



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 27, 2016

IBA Report Number: 16-14REV

City Council Docket Date: July 12, 2016

Item Number: TBD

Proposed FY 2017 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 nine fiscal years, the Principles have been adopted by the City Council as a companion resolution to the Appropriation Ordinance (AO), which is scheduled to be heard by the City Council on July 11, 2016 per the Council-adopted FY 2017 Budget Process Key Dates. The purpose 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 City Council and the Mayor, which we recommend be continued in FY 2017.

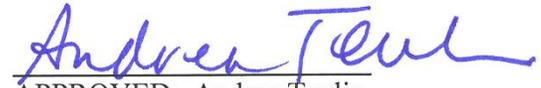
The proposed FY 2017 Statement of Budgetary Principles closely mirrors the FY 2016 Principles with the exception of the requirement for the Mayor to provide quarterly performance reporting. In prior years the Principles had included a request for quarterly performance measure reports which were to be implemented beginning in FY 2015, however, this has not taken place. To address this for FY 2017, the Mayor plans to launch a public, online performance dashboard that will display historical information and targets for performance measures in the following areas: civic engagement, communication, customer satisfaction, economy, infrastructure, public safety, recreation and culture, sustainability, and transportation and mobility. This new approach is reflected in the draft FY 2017 Statement of Budgetary Principles. Per Performance & Analytics Department staff, performance measures included in this dashboard will be updated at least quarterly in FY 2017, and will be a subset of the performance measures included in the FY 2017 Proposed and Adopted Budgets. Additional performance measures will be evaluated and added to the performance dashboard over the course of the fiscal year, as resources allow.

All other sections of the Principles remain the same for FY 2017.

The Principles were presented to the Budget and Government Efficiency Committee on June 22, 2016. The Committee approved the Principles and forwarded them to the City Council for review and adoption, with one added condition: that Performance & Analytics Department staff work with the Office of the IBA and return to Committee in the fall to discuss and review performance measures planned for inclusion in the FY 2018 Proposed Budget and the performance dashboard. The FY 2017 Principles (Attachments 1 and 2) have been updated to reflect the Committee's direction.



Christiana Gauger
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst

- Attachments: 1. FY 2017 Statement of Budgetary Principles – Clean Copy
2. FY 2017 Statement of Budgetary Principles – Redline Copy

FY 2017 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, 2016, the Mayor released the Fiscal Year 2017 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year 2017 Budget; and

WHEREAS, between May 4 and June 13, 2016 the City Council held more than two public hearings to consider the City's Fiscal Year 2017 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 2017 Budget; and

WHEREAS, on May 17, 2016, the Financial Management Director provided the City Council with their May Revision to the Fiscal Year 2017 Proposed Budget (May Revise); and

WHEREAS, on May 19, 2016, the May Revise was presented to the City Council sitting as the Budget Review Committee; and

WHEREAS, Councilmembers submitted their budget priorities to the Independent Budget Analyst on May 27, 2016 to assist with the development of final budget recommendations; and

WHEREAS, on June 8, 2016, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY 2017 Budget (IBA Report # 16-11 *Review of the FY 2017 May Revision and Recommended Revisions to the Mayor's FY 2017 Budget*) was issued; and

WHEREAS, on June 13, 2016, the City Council approved the City's Fiscal Year 2017 Budget, including the Mayor's Proposed Budget, as modified by the May Revision, and including the recommendations in the IBA Final Report on the FY 2017 Budget, dated June 8, 2016, 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 14, 2016 the Mayor approved the Fiscal Year 2017 Budget, in accordance with Charter section 290(b)(2)(A); and

WHEREAS, in accordance with Charter section 290(b)(2), on June 14, 2016 the Fiscal Year 2017 Budget became a 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 2017 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year 2017 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, in accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, mid-year budget adjustments shall be reported 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 2017 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, subsequently signed by the Mayor, 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 2017 Budget:

Fiscal Year 2017 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 Chapter 2, Article 2, Division 2 of the Municipal Code, prior to any reduction in service levels or elimination of programs or services as represented and funded in the FY 2017 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 2017 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 2017 Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year 2017 Budget, including the appropriations reflected in the Fiscal Year 2017 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 2017 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 2017 Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year 2017 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 2017 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 2016 and present the results to the Budget and Government Efficiency Committee and City Council.
3. In FY 2017, the Mayor will launch a public, performance dashboard available online at PerformSD. In FY 2017 the performance dashboard will display historical information and targets for performance measures in the following areas: civic engagement, communication, customer satisfaction, economy, infrastructure, public safety, recreation and culture, sustainability, and transportation and mobility. The performance measure data available as part of the performance dashboard will be discussed and reviewed by the Budget and Government Efficiency Committee by the end of the first quarter of FY 2017. The data will be updated at least quarterly in FY 2017, and will be a subset of the performance measures included in the Proposed and Adopted Budgets. Additional performance measures may be evaluated and added to the performance dashboard in FY 2017.
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 ~~2016-2017~~ 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~~2016, the Mayor released the Fiscal Year ~~2016~~2017 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2016-2017~~ Budget; and

WHEREAS, between May ~~4~~4 and June ~~8~~13, ~~2015-2016~~ the City Council held more than two public hearings to consider the City's Fiscal Year ~~2016-2017~~ 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 ~~2016-2017~~ Budget; and

WHEREAS, on May ~~19~~7, ~~2015~~2016, the Financial Management Director provided the City Council with their May Revision to the Fiscal Year 2017 Proposed Budget (May Revise); 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~~19, ~~2015~~2016, 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); May Revise was presented to the City Council sitting as the Budget Review Committee;~~ and~~

~~WHEREAS, Councilmembers submitted their budget priorities to the Independent Budget Analyst on May 27, 2016 to assist with the development of final budget recommendations; and~~

WHEREAS, on June ~~3~~8, ~~2015~~2016, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY ~~2016-2017~~ Budget (IBA Report # ~~156-22-11~~Review of the FY 2016-2017 May Revision and Recommended Revisions to the Mayor's FY 2016-2017 Budget) was issued; and

WHEREAS, on June ~~8~~13, ~~2015~~2016, the City Council approved the City's Fiscal Year ~~2016-2017~~ 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 ~~2016-2017~~ Budget, dated June ~~38~~, ~~2014~~2016, 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~~14, ~~2015-2016~~ the Mayor approved the Fiscal Year ~~2016~~ 2017 Budget, in accordance with Charter section 290(b)(2)(A); and

WHEREAS, in accordance with Charter section 290(b)(2), on June ~~10~~14, ~~2015~~ 2016 the Fiscal Year ~~2015-2017~~ Budget became ~~the a~~ 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~~ 2017 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year ~~2016~~ 2017 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, ~~in accordance with Chapter 2, Article 2, Division 2 of the Municipal Code, mid-year budget adjustments shall be reported to address any projected surplus or deficit in addition to reporting significant reductions in programs or services~~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 ~~2016-2017~~ 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, subsequently signed by the Mayor~~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 ~~2016-2017~~ Budget:

Fiscal Year ~~2016-2017~~ 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 Chapter 2, Article 2, Division 2 of the Municipal Code ~~20084~~, prior to any reduction in service levels or elimination of programs or services as represented and funded in the FY ~~2016-2017~~ 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 ~~2016-2017~~ 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 ~~2016-2017~~ Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year ~~2016-2017~~ Budget, including the appropriations reflected in the Fiscal Year ~~2016-2017~~ 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 ~~2016-2017~~ 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 ~~2016-2017~~ Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year ~~2016-2017~~ 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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Fiscal Year ~~2016-2017~~ 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 ~~2015-2016~~ 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. In FY 2017, the Mayor will launch a public, performance dashboard available online at PerformSD. In FY 2017 the performance dashboard will display historical information and targets for performance measures in the following areas: civic engagement, communication, customer satisfaction, economy, infrastructure, public safety, recreation and culture, sustainability, and transportation and mobility. 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. The performance measure data available as part of the performance dashboard will be discussed and reviewed by the Budget and Government Efficiency Committee by the end of the first~~

quarter of FY 2017. The data will be updated at least quarterly in FY 2017, and will be a subset of the performance measures included in the Proposed and Adopted Budgets. Additional performance measures may be evaluated and added to the performance dashboard in FY 2017.

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.