
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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City Council Budget Priorities for Fiscal Year 2012

OVERVIEW

City Charter Section 265(b)(15) requires the Mayor to propose a budget to the City Council and the public by April 15 of each year. The City Council then holds a series of budget hearings to obtain public input on spending priorities, and to request additional information and discuss the City Council's budget priorities with the Mayor and City management. At the conclusion of the budget hearing process, the City Council may make modifications to the Mayor's proposed budget.

On November 16, 2010, the City Council adopted the schedule of meetings for the City Council and its committees for calendar year 2011, including the key budget process dates for the development and approval of the City's budget for Fiscal Year 2012 (which covers the period starting July 1, 2011 and ends June 30, 2012). Based on the recently adopted schedule, budget hearings will be held Wednesday, May 4 through Friday, May 6, 2011, and potentially Thursday, May 12 and Friday, May 13, if needed.

At the time the City prepared to move to the Strong Mayor/Strong Council form of government, the Mayor – City Council Transition Committee recommended that the City Council adopt by resolution its budgetary priorities for submission to the Mayor by February 1 of each year. The City Council added this step in the process beginning in 2006.

This year, Councilmembers were requested to submit their priorities for the Fiscal Year 2012 Budget to Budget and Finance Committee Chair Todd Gloria. These budget priorities, as outlined in this report, are scheduled to be discussed by the Budget and Finance Committee at its meeting of January 26, 2011, and are requested to be forwarded to the City Council for its consideration.

This report compiles the individual budget priorities of each Councilmember as stated in each of their memorandums. The memos are provided as Attachment 3 to this report. Common themes can be identified that can then represent the budget priorities of the entire City Council, and can be used as the basis for a budget priorities resolution to be adopted by the City Council for transmission to the Mayor. This report also summarizes the various methods utilized in recent years to solicit citizen input in order to assist the Council in determining its budgetary priorities.

It is recommended that the Budget and Finance Committee review and discuss the areas highlighted in this report, and forward it to the City Council with any desired direction, for the preparation of a budget priorities resolution to be adopted by the City Council.

FISCAL/POLICY DISCUSSION

Recent History of Establishing Council Budget Priorities

Beginning in February 2006, the Council's budget priorities have taken the form of a resolution accompanied by individual Council members' priorities memoranda and a report prepared by the IBA. The IBA reports have provided a high level summary of the memos and highlighted for the Mayor the highest priority areas of the Council.

In January 2007, in preparation for FY 2008 budget development, the entire City Council participated in a two-hour facilitated Strategic Budget Prioritization process, utilizing polling technology which quickly and anonymously evaluated Council members' perspectives, in the aggregate, on key City services, critical issues and alternative budget solutions. That year the resolution and IBA report which were presented to the Mayor reflected the results of this public prioritization process along with the individual Council memoranda.

In January 2009, Budget and Finance Committee Chairman Tony Young expressed interest for the Budget and Finance Committee to host a series of community meetings that would allow for citizen input prior to the formulation of the Mayor's proposed budget. As a result, a series of community meetings were held, and a citizen participation survey was available at the community meetings, as well as on the City's website. This community input process became known as "San Diego Speaks", and a second series was held again during Fiscal Year 2010.

This survey asked respondents to prioritize City services, display preferences for specific services, indicate which services they felt could be reduced or eliminated, and asked which services they may be willing to pay more. While the results were informative, it was recommended that future surveys be conducted by professionals to conduct a random scientific survey to ensure results better represent the community as a whole.

In 2010, the IBA worked with Behavior Research Center, Inc. (BRC), an independent firm that provides market and public opinion research and consulting services, to develop an improved survey, aimed to gauge citizen opinions on the priority of and satisfaction with services being provided by the city and their willingness to pay more to maintain

city service levels. The results of the professional survey were issued in April 2010 (IBA Report No. 10-34), and are useful to consider now as the Council develops and finalizes its budgetary priorities for FY 2012. Key results from the survey are summarized here.

When San Diego residents were asked how essential they consider each of 17 City services, five services received “absolutely essential” ratings from a majority of residents:

- Fire services
- Police services
- Emergency medical services
- Residential trash collection services
- Fire prevention programs

When asked their level of satisfaction with each of 25 services provided by the City, San Diego residents scored these four services with the lowest ratings:

- Conditions of neighborhood sidewalks
- Efforts to address homelessness
- Condition of City streets
- Downtown parking availability

After residents evaluated each of the 25 service areas under consideration, they were asked to indicate whether they would or would not be willing to pay more through taxes or fees in order to maintain them or avoid further cuts. Four services were mentioned by at least a majority of residents as areas where they would be willing to pay more:

- Fire response to calls for service
- Police response to calls for service
- Condition of City streets
- Maintenance of parks and its facilities

When asked if they approve or disapprove of each of six strategies to deal with the City’s budget deficit, the following strategy received approval from 74 percent of residents:

- Use more private contractors, implement managed competition

Two additional strategies also received approval from a majority of residents, but also generated significant disapproval ratings:

- Generate new revenue through increased fees to help avoid service reductions
- Combination of new revenues and service cuts

The survey results have been useful over the past several months as the Mayor and City Council have evaluated various budgetary solutions. The results highlight the importance of public safety to residents, as well as their dissatisfaction with the current conditions of sidewalks and streets, and their interest in pursuing managed competition and/or the use of private contractors.

The IBA continues to recommend that this type of survey be conducted on a regular basis, as this would allow the City to determine if opinions have changed over time, and if efforts to address areas of concern have been effective. Conducting this same survey

during FY 2012 would allow this type of assessment and comparison with the 2010 results.

FY 2012 Council Budget Priorities

In reviewing the memorandums submitted by each Councilmember, it became clear that many areas were consistently mentioned as budgetary priorities, either specifically or that could be captured in one of the following five categories:

Completing the Fiscal Reforms as Outlined in Proposition D

Proposition D on the November 2010 ballot proposed a temporary half-cent sales tax after certain conditions were met (Attachment 1). While Proposition D failed, several Councilmembers state that the ten reforms outlined in the measure should be completed. Some reforms as specifically written in Proposition D have been completed, while many others are underway. The following items were specifically mentioned in several Councilmembers' memoranda, and are either contained in the ten reforms, or can be considered related:

- Pension Reform
- Retiree Health Care Reform

Protecting Public Safety

Ensuring public safety is adequately staffed and funded has been an ongoing concern of the Council, and was mentioned by most Councilmembers in their respective memos, with specific references including:

- Restore funding to eliminate rolling brownouts in the Fire-Rescue Department
- Retain civilian staffing in the Police Department
- Reestablish lifeguard training and relief staff

Adhere to Guiding Principles for Structural Budget Deficit Elimination

In February 2010, the City Council adopted eleven Guiding Principles to assist in the development of a comprehensive Structural Budget Deficit Elimination Plan (Attachment 2). Several Councilmembers cited the importance of abiding by the Guiding Principles explicitly, or included the following items, which are contained in the Principles:

- Commit to using more structural changes than one-time fixes
- Implement Managed Competition
- Examine departments for greater efficiency and innovation
- Achieve 100% cost recovery for programs supported by fees
- Establish process to identify and prioritize deferred maintenance needs
- Improve and provide performance measures and service level information

Identifying and Funding Mandated and/or Core Services

The identification of the City's core services is also reflected in the Guiding Principles which refers to a prioritization of City services as required by the Charter. Core services received specific mention in Councilmember memos as follows:

- Provide adequate workforce and staffing levels necessary to meet our obligations and deliver core services
- Meet the City's mandated obligations

- Investigate option of leasing City owned golf courses and airports
- Prioritization of neighborhood parks and recreation centers

Full Cost Recovery for Programs Supported by Fees

Seeking full cost recovery for fee-supported programs is also included in the Guiding Principles and deserves separate mention due to the large number of specific fees and programs described by several Councilmembers in their memos:

- Implement cost recovery for false fire alarms
- Ensure full cost recovery for false police alarms
- Consider user fee or reservation fee for beach fire rings
- Assure Special Events cost-recovery
- Complete comprehensive user fee update

Other issues outlined in Councilmember memos include expansion of the use of volunteers, cost of service studies for new fees including storm water and trash collection, establishment of parking fees at beaches and parks, funding for City Auditor staff, support for efforts to encourage small business, expanding the use of marketing partnerships, and development of a comprehensive financial plan for the Centre City Redevelopment Project Area. In his memo, Councilmember DeMaio made reference to his recently issued “Roadmap to Recovery” which contains specific budget-balancing actions and reform solutions.

CONCLUSION

It is recommended that the Budget and Finance Committee review and discuss the areas highlighted in this report, and forward it to the City Council with any desired direction, for the preparation of a budget priorities resolution for FY 2012 to be adopted by the City Council for transmission to the Mayor.

The IBA continues to recommend that a professionally administered citizen survey be conducted on a regular basis, as this would allow the City to determine if opinions have changed over time, and if efforts to address areas of concerns have been effective. Conducting the 2010 survey again during FY 2012 would allow this type of assessment and comparison with prior results.

[SIGNED]

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Attachments:

1. Financial Reform Conditions as Outlined in Proposition D November 2010 Ballot
2. Structural Budget Deficit Elimination Plan Guiding Principles
3. City Council Fiscal Year 2012 Budget Priorities Memoranda