
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Second Update to Menu of Budget Options

OVERVIEW

On February 14, 2011, the IBA presented the Menu of Budget Options to the City Council. The Menu was very extensive, consisting of 295 options from various sources, such as Councilmember memos and reports, the Citizen's Revenue Review and Economic Competitiveness Committee, the Citizen's Fiscal Sustainability Taskforce (12/2009 and 9/2010 reports), San Diego Speaks, labor organizations, the San Diego County Taxpayers Association, and other constituent suggestions.

In order to refine the Menu to a more manageable scale, the IBA identified a focused list of 17 options that were recommended for further analysis. These options were selected based on their feasibility for implementation in FY 2012, and the potential for significant budgetary relief. In addition, because the City is currently in negotiations with labor organizations, the IBA primarily focused on options that do not require meet and confer.

On March 14, the IBA presented the focused list of Menu options to the City Council for discussion and consideration. At that meeting, several Council members expressed the desire to take action on a number of the options presented by the IBA in order to provide input to the FY 2012 Proposed Budget in advance of its release on April 15. The IBA was directed to report back with additional information on the focused Menu options in anticipation of Council action at the next hearing.

FISCAL/POLICY DISCUSSION

Since the March 14 meeting, the IBA has continued to research the items on the focused list of Menu options, and has provided additional information on several of the items (attached). In addition, the IBA has been able to provide dollar estimates of potential savings or new resources for a majority of the focused Menu options. It should be noted, however, that many of these dollar estimates are very preliminary and based on a number of assumptions. It should also be noted that a number of the options are dependent on Mayoral action to further refine and develop specific proposals.

Subsequent to the March 14 Council meeting, the Mayor and the Chief Operating Officer have indicated that several of the items on the IBA's focused list of Menu options are being considered for implementation in the FY 2012 Proposed Budget, including:

- Transfer of unclaimed funds to the General Fund
- Expanding marketing partnerships
- False alarm fees for Fire-Rescue
- Reduction to supplies and services
- Comprehensive review of all fund balances
- Redevelopment Agency payment of Convention Center Phase II debt service.

In addition, there are a number of other focused Menu items that have not been mentioned by the Mayor or COO for possible inclusion in the Proposed Budget, but which may still be implemented in FY 2012. These options include:

- Recovery auditing program
- Reduction or elimination of cell phones and other communication devices for all non-emergency personnel
- Reduction or elimination of Management Flex Benefits
- Sale of underutilized real estate assets
- Redevelopment Agency repayment of General Fund debt
- Fire-Rescue billing for high-rise inspections.

It is unclear at this time whether, or to what extent, any of these options will be utilized in the FY 2012 Proposed Budget; however, the potential budgetary relief from these items could be significant. ***The IBA recommends that the Council consider adopting a Resolution requesting the Mayor incorporate savings or new resources from these options into the FY 2012 Proposed Budget in order to minimize service reductions.***

In addition, separate from the focused Menu options, there may be potential for additional growth in sales tax and transient occupancy tax revenue as a result of gains experienced in the current year. ***The Council may wish to encourage the Mayor to revisit the FY 2012 major revenue projections from the Five-Year Financial Outlook to determine if higher growth rates are warranted.***

There are also several focused Menu items that have been determined to be longer-term in nature due to meet and confer requirements or other implementation challenges. These options include:

- Managed competition for refuse collection
- Expanding the use of a 4/10/5 or other alternative work schedule
- Mandatory furlough
- Paid parking at beach parking lots

While these items may be longer-term in nature, ***the Council may wish to consider requesting the Mayor to begin working on these items for possible implementation in FY 2013.***

CONCLUSION

Since the March 14 meeting, the IBA has continued to research the items on the focused list of Menu options, and has provided additional information on several of the items. In addition, the IBA has been able to provide dollar estimates of potential savings or new resources for a majority of the focused Menu options.

The Mayor and the Chief Operating Officer have indicated that several of the items on the IBA's focused list of Menu options are being considered for implementation in the FY 2012 Proposed Budget. In addition, there are a number of other focused Menu items that have not been mentioned by the Mayor or COO for possible inclusion in the Proposed Budget, but which may still be implemented in FY 2012. Finally, there are also several focused Menu items that have been determined to be longer-term in nature due to meet and confer requirements or other implementation challenges.

The IBA recommends that the Council consider adopting a Resolution requesting that the Mayor:

- ***Incorporate savings or new resources from the items on the focused list of Menu options into the FY 2012 Proposed Budget where feasible;***
- ***Revisit the FY 2012 major revenue projections from the Five-Year Financial Outlook to determine if higher growth rates are warranted;***
- ***Begin working on the longer-term Menu items, as identified above, for possible implementation in FY 2013; and***
- ***Utilize any identified savings or new resources to preserve critical General Fund services including Police, Fire, Parks & Recreation, and Libraries,***

consistent with the FY 2012 Budget Priorities Resolution adopted by the Council on February 14, 2011.

[SIGNED]

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[SIGNED]

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Attachments: 1. IBA Focused List of Budget Menu Options
2. IBA Focused List of Budget Menu Options – Financial Summary