



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Update on City Council Adopted Budget Modifications for FY 2013

OVERVIEW

On June 11, 2012, the City Council held the second public hearing on the FY 2013 budget, per City Charter requirements. At this time, Council members adopted the Mayor's May Revision along with Council revenue and expenditure modifications to the FY 2013 Proposed Budget. These modifications were forwarded to the Mayor, who subsequently approved these changes on June 26, 2012. The purpose of this report is to update the Council on the status and implementation of these Council adopted changes in the FY 2013 Adopted Budget.

UPDATES

Modifications to the budget adopted by City Council totaled 16 separate items; four revenue and twelve expenditure modifications. Three of the revenue items listed and fifteen of the expenditure items were approved by City Council as outlined in the Office of the IBA's final budget recommendations report (12-24). City Council specifically adopted the revised City user fee schedule and also provided funding for tree trimming / arborist program for the City. Status on each Council change for both revenue and expenditures is as follows.

Revenue Modifications

Table with 2 columns: RESOURCE CHANGES and DOLLAR AMOUNT. Rows include: 1.) Increase Transient Occupancy Tax Growth Rate from 5.0% to 5.5% (\$739,000), 2.) Increase Sales Tax Growth Rate from 5.7% to 6.0% (619,000), 3.) Revenue Recovery Audit (350,000), 4.) Implementation of New User Fee Schedule (1,100,000), and a total row: TOTAL RESOURCE CHANGES (\$2,808,000).

1.) Increase Transient Occupancy Tax Growth Rate

It was recommended and accepted by Council as a budget modification to increase the projected transient occupancy (TOT) growth rate from 5.0 percent to 5.5 percent. This resulted in a \$739,000 increase in TOT revenue for FY 2013. This was implemented by the Mayor at that time; and as reported in the First Quarter Budget Monitoring Report, TOT revenue is projected to achieve this, as well as an additional increase of approximately \$2.0 million.

2.) Increase Sales Tax Growth Rate

In addition to increasing the TOT growth rate, Council approved the Office of the IBA recommendation to marginally increase the sales tax growth rate from 5.7 percent to 6.0 percent. This was also implemented in the Adopted Budget, increasing revenues by approximately \$619,000. As of the First Quarter Budget Monitoring Report, sales tax revenue was forecasted to fall short of budgeted revenue by \$3.6 million; however, this shortfall is due to State of California actions and not the sales tax growth rate.

3.) Revenue Recovery Audit

At the November 26, 2012 Audit Committee meeting, the City Comptroller indicated that the City has already identified approximately \$207,000 in revenue to be recovered by the City from revenue recovery audits. As of the Committee date, approximately \$147,000 of this identified revenue has already been received by the City. Additional revenue above this amount may be realized during FY 2013 as revenue recovery audits continue.

4.) Implementation of New City User Fee Schedule

City Council also approved the FY 2013 comprehensive user fee analysis. These updated user fees allowed the Clerk rate-book to be revised to create increased or full cost recovery for certain City services. It was estimated at this time that implementation would provide an additional \$1.1 million in revenue to the General Fund. The City Clerk rate book for FY 2013 reflects these new user fee levels as approved in June; however, due to the difficulties associated with a comprehensive monitoring of the progress for 168 individual user fees that were modified at that time, the total additional revenue created by this specific budget modification is difficult to determine. However, individual variances in departmental user fees are currently presented on a quarterly basis during the budget monitoring process.

In FY 2013, the Park and Recreation Department was to engage a consultant to assist in a comprehensive study of all the Department's fees, with the exception of those related to the Golf Division. Funding of \$200,000 for a consultant has been included in the Adopted Budget under Citywide expenditures to assist with this analysis. The RFP process to award the contract for the consultant to undertake the analysis has been completed and is awaiting signature by the Mayor. It is estimated by the Department that due to the complexity of the study and to allow sufficient

time for public input into the process, they are currently estimating the study to be available for review and action early to mid- FY 2014.

Expenditure Modifications

EXPENDITURE CHANGES		DOLLAR AMOUNT
5.)	Restoration of 5 Civilian Police Positions	\$ 212,000
6.)	Restoration of 3 Relief Lifeguard Positions	291,000
7.)	Implementation of FY 2013 Lifeguard Wellness Program	81,000
8.)	Support to Explore Replacement Funding for Economic Development and Redevelopment	250,000
9.)	Funding for Teen Nights Programs	40,000
10.)	San Diego Circuit - County Library Cooperation	44,500
11.)	Funding of Internal Control Audit	150,000
12.)	Purchase of Electronic Work Paper Software for City Auditor	52,000
13.)	Funding of Close-Out Audits for Transition of Mayoral Administrations	25,000
14.)	Funding of Neil Good Day Center	250,000
15.)	Workforce Partnership's "Hire-a- Youth" Program	100,000
16.)	Recommendations for Arborist and / or Urban Forestry Program	257,000
TOTAL EXPENDITURE CHANGES		\$ 1,752,500

5.) Restoration of 5 Civilian Police Positions

During the FY 2013 budget process, numerous City Council members inquired about the Police Department’s need to increase civilian positions that had been cut in previous budget years due to fiscal pressures. In the final budget modification, 6 months of funding (effective January 2013) to restore 5 high priority civilian positions in the Department was included. One half year of funding was provided to allow the Department to have completed and vetted its new five-year plan addressing staffing challenges for both civilians and sworn positions with PS&NS and the City Council, as well as allowing time for an already high level of existing civilian vacancies to be filled. The Department has been working with the Personnel Department to add the following 5 civilian positions.

- Dispatcher II
- Dispatcher II
- Laboratory Technician
- Police Property & Evidence Supervisor
- Police Records Data Supervisor

Currently, the department has selected a candidate for one of the civilian positions, but is waiting for this person to transfer to the Department. The four remaining positions have been cleared by Personnel; however, the Police Department does not expect to be able to fill these positions until late FY 2013 due to the length of the interview and background check processes.

6.) Restoration of 3 Lifeguard Positions

During the FY 2013 budget development process, the Fire-Rescue Department requested restoration of three additional Lifeguard relief positions eliminated in prior fiscal years. The addition of these relief positions would lessen the strain on the scheduling system and reduce the amount of mandatory overtime to maintain constant staffing levels. The three positions requested at that time were:

- Lifeguard II
- Lifeguard II
- Lifeguard Sergeant

All three positions have been filled by the Department.

7.) Implementation of FY 2013 Lifeguard Wellness Program

The Risk Management Department and the City's industrial medicine provider undertook a study to review the potential benefits associated with the implementation of a Wellness Program for Lifeguards. The study was projected to be completed by June 30, 2012, and \$81,000 was appropriated in the Adopted Budget to implement a Wellness Program for FY 2013.

Upon completion of the study, the Risk Management Department and the City's industrial medicine provider found that a Wellness Program similar to that currently available for firefighters would not likely significantly reduce Lifeguard workers' compensation claims or costs, due to their unique work environment. Risk Management recommended that the City work with its industrial medical provider, Fire-Rescue management, and the Firefighter Wellness Program to design a Wellness Program that is tailored to the Lifeguards in a manner that will reduce the City's costs. A potential Wellness Program for Lifeguards is to be discussed in the meet and confer process during upcoming negotiations with the Lifeguard's union.

8.) Support to Explore Replacement Funding for Economic Development

The City of San Diego Redevelopment successor agency, Civic San Diego, was allocated \$250,000 in final Council budget modifications to allow for the agency to explore and identify new funding sources for economic development and neighborhood revitalization activities communitywide. Exploring new funding sources included grants, new market tax credits, and Tax Increment Funding available under California Redevelopment Law, among others.

Civic San Diego has currently utilized \$88,000 of their total allocation, primarily for exploration of new funding and their 2012 New Market Tax Credit application. New funding that has been secured to date is a \$300,000 Active Transportation Grant to fund the Downtown Complete Mobility Study from the San Diego Association of Governments (SANDAG), representing a 240 percent return on expended funds. In addition to this grant that has been secured, Civic San Diego has submitted five applications to SANDAG's Smart Growth Incentive Program for \$2.8 million in requested funding. The remaining funding from Civic San Diego's original allocation

is being utilized currently to explore additional funding sources including urban greening grants, environmental justice grants, and philanthropic monies.

9.) Funding for Teen Night Programs

State funding to allow the continuation of teen night programs in five recreation centers (Encanto, City Heights, Memorial, Southcrest, and Mountain View) was set to expire in September 2012. To allow the continuation of teen nights in FY 2013 during May and June, Council allocated \$40,000 to these programs and will provide for these centers to operate later in the current fiscal year.

Additionally, Councilmember Emerald inquired during the June 11, 2013 Council meeting about the feasibility of holding a teen night program at the Linda Vista recreation center. The Park and Recreation Department subsequently concluded that a teen night program could be held at this location with the available space; however, no funding has been currently allocated to the center to hold a teen night.

10.) San Diego Circuit - County Library Cooperation

Councilmember Zapf committed a total of \$75,500 of her City Council Community Projects, Programs, and Services (CPPS) funds to allow citizens of the City to participate in San Diego Circuit cooperative program. The program allows citizens to borrow materials from any participating agency library, expanding the amount of available literature, media, locations, etc. In FY 2012, \$31,000 of Councilmember Zapf's CPPS funds were allocated to establish this program, with the remaining \$44,500 in CPPS funds also having been expended to fund the annual cost for FY 2013.

11.) Funding of Internal Control Audit

In FY 2012, the Audit Committee expressed interest in fulfilling the Kroll Report recommendation to perform an audit of the City's internal controls. Based on this interest, the City Council budgeted \$150,000 in the Office of the City Auditor to initiate this audit in FY 2013. However, the Office of the City Auditor cannot initiate this audit until the City Comptroller identifies internal controls that are ready for audit. The City Comptroller has yet to inform the City Auditor of an auditable set of internal controls and the funds remain unexpended.

12.) Purchase of Electronic Work Paper Software for City Auditor

13.) Funding of Close-Out Audits for Transition of Mayoral Administration

At the May 7, 2012 Audit Committee meeting, the City Auditor discussed his budget requests for FY 2013, which included a combined funding of \$77,000 to fund the purchase of an "electronic work paper" software and to aid in funding the close-out audits for the transition of the Mayoral administration. The Office of the City Auditor expects the purchase of the software and completion of the close-out audits to occur by the end of FY 2013.

14.) Funding of Neil Good Day Center

The San Diego Housing Commission (SDHC) request for \$550,000 in FY 2013 CDBG grant monies to support the Neil Good Day Center was not recommended for approval by the Consolidated Plan Advisory Board or approved by Council. At the March 2011 CDBG allocation hearing at Council, the SDHC committed to fund \$250,000 of the need, leaving an outstanding funding need of \$300,000. To meet the outstanding need, the Mayor's FY 2013 May Revise budgeted \$300,000 from the General Fund to support Neil Good Day Center operations

During the May 10, 2012 SDHC Budget Hearing, the SDHC informed the City Council of a potential need to fund a contingency arrangement for a Homeless Emergency Winter Shelter if it was the case that the Connections Housing facility was not ready to provide housing by December 1st as planned. The SDHC expressed that it would pose a challenge for the agency to fund both the Neil Good Day Center and a contingency arrangement for a Homeless Emergency Winter Shelter.

On June 11, 2012, in the Council approved modifications, the \$250,000 previously committed by the SDHC to fund the Neil Good Day Center was replaced by \$250,000 of General Fund monies. This allowed available funds from the SDHC to be committed to support the Homeless Emergency Winter Shelter.

The SDHC has already received one quarterly payment for the total approved budget (\$137,500) and is anticipating billing the City for the second quarterly payment shortly. It is anticipated that the SDHC will fully expend the full budget for operation of the Neil Good Day Center.

15.) "Hire-a-Youth" Program

As part of a program to increase sustainable youth employment, \$100,000 was appropriated from the General Fund to provide assistance to the San Diego Workforce Partnership's (Partnership) Hire-a-Youth Program. In addition to this amount, Council Districts 1,2,3,4,6,8 all pledged at the time the General Fund modification was made, to provide an additional \$100,000 in City Council Community Projects, Programs, and Services (CPPS) funds. Pending a fully executed contract with the Partnership, CPPS funding is projected to be provided by fiscal year-end.

16.) Arborist and / or Urban Forestry Program

As part of the final approved budget recommendations, \$257,000 was placed in an appropriated reserve for the establishment of a City Arborist position and / or the creation of an urban forestry program. The Mayor's Office was directed to come back at a later point to present their recommendations to the City Council. On September 27, 2012, the Chief Operating Officer issued a memorandum on the progress of establishing a City Arborist position and / or an urban forestry program. In the memo, it was stated that "although there may be merit to considering a centralized program of

urban forestry in the future, the most prudent use of limited one-time resources is to take care of our existing urban forest, which is in need of maintenance.”

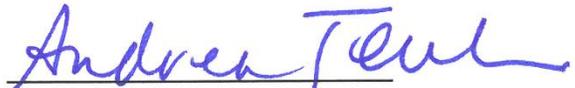
Based on this determination, at the January 29, 2013 City Council meeting, Council approved the transfer of the appropriated reserve to the Transportation and Storm Water Department to utilize these funds under the department’s existing contract for tree trimming services with Atlas Tree Service. These funds will allow the department, under their contract agreement, to provide for the trimming of approximately 7,500 palm trees Citywide.

CONCLUSION

The Council adopted budget modifications approved as part of the FY 2013 Adopted Budget are at different stages of implementation. These modifications and their status will be reviewed by our office during the budget monitoring process and any updates will be provided to Council.



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