



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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

The IBA's review of the Mayor's Proposed FY 2015 Budget was issued on April 28, 2014 as IBA Report No. 14-15. Departmental budget hearings with the Budget Review Committee took place May 5, 2014 through May 9, 2014. On May 19, 2014, the City Council held an evening budget hearing to solicit input from the community on the Mayor's budget proposals and what their budget priorities were for FY 2015. On May 20, 2014, the Mayor issued a May Revision ("May Revise") to his Proposed Budget along with the FY 2014 Year-End Monitoring Report ("Year-End Report"), which was discussed at the Budget Review Committee on May 21, 2014.

This report presents our final FY 2015 budget review and recommendations for final Council budget modifications which are based on the following: our analysis 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; and consideration of feedback from the public, City staff and City Councilmembers during the budget hearings.

OVERVIEW OF THE FY 2014 YEAR-END BUDGET MONITORING REPORT

We have thoroughly reviewed the FY 2014 Year-End Report and our Office believes the year-end revenue and expenditure projections are prudent and differ only marginally from projections included in the FY 2014 Mid-Year Budget Monitoring Report ("Mid-Year"). Total General Fund revenues have increased by \$2.7 million from the Mid-Year, due to an increase in major revenues; while expenditures have increased \$21.3 million due primarily to the \$22.9 million in Mid-Year budget appropriations to utilize a large portion of projected General Fund year-end excess equity, which was approved by City Council on March 3, 2014. Excluding these appropriation adjustments, total General Fund expenditure projections declined \$1.6 million from the Mid-Year.

Revenue Source (in millions)	FY 2014 Adopted Budget	FY 2014 Mid Year Report Projection	FY 2014 Year End Report Projection	Variance - Adopted to Year End	Variance - Mid Yr to Year End
Property Tax ¹	\$ 408.0	\$ 457.9	\$ 458.0	\$ 50.0	\$ 0.1
Sales Tax	248.1	243.9	245.3	(2.8)	1.4
Transient Occupancy Tax	87.9	86.8	87.5	(0.4)	0.7
Franchise Fees	67.0	68.6	69.6	2.6	1.0
Sub-Total Major Revenues	\$ 811.0	\$ 857.2	\$ 860.4	\$ 49.4	\$ 3.2
Departmental & Other Revenue	392.0	408.2	407.7	15.7	(0.5)
TOTAL GENERAL FUND REVENUE	\$ 1,203.0	\$ 1,265.4	\$ 1,268.1	\$ 65.1	\$ 2.7

1- \$34.9 million one-time non-housing DDR revenue not included in Adopted Budget

Expenditure (in millions)	FY 2014 Adopted Budget	FY 2014 Mid Year Report Projection	FY 2014 Year End Report Projection	Variance - Adopted to Year End	Variance - Mid Yr to Year End
Personnel Expenditures	\$ 515.9	\$ 519.7	\$ 517.8	\$ 1.9	\$ (1.9)
Fringe Benefits	370.5	371.1	372.6	2.1	1.5
Sub-Total Personnel	\$ 886.4	\$ 890.8	\$ 890.4	\$ 4.0	\$ (0.4)
Contracts	148.5	170.9	182.2	33.7	11.3
Energy & Utilities	38.7	37.1	36.9	(1.8)	(0.2)
Information Technology	29.7	30.8	31.7	2.0	0.9
Supplies	25.0	27.3	27.5	2.5	0.2
Other Expenditures	97.2	80.1	89.6	(7.6)	9.5
Sub-Total Non-Personnel	\$ 339.1	\$ 346.2	\$ 367.9	\$ 28.8	\$ 21.7
TOTAL GENERAL FUND EXPENDITURES ²	\$ 1,225.5	\$ 1,237.0	\$ 1,258.3	\$ 32.8	\$ 21.3

2- Year-End projections include \$22.9 million in utilization of excess equity approved during Mid-Year budget actions

The information included in the Year-End Report provides great detail on General Fund significant issues, revenues, and expenditures; and after our Office's review, we feel we do not need to supplement this with information beyond what was presented in the report. We appreciate the thoroughness of the information presented in the Year-End Report and commend Financial Management on increasing the level of transparency in City projections.

OVERVIEW OF THE FY 2015 MAY REVISE AND KEY ISSUES

The May Revise increases the Mayor's FY 2015 General Fund budget expenditures by \$22.7 million, or 1.9%, from \$1.179 billion to \$1.202 billion from the Proposed Budget, while General Fund revenues increased by \$10.0 million, or 0.9%, from \$1.177 billion to \$1.187 billion. Expenditure increases grew \$12.7 million above new resources due to the planned utilization of a corresponding amount of excess equity to fund the Public Liability Reserve, as discussed later in this report. The \$10.0 million in resources comes primarily from an increase in Property Tax revenues (\$7.2 million), with additional increases in Transient Occupancy Tax (\$1.2 million from the General Fund 5.5 cent apportionment), and \$0.5 million reimbursement of a FY 2014 loan to the San Diego Convention Center, among others. These additional resources are partially offset by a \$1.4 million reduction in the Office of the City Attorney's revenue projections due to a decline in estimated legal settlement revenues.

The May Revise has increased the net number of General Fund FTEs by 19.98 from the Proposed Budget, which brings the total General Fund budgeted FTEs to 6,967.29.

Major Revenue Overview

<i>\$ in millions</i>	FY15 Proposed	FY15 May Revise	Variance
Property Tax	\$ 436.7	\$ 443.9	\$ 7.2
Sales Tax	257.1	257.1	-
Transient Occupancy Tax	91.1	92.3	1.2
Franchise Fees	70.7	70.7	-
	\$ 855.6	\$ 864.0	\$ 8.4

Major revenues (Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees) increased by \$8.4 million or 1.0% from the FY 2015 Proposed Budget due to increases in Property Tax and Transient Occupancy Tax (TOT), which are based on updated information from the San Diego County Assessor’s Office and an increase in recent revenue distributions received by the City in FY 2014 above projected amounts, respectively. The General Fund’s portion of TOT (5.5 cents of the total 10.5 cent assessment) has increased by \$1.2 million in the May Revise; however, total TOT (full 10.5 cent) has increased \$2.3 million. Both Franchise Fees and Sales Tax projections did not change from the Proposed Budget due to no new revenue distributions being received by the City since formulation of the budget (both revenues are distributed to the City on a quarterly basis). Based on our review, we believe these major revenue adjustments in the May Revise are prudent.

PRIMARY RESOURCES USED TO BALANCE MAY REVISE

Discussed below are the primary resources that were utilized to balance the May Revise and our comments regarding them:

Property Tax - \$7.2 million

The May Revise includes an increase of \$7.2 million in property tax revenue based on an updated estimate of assessed valuation and increases in projected Redevelopment Property Tax Trust Fund (RPTTF) receipts. The FY 2015 Proposed Budget assumed year-over-year growth of 3.5% in property tax revenues. Since the release of the Proposed Budget, the County Assessor’s Office provided a letter stating that a preliminary review of assessed valuation for FY 2015 indicates that the City’s assessed valuation will increase by 4.8%. The May Revise accordingly includes an increase in the expected Property Tax growth rate from 3.5% to 4.75%, which we support.

After release of the May Revise, subsequent discussions with the County Assessor’s Office have indicated that the City can expect an increase in assessed valuation of just over 5% for FY 2015, from the 4.75% included in the May Revise, which would result in an additional \$1.5 million in revenue. We have considered this new information in our final recommendations.

Transient Occupancy Tax - \$2.3 million

In the May Revise, the General Fund portion (5.5 cents of the total 10.5 cent assessment) of the transient occupancy tax (TOT) projection is increased by \$1.2 million. This increase is based on revised year-end TOT revenue projections for FY 2014, which have increased relative to projections made in the Mid-Year Budget Monitoring Report, as was noted in our office’s review

of the FY 2015 Proposed Budget. The May Revise also includes an increase of approximately \$771,000 in TOT reimbursements to the Park and Recreation and Economic Development Departments for tourism-related expenditures that corresponds to the revised year-end projections (4.0 cents) and approximately \$300,000 in Council discretionary funds (1.0 cent) for a total of \$2.3 million. The projected growth in TOT over FY 2015 remains budgeted at 5.5%, consistent with the projected growth forecast in the Proposed Budget and we believe this is a reasonable assumption.

Debt Service Savings - \$1.7 million

In our recent Review of the Fiscal Year 2015 Proposed Budget, we identified approximately \$2.0 million of \$4.2 million in budgeted annual debt service for the first series of deferred capital bonds (DC3) as a potential resource for Council consideration. We made the suggestion understanding that unanticipated legal challenges would likely delay the issuance of bonds until the fall thereby eliminating the need to make one of two substantially equal debt service payments in FY 2015.

A reduction of \$1.7 million in budgeted debt service for the DC3 bonds was included in the May Revise as a one-time resource. The Debt Management Director indicates \$1.7 million was reduced (instead of the recommended \$2.0 million) to provide a cushion for unknown variables (timing of the issuance, interest rates at the time of issuance, bond sizing, etc.). Given the uncertainties associated with the pending DC3 bond issuance, the IBA believes it is reasonable to maintain this cushion.

Convention Center Expansion Project Reimbursements - \$0.5million

The proposed FY 2015 General Fund budget includes a \$1.5 million reimbursement for General Fund advances in support of the Convention Center Expansion Project (Project). In order to advance the Project, \$1.0 million was transferred from the General Fund to further architectural work (Fentress Architects) and pre-construction services (Clark/Hunt) in October 2012. Reimbursement for the \$1.0 million advance was included in the FY 2015 Proposed Budget.

On May 13, 2014, the General Fund advanced another \$500,000 for geotechnical testing and a traffic study needed for Project-related utilities/road realignments. Reimbursement for the \$500,000 advance was included in the May Revise to the FY 2015 Proposed Budget.

The planned \$1.5 million reimbursement to the General Fund in FY 2015 is contingent on court decisions (related to legal challenges) that will enable the City to issue bonds in support of the Project. The City is preparing to make oral arguments in the Court of Appeal in July 2014 and expects a Court decision by the fall. If the City receives a favorable decision and if that decision is not further appealed, bonds can be issued in FY 2015 to facilitate the reimbursement; however, that outcome is not entirely certain.

Risk Management Administration Fund Balance - \$0.5 million

During our FY 2015 Proposed Budget review, we had noted that available fund balance was projected to be \$900,000 at the end of FY 2014, and that concurrent with any adjustments to the May Revise, projected available fund balance should be reevaluated to see if citywide contributions to the Risk Management Fund could be reduced for FY 2015. Available fund

balance has been taken into account in the May Revise, and citywide contributions to the Risk Management Administration Fund have been reduced by \$750,000 (\$495,000 for the General Fund) for FY 2015.

TOP COUNCIL EXPENDITURE PRIORITIES ADDRESSED IN THE PROPOSED BUDGET AND MAY REVISE

On February 4, 2014 the City Council adopted the FY 2015 Council Budget Priorities Resolution No. 308731 which was forwarded to Interim Mayor Gloria for his consideration during the early stages of budget development, and subsequently provided to Mayor Faulconer to consider as he developed his funding proposal for the FY 2015 Proposed Budget. As shown in **Attachment One** to this report, the Mayor's expenditure proposals closely align with those prioritized by Councilmembers this past February. Between the Proposed Budget released on April 14, 2014 and the May Revise issued on May 20, 2014, the Mayor has recommended funding for 15 of the 17 areas addressed in the February 2014 Council Resolution.

The two remaining Council priorities in the Budget Resolution, **not proposed for funding** by the Mayor, are the establishment of an **Urban Forestry Program** and two positions to increase monitoring for **compliance with the City's Living Wage Ordinance**. One Council priority, not included in the Proposed Budget but **added in the May Revise**, is a **Sustainability Program Manager** to implement the Climate Action Plan. This position will also be charged with developing a comprehensive plan which ties together the community's goals, strategies, implementation plans and metrics for improving our community's overall sustainability.

With the Mayor's strong emphasis on public safety funding for FY 2015, many of the Council's top priorities were addressed in the Proposed Budget through increases in recruits for the Police academies; 17 new Police civilian positions; funding to continue a Police retention program; increased funding for Police equipment; funding for body-worn cameras for sworn officers; a new temporary Skyline Fire Station; two additional Fire academies; a new Fast Response Squad pilot program in Fire; new lifeguard positions for the Boating Safety Unit; and funding to renovate the Lifeguard Headquarters exclusively for public safety use.

The **May Revise** added funding for **Police helicopter maintenance** in response to issues of underfunding raised by our office at the hearings. To be even more prepared for fires, the **May Revise** included funding for additional **emergency operations equipment** and **personal protective equipment for firefighters** as well as additional funding for **brush management**, needed to help ensure service goals are achieved next fiscal year. The **May Revise** also included an **additional lifeguard position to be assigned to Windansea Beach** during the summer and to the Boating Safety Unit for the remainder of the year.

The Mayor and Council also share the same top priorities when it comes to providing funding for increasing service hours for the Central Library and branch libraries; expanding homeless services; opening new Parks and Recreation facilities coming on line in FY 2015; and adding Code Enforcement staff. Also included was funding for Civic San Diego to develop economic development tools that will help bring improvements to our diverse communities. All of these items were funded in the Proposed Budget.

The **May Revise** further increased funding for **homeless services by providing 25 triage beds**, for use by the Police Department’s Homeless Outreach Team, in connecting individuals in need of emergency beds. The **May Revise** provides additional funding for **Civic San Diego** to develop **reuse opportunities for the Old Main Library** and assess the feasibility of a **public private investment fund** for transit-oriented developments in Encanto and City Heights.

The Proposed Budget committed 64% of new revenue growth (based on the four Major Revenue Categories), or \$22.0 million, to infrastructure and/or deferred capital, an ongoing top priority of both the Mayor and the City Council. Funding was included for condition assessments; maintenance and repair; deferred capital debt service; facilities maintenance staff; and storm water, street light and sidewalk improvements. The Mayor exceeded his commitment to dedicate at least 50% of new revenue growth for this purpose.

The **May Revise** included an additional \$2.7 million from new revenue growth identified in the May Revise for more infrastructure projects including **additional street lights; Silver Wing Park Field Lighting; a “Trail for All People”**(a paved trail within Black Mountain Open Space Park to accommodate people of all abilities); **Tierrasanta Community Park Field Lighting; and development of Wightman Street Neighborhood Park**. With the May Revise, the Mayor has committed 62% of total new revenue growth toward infrastructure and/or deferred capital.

The following chart shows items for possible revision that our office discussed in our April 28th review of the Mayor’s Proposed Budget and identifies which ones have been included in the May Revise as new revenues and expenditures, added to the Proposed Budget.

ITEMS DISCUSSED IN IBA REVIEW (04/28/2014) NOW INCLUDED IN MAY REVISE			
<i>Potential Resources</i>		<i>Included in May Revise</i>	<i>Comments</i>
1	Potential increase in property tax growth rate from 3.5% to 4.0%	√	4.75% in May Revise - \$7.2 million
2	Moving to full cost recovery for Street Damage Fees		
3	Potential for reduced debt service needs in FY 2015	√	\$1.7 million reduction
<i>Potential Expenditures</i>			
1	Staff for effective enforcement of the Living Wage Ordinance (LWO)		
2	Program manager for Climate Action Plan	√	\$201,992 for Sustainability Program Manager
3	Civic San Diego funding requests	√	\$300,000 included (\$75,000 for reuse of Old Main Library, \$225,000 for Public Private Investment Fund)
4	Helicopter maintenance General Fund support	√	\$1.5 million
5	Traffic Engineer for planning	√	
6	Urban Forestry Program		
7	General Fund costs for Enterprise Asset Management (EAM) system implementation		

HOW CIP PROJECTS WERE PRIORITIZED FOR MAY REVISE FUNDING

As shown in the following table, about \$1.7 million of the \$2.7 million added in the May Revise is for four ongoing park projects which are either on the Waterfall List or are near the top of the Park & Recreation Unfunded Needs List in the FY 2015 Proposed Budget. This means that these projects have a relatively smaller amount of unidentified funding as a percentage of total project cost. Funding provided in the May Revise will fully fund construction to complete the projects.

The projects were prioritized for funding in the May Revise based on several factors, including whether they were shovel-ready/further along in completing design; had a high level of

community support; and had alternative viable sources of funding. For example, three of the projects selected are located in Development Impact Fee (DIF) communities which have constrained resources, since fees are collected only on future development, typically resulting in a small percentage of funding available towards eligible projects community-wide.¹ In addition, the Wightman Street Neighborhood Park project lost state grant funding due to delays encountered during design from litigation filed by a third party.

Note that a project’s priority score is calculated during project planning and is used when the project initially competes for funding. The priority score is generally not updated unless the project scope or existing site conditions change during the project design. As a result, the factors discussed above could outweigh the score as the basis for prioritization at later stages of the project.

GENERAL FUND PARK PROJECTS		
Project	May Revise	Notes
Silver Wing Neighborhood Park Sports Field Lighting	\$ 600,000	<ul style="list-style-type: none"> • Will fund construction and complete project • Design Completed in FY 2012 • DIF Community • Waterfall and Unfunded Needs lists • Priority Score:74 (high)
Tierrasanta Community Park Sports Field Lighting	\$ 47,000	<ul style="list-style-type: none"> • Will fund construction and complete project • Anticipated DC 3 Funding of \$400,000 • DIF Community • Unfunded Needs list • Priority Score: 91 (high)
Trail for All People	\$ 100,000	<ul style="list-style-type: none"> • Will fund construction and complete project • Design completed in FY 2014 • Transects two FBA communities, but not included in PFFPs (project not identified as a specific need when PFFP completed) • Waterfall list and Unfunded Needs list • Priority Score:54 (medium)
Wightman Street Neighborhood Park	\$ 970,000	<ul style="list-style-type: none"> • Will fund construction and complete project • Design completed in FY 2013 • DIF Community • Unfunded Needs list • Priority Score: 49 (medium)

GENERAL FUND RESERVE AND EXCESS EQUITY

The total General Fund reserve estimate is \$166.6 million based on year-end FY 2014 projected operations in the General Fund and the re-budgeting of \$1.7 million in City Council Community Projects, Programs and Services. The minimum Reserve Policy requirement remains at 14.0% of the last three years average of audited revenues or \$149.8 million, leaving \$16.8 million of excess equity, which is considered a one-time resource.

¹ In comparison, fees collected in Facilities Benefit Assessments (FBA) communities generally cover 100% of infrastructure that is included in each community’s Public Facilities Financing Plan.

The May Revise report recommends putting \$12.8 million in the Public Liability Reserve (see detailed discussion in the Public Liability section of this report), and recommends not appropriating the remaining \$4.0 million and setting it aside to address potential negative effects due to redevelopment dissolution and other potential impacts. For example, the State Department of Finance denied \$350,000 for the Valencia Business Park project on Recognized Obligation Payment Schedule (ROPS) 6. If the project contemplated by the original U.S. Department of Housing and Urban Development (HUD) Section 108 loan documents cannot be accomplished without further delay, HUD could demand that the City repay about \$6.0 million (the amount of the original loan plus interest).

We concur with setting aside some excess equity to hedge against the risks associated with redevelopment dissolution in FY 2015. While we would not recommend spending the full or a significant portion of the \$4.0 million, it would not be inappropriate for Council to consider utilizing a small portion of this one-time resource to address a priority one-time funding need. However, spending the full amount would remove all of the City's flexibility for addressing potential risks.

As discussed at the Budget and Government Efficiency Committee on May 22, 2014, proposed revisions to the Reserve Policy require the Mayor to identify the amount of excess equity in the May Revise, and the Reserve Policy states that the Mayor may make a recommendation for its use for reserves and/or one-time capital needs. City Council then has full discretion to modify the Mayor's proposal during budget deliberations, subject to the Mayor's veto, provided the proposed uses are one-time. This is consistent with the City Council-approved Structural Budget Deficit Elimination Guiding Principles (Resolution R-305615), which states that one-time resources must be matched to one-time expenditures.

PUBLIC LIABILITY RESERVE

The projected FY 2014 Public Liability Reserve balance remains unchanged at \$35.4 million based on the following actions:

- The FY 2015 reserve contribution of \$3.2 million that was prefunded in FY 2014
- Estimated General Fund claims funding in FY 2014 of \$28.1 million, including:
 - \$14.5 million in the Adopted Budget
 - \$10.1 million in Mid-Year Budget adjustment funding
 - An additional \$3.5 million identified in the Year-End Budget Monitoring Report

The following table outlines the changes to the Public Liability Reserve estimates since the Proposed Budget.

The May Revise anticipates \$12.8 million in excess equity contributions to the Public Liability Reserve, bringing the balance to \$48.2 million – which is equal to the City Reserve Policy target amount of 50% of outstanding actuarial liabilities. However, the City anticipates using \$9.5 million in FY 2015 for additional claims that were not budgeted in the FY 2015 Proposed Budget. Reducing the Reserve for this \$9.5 million will bring the FY 2015 year-end balance down to \$38.7 million, which is 40% of outstanding actuarial liabilities. This anticipated balance

is \$3.3 million higher than the FY 2015 Reserve Policy target of \$35.4 million, or 37% of actuarial liabilities.

Public Liability Reserve Estimates Based on May Revise

Description	Amount (in millions)	Liability % ¹
FY 2014 Projected Reserve Balance	\$ 35.4	37%
Estimated Excess Equity Contribution per FY 2015 May Revise	<u>12.8</u>	
Subtotal - Before Estimated Use of Reserve for Additional Claims	48.2	50%
Transfer from Reserve for Additional Estimated Claims	<u>(9.5)</u>	
FY 2015 Projected/Proposed Reserve Balance	38.7	40%
FY 2015 Reserve Policy Target	<u>35.4</u>	37%
Difference Between FY 2015 Target and Proposed Reserve Balance	<u>\$ 3.3</u>	

¹ Based on the average value of the annual actuarial liabilities for FY 2011-2013, or \$96.5 million.

Our office supports the May Revise proposal to use \$12.8 million in excess equity to increase the Public Liability Reserves to 50% of outstanding claims at the beginning of FY 2015, consistent with our Public Liability Reserve Policy target. This is also consistent with City Council's recommendation during the discussion of the Mid-Year Budget Adjustments on March 3, 2014.

KEY RESULTS OF COUNCILMEMBERS' FINAL BUDGET PRIORITY MEMOS & ADDITIONAL IBA RECOMMENDATIONS

Councilmembers' FY 2015 final budget priority memos are transmitted in IBA Report #14-21, which was issued on June 4, 2014, and will be included in the City Council back-up material for the June 9th City Council meeting. **A proposal to revisit the City's current property tax projection and consider an increase in its growth rate is the single resource suggestion mentioned by a majority of City Councilmembers.** Based on our review, we have incorporated a property tax increase, in addition to what is included in the May Revise, into our final recommendations.

Resource items mentioned in the memos by less than a majority of Council include:

- 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%

All of these resource suggestions are discussed in greater detail in the following sections of this report.

Expenditure priorities mentioned by a majority of Council include:

- Park Ranger(s) for Chollas Lake, La Jolla Coastline or Sunset Cliffs Park
- Urban Forestry Program

- Building Inspection Expansion for Storm Water Regulations
- Personnel Department Hiring Process Improvements
- Living Wage Ordinance Enforcement
- Arts and Culture Funding Increase to FY 2014 Level
- Community Planning Group Administrative Support
- Reinstatement of Library Materials Budget
- Pacific Breezes Community Park Construction Acceleration

Based on our review, we have made recommendations for funding all or a portion of the expenditure items noted above with the exception of Pacific Breeze Community Park construction. With regard to the Pacific Breeze Community Park, we believe alternative ways for accelerating its construction should be exhausted before General Funds are considered for this purpose. We also believe General Funds should normally be reserved for programs and services that are heavily reliant on the General Fund and have no known funding alternatives. Additionally, the \$5.5 million that is needed to accelerate the Park's construction would require the full \$4.0 million in excess equity as well as additional budget adjustments of \$1.5 million. Eliminating the excess equity would limit the City's flexibility for addressing potential risks to the General Fund. *Attachment Two* provides additional information on potential alternative funding for Pacific Breeze Community Park and also discusses several expenditure priorities mentioned by less than a majority of the Council.

Items we recommend for inclusion in the final budget based on Council priority memos are discussed in greater detail in the following sections of this report.

Discussion of Councilmember Revenue Proposals

Council Proposal to Potentially Increase Property Tax Revenue

During the development of the May Revise, the San Diego County Assessor's Office published their preliminary projection for assessed valuation (AV) change within the City of San Diego. The total AV for the City was estimated by the Assessor at \$194.2 billion as of January 1, 2014, which is the valuation that determines property tax bills sent to citizens of San Diego in FY 2015. This is an increase of approximately 4.8% from the prior year's AV, and led to the May Revise Property Tax growth rate projection of 4.75%. However, subsequent to this notice, our Office contacted the Assessor to determine if a more finalized estimate had been prepared for the City. Based on discussions with the Division Chief of the San Diego County Assessor's Office, we have revised the growth rate to a 5.1% change in AV.

A majority of Councilmembers requested in their memos that an increase to the property tax growth rate be considered. Based on new information from the San Diego County Assessor's Office, we recommend that the City Council adopt a revised Property Tax revenue projection with a 5.1% growth estimate for all categories of Property Tax revenues. This would revise the Property Tax revenue estimate as follows:

	May Revise - 4.75% Growth	IBA Revise - 5.1% Growth	Variance
1% Property Tax	313,281,281	314,336,269	1,054,988
MVLF Backfill	113,588,556	113,968,088	379,532
RPTTF Sharing	4,201,482	4,215,520	14,038
RPTTF Residual	12,812,761	12,908,815	96,054
TOTAL	\$ 443,884,080	\$ 445,428,692	\$ 1,544,612

Adjusting Property Tax projections for a 5.1% growth rate provides approximately \$1.5 million in additional resources for Council direction during final budget deliberations.

Excess Equity

A number of Councilmembers identified General Fund excess equity as a potential resource to be utilized in final budget decisions. As mentioned previously in this report in the *General Fund and Excess Equity* section, the total projected excess equity available for FY 2015 is \$4.0 million, which may be required as a hedge against potential negative impacts of redevelopment dissolution. While we do not recommend utilizing all or a significant portion of the \$4.0 million in final FY 2015 budget decisions, it would not be inappropriate for Council to consider utilizing a small portion of this excess equity for a priority one-time expenditure. This is within Council's authority and consistent with the City's financial policies.

Alternative Work Schedules

Several Councilmembers suggested alternative or flexible work schedules be considered City-wide in order to achieve savings. The memos referenced the savings that have been achieved through work schedule adjustments in the Environmental Services Department. Effective FY 2010, work shifts for Collection Services were changed from 8 hours/5 days a week to 10 hours/4 days per week resulting in annual savings of approximately \$4.5 million. This schedule change remains in place nearly four years later. A significant portion of these savings are attributable to large decreases in truck utilization and related vehicle maintenance costs. The opportunity for significant savings in these particular cost areas may not be transferable to other departments. However, other opportunities for generating savings and increasing efficiencies through work schedule adjustments, while perhaps also improving employee morale, are worth exploring. In discussing this with the Mayor's Office, COO Scott Chadwick indicated that the Mayor will be looking into such opportunities, along with other efficiency measures, over the course of the next fiscal year.

Corporate Sponsorships and Public-Private Partnerships

Noting that partnerships benefit taxpayers and strengthen the General Fund, one budget priority memo suggested the City continue to explore innovative ways and revisit existing codes and policies, in order to encourage private industry to partner with the City. The IBA supports the development of beneficial public-private partnerships and believes the City's Corporate Partnership and Development Program (now within the Office of the Assistant ACOO) is focused on developing these opportunities.

The FY 2015 Proposed Budget includes \$450,000 of revenue attributable to new or pre-existing corporate partnerships. A few examples of current partnerships include Sprint Wireless, Canteen vending and the Service Line Warranties program. After discussing expectations for the

program with the Corporate Partnership Program Director, the IBA believes the revenue goal of \$450,000 for FY 2015 is reasonable.

Email Archiving Funds

In the FY 2015 Proposed Budget, \$500,000 (\$255,000 General Fund) was included to establish an email archiving system and transition older emails from their current locations to a single system. These funds will also be used for software needed in order to respond to PRA requests and annual maintenance costs. In Council President Gloria's budget priority memo, it was suggested that these funds could be used for other priorities if the full amount was not needed. Although ongoing costs to operate and maintain the archiving system may be less in future fiscal years, we agree with staff that at this time that \$500,000 should remain in the budget for this purpose until more information is available. An RFP is expected to go out on July 1st, and the proposals will allow the Department of IT to refine this estimate in the September timeframe, if necessary.

Potential Increase in Transient Occupancy Tax Revenue

In two Councilmembers' priority memos, it was recommended that increasing the Transient Occupancy Tax (TOT) growth rate be considered in final budget deliberations (one Councilmember specifically mentioned increasing the 5.5% growth rate included in the May Revise to 6.0%). We currently do not recommend adjusting the TOT growth rate upwards until additional revenue is received by the City and further growth trends can be determined. If the TOT revenue projected growth rate were to be revised to 6.0%, this would provide approximately \$0.8 million (approximately \$0.5 million would be allocated to the General Fund and \$0.3 million would be allocated to the Special Promotions Program).

IBA Identified Resources

Civic San Diego

We believe that \$50,000 for Civic San Diego (CivicSD) to maintain the downtown public restrooms (Portland Loos located adjacent to Tailgate Park in the East Village) and port-a-potties, which was included in the FY 2015 base budget in the Environmental Services Department, may have been overlooked and has been included in the May Revise, as well. As a result, we believe \$50,000 of the \$300,000 funded in the May Revise is available for reallocation. With this reduction, a total of \$550,000 is still included in CivicSD's budget to maintain the restrooms and for economic development activities.

This IBA identified resource for the FY 2015 budget, in addition to other issues relating to the General Fund allocation for Civic San Diego, are discussed in **Attachment Three** to this report.

Discussion of Councilmember Expenditure Proposals

The following items were mentioned by five or more members of the City Council in their budget priority memos and are recommended for funding.

Park Ranger(s) for Chollas Lake OR La Jolla Coastline OR Sunset Cliffs Park \$115,000

The FY 2015 Proposed Budget supports 35 park ranger positions. The park ranger program primarily extends to open space parks and parks intended to serve the citywide population and visitors including Mission Bay Park, Balboa Park, Presidio Park, and Chollas Lake Park.

The following chart provides current budgeted (FY 2014) park ranger staffing for each site:

Site	Number of Park Rangers
Balboa Park	6
Chollas Lake	1
Presidio Park and Mission Hills Park	1
Mission Bay Park	5
Open Space Parks	21
Shoreline (currently assigned to Children's Pool)	1
TOTAL	35

The San Diego Park System includes over 41,000 acres, of which approximately 26,000 acres is open space. Twenty-one (21) park rangers are assigned to the open space coverage area resulting in approximately one ranger for every 1,250 acres of open space. One park ranger position was added in the FY 2015 Proposed Budget to assist the Department in reaching the benchmark ratio of one park ranger for approximately every 650 acres of open space.

For the Balboa Park area, there is a “pool” of park ranger resources that provide coverage for Balboa Park, Presidio Park and Mission Hills Park, and Chollas Lake. While each area has established coverage hours, additional resources from within the “pool” are used to supplement the coverage hours. An example of this would be park rangers, assisting in the opening/closing of parks and early morning patrols outside of the normal location and coverage hours.

While the Open Space and Balboa Park area parks have a structured program, the coastline ranger coverage is primarily for the Children's Pool to meet the commitments of the Coastal Development Permit for the rope barrier. The need to provide coverage to approximately 26 miles of coastline with limited resources has led to other City departments, such as the Police and Fire-Rescue Departments, assisting in providing service to the public.

A majority of the Council memos requested consideration be given to adding a Park Ranger(s) although the requests varied somewhat in terms of the areas identified as requiring coverage. The three areas identified in memos for needing additional ranger support were Chollas Lake, the La Jolla Coastline and Sunset Cliffs Park. Based on discussions with the Department, they anticipate the most critical need at this time to be the Coastline area. Funding a new ranger for this area would begin to build a pool of ranger resources in this location similar to what has developed in the Balboa Park area. An additional ranger along the Coastline could also potentially alleviate or mitigate the need for drawing on assistance from other City departments.

Citywide Urban Forestry Program and Coordinator - \$186,000

A majority of Councilmembers identified implementation of a Citywide Urban Forestry Program as a budget priority. The purpose of the program would be to identify strategies and policies for proactively managing the City's trees; coordinate citywide tree services; serve as a liaison to the Community Forest Advisory Board (CFAB) and other community groups; and provide technical and professional guidance. Several City Departments are involved in tree-related services. The Transportation & Storm Water (TSW) and Park & Recreation departments both have horticulturalist positions and provide maintenance and care for City trees. In addition, the Planning & Neighborhoods Department conducts community plan updates, which include planning for parks, creation of street tree master plans, and identifying opportunities for green streets.

Staff from these departments agree that the Planning Department is the most appropriate entity to house a Citywide Urban Forestry Program since its focus is on policy, planning, and coordinating among City departments and currently manages existing urban forestry and greening grants. Specifically, the Citywide Urban Forestry Program would be located within the Environmental and Resource Analysis (E&RA) Division.

Staff recommended that the Urban Forestry Coordinator be a program manager position with preferred qualifications as a certified arborist, and would require \$186,000 in personnel and related non-personnel expenses. An additional \$100,000 in non-personnel expenses could be used to begin to outline the Citywide Urban Forestry Program and supplement existing grant funds for developing an Urban Forest Management Plan and creating Urban Greening Plans for North Bay and City Heights. We recommend initial funding of \$186,000 to start this program in FY 2015 and consideration of adding \$100,000 for non-personnel expenses in future years.

Note that the Tree Warden position mentioned in a Councilmember priority memo and by citizens during budget hearings is discussed in ***Attachment Two***.

Combination Inspector II for Storm Water Regulations - \$115,000

The Municipal Storm Water Permit (Permit) issued by the Regional Water Quality Control Board (Regional Board) to the City requires the implementation of programs to reduce pollutants in storm water and urban runoff. Failure to implement these programs and enforce the corresponding pollution regulations could result in fines or other remedies against the City.

In 2011, the Transportation and Storm Water Department referred 170 properties to the code enforcement section of the Development Services Department (DSD) for violations of the City water pollution prevention regulations. An additional 188 cases were referred to the code enforcement section in 2012 and approximately 100 to 150 new cases are anticipated every year for the next five years. No additional staff has been added to DSD to specifically address these types of violations.

One Combination Inspector II was requested by the Department during the development of the FY 2015 Proposed Budget to support the Division's enforcement efforts, however the funding request was not included as part of the final proposed budget. The Department continues to support the addition of this position.

The addition and dedication of one Combination Inspector II to the Code Enforcement Division of DSD for storm water regulations is warranted for proactive storm water inspections, enforcement of current violations, and preparation of remedial actions. This field staff is important for meeting the Permit obligations required of the city and could prevent future violations and costly settlements with the Regional Board.

The FY 2015 May Revise includes the addition of approximately \$250,000 in non-personnel expenditures for such a settlement (General Fund). The proposed settlement between the City and the Regional Board requires the City to address 142 private properties that remain out of compliance with storm water regulations by August 2016. DSD is in the process of taking enforcement actions against the private sites to bring them into compliance.

Our office supports the addition of the Combination Inspector II as an ongoing position until such a time that new storm water regulations can be updated and the full backlog of violations can be remedied. We would recommend that DSD staff update the volume of enforcement actions during the annual budget process.

Personnel Department Positions (\$216,000) & Additional Funding for Training (\$5,000) - \$221,000

Over the past year, three City Council Committees have explored issues surrounding vacancies and the hiring process. The IBA has released three related reports (reports 13-14, 13-30 and 14-01), and the City Auditor released an audit in November 2013.

Based on review of the Personnel Department's process issues, \$8,000 was provided as part of the Mid-Year Budget Adjustments to hire a consultant to advise on NEOGOV utilization. The consultant recommended that hiring departments' be provided access to the Online Hiring Center for direct access in requesting/receiving eligible candidate lists and reviewing candidate applications within the system, and that additional staff training be provided in the use of NEOGOV.

The Personnel Department has indicated that Personnel staffing increases are necessary in order to continue making improvements and keep up with the increased workload. During the FY 2015 budget process, Personnel requested eight positions that were not funded in the Proposed Budget. These positions were also identified in a memorandum sent on April 17, 2013 from the Personnel Director to Council President Pro Tem Lightner which speaks to suggestions for ways to enhance the hiring process.

As part of the FY 2015 Budget Priorities memos, a majority of Councilmembers recommended that two additional positions for the Personnel Department be considered as priorities for additional funding. The two positions the Personnel Department considers most critical would support the use of NEOGOV, at an estimated cost of \$216,000:

- An Information Systems Analyst II would support NEOGOV system maintenance and upgrades, develop and provide reports from the system, as well as manage citywide security roles and access to the system.
- An Associate Personnel Analyst would directly assist the hiring departments, including training departments' staff in the use of the NEOGOV system.

A pilot program for direct access to NEOGOV with a large/active hiring department would be implemented prior to citywide access. Once the pilot has been in place a few months, the impacts can be measured and comparisons to the current process can be made. We recommend that the Personnel Department, working with the pilot department, present the results of the pilot program to the Budget and Government Efficiency (B&GE) Committee no later than January 2015.

At the Economic Development & Intergovernmental Relations Committee of February 13, 2014, the Committee requested that the Personnel Director provide a report on the feasibility of the IBA recommendations for process improvements. Personnel has committed to presenting this information to the B&GE Committee on July 16, 2014. We further recommend that updates be provided to the B&GE Committee on a quarterly basis.

Lastly, the Personnel Department also requested increased funding of \$5,000 for staff training related to NEOGOV, which was not funded in the FY 2015 Proposed Budget or May Revise. We recommend funding also be provided for this purpose.

Additional Staffing for Enforcement of Living Wage Ordinance (LWO) - \$116,000

On February 10, 2014, the City Council adopted amendments to the Living Wage Program intended to clean up, clarify and strengthen enforcement of the LWO. In making her presentation to Council, the LWO Supervisor indicated the Program has not been adequately staffed since its inception and that additional staff would help to better administer and enforce LWO provisions. All aspects of the Program are currently performed by 2.00 FTEs (1.00 Supervising Management Analyst and 1.00 Senior Management Analyst).

In their budget priority memos, six Councilmembers expressed interest in adding staff to enhance administration, monitoring and enforcement of the City’s LWO. Four of the six Councilmembers only proposed adding a Senior Management Analyst and two additionally proposed adding a Program Manager. Based on our conversations with the LWO Program Supervisor, the IBA recommends Council add \$116,000 for 1.00 Senior Management Analyst at this time and that the B&GE Committee review the adequacy of staffing during the next scheduled annual report on the Program in FY 2015.

Restoration of Funding for Arts, Culture, and Community Festivals - \$252,000

Total funding in FY 2015 for Arts, Culture, and Community Festivals (administered through the Commission for Arts & Culture) is \$9.7 million, which is 5.6% of total on-going TOT (\$176.3 million). In the majority of Councilmember memos, it was a 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. This number differs from the requested \$128,000 to restore the Arts budget from Councilmember memos.

	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%	

Planning Clerical Staff (\$67,000) and Support for Community Planning Groups' Operational Expenses (\$20,500) - \$87,500

A majority of Council members identified \$20,500 to support Community Planning Groups' (CPG) operational expenses as a budget priority. Our Office concurs with providing a level of administrative support to the 41 CPG's who serve in a volunteer capacity, and who currently have limited support for basic operational needs such as printing, room rental, and mailings. However, we believe allocating \$500 to each of the 41 CPG's as proposed is problematic on several levels and will require an unnecessary amount of processing, monitoring and oversight. We believe a better approach is for the Planning Department to directly provide a defined level of service to the CPG's in-house, on an as-needed basis, avoiding a cumbersome process of screening and approving expenditures and processing reimbursements. The Planning Department believes this is a preferred approach as well; however, staff have indicated that an additional clerical position would be needed in addition to the \$20,500 for non-personnel expenses such as supplies. The Department's City Planning Division currently only has 1.00 Account Clerk who handles all purchase requisitions and purchase orders, deposits, and invoice payments but does not have capacity to provide other general support.

As part of their FY 2015 budget proposal, 5.00 administrative positions were requested to support the City Planning and Environmental & Resource Analysis Divisions—2.00 Word Processors; 2.00 Clerical Assistant 2, one of which was requested specifically for Brown Act compliance and CPG support; and 1.00 Senior Clerk/Typist. These same positions were eliminated during the mandatory General Fund budget reductions in previous years. One Word Processing Operator to support the newly formed CEQA & Environmental Policy section of the Environmental & Resource Analysis Division was funded in the Mayor's Proposed Budget, the other 4.00 positions were not. In our review of the FY 2015 Proposed Budget, we noted that consideration be given to adding an administrative position for the Department since we believe it lacks sufficient support, and many of the financial and administrative tasks are being performed by planners that could be done at a lower cost by administrative staff. An additional clerical position would provide support for existing duties as well as provide enhanced support to the CPGs. We are recommending funding 1.00 Clerical Assistant 2 at \$67,000 annually plus \$20,500 for non-personnel expenses for total funding needs of \$87,500.

Reinstatement of Library Materials Budget - \$500,000

The library materials budget includes print (books and serial publications), audio-visual materials such as audiobooks, music, and DVDs, and has expanded to include electronic resources such as ebooks, evideos, and databases from magazines, journals, and newspapers.

The FY 2015 Proposed Budget reduced the library materials budget by \$500,000 to support the new pilot Do Your Homework @ the Library Afterschool Program. The proposed reduction would decrease the total library materials budget (total includes estimated Matching Book and Electronic Resources funds) from \$3.5 million to \$3.0 million for FY 2015. The table below illustrates the library materials budget from FY 2011 to FY 2015 (proposed).

LIBRARY MATERIALS ANNUAL BUDGET

Fiscal Year	General Fund Adopted Materials Budget	Matching Book and Electronic Resources Funds Budget¹	Total
FY 2015 ²	\$1,300,000	\$1,700,000	\$3,000,000
FY 2014 ²	\$1,800,000	\$1,700,000	\$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. Matching Funds estimate.

A majority of the Council memos requested consideration be given to restoring this one-time reduction. To accommodate this, our office has identified \$48,500 in one-time funding from excess equity as a funding source, and \$451,500 from the proposed property growth rate increase.

Also, should the pilot homework program be continued beyond FY 2015, we recommend an alternative on-going revenue source be identified, and the library materials budget not be considered as a funding source for this program in the future. Finally, during the budget hearing for the Library Department, the Director informed the Council that a comprehensive assessment of their approach to materials acquisition was planned for FY 2015. Regardless of this reinstatement of the library materials budget, this assessment will still be valuable given the changing environment of library materials and the use of technology.

IBA Identified Priority Expenditures

Related Infrastructure Costs for Police Body Worn Cameras - \$140,000

The FY 2015 Proposed Budget includes an expenditure of \$1.0 million for the Police Department’s body worn camera program, which is intended to outfit patrol officers with cameras in order to record enforcement-related contacts. The FY 2014 Mid-Year Budget Adjustments included an additional expenditure of \$1.0 million for this purpose. In total, the department anticipates an expenditure of approximately \$2.0 million by the end of FY 2015 on 600 body worn cameras.

At its meeting on May 14, 2014, the Public Safety & Livable Neighborhoods Committee approved a contract with TASER International, Inc., for the purchase of 300 cameras in FY 2014 and 300 cameras in FY 2015 at a cost of approximately \$2.0 million, including evidence storage and technical support. The contract contains multiple year options for an additional 400 cameras in FY 2016 and additional storage purchases in FY 2017 and FY 2018. The City Council will consider the contract at its meeting on June 10, 2014.

The department has indicated that its current information technology infrastructure will not support the full body worn camera project and will require upgrades. While exact costs have not yet been finalized, the department estimates that these infrastructure upgrades will likely cost up to \$140,000 in FY 2015. Preliminary estimates suggest that of this amount, approximately \$90,000 would be one-time costs and \$50,000 would be ongoing costs. The department has

indicated that related costs in FY 2014 will be minimal and can be absorbed within its current budget.

We recommend the one-time utilization of \$90,000 of excess equity and the ongoing use of \$50,000 of newly identified General Fund resources to fund information technology infrastructure improvements related to the Police Department body worn camera project.

IBA FINAL RECOMMENDED REVISIONS TO THE BUDGET

The chart below summarizes the Office of the IBA’s final recommended revisions to the FY 2015 budget for Council consideration. An approximate \$1.6 million from a proposed increase in Property Tax and expenditure reduction provide sufficient resources to offset the IBA’s proposed expenditures that are considered on-going; and an additional \$138,500 in excess equity funds the IBA proposed one-time expenditures.

In ***Attachment Four*** to this report, we also point out some significant policy and / or budgetary issues that we have previously raised or are priorities for Council that are require attention in FY 2015 that should be brought forward for discussion at the appropriate Committee.

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
<i>Sub-Total Additional Ongoing Resources</i>	\$ 1,594,000	<i>Sub-Total Additional Expenditures Using Ongoing Resources</i>	\$ 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
<i>Sub-Total Additional One Time Resources</i>	\$ 138,500	<i>Sub-Total Additional Expenditures Using One Time Resources</i>	\$ 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

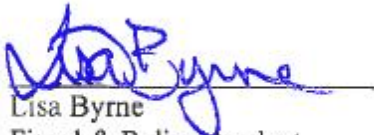
3 - Total cost of restoration of library materials is \$500,000



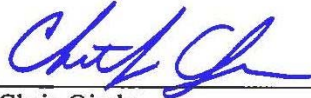
Seth Gates
Fiscal & Policy Analyst



Erin Noel
Fiscal & Policy Analyst



Lisa Byrne
Fiscal & Policy Analyst



Chris Ojeda
Fiscal & Policy Analyst



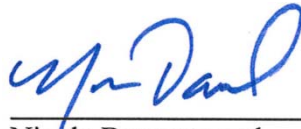
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Deputy Director



Nicole Dangermond
Research Analyst



Andrea Tevlin
Independent Budget Analyst

Attachment 1: Comparison of City Council FY 2015 Budget Priorities Resolution to Mayor's Budget Based on May Revision

Attachment 2: Items Mentioned in City Councilmember Priority Memos Not Recommended for Funding

Attachment 3: Discussion of Civic San Diego General Fund Allocation

Attachment 4: Policy / Budget Issues Requiring Attention in FY 2015

ATTACHMENT ONE

COMPARISON OF CITY COUNCIL FY 2015 BUDGET PRIORITIES RESOLUTION TO MAYOR'S BUDGET BASED ON MAY REVISION			
BUDGET PRIORITY		IN FY 2015 BUDGET	COMMENTS
<i>Enhancing Public Safety</i>			
1	Police Department Five-Year Plan	P	\$5.7 million in funding
	Addition of Sworn Personnel	Y	4 academies at 43 recruits each plus full year funding for 9 recruits added to the May 2014 academy through FY 2014 Mid-Year actions
	Addition of Civilian Personnel	Y	17 new positions
	Vehicles & Equipment	P	\$244,000 equipment for new recruits, no funding for vehicles
	Computer Aided Dispatch System Funding	P	\$6.9 million was provided in FY 2013 (later reduced to \$3.9 million in FY 2014) and is expected to be sufficient until FY 2016. To be determined whether remaining CAD acquisition costs will be cash or lease-purchase financed
2	Police Department Retention Program	Y	\$3.2 million included
3	Continued Implementation of Citygate Report Recommendations (Eastside Mission Valley, Skyline Drive, and Home Avenue Fire Stations)	Y	\$950,000 funding included for Skyline temporary station operations. Construction funding of Eastside Mission Valley station, partial funding for permanent Skyline station and Home Avenue station is provided through deferred capital bonds and other sources
4	Restoring Lifeguard Headquarters to Full Use for Public Safety	Y	\$500,000 for facility renovations
5	Expansion of Boating Safety Unit	Y	4 new lifeguard positions
<i>Community Services</i>			
6	Increase Hours for Central and Branch Libraries	Y	Minimum of 4 new hours at all branch libraries, 5 new hours at Central Library for a total of 48 and 54 hours, respectively
7	Continuation and Expansion of Funding for Homeless Services	Y	\$1.9 million for comprehensive solutions and \$150,000 added in May Revise for 25 triage / assessment beds
8	Establishment of Urban Forestry Program & Citywide Tree Maintenance	-	
<i>Infrastructure & Deferred Capital</i>			
9	Address Critical Sidewalk Repair Needs (Sidewalk Condition Assessment, Construction of Sidewalks, Increase Funding of City's 50/50 Program)	P	\$1.5 million for sidewalk assessment / sidewalk and street light improvements
<i>Operational & Policy Funding</i>			
10	Creation of Chief Data Officer Position	Y	Funding of \$202,000 included for position in Proposed Budget
11	Improvement of City of San Diego Website	Y	FY 2014 Mid-Year funding of \$258,000 provided (\$450,000 total)
12	Program Manager Position to Advance City's Climate Action Plan	Y	\$201,992 for 1.00 FTE Sustainability Program Manager in Economic Development - for Climate Action Plan but will also work on sustainability initiatives
13	2.0 FTE's for Increased Compliance Monitoring of the Living Wage Ordinance	-	
<i>Revenue</i>			
14	Addition of Residual Property Tax Trust Fund Revenue	Y	\$12.8 million in RPTTF revenue in May Revise

- Not included in the budget
Y Included in budget, full funding
P Included in budget/ partial funding

ATTACHMENT TWO – INFORMATION ON OTHER PRIORITY EXPENDITURES FROM COUNCIL MEMOS

EXPENDITURE PRIORITIES RECEIVING MAJORITY SUPPORT, NOT FUNDED

Pacific Breezes Community Park

A majority of Councilmembers have indicated an interest in exploring options to accelerate construction of the Pacific Breezes Community Park in the Ocean View Hills community of District 8. The park project is included in the Otay Mesa Public Facilities Financing Plan (PFFP) adopted by the City Council on March 11, 2014. The PFFP estimates the total cost of the project to be approximately \$16.5 million; however, construction delays could inflate this estimate. Construction is planned to begin in FY 2016 provided that sufficient facilities benefit assessments (FBAs) have been received from development activity. Once sufficient funds have been accumulated for the entire park project, staff expects the project can be completed in about 2.5 years.

The PFFP indicates the project has already been appropriated \$11.0 million (\$4.9 million of which has been expended) with the remaining \$5.5 million projected to be received from FBAs in FY 2016. Projections are based on information gathered from the development community. The IBA understands various options for accelerating development of the park have been conceptually discussed with staff. In an effort to accelerate park construction, some of these potential options (each of which has some challenges) include:

- Redirecting existing funding for the planned Riviera Del Sol (\$1.9 million) and Hidden Trails (\$1.3 million) neighborhood parks to the Pacific Breezes Community Park. FBA funds projected to be received in FY 2016 for Pacific Breezes would then be used to replenish funding for the neighborhood park projects.
- Negotiating delays for other prioritized projects/obligations in the PFFP (i.e., repayments to developers for constructed public facilities or interchange improvement required by Caltrans).
- Potentially phase fund certain elements of the planned park so as to allow construction to begin sooner. Public Works staff believes this is a feasible option; however, breaking the total project into two phased segments could modestly increase costs depending on necessary plan modifications to accommodate phasing and the resulting bids.

An option suggested in one of the budget priority memos was to use General Fund monies in combination with non-General Fund monies (i.e., FBAs) to accelerate park construction. The May Revise to the FY 2015 Proposed Budget projects \$4.0 million in Excess Equity. These funds are proposed to be set aside to address potential General Fund expenditures resulting from the dissolution of the Redevelopment Agency and/or potential public safety needs related to the May 2014 firestorms. While it would not be inappropriate for Council to utilize a portion of the \$4.0 million for a one-time priority need, committing \$4.0 million in excess equity to the Pacific Breezes Community Park would take away all of the City's flexibility for addressing potential expenditure risks without having to utilize General Fund reserves.

ATTACHMENT TWO – INFORMATION ON OTHER PRIORITY EXPENDITURES FROM COUNCIL MEMOS

As discussed in the Reserves/Excess Equity section of this report, Council has full discretion during the budget process to modify the Mayor’s proposal for the use of excess equity, subject to the Mayor’s veto, provided it is used for other one-time expenses. However, we believe general funds should be used primarily for programs and services that have no other funding options.

Alternatively, the IBA recommends consideration be given to the possibility of using the pending deferred capital bonds to fund a portion of the Pacific Breezes Park. Given that approximately \$9.0 million of TransNet funds are being proposed to fund street resurfacing projects originally planned to be funded with the first series of the 2014 deferred capital bonds, it may now be possible to include a portion of the funding needed to initiate the construction of Pacific Breezes in the list of projects to be funded by the delayed bonds. It should be noted that such a decision would decrease street resurfacing projects by a corresponding amount (although the City already plans to allocate approximately \$43.4 million of DC3 bond proceeds to street resurfacing projects).

The ability to issue the 2014 deferred capital bonds still awaits a favorable decision from the court; however, it is reasonable to assume that a favorable decision could be received in next few months and bond proceeds could be available for projects in the fall.

INFORMATION ON SELECT EXPENDITURE PRIORITIES NOT RECEIVING MAJORITY SUPPORT

Addition of 7 Hours Per Week to the Central Library

The FY 2015 Proposed Budget allocated \$1.5 million to increase all branch library hours by a minimum of four hours and the Central Library operational hours increased by five hours per week from 49 hours per week to 54 hours per week.

In consultation with Library Department staff, the next level of increased service hours for the Central Library would be to increase weekly operational hours from 54 hours per week to 61 hours per week. To implement this, the Department has indicated they would need to add 13.0 FTEs and approximately \$1.2 million in personnel and non-personnel costs.

Youth Services

Councilmembers for Districts 1, 4, 8 and 9 included youth services in their budget priorities memo. The memo refers to advancing the City’s youth policies at the community level, convening youth stakeholders, and fostering public-private partnerships to leverage funding opportunities for youth resources.

In FY 2014, a Human Resources Department position was added to the budget for a Youth Workforce Development Program. The goal of the program is to assist youth in developing skills needed for work-readiness. The Youth Workforce Development Officer position, which was filled in March 2014, is tasked with developing partnerships with community organizations. This position also assists in providing opportunities for youth placement in paid and unpaid City internships.

ATTACHMENT TWO – INFORMATION ON OTHER PRIORITY EXPENDITURES FROM COUNCIL MEMOS

The Committee on Public Safety & Livable Neighborhoods, which oversees youth services programs, may want to request a presentation by the Youth Workforce Development Officer on the services this program provides and its results at a future Committee meeting.

Addition of Year-Round Pool Hours

The FY 2015 Proposed Budget includes funding for the operation of three year-round pools (Clairemont, Vista Terrace, and Ned Baumer) and ten seasonal pools. Closure of seasonal pools varies from four weeks to a maximum of three and half months between October and March.

Based upon Park and Recreation projections, providing year-round operation at all city pools would require a net increase of approximately \$630,000 in annual expenses. To provide year-round operation for one pool in each Council District (with the exception of Council District 5), the Department projects an increase of approximately \$400,000 in annual expenses.

City Auditor Training Funds

The City Auditor presented his FY 2015 budget request to the Audit Committee in a memorandum dated April 16, 2014. The memorandum requested an addition \$15,000 in training funds to: 1) improve the efficiency and effectiveness of the Office and 2) maintain audit skills to continue producing high impact audits with significant results. The Audit Committee unanimously recommended Council approve the FY 2015 Proposed Budget with the \$15,000 increase in training funds requested by the City Auditor. At the Budget Hearing on May 8th, our office stated that the request was reasonable and three Councilmembers commented in support of the additional training funds; however, these funds were not added in the May Revise.

Two Councilmembers requested the training funds be added in their budget priority memos. The IBA understands the Financial Management Department has informed the City Auditor that he should be able to redirect \$15,000 from other budgeted non-personnel expense items already in the Auditor's Proposed FY 2015 Budget. In particular, Financial Management expects there will be budgeted funds in excess of the amount needed for the outside audit contract with Macias Gini & O'Connell. The City Auditor agrees with this proposal and plans to work with the Financial Management department to move \$15,000 from the budgeted line item for the outside audit expense to the line item for training expense.

Tree Warden

In FY 2013, TSW - Street Division Division's budget included one code compliance officer position to (1) monitor compliance with tree-related landscaping regulations within the City's Land Development Code and (2) issue permits for planting and removal of trees with the public right of way. This position was commonly referred to as the Tree Warden.

Since code compliance and permitting activities are primarily the responsibility of the Development Services Department (DSD), the Tree Warden position (1.00 FTE Code Compliance Officer and \$73,049 in personnel expenses) was transferred from TSW to DSD as

ATTACHMENT TWO – INFORMATION ON OTHER PRIORITY EXPENDITURES FROM COUNCIL MEMOS

part of the FY 2014 budget. Per its existing business model, DSD utilizes this position as an additional code compliance officer rather than dedicating it specifically for compliance of tree-related regulations. Each code compliance officer has multiple items to monitor for compliance within a certain geographic area, including tree-related regulations. The permitting function previously conducted by the Tree Warden is now addressed by DSD's general permitting section; however, no additional resources were added to the development review process to address tree-related permitting.

TSW's Street Division has received complaints regarding the length of time it now takes to get tree-related permits as well as the lack of a Tree Warden dedicated to monitoring and enforcing compliance with tree-related regulations. DSD does not plan to dedicate a code compliance officer for tree-related regulations, but is currently assessing how to streamline the permitting process. DSD plans to transfer tree-related permits to its Landscape section for review, since the Landscape Planners have expertise to process the tree-related permits which would potentially reduce the time it takes to issue permits.

It is important for DSD to coordinate with TSW - Street Division regarding the effectiveness of tree-related code compliance and permitting. If Street Division continues to receive a high number of complaints, staff may want to assess whether the position should be transferred back to the Street Division and/or if funding is needed for an additional position.

ATTACHMENT THREE – DISCUSSION OF GENERAL FUND ALLOCATION FOR CIVIC SAN DIEGO

As shown in the table below, the City’s General Fund provides a total of \$300,000 for Civic San Diego (CivicSD) in the base budget for FY 2015, including \$250,000 in the Economic Development Department budget for economic development activities and \$50,000 in the Environmental Services Department budget for maintenance of the downtown public restrooms (located adjacent to Tailgate Park in the East Village) and port-a-potties.

The May Revise provides an additional \$300,000 for a total of \$600,000, which represents a significant increase of \$300,000 over FY 2014. The \$300,000 in the May Revise includes \$75,000 for the development of reuse opportunities for the old Main Library and \$225,000 for the formation of a Public-Private Investment Fund. Adding \$225,000 to the \$175,000 that was included in the base budget for this purpose provides a total of \$400,000 for the formation of the fund. Staff indicated that the \$400,000 will cover stand and consultant costs to develop financial modeling and assess the feasibility of public private investment funds for transit-oriented development investment in Encanto and City Heights.

GENERAL FUND ALLOCATION FOR CIVICSD			
	Base Budget	May Revise	Total
Revenue			
FY 2015 Base Budget - Economic Development Department	\$ 250,000	\$ -	\$ 250,000
FY 2015 Base Budget - Environmental Services Department	50,000	-	\$ 50,000
Added in the May Revise - Economic Development Department	-	300,000	\$ 300,000
Total Revenue from General Fund	\$ 300,000	\$ 300,000	\$ 600,000
Expenditures			
Maintenance of Downtown Restrooms and Port-a-Potties	50,000	-	\$ 50,000
Pursuit of Other Economic Development and Infrastructure Funding Sources	35,000	-	\$ 35,000
Pursuit of New Grant Opportunities	40,000	-	\$ 40,000
Formation of Public-Private Investment Fund	175,000	225,000	\$ 400,000
Development of Reuse Opportunities for Old Main Library	-	75,000	\$ 75,000
Total Expenditures	300,000	300,000	\$ 600,000

CivicSD initially requested \$175,000 to assess the feasibility of the Public-Private Investment Fund. Establishing such funds can require a significant investment, for example, San Francisco spent \$500,000 to set up a similar fund.¹ And, we also understand that formation of the fund is a high priority for the Mayor and Council. However, CivicSD is in the early stages of this process and may not require the full \$400,000 that has been proposed for this purpose in FY 2015, particularly since the concept has not yet been fully developed.

CivicSD also requested \$100,000 to conduct Downtown long-range planning and \$100,000 for community engagement and communications which have not been funded. Allocating the additional \$225,000 specifically for the formation of the fund will limit CivicSD’s ability to conduct these other activities. Finally, we believe that \$50,000 for maintenance of the downtown public restrooms and port-a-potties which was included in the base budget in the Environmental

¹ Looking forward, as the investment fund is deemed feasible, it is important to note that successful investment funds generally include the participation of a public entity, such as the City, generally in the form of cash or land investment.

ATTACHMENT THREE – DISCUSSION OF GENERAL FUND ALLOCATION FOR CIVIC SAN DIEGO

Services Department may have been overlooked and has been included in the May Revise, as well. As a result, we believe \$50,000 of the \$225,000 funded in the May Revise is available for reallocation. With this reduction, \$350,000 will still be available in CivicSD's budget for the Investment Fund.

Planning and Permitting in Encanto and City Heights

Although there was confusion regarding the different descriptions in the May Revise relating to how CivicSD would utilize the additional \$225,000 that was included in the May Revise for economic development, staff confirmed that this funding is not being allocated to provide ministerial review in Encanto and City Heights. A proposal to revise CivicSD's consulting agreement with the City to expand planning and permitting to these targeted areas is currently being vetted by the Mayor's office and is subject to meet and confer with labor before it will go to Council for final approval. Staff do not anticipate that additional revenue will be needed to support these functions, since permitting is self-sustaining through charges for services, and planning can be supported with grant funding.

ATTACHMENT FOUR

Policy / Budget Issues Requiring Attention in FY 2015		
	<i>Policy / Budget Issue</i>	<i>Committee Oversight</i>
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	Updating City's Budget Policy to address new policies and practices implemented since November 2010	Budget & Government Efficiency
10	Considering opportunities for expanding alternative work schedules	Budget & Government Efficiency
11	Considering opportunities for expanding corporate partnerships	Budget & Government Efficiency
12	Updating and evaluating the "Do Your Homework @ the Library" afterschool program	Budget & Government Efficiency
13	Implementing improvements to Real Estate Services Department recommended in Huron Report	Smart Growth & Land Use
14	Addressing role of Civic San Diego	Economic Development & Intergovernmental Relations
15	Discussing timing of potential Charter Review process	Economic Development & Intergovernmental Relations
16	Continuing to focus on City's Economic Development activities and finalize Economic Development Strategy	Economic Development & Intergovernmental Relations
17	Completing Police Sworn Officer salary survey on a timely basis to continue to address recruitment and retention	Public Safety & Livable Neighborhoods

ATTACHMENT FOUR

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