



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 11, 2015

IBA Report Number: 15-24

Budget and Government Efficiency Docket Date: June 17, 2015

Item Number: TBD

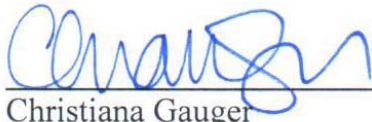
Proposed FY 2016 Statement of Budgetary Principles

OVERVIEW

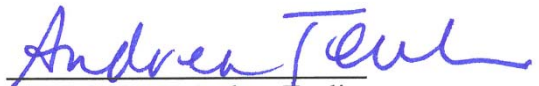
The Statement of Budgetary Principles (Principles) was first put into place in FY 2008 to address issues of budgetary authority and to provide a means to communicate budget changes between the Executive and Legislative branches following budget adoption each year. For the past eight fiscal years, the Statement of Budgetary Principles has been adopted by the City Council as a companion resolution to the Appropriation Ordinance (AO), which is scheduled to be heard by City Council on July 20, 2015 per the Council-adopted FY 2016 Budget Process Key Dates. The intent of the Principles is to preserve the intent of the AO as a true appropriation setting document rather than a policy document. The Principles represent an annual agreement between the Council and the Mayor, which we recommend be continued in FY 2016.

The proposed FY 2016 Statement of Budgetary Principles closely mirrors the FY 2015 Principles. The FY 2016 Principles continue to require the Mayor to issue the FY 2017-2021 Five-Year Financial Outlook by November 2015 and present it to the Committee on Budget and Government Efficiency and City Council. The Mayor will also work with City departments to update their performance measures for the FY 2016 Adopted Budget, and create department tactical plans and performance measures for inclusion in the FY 2017 Proposed Budget. These actions will enable the Mayor to issue Quarterly Performance Reports in FY 2017, which will publicly report on performance results and future goals for core City services.

This draft of the Statement of Budgetary Principles is provided for the June 17, 2015 Committee on Budget and Government Efficiency for any further direction and to forward to full City Council for review and adoption.



Christiana Gauger
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst

- Attachments: 1. FY 2016 Statement of Budgetary Principles – Clean Copy
2. FY 2016 Statement of Budgetary Principles – Redline Copy

FY 2016 STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to section 265(b)(15) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 14, 2015, the Mayor released the Fiscal Year 2016 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2016 Budget; and

WHEREAS, between May 4 and June 8, 2015 the City Council held more than two public hearings to consider the City's Fiscal Year 2016 Budget in accordance with San Diego Charter sections 290(b) and 71, and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year 2016 Budget; and

WHEREAS, on May 19, 2015, the Mayor's May Revision to the Proposed Budget (May Revision) was presented to the City Council; and

WHEREAS, on May 21, 2015, a Supplement to the Mayor's May Revision was released to the City Council and the public; and

WHEREAS, Councilmembers submitted their budget priorities to the Independent Budget Analyst on May 22, 2015 to assist with the development of final budget recommendations; and

WHEREAS, on May 21, 2015, the Chief Operating Officer and the Financial Management Director provided the City Council with their May Revision to the Fiscal Year 2015 Proposed Budget (May Revision); and

WHEREAS, on June 3, 2015, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY 2016 Budget (*IBA Report # 15-22 Review of the FY 2016 May Revise and Recommended Revisions to the Mayor's FY 2016 Budget*) was issued; and

WHEREAS, on June 8, 2015, the City Council approved the City's Fiscal Year 2016 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, the Supplemental May Revision, and including the recommendations in the IBA Final Report on the FY 2016 Budget, dated June 3, 2014, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 290(b)(2); and

WHEREAS, on June 10, 2015 the Mayor approved the Fiscal Year 2016 Budget, in accordance with Charter section 290(b)(2)(A); and

WHEREAS, in accordance with Charter section 290(b)(2), on June 10, 2015 the Fiscal Year 2015 Budget became the controlling document for purposes of preparing the annual appropriation ordinance; and

WHEREAS, pursuant to Charter section 71 and 290(c), the Council is required to adopt an appropriation ordinance during the month of July to establish budgetary appropriations for the Fiscal Year 2016 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2016 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, the City Council adopted Ordinance 20084 on August 4, 2011, which outlined amendments to the Municipal Code in regard to reporting mid-year budget adjustments to address any projected surplus or deficit in addition to reporting significant reductions in programs or services; and

WHEREAS, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor and to establish a framework for the administration by the Mayor of the Fiscal Year 2016 Budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs; and

WHEREAS, the City Council adopted Resolution 307737 on October 15, 2012, with the Mayor subsequently signing the Resolution on October 23, 2012, establishing ten fundamental principles for an effective, cooperative and transparent Mayor-Council form of government in the City of San Diego ("Ten Fundamental Principles").

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year 2016 Budget:

Fiscal Year 2016 Budget---Communication on Proposed Program /Service Changes

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be given verbally, and are intended to improve the flow of information between the Mayor, Council, and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.

3. Consistent with O-20084, prior to any reduction in service levels or elimination of programs or services as represented and funded in the FY 2016 Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service levels impacts.
4. Notwithstanding the forgoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

Fiscal Year 2016 Budget---Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 2016 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2016 Budget, including the appropriations reflected in the Fiscal Year 2016 Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year 2016 Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter sections 28 and 81, the Mayor has the authority to allocate Fiscal Year 2016 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2016 Budget, as approved by the Council. The Appropriation Ordinance shall specify the spending authority by Department and by Fund, and all other conditions, authorizations and requirements appropriate therefore. The Appropriation Ordinance will include necessary budget delegation to carry out the business of the City; provided however, the Appropriation Ordinance will not include Policy directions.
6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor. These Principles shall also apply to those offices that are independent of the

Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

Fiscal Year 2016 Budget – “Budget-Related Fundamental Principles for an Effective, Cooperative, and Transparent Mayor-Council Form of Government” applying to budget implementation

1. The “Structural Budget Deficit Principles” adopted by Council on February 22, 2010 and outlined in Resolution 305615 should be continually adhered to ensuring a structurally balanced budget.
2. The Mayor will update the City’s Five-Year Financial Outlook (Outlook) in November 2015 and present the results to the Budget and Government Efficiency Committee and City Council.
3. In FY 2016 the Mayor will work with City departments to update their performance measures for the FY 2016 Adopted Budget. The Mayor will also create tactical plans and performance measures for inclusion in the FY 2017 Proposed Budget. Per the Ten Fundamental Principles, in FY 2017 the Mayor will begin to issue quarterly stand-alone "City of San Diego Quarterly Performance Reports" to the City Council, which will also be made available on the City's website.
4. The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely and cost effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.

FY 2015~~6~~ STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to section 265(b)(15) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April 14, 201~~4~~⁵, the Mayor released the Fiscal Year ~~2014-2015~~ 2015-2016 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2014-2015~~ 2015-2016 Budget; and

WHEREAS, between May ~~5-4~~ and June ~~98~~, ~~2014-2015~~ the City Council held more than two public hearings to consider the City's Fiscal Year ~~2014-2015~~ 2015-2016 Budget in accordance with San Diego Charter sections 290(b) and 71, and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year ~~2014-2015~~ 2015-2016 Budget; and

WHEREAS, on May ~~21-19~~, ~~2014-2015~~, the Mayor's May Revision ~~revision (May Revision)~~ to the Proposed Budget (May Revision) was presented to the City Council; and

WHEREAS, on May 21, 2015, a Supplement to the Mayor's May Revision was released to the City Council and the public; and

WHEREAS, Council-members submitted their budget priorities to the Independent Budget Analyst on ~~May 23-2~~, ~~2014-2015~~ to assist with the development of final budget recommendations; and

WHEREAS, on May ~~2021~~, ~~2014-2015~~, the Chief Operating Officer and the Financial Management Director provided the City Council with their May Revision to the Fiscal Year ~~2014-2015~~ 2015-2016 Proposed Budget (May Revision); and

WHEREAS, on June ~~43~~, ~~2014-2015~~, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY ~~2014-2015~~ 2015-2016 Budget (IBA -Report # ~~145-20-22~~ Review of the FY 2015-2016 May Revision and Recommended Revisions to the Mayor's FY 2015~~6~~ Budget) was issued; and

WHEREAS, on June ~~98~~, ~~2014-2015~~, the City Council approved the City's Fiscal Year ~~2014-2015~~ 2015-2016 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, the Supplemental May Revision, and including the recommendations in the IBA Final Report on the FY ~~2014-2015~~ 2015-2016 Budget, dated June ~~43~~, -2014, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 290(b)(2); and

Attachment 2

WHEREAS, on June 10, ~~2014-2015~~ the Mayor approved the Fiscal Year ~~2015~~ 2016 Budget, in accordance with Charter section 290(b)(2)(A); and

WHEREAS, in accordance with Charter section 290(b)(2), on June 10, ~~2014-2015~~ the Fiscal Year 2015 Budget became the controlling document for purposes of preparing the annual appropriation ordinance; and

WHEREAS, pursuant to Charter section 71 and 290(c), the Council is required to adopt an appropriation ordinance during the month of July to establish budgetary appropriations for the Fiscal Year ~~2015~~ 2016 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year ~~2015~~ 2016 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, the City Council adopted Ordinance 20084 on August 4, 2011, which outlined amendments to the Municipal Code in regard to reporting mid-year budget adjustments to address any projected surplus or deficit in addition to reporting significant reductions in programs or services; and

WHEREAS, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor and to establish a framework for the administration by the Mayor of the Fiscal Year ~~2015-2016~~ Budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs; and

WHEREAS, the City Council adopted Resolution 307737 on October 15, 2012, with the Mayor subsequently signing the Resolution on October 23, 2012, establishing ten fundamental principles for an effective, cooperative and transparent Mayor-Council form of government in the City of San Diego ("Ten Fundamental Principles").

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year ~~2015-2016~~ Budget:

Fiscal Year ~~2015-2016~~ Budget---Communication on Proposed Program /-Service Changes

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be given verbally, and are intended to improve the flow of information between the Mayor, Council, and public.

Attachment 2

2. The Council President will provide time on the Council's agenda for the Report of the Mayor.
3. Consistent with O-20084, prior to any reduction in service levels or elimination of programs or services -as represented and funded in the FY ~~2015-2016~~ Adopted Budget, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service levels impacts.
4. Notwithstanding the forgoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

Fiscal Year 201~~5~~6 Budget---Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year 201~~5~~6 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 201~~5~~6 Budget, including the appropriations reflected in the Fiscal Year 201~~5~~6 Appropriation Ordinance. -However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year 201~~5~~6 Budget without first receiving a funding recommendation of the Mayor. -The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter sections 28 and 81, the Mayor has the authority to allocate Fiscal Year 201~~5~~6 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 201~~5~~6 Budget, as approved by the Council. -The Appropriation Ordinance shall specify the spending authority by Department and by Fund, and all other conditions, authorizations and requirements appropriate therefore. The Appropriation Ordinance will include necessary budget delegation to carry out the business of the City; provided however, the Appropriation Ordinance will not include Policy directions.

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6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor. -These Principles shall also apply to those offices that are independent of the Mayor. -This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

Fiscal Year 201~~5~~⁶ Budget – “Budget-Related Fundamental Principles for an Effective, Cooperative, and Transparent Mayor-Council Form of Government” applying to budget implementation

1. The “Structural Budget Deficit Principles” adopted by Council on February 22, 2010 and outlined in Resolution 305615 should be continually adhered to ensuring a structurally balanced budget.
2. The Mayor will update the City’s Five-Year Financial Outlook (Outlook) in November 201~~4~~⁵ and present the results to the ~~Committee on~~-Budget and Government Efficiency Committee and City Council.
3. In FY 2016 the Mayor will work with City departments to update their performance measures for the FY 2016 Adopted Budget. The Mayor will also create tactical plans and performance measures for inclusion in the FY 2017 Proposed Budget. Per the Ten Fundamental Principles, in FY 2017 the Mayor will begin to issue quarterly stand-alone "City of San Diego Quarterly Performance Reports" to the City Council, which will also be made available on the City's website.~~Per the Ten Fundamental Principles, beginning this fiscal year, the Mayor will issue quarterly stand-alone “City of San Diego Quarterly Performance Reports” to the City Council, which will also be made available on the City’s website.~~
4. The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely and cost effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.

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