Budget: Challenges (cont'd)

- Economic recovery and revenue growth have started to slow—we expect growth will continue but caution that plans for ongoing expenditures should be built upon sustainable revenue projections
- Significant challenges will be associated with timely hiring of 424 new positions, a record number of new hires
- Fire-Rescue services may be underfunded to carry out expanded services, and will need to be monitored



FY 2016 May Revision

- Projected increase in property tax, sales tax, and TOT
- Additional proposed expenditures include:
 - Increase in recreation center hours
 - Additional funding for library materials
 - \$15 million pension stabilization reserve fund
 - Addition of a City horticulturalist
 - Interim off-leash dog area in Ward Canyon Park
 - Funding for a traffic-stop study
 - Additional support for the Open Data policy



Next Steps

- May 21: City Council reviews Mayor's proposed revisions, "May Revision"
- May 22: City Councilmembers submit priority memoranda to the IBA, to identify funding priorities not included in the Mayor's budget
- June 3: IBA issues report on recommended revisions to the Proposed Budget based on input from Council memoranda and further review of outstanding issues



Next Steps (cont'd)

- June 8: City Council makes final decisions and takes any action on revisions to the budget
- July 20: City Council introduces and adopts FY 2016 Appropriations Ordinance



How the Budget Affects District 6

- The Fiscal Year 2016 budget will greatly improve neighborhood services in District 6.
- District 6 Budget Highlights include expanded Recreation Hours, Community Plan updates and Park Improvements.



Expanded Recreation Centers Hours

- FY2016 included expanded recreation hours in five District 6 facilities
 - **Gil Johnson Recreation Center in Mira Mesa**
 - **North Clairemont Recreation Center**
 - **Kearny Mesa Recreation Center**
 - **Canyonside Recreation Center**
 - **Hourglass Recreation Center**
- Expanded hours will increase use for youth sports leagues, increased staffing for teen programs and expand hours from 45 to 60 per week.



Park Improvements

- Improvements include playground upgrades security lighting and critical park repairs in:
 - North Clairemont Community Park
 - East Clairemont Athletic Area
 - Olive Grove Community Park



Community Plan Updates

- Community Plans are the blueprint that protect neighborhood character and community identity
- FY2016 budget investing in 3 full time positions to update nine community plans.
- Two Community plans will be updated in District 6
 - **Clairemont** (not updated in over 20 years)
 - **Kearny Mesa** (not updated in over 15 years)



Investments in Essential Neighborhood Services

- \$11.1 million for Police Retention & Recruitment
- \$73.6 Million in road Repair (300 miles)
- \$3.7 Million in Street Lights
- \$4.2 Million Sidewalk Repair
- \$2.04 Million for Homeless Solutions
- \$200,000 for library programs & tripling internet at **ALL** branch Libraries



Capital Improvement Projects

- The Capital Improvements Program (CIP) is the long-range plan for all individual capital improvement projects and funding sources.
- CIP Projects are unique construction projects that provide improvements or additions such as land, buildings, and infrastructure.
- There are Capital Improvement projects happening in every neighborhood of District 6



Capital Improvement Projects (Mira Mesa & Sorrento Valley)

- **Mira Mesa Community Park Expansion:** Construction in Fall of 2015. Design portion of Design Build contract will start in late Spring.
- **Wangenheim Joint-Use Park:** Design will start March 2015. The project will include an additional 4 acres of public space.
- **Mesa Fire Station Expansion:** Completion in June-July of 2015. The expansion includes new living quarters, ambulance garage and kitchen.
- **Carroll Canyon Road & Sorrento Valley Road Expansion:** Roadway work is substantially completed. The project is expected to conclude by the end of 2015.
- **Traffic Signal Optimization Lights:** \$1.3 Million of TransNet funding for adaptive signals at 10 Intersections in Mira Mesa & Sorrento Valley



Capital Improvement Projects (Clairemont)

- **Hickman Fields Athletic Area:** Phase 1 construction should start December 2016.
- **Olive Grove Community Park Improvements:** Design is scheduled to begin in FY16.
- **Balboa Avenue Corridor Improvements:** FY16— Begin construction for second phase of project to modernize traffic signals.
- **Clairemont Mesa Storm Drain Replacement:** Storm drain replacement project on Clairemont Mesa Blvd to alleviate rust and erosion issues.



Capital Improvement Projects (Kearny Mesa)

- **Metropolitan Biosolids Center (MBC) Upgrades:** MBC is a regional biosolids processing facility located in Kearny Mesa North of the 52 between 805 and 163.
- **MBC Biosolids Storage Silos:** Add two additional silos to provide adequate storage capacity while retrofitting existing eight biosolids storage silos. Construction will be completed July 2015.



Capital Improvement Projects (Rancho Penasquitos)

- **Canyonside Park Improvements:** Project includes tot lot improvements, drainage repair and parking lot improvements. Going out for advertising in January of 2016 (staff anticipates they will beat that deadline).

